

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

Workshop to Present and Discuss Preliminary Findings: Namibia

Place: Mercure Hotel (Safari Conference Centre), Windhoek

Date: 16 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 Windhoek on 16 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 Namibia. 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, 40 persons from 30 organisations participated in the workshop. Annex A provides the list of organisations participating in the workshop.

WORKSHOP PROCEEDINGS

In the introductory remarks, the moderator reminded participants that the negotiation of the EPA had been difficult and controversial in Namibia but ultimately the view had prevailed that Namibia's export interests in agriculture and fisheries would provide a net benefit to the country. The evaluation of the EPA would hopefully shed light on the degree to which these considerations had been materialised as a result of the Agreement's implementation.

The program was structured in two thematic sessions addressing, respectively, the implementation and effects of the EPA to date, followed by a discussion of the EPA with stakeholders (see agenda in Annex B).

Session 1: Preliminary Evaluation Findings: Implementation of the EPA

The evaluation team leader 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.

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



- 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).
- Namibia uses export restrictions more than other SADC EPA States. Although most export levies appear to be in line with the EPA, this does not seem to be the case for export levies on hides and skins, which are also applied, at 15%-60%, on exports to the EU.
- 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).
- 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:

More information was requested on the implications of Namibia's decision to not sign the **Samoa Agreement**, i.e. the successor to the Cotonou Agreement which provided the legal framework for the EPA. The evaluation team responded, noting that a more detailed analysis would need to be undertaken concerning the legal and practical consequences of Namibia's decision and that this was beyond the scope of the present evaluation, which does not cover the relationship between the EPA and the Samoa Agreement. The evaluation team did, however, observe that the references in the EPA to the Cotonou Agreement were relatively limited, and the trade preferences granted by the EPA would not likely be affected. In contrast, the EPA's provisions on development cooperation referred to the rules and relevant procedures laid out in the Cotonou Agreement, and therefore future trade-related development cooperation between the EU and Namibia would fall into a legal void, probably requiring additional negotiations between Namibia and the EU. The EU Delegation added that programmes in Namibia funded by the European Investment Bank would be affected if Namibia does not sign the Samoa Agreement as they would require this legal framework to operate in the country. Another participant added that South Africa's withdrawal from the Organisation of African, Caribbean and Pacific States and hence its absence from the Samoa Agreement would also have to be taken into account.

One participant noted that the fishing industry would occasionally source fish from South Africa; sometimes the sourced fish would be ruled to be eligible to be exported to the EU under the EPA preferences but other times not. The **rules of origin** were not clear in this respect. The evaluation team noted that one would need to study the specific conditions set in the protocol on rules of origin in the EPA. But two potential reasons for the fish being denied access to the preferential window could be limited awareness of the requirements for such access or errors, i.e. the traders not providing the required certificates, or if they are not correctly filled in. This could also reflect the non-activation, until recently, of the diagonal cumulation (see above). This had also affected – a comment made by another participant – the strengthening of **regional value chains**. Participants noted the importance of the possibility of cumulation within the SADC EPA States but also with other African countries (in view of the AfCFTA's implementation).

Another participant enquired if and how the EPA would support the fundamental changes in Namibia in relation to **transitioning to a green economy**, noting the example of green hydrogen projects. The evaluation team noted that, unlike more recent trade agreements

that have dedicated chapters to environmental goods and services, sustainable fisheries and forestry, etc., the EPA does not include specific provisions regarding its potential contribution to climate change mitigation or decarbonisation of the economy. The EPA does, however, provide tariff preferences for relevant products – e.g. for ammonia produced from green hydrogen in Namibia, as well as for machinery and other inputs needed for the implementation of renewable energy projects in Namibia. It was further noted that the evaluation will include a case study on this topic.

On the **institutional structure of the EPA**, a participant noted that this was complex on the SADC EPA side, due to the existence of parallel institutional structures, in particular the South Africa-EU bilateral dialogues, the nested structure in which individual SADC EPA States are part of the Southern African Customs Union (SACU), and the SADC EPA Implementation Unit. At the same time, the absence of dialogue on the EPA at the political level (i.e. the Joint Council, at ministerial level) has hampered the implementation of the EPA. In addition, the view was expressed that **non-state stakeholders** should be included, with the acknowledgement that this would also require a more proactive approach by those non-state actors to organise themselves. It was noted that civil society had been quite vocal during the negotiation of the EPA, but then this involvement had not been cultivated and faded over time. However, it was also noted that capacity constraints as well as a lack of funding faced by civil society organisation force them to focus on their core mandate, and there are relatively few organisations in SADC EPA States with a clear focus on trade.

The importance of **geographical indications** (GIs) for Namibia was pointed out by a participant, as Namibia had its own GIs which could benefit from protection under the EPA.

