

Advancing African Agriculture
**The Impact of European practices and policies on African
Agriculture**

**Monitoring Exercise by
European Civil Society Organizations**

Draft discussion paper 27 August 2008

“The triple global crisis which has affected us - the financial crisis, the energy crisis and the food crisis - is the red light flashing a clear warning: something is rotten in the global economy. It is warning us that the structural upsets due to past trade and financial practices are too serious and too deep to sustain the current state for a long time.”

(Stjepan Mesić, President of Croatia, speech at the UN Food Summit, FAO, 3 June 2008)

“Family farm households and agricultural producers still suffer the consequences of agricultural and rural policies that do not reflect the realities they live and the concerns they continually proclaim.”

(Pan African Farmers Platform, May 2008)

“An increase and strengthening of Agricultural Knowledge, Science and Technology towards agro-ecological sciences will contribute to addressing environmental issues while maintaining and increasing productivity.”

(International Assessment of Agricultural Knowledge, Science and Technology for Development, April 2008)

Speaking to members of the European Parliament, Louis Michel, the European commissioner for development and humanitarian aid, said that the EU's critics are correct "ethically and intellectually" to point out that its farm subsidies conflict with its stated desire to alleviate global poverty. "But politically perhaps you are not right," he added. "I agree this is a contradiction," he said. "Sometimes we have to live with this kind of contradiction. We are always trying to balance the interests of our farmers with the interests of the developing world."

(July 2008)

INTRODUCTION

The current food crisis is hurting poor people everywhere, but in Africa most of all. Even before the crisis hit the media in early 2008, agriculture had once again climbed to the top of the agenda of development cooperation in Africa after a long period of marginalization. It has proved to be the key issue in the WTO Doha Round negotiations. It is the theme of the World Bank's 2008 edition of the World Development Report. The Millennium Development Goal No.1 implicitly highlights agriculture as an important component of strategies to reduce poverty and hunger. FAO, in redefining its priorities, has accorded central importance to support for the formulation and application of agricultural strategies and policies. The renewed emphasis on agriculture in the context of multilateral cooperation was confirmed at the Second European Forum for Sustainable Rural Development (Berlin, 18-21 June 2007), whose conclusions were intended to feed into the Accra Conference on aid effectiveness on September 2008. On the African side, the resolution adopted by the members of the African Union in Maputo in 2002 to devote at least 10 percent of the national budget to agriculture and the formulation of a continental framework for agricultural development constitute positive signs of a redefinition of priorities. Finally, the structuring and the mobilization of African small farmers' organizations is obliging all actors, at last, to take into account the visions and the proposals expressed by the rural majorities of the populations of the African region.

The fact that the agricultural sector is receiving the attention it deserves is an excellent development, but the question of "what agriculture" to promote is still open. The proponents of a technology-driven "new green revolution" pin their hopes on production, by large-scale enterprises, of commodities for which Africa can "hope" to become "competitive" on the world mar-

ket. On the other side of the fence are the advocates of the thesis that “Africa can feed itself!”¹ if the millions of small farmers on which the continent’s economy, food security and social cohesion depend are provided with the policy and program support they require. This option would require privileging agro-ecologically enhanced smallholder food production for local and regional markets that are protected from invasion by products dumped on the world market at artificially low prices with which African producers cannot possibly compete.

Advancing African Agriculture

It was in this context that on 24 July 2007 the European Commission took the important step of publishing a communication to the Council and the European Parliament entitled “Advancing African Agriculture” (AAA). Proposal for continental and regional level cooperation on agricultural development in Africa” (COM(2007)440 final)². This objective was to provide strategic guidance for allocation of European Development Fund (EDF) and other EC resources and to serve as a reference document for member states in order to facilitate overall coordination of European support to African agriculture. The EU policy regarding African agriculture also relates to the EU-Africa Strategic Partnership which was adopted at the Lisbon Heads of State Summit on 8-9 December 2007.

