

Ex-post evaluation of the EU-SADC Economic Partnership Agreement

Workshop to Present and Discuss Preliminary Findings: Botswana

Place: Protea Hotel Masa Square, CBD, Gaborone

Date: 28 November 2023

Workshop report

Within the framework of the ex post evaluation of the Economic Partnership Agreement (EPA) between the European Union (EU) and six Parties from the Southern African Development Community (SADC), a half-day workshop was held in Gaborone on 28 November 2023. **The objective of this event was to discuss the preliminary findings of the ongoing evaluation of the implementation of the EU-SADC EPA since its entry into force in 2016 (Botswana, Lesotho, Namibia, Eswatini and South Africa) and 2018 (Mozambique)**, focussing on the implementation and effects in Botswana. The workshop was facilitated by the evaluation team. It was attended by key stakeholders namely from the private sector, government institutions and other non-state actors. In total, 56 persons from 32 organisations participated in the workshop. Annex A provides the list of organisations participating in the workshop.

WORKSHOP PROCEEDINGS

In her opening remarks, **Selpati Olweny, Deputy Permanent Secretary, Ministry of Trade and Industry**, thanked the EU for the continuous support provided to Botswana. She noted the importance of participants to actively contribute to the workshop in order to enrich the evaluation. Ms Olweny stressed the independence of the evaluation from both the EU and the SADC EPA States and noted that, in the EU's view, the evaluation should provide an input into the ongoing joint review of the EPA by the Parties under Article 116 of the EPA. She hoped that the evaluation would also be useful for the SADC EPA States and suggested that similar evaluations should also be undertaken for Botswana's other trade agreements.

Ambassador Petra Pereyra, Head of the European Union Delegation to Botswana and SADC, stressed the importance of wide-ranging consultations and in particular the role of non-state actors in the implementation of the EPA. This is because the ultimate objective of the EPA is to contribute to a reduction and ultimately eradication of poverty, which is a societal goal and accordingly requires the involvement of all societal actors. She also noted that an efficient and effective implementation of the EPA was important as well. In this context, the first-ever EU-Botswana Business Forum had been held in October 2023. She reported that the EPA had already provided important benefits to Botswana, which tended to be overlooked as the Agreement had followed suit to earlier preferential market access in the EU under unilateral preference schemes. In any case, Botswana had a sizeable trade surplus with the EU, with exports worth BWP 42 billion compared to imports worth BWP 13 billion. She hoped that EU-Botswana relations would be further strengthened, including through the EU's Global Gateway Initiative, which was being implemented in close collaboration with SADC and its member states. She called upon the workshop participants to contribute to the evaluation, whose main purpose was to identify



how the EPA and its implementation could be improved to further foster trade and investment for the mutual benefit of the Parties.

The workshop programme was structured in two thematic sessions addressing, respectively, the implementation and effects of the EPA to date, followed by two panellist sessions with contributions from public, private sector and civil society stakeholders (see agenda in Annex B).

Session 1: Preliminary Evaluation Findings: Implementation of the EPA

The evaluation team made presentations on the "Context, Approach and Status of the Evaluation" and the "Preliminary Findings of the Evaluation on the Implementation of the EPA".¹ Some key observations were:

- The scope of the EPA is narrow when compared with other EU trade agreements: it focuses on trade in goods, and here in particular on tariff preferences.
- The institutional structure is also comparatively limited, with no technical committees on matters such as sanitary and phytosanitary (SPS) matters or technical barriers to trade (TBTs), nor any mechanism to involve non-state actors in the implementation and monitoring of the EPA.
- On the positive side, tariff preferences and other commitments have largely been implemented by the Parties. The activation of diagonal cumulation, which allows one SADC EPA State to use inputs from another SADC EPA State without losing preferential access to the EU market, took however very long, until June of this year (and has not taken place in Mozambique so far).
- SPS issues have been a difficult area, with relatively long lists of complaints on both sides. It is not clear however, that these would have been exacerbated by the presence of the EPA.
- Institutionally, meetings have taken place and served to exchange information on technical issues, but the problem-solving capacity had been limited (note the many and long-standing issues around SPS matters). Also, the Joint Council, the highest political and strategic body under the EPA had met only once to date, indicating a lack of strategic guidance on EU-SADC EPA State trade (and also lack of escalation of problems that cannot be solved at the technical level).
- Awareness for the EPA is uneven across stakeholders, and development cooperation has taken place, but evaluations of (older) projects had been quite critical of their results.