On the issue of **export restrictions**, one participant suggested that the recent Namibian Cabinet decision to ban exports of unprocessed critical raw materials should also be considered by the evaluation. Under the current EPA provisions such exports to the EU shall not attract an export levy, but this can be counterproductive to Namibia's ambitions to encourage local beneficiation.

With regard to the scale of **development cooperation**, it was noted that anecdotal information did indicate that more trade-related support had been provided by the EU than would have been the case without the EPA.

Finally, the EU Delegation noted that the provision of practical, user-friendly information about the EPA, especially for private sector and businesses, could still be improved. In this respect, activities done in relation to the EPA could learn from the work done for the United States' AGOA.

Session 2: Preliminary Evaluation Findings: Effects of the EPA

The evaluation team presented its "Preliminary Findings on the Impact of the EPA". 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 others' trade, notwithstanding global developments such as the rise of China.
- While for the SADC EPA region as a whole, the EPA had generated a greater degree of liberalization by the SADC side than by the EU, resulting in a much larger growth in bilateral exports by the EU than by the SADC EPA side, for Namibia, the reverse was true, as the EPA drove a substantially greater growth in bilateral exports than in bilateral imports.

- The substantial increase in tariffs facing Namibia in the counterfactual scenario in which the EPA did not exist would have forced Namibian exporters to reduce their price to stay in the EU market. By the same token, the EPA allowed Namibia to pocket this money, a reality that was captured in the simulation result which showed large terms of trade (ToT) gains for Namibia (1.4%). These gains, together with the real GDP gain of 0.075%, underpinned the large improvement in the value of Namibian GDP of 2.1%, by far the largest among the SADC EPA States, as well as strong increases in real wages.
- At the sectoral level, most Namibian goods sectors make strong gains in bilateral exports to the EU in percentage terms (including 22 with double-digit percentage increases, led by prepared foods), although mostly from a low base. Similarly, most sectors witness an increase in imports from the EU, although again, mostly from a small base.
- When trade diversion effects and the impact on domestic sales are taken into account, sectors accounting for almost 95% of Namibia's value added make gains, while sectors accounting for 5.4% of Namibian value added see lower sales as a result of the EPA. Of the latter, the most significant sector is "other transport equipment", which accounts for 0.9% of Namibia's value-added, and experiences a decline of sales of over 9%.²
- 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. Other sectors benefiting principally from domestic sales increases include fishing and dairy, which support benefits from the EPA flowing to SMEs.

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

In terms of the **evaluation methodology**, participants questioned some of the effects coming out of the model. For example, they were not aware of any notable exports of processed food, the sector making the largest bilateral export gains under the EPA, nor were they aware of any production of other transport equipment, the sector seeing the largest sectoral decline in sales. As well, the model results showing an increase in cattle sales to the EU did not accord with their understanding that Namibia did not ship cattle to the EU at all. Accordingly, they questioned whether the sizeable effects found by the model in these sectors were due to incorrect baseline trade data in the model? Also, it was noted that the analysis should go beyond the broad sectors defined in the model to the HS 6-digit level, because Namibia's production and export structure is concentrated on a small number of products. Such a more disaggregated approach would produce better results, although the bad quality of data, as well as inconsistencies of data provided by different sources would also need to be taken into account. In response, the evaluation team noted that the baseline trade data were compiled by the international GTAP consortium drawing on Namibia's national trade data but also on the mirror data of Namibia's trade partners, in the case the EU. The GTAP sectors can be quite broad (especially for sectors such as other foods) and can include products that one might not necessarily associate with the broad sector labels. Accordingly it would be necessary to drill down to the underlying HS codes to verify the composition of these groups. For the sectors for which the results were questioned, the evaluation team undertook to dig further into the data.

Another participant requested clarification on whether the reported increase in trade was in real terms, and if non-economic effects of the EPA were analysed as part of the CGE

² Following the discussion at the workshop on the presence, or lack thereof, of actual production of transport equipment in Namibia, the evaluation team consulted the statistics: There is a line item for Namibian exports of boats to the EU in the model base year of 2017, which is reflected in the model set-up; but it is indeed unlikely that these were manufactured in Namibia, and therefore the result of the model on this sector is a spurious model artefact.

economic model. The evaluation team clarified that reported trade changes were in value terms, and non-economic effects of the model were not integrated in the model. However, it was noted that quantified effects on welfare, wages, sectoral effects on labour, and CO2 emissions served as inputs for the further analysis of non-economic effects, including social, environmental and human rights. In follow-up, a participant asked how effects on working conditions were analysed, as these could not be derived from the economic model. The evaluation team responded that these would be analysed qualitatively. As the EPA does not include any binding commitments of the Parties on Decent Work and labour issues had not been discussed by the EPA institutions, there was no evidence for a causal link between the EPA and any developments on labour issues in Namibia (or other Parties). However, the increase in exports to the EU, which is a demanding market with high consumer expectations about and buyer requirements for social (and environmental) conditions in producing countries, would point to a positive indirect effect. In this regard, the role of labour (and environmental) certification schemes would be further studied by the evaluation.