In reviewing this text European civil society actors, while concurring with the importance of the initiative, pointed to some aspects which appeared to receive inadequate emphasis, including:

- the fundamental role of multifunctional family-based agriculture for development, food security and poverty reduction in Africa and the need to prioritize support for strengthening family farming in all aspects of agricultural development and cooperation strategies;
- the priority that should be given to building and defending local, national and regional agricultural markets and to ensuring the access of small producers to these markets on terms that are advantageous to them;
- the centrality of regional agricultural policies formulated and applied with the effective participation of the social actors directly concerned.
- the heritage of experience and partnerships with African farmers’ organizations which European CSOs have built up over the past decades and the contribution that they can and should make to a European initiative to advance African agriculture.³

In late November 2007 European civil society organizations (CSOs) brought these concerns to the attention of the Commission and proposed to make an autonomous contribution to monitoring the impact of the AAA policy.⁴ This proposal was welcomed by the responsible EC unit (DG Dev D2). During subsequent discussions among civil society actors it was agreed to undertake this activity in an inclusive way, making full use of existing coordination mechanisms, CONCORD in particular, but reaching out to involve other sectors of European civil society as well, agricultural organizations in particular. It was also agreed to conduct the monitoring exercise in close consultation with African farmers’ organizations and other CSOs. Finally, it was agreed not to limit the monitoring exercise to EU development assistance, but to look also at other important ways in which Europe impacts on African agriculture.

¹ The slogan of a campaign promoted by the West African farmers’ platform, ROPPA.

² See summary in annex.

³ The role of civil society and the importance of ensuring CSOs’ participation in the implementation and review of the strategy was subsequently underlined both in the Council Conclusions of 19 - 20 November 2007 and in the European Parliament’s report reacting to the Commission’s Communication.

⁴ By a delegation of members of the CONCORD Food Security Working Group and the European Platforms for Food Sovereignty.

This present document represents an initial monitoring effort, undertaken with minimum time and resources, on which we intend to build in 2009. In this issue we review measures proposed in the “Advancing African Agriculture” communication and seek to explore the following questions:

1. How is European aid affecting African agriculture?
2. What is the impact of European trade policies on African agriculture and food security?
3. What is the impact of agribusiness on African agriculture and African farmers?
4. What is the impact of investments by the European Investment Bank in the African agricultural sector?
5. What is the impact of the EI Common Agricultural Policy on African agriculture and African farmers?

The concluding chapter presents some alternatives and policy recommendations to make the African agricultural chain more sustainable and European aid more effective.

This concluding chapter still has to be written. This will be done on the basis of the reactions/contributions of the organisations that had expressed their interest to this monitoring exercise earlier and which are receiving this first draft right now. Also the authors of the different chapters will be asked to propose conclusions and recommendations for their parts.

Thanks to all the authors for their contribution.

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CHAPTER 1 – HOW IS EUROPEAN AID AFFECTING AFRICAN AGRICULTURE?

by Patrick Mulvany (Practical Action, Uk) and Gert Engelen (Vredeseilanden, Belgium)

Aid to African agriculture is back on the international policy agenda. African governments themselves, in their 2003 Maputo Declaration, have committed to allocating 10 per cent of GDP to agriculture. The European Commission and member states, with renewed commitments to increase aid to agriculture and rural development (including a transfer of 1 billion euro from the CAP underspend on Pillar II to agriculture aid), have the opportunity to influence the international agriculture agenda under the umbrella of the EU's Advancing African Agriculture (AAA).

Many international processes are now focusing on agriculture, including AAA, the third High Level Forum on Aid Effectiveness, and many processes of the UN's Common Framework for Action, proposed by the High-Level Task force on the Global Food Crisis.

All the main international agencies are undergoing, or have recently undergone, internal review processes related to food and agriculture (FAO, IFAD, WFP, CGIAR, World Bank). These processes will have the opportunity to promote the provision of more investment in and aid to agriculture, especially in Africa, in a more coordinated way - as agreed under the UN's Common Framework for Action proposed by the High-Level Task force on the Global Food Crisis.

The big question, though, is how much will be available in practice, for what type of investment and for whose benefit? Will these processes be inclusive, especially of small-scale farmers' movements, and will they result in the goals of reduced hunger, improved equity and a more sustainable environment in the long-term.

These are goals supported by the EU-ACP Joint Parliamentary Assembly, which met in June 2007 to consider these issues. The Assembly also declared in its resolution that biological diversity, sustainable agriculture and food security depend absolutely on the recognition of ACP (African, Caribbean and Pacific) countries' food sovereignty (in the face of the inequitable EPA negotiations) and the policy space necessary to protect ACP countries' fragile economic sectors and farmers' individual and collective rights to store, exchange, distribute and improve seeds, so as to enhance food production. The European Commission should heed their resolution.