In the ensuing discussion, a number of questions and comments were made:

One participant requested clarification on the extent to which TBT issues were raised by the Parties during implementation. The evaluation team mentioned that evidence was largely collected from the meeting minutes of the TDC held since 2017 and interviews with stakeholders most of which reported a relatively lower number of TBT concerns when compared to SPS concerns. Specific TBT issues were raised by the EU in relation to the considerable delays by South Africa in releasing imports of electronic and electro technical appliances and equipment due to the necessity to check their compliance with compulsory specifications – the process can take up to 6 months for the competent authority in South Africa (the National Regulator for Compulsory Specifications) to issue the Letter of Authority authorising the customs authorities to release the goods.

Another participant agreed with the study findings on SPS measures, which are in some cases limiting SADC EPA exports with some exporters considering diverting exports from

¹ All presentations are available at <http://eu-sadc.fta-evaluation.eu/en/consultations/workshop-in-botswana>

the EU to other non-EU destinations. According to the participant SPS concerns have been raised and discussed at the TDC meetings held to date.

Session 2: Preliminary Evaluation Findings: Effects of the EPA

The evaluation team presented its "Preliminary Findings on the Impact of the EPA," focusing in particular on the impact in Botswana. Key findings included the following:

- Bilateral trade between the EU and the SADC EPA States had improved following the EPA implementation after having languished in the period prior to the EPA; the model simulations confirmed that this could be attributed to the liberalisation under the EPA, which helped maintain the relative importance of the EU and SADC EPA States in each other's trade, notwithstanding global developments such as the rise of China. For Botswana, the impact of the EPA was also positive but small, due to the dominance of the diamond trade, which is not much affected by the EPA.
- Following from the relatively limited positive impact on Botswana's trade, the EPA also generated small overall economic benefits, i.e. for GDP, welfare, or wages.
- At the sectoral level, most of Botswana's sectors make small gains in percentage terms. This also comprises most services sectors, which benefit from the positive overall income gains of the country. The only sector with a notable negative impact is apparel, which loses across all SADC EPA States. Among the goods sectors, the largest output gains in absolute terms accrue to ruminant meat (beef), cattle, and "other manufacturing".
- The evaluation team underscored that many of the sectors that gain from the EPA do so because of the income generated by the EPA, not from the direct bilateral trade impacts driven by tariff reductions. In particular, the largest increase in activity is in public services, which benefit from the tax revenue generated by the increase in the value of GDP.
- Following from the small economic effects of the EPA, other – social, environmental, and human rights – effects were also limited.

In the ensuing discussion, a number of questions and comments were made:

One participant asked whether, because there were hardly any benefits from the EPA, the Agreement was worthwhile for Botswana. Another participant added what should be done if the EPA was not benefitting Botswana. The evaluation team responded that this question was ultimately to be answered by stakeholders and the government in Botswana, and that the evaluation would hope to provide evidence and insights for taking such a decision. Based on the current state of findings, three considerations should be taken into account. First, the fact that non-diamond exports of Botswana to the EU had declined was not attributable to the EPA. Rather, the economic modelling results showed that the EPA's impact on Botswana's exports to the EU had been positive. In other words, in the absence of the EPA exports would have decreased even more; at the same time, the EPA had not been sufficient to neutralise other factors negatively impacting on Botswana's non-diamond export performance. Second, in the absence of the EPA, Botswana's non-diamond exports, such as beef and other agricultural products, would face most-favoured nation (MFN) duties in the EU, which would act as a significant market access barrier and create a further challenge for export and economic diversification. Third, development cooperation associated with the EPA would not have been provided, and neither would have been activities aimed at awareness raising for the opportunities of the EU market – although admittedly these had only started with considerable delay, noting that the first EU-Botswana Business Forum had taken place only in 2023, seven years after the start of the application of the EPA.

Participants noted that development cooperation programmes were already in existence but focused on providing high-level support to Government and agencies but not to enhance export readiness of Botswana's MSMEs. They stressed the need that support

needed to be tailored to the specific contexts of the SADC EPA States, avoiding a one-size-fits all approach. The evaluation team took note of this, stating that the evaluation of development cooperation related to the EPA was still at an early stage.

A clarification was requested on whether the EUR.1 form needed to show eligibility for preferential market access was related to the EPA. The evaluation team confirmed this, stating that the EUR.1 origin certificate was part of the implementation of the EPA.

One participant stated that expectations from the EPA should not be overblown. The EPA in itself was just one aspect related to Botswana's international competitiveness, but certainly not the most important one. So it should be noted that Botswana's ranking in international competitiveness indicators worsened in recent years, indicating a decline in competitiveness. It was therefore not surprising that exports also declined and the country was not able to benefit from the EPA.