Noting the high degree of preference utilisation by Namibia (93%), participants requested more information about which products and which companies were benefitting from the EPA, and whether the EPA had led to a **diversification of exports both in terms of products and in terms of exporting firms** – in particular, were small and/or informal or large companies benefitting? The evaluation team responded that a large body of empirical analysis using firm-level data shows that firms that export or use imported inputs in their production are usually larger and formal. Based on this, it was realistic to infer from the model results that the main direct beneficiaries from the increased bilateral trade induced by the EPA were larger Namibian firms. That said, the model results also show that the income generated by the EPA is spent on all sectors of the Namibian economy, including those that feature a large share of small and informal firms. As a follow-up, one participant noted that larger firms in Namibia tend to be foreign-owned, raising the concern that benefits would accrue primarily to them. In response, the evaluation team noted that this was true with respect to the repatriation of profits, but Namibia would nevertheless benefit from the payments to local factors of production (including most importantly Namibian works), and from technology transfer and skills spillover.

Some participants highlighted the importance of **unilateral measures**, such as the EU's Carbon Border Adjustment Mechanism (CBAM) or increasingly strict SPS requirements, affecting market access. This would in particular affect Namibia's exports of agricultural products as well as potential exports of fossil fuels to the EU. Also, non-tariff barriers such as SPS rules would affect SMEs disproportionately, and they would therefore require targeted support to help them meet such requirements quality standards. The evaluation team noted that the use of such measures is, from a modelling perspective, reflected in the baseline data and thus historically applied measures are implicitly taken into account in the simulations.

Closing Session

With respect to the online survey undertaken by the ex post evaluation, participants informed the evaluation team that the same (or very similar) questionnaire had also been distributed by the NCCI for another study that looks into the effect of the EPA on Namibia, and requested clarification about whether this was the same survey and/or whether stakeholders were expected to participate in both surveys. The evaluation team stated that they would get in touch with the team undertaking the other study and inform participants by email about the way forward.

Finally, 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.

ANNEX A: ORGANISATIONS PARTICIPATING IN THE WORKSHOP

Organisation
Agricultural Trade Forum (ATF)
EU Delegation Namibia (EEAS – WINDHOEK)
Former Director of Customs & Excise/ Trade Negotiator
GIZ
Independent Consultant
Independent Consultant/ International Trade
Individual
International Trade Consultant/ Former Namibia Chief Trade Negotiator/ Former SACU Executive Secretary
Labour Resource and Research Institute (LaRRI)
Meat Board of Namibia
Ministry of Finance and Public Enterprises
Ministry of Industrialisation and Trade
Ministry of Industrialisation and Trade, EPA Implementation Project
Ministry of Industrialisation and Trade, EPA Project
Ministry of Labour, Industrial Relations and Employment Creation
Namib Mills
Namibia Competition Commission (NACC)
Namibia Investment Promotion and Development Board (NIPDB)
Namibia Media Holdings (NMH)
Namibia Standards Institution (NSI)
Namibia Statistics Agency (NSA)
Namibia Trade Forum (NTF)
Namibia Wildlife Resorts (NWR)
National Planning Commission (NPC)
Ohlthaver & List Group
SACU Secretariat
Trade Union Congress of Namibia (TUCNA)
University of Namibia (UNAM)
Walvis Bay Corridor Group (WBCG)

ANNEX B: WORKSHOP AGENDA

Time	Activity
08:00 – 08:30	<i>Registration</i>
08:30 – 08:50	Introduction: Context, Approach and Status of the Evaluation <ul style="list-style-type: none"> • Presentation by study team leader • Q&A
08:50 – 10:00	Preliminary Evaluation Findings: Implementation of the EPA <ul style="list-style-type: none"> • Presentation by the study team • Q&A and Discussion
10:00 – 10:15	<i>Coffee Break</i>
10:15 – 11:30	Preliminary Evaluation Findings: Impacts of the EPA <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 Discussion
11:30 – 12:30	Implementation and Impacts of the EPA: Societal Views and Plenary Discussion <ul style="list-style-type: none"> • Moderated by study team
12:30 – 12:45	Closing Remarks and Way Forward <p>Study team</p>
12:45 – 14:00	<i>Lunch</i>

Moderation: Paul Kalenga