In response, the evaluation team asked if it would have helped if the EPA had covered investment and trade in services issues, as those would have had a positive impact on the investment climate in Botswana. The Ministry of Trade and Industry responded that the EPA negotiations had initially comprised these issues but was then narrowed down to trade in goods after no agreement on services and investment could be reached. Botswana was however ready to resume negotiations on trade in services.

Noting the evaluation team's comment on the narrow scope of the TSD Chapter in the EPA, the Ministry of Trade and Industry stated that the scope of the Chapter reflected the agreement reached in the negotiations. Specifically, the SADC EPA States had felt at the time that they lacked the capacity to implement further binding commitments under the Chapter and considered the multilateral approach, i.e. ratification and implementation of international labour, environmental and other conventions and agreements, as more appropriate. It was noted that the EU also took its own unilateral policies impacting on trade with the SADC EPA States, such as the Green Deal and its various implementation policies. The Ministry also noted the important role that development cooperation related to the EPA had already played. When comparing the EPA with the US AGOA scheme, the former provided a broader basis for trade than preferences under AGOA, although some businesses focussed more on the US market using AGOA preferences.

Panel Session 1

Martin Ntongana, Ministry of Trade and Industry, started his contribution by highlighting that Botswana had benefitted from duty-free, quota-free access to the EU market already before the EPA, under the ACP. For the implementation of the EPA, the Government had prepared an EPA Implementation Plan, which was supported by the EU with a €6 million support programme, which was being implemented by GOPA, a German consulting firm, since 2021 with an end date of July 2024. This programme included value chain support for the beef and leather value chains and investment promotion (supporting the BITC), as well as support in upgrading the quality infrastructure, with various actions at the Ministry of Agriculture to enhance traceability, pest control, and conformity assessment. He concluded that, to export to the EU, more investment from the EU is needed as MSMEs cannot afford to meet the SPS and other requirements in the EU given their small scale of operation. The main challenges for benefitting from the EPA arose from domestic issues, global challenges, and compliance issues with the stringent EU requirements.

Hildah Molefo, SADC EPA Implementation Unit at the SADC Secretariat, provided an overview of the Implementation Unit's work. According to her, some of the main achievements of the Unit include (i) training and sensitisation workshops on rules of origin, (ii) establishment of the National Monitoring and Evaluation Report Templates, (iii) technical support to SADC EPA States to draft their National EPA Implementation Plans,

and (iv) Development of the EU-SADC Trade Portal (ongoing). She concluded that the EPA is relevant for the SADC EPA States as it supports existing policy arrangements. At the same time, SADC EPA States face challenges in benefitting from the EPA due to limited capacities. Therefore, raw materials still dominate exports (with the exception of South Africa). The SADC EPA States are also doing their own evaluation of the EPA, which has found that overall trade levels increased since 2016, but that EU autonomous measures are increasingly affecting the exports of SADC EPA States.

Following the panellists' presentations, a number of questions and comments were raised:

One participant noted that much support was focused on the agricultural sector and asked if other sectors were also benefitting. Related questions and comments were on the focus on the livestock sector, at the expense of other agricultural subsectors, including organic farming, and on outreach of support into the regions. In response, panellists highlighted the need for prioritisation of actions, as the budget of the programme was limited. At the same time, the support did go beyond livestock and agriculture, and support through the BITC in relation to export readiness and market entry support was not restricted to any sector. With respect to the geographical scope of the programmes, it was clarified that activities had been implemented in all of Botswana's districts, but that the distribution of activities was proportionate to the economic activity in the country.

Another participant commented that it should be the private or business sector that should drive the Government's EPA and trade strategies. Related to that, participants requested further information on the challenges that Botswana's businesses confronted when exporting to the EU, including indirect exports. For example it was noted that the EU's decision to restrict the import of hunting products had a negative impact on Botswana's tourism industry.

In conclusion to the first panel, the Ministry of Trade and Industry noted that support to access EU markets was provided to the extent possible, including by using the support provided by the EU, but that funds for doing so were nevertheless quite limited. In addition, the EU's Green Deal and unilateral policy measures were eroding the preferences granted under the EPA as they made it more costly for producers in Botswana to comply with requirements and export to the EU.

Panel Session 2

Zachariah Mmapetla, Department of Plant Health at the Ministry of Agriculture, reported on the support provided by the EU to upgrade Botswana's capacity to meet EU SPS requirements. He also noted that this support was aligned with the Government's strategy to strengthen the environment for plant-based exports, as evidenced by the upgrading of the former Division of Plant Health into a Department. He noted that the EU support was instrumental in upgrading conformity assessment of various SPS issues, such as testing for residues (to meet maximum residue level requirements), strengthening of pest control (important e.g. for the upcoming exports of citrus in view of false codling moth and other pests). This support also led to expanding the outreach of beneficiaries from the EPA, e.g. through outreach programmes implemented by commercial farms. At the same time, the EU continued to be a difficult market due to the stringent conditions that are difficult to comply with; these conditions are however met by higher prices offered by the EU market.

Gerrit Struyf, Matebeleng Milling (Pty) Ltd, a small business that exports devil's claw to the EU under the EPA, reminded participants that exporting to the EU is a complex endeavour, requiring the input of a multitude of government entities, logistics providers and others, and would only work if it was profitable in the end. However, he noted that it was first and foremost the responsibility of business themselves to determine the profitability of such exports, and that the government agencies and others, as well as the

EPA and the preferences provided by it, only had a facilitating role to play. Likewise, risks would always remain.

Closing Session

The evaluation team informed the participants that a workshop report would be prepared and shared with all participants. The evaluation interim report, providing more detailed information on the preliminary findings of the evaluation than the summary that had already been shared with participants, would also be completed and published soon, and would be shared with participants; the finalisation of the draft report was planned for end February 2024.

The evaluation team also shared a simplified version of the online public consultation questionnaire, offering participants to fill this in during the workshop; the offer was taken up by about 10 participants.

ANNEX A: ORGANISATIONS PARTICIPATING IN THE WORKSHOP

Organisation
Bank of Botswana (BOB)
Botswana Agricultural Marketing Board (BAMB)
Botswana Bureau of Standards (BOBS)
Botswana Exporters and Manufacturers Association
Botswana Freight Forwarders Association
Botswana Institute for Policy Development Analysis (BIDPA)
Botswana Tourism Organisation (BTO)
Botswana Trade Commission (BoTC)
Botswana Watch Organisation
Business Botswana
Civic Commission for Africa (CCfA)
EU Delegation
GIZ
Institute of African Urban Studies
Local Enterprise Authority (LEA)
Matebeleng Milling
Ministry of Agriculture - Department of Plant Health
Ministry of Agriculture - Department of Veterinary Services
Ministry of Finance
Ministry of Foreign Affairs
Ministry of Health
Ministry of Trade and Industry
ML Advertising Agency
National Agricultural Research Development Institute (NARDI)
National Products Association of Botswana
Organic Fertiliser Manufacturers Botswana
SADC Council of Non Governmental Organisation
SADC Secretariat
Special Economic Zones Authority (SEZA)
SPEDU
Statistics Botswana
Women in Business Association (WIBA)

ANNEX B: WORKSHOP AGENDA

Time	Activity
08:00 – 08:30	<i>Registration</i>
08:30 – 08:45	<p>Opening Remarks</p> <ul style="list-style-type: none"> • Selpati Olweny, Deputy Permanent Secretary, Ministry of Trade and Industry • Amb. Petra Pereyra, Head of the European Union Delegation to Botswana and SADC
08:45 – 09:00	<p>Introduction: Context, Approach and Status of the Evaluation</p> <ul style="list-style-type: none"> • Presentation by study team leader • Q&A
09:00 – 09:40	<p>Preliminary Evaluation Findings: Implementation of the EPA</p> <ul style="list-style-type: none"> • Presentation by the study team • Q&A and plenary discussion
09:40 – 10:30	<p>Preliminary Evaluation Findings: Impacts of the EPA</p> <ul style="list-style-type: none"> • Presentations by study team <ul style="list-style-type: none"> ○ Economic effects ○ Social effects ○ Environmental effects ○ Human rights effects • Q&A and plenary discussion
10:30 – 10:40	<i>Coffee Break</i>
10:40 – 11:30	<p>Panel discussion: Implementation of the EPA</p> <ul style="list-style-type: none"> • Presentations by panellists: <ul style="list-style-type: none"> ○ Martin Ntongana, Ministry of Trade and Industry, Department of Trade Development ○ Hildah Moleofe, SADC EPA Implementation Unit, SADC Secretariat ○ Prince Nkwe, Botswana Exporters and Manufacturers Association • Plenary discussion
11:30 – 12:30	<p>Implementation and Impacts of the EPA: Societal Views and Summary Discussion</p> <ul style="list-style-type: none"> • Presentations by panellists <ul style="list-style-type: none"> ○ Zachariah Mmapetla, Ministry of Agriculture, Department of Plant Health ○ Gerrit Struyf, Oodi Matebeleng Milling (Pty) Ltd ○ Kamogelo Lefuti & Rangarirai Machededze, SADC Council of Non-Governmental Organisations ○ Gape Kaboyakgosi, Botswana Institute for Policy Development Analysis • Discussion
12:30 – 12:45	<p>Closing Remarks and Way Forward</p> <p>Study team</p>
12:45 – 14:00	<i>Lunch</i>

Moderation: Patience Mawere