The New Agriculture Agenda

For Africa, there is an apparent consensus among major donors on five main issues:

- ✓ *aid effectiveness*: targeting and delivering aid more effectively with greater emphasis on food production, food security and agricultural and rural development;
- ✓ *market- and private sector-led agricultural growth*: there is broad agreement among most donors that agricultural growth must be market-led with a smaller role for the public sector and new public-private partnerships. They call for a productivity revolution, which some explicitly name as a ‘New Green Revolution for Africa’, with the need for more research and development, specifically in science, technology and innovation;
- ✓ *exiting agriculture*: this is a dominant theme that not only includes propositions about farmers leaving the land, safety nets, and whether such aid should be provided in cash, as food aid or via voucher schemes, but also the future for farmers, smallholder agriculture and rural-urban development. The latter category includes the increased recognition of the social role of small farms and the central role of women in agriculture; increased investments in human capital, the provision of assistance to small-scale farmers’ groups in accessing markets, and opportunities for diversification, e.g. through high-value agriculture;
- ✓ *improved governance and political processes*: good governance evolves with economic progress, it is claimed, and donors therefore propose greater emphasis to be put on small, but targeted and strategic improvements in governance rather than on wholesale governance reform;
- ✓ *African ownership*: Africa taking the lead in its own development is an important component of the donors’ discourse on rural development and agriculture. More specifically, Africa must lead partnerships between Sub-Saharan African countries and donors, and take responsibility for problems and ownership of solutions, compliant with donors’ priorities.

EC Aid

In Europe, DG Development formulates the development policy applicable to all developing countries and conducts studies to this end. The main thematic and sectoral areas (sub-activities) covered are: promoting food security and sustainable rural development; linking trade with development; regional integration and cooperation; support for macro-economic policies and promoting equitable access to social services in coherence with the macro-economic framework; supporting transport; and support for institutional capacity building.

Spending – some 7 billion euro/year, in 150 countries and territories – is handled by EuropeAid/AIDCO, a separate department of the Commission. The most significant budget lines are food aid/food security, environment/tropical forests, health and NGO co-financing.

The aid is provided under the 10th EDF, which covers the period from 2008 to 2013 and includes 21,966 million euro allocated to ACP countries. This will continue to take place at the national level, through increased budget support measures, as guided by Country Strategy Papers (CSPs). Within the CSP framework, various sources of funding⁵ are combined in an integrated manner

⁵ Funding from the EDF (including Stabex resources) within National Indicative Programs; from the European Community Budget (budget lines related to specific crops like sugar and bananas, or to thematic programmes on

in support of national policies and strategies, reflecting national priorities. Thirty agreements have been reached, so far, including most African countries.⁶

Aid to rural development, agriculture and food security is substantially increasing. Financial resources allocated to rural development, agriculture and food security are increasing indicatively from about 9.5 percent to over 12.5 percent of the national-level EDF envelopes. In volume terms this implies an increase from 660 million to about 1.1 billion euro, or nearly 75 percent. The new thematic instrument in support of food security has a strong rural development and Africa focus, recognizing that food security overwhelmingly prevails in the rural areas.

In addition, a range of communications and policy guidelines has been developed for various aspects of agricultural and rural development, which, in conjunction, provide a wide-ranging EU framework in this area (EU council, EU Parliament and EC, 2005). They include the EU Action Plan on Agricultural Commodity chains, Dependence and Poverty, as well as EU–Africa Partnership in support of cotton sector development (EC COM, 2005); the Food Security policy⁷; the Communication on Fisheries and Poverty Reduction (EC COM, 2000); the Land Policy Guidelines (EU Task Force on Land Tenure, 2004); the initiative on Forest Law Enforcement, Governance and Trade – FLEGT (COM, 2003), and the EC and EIARD Strategies in Agricultural Research for Development adopted in 2001 and 2004 respectively.

ACP-EU Joint Parliamentary Assembly

The ACP-EU Joint Parliamentary Assembly debated these issues in 2007 and agreed a resolution. They deplored the fact that only four out of 78 ACP countries made agriculture a priority sector under the 9th EDF⁸, and that EU development cooperation policy did not give priority to agriculture and rural development. The Assembly argued that small farmers in Less Favoured Areas should be given priority, having traditionally missed out on agricultural support under the well established principle of EU cohesion policy. The Assembly considered that ACP-EU development cooperation policy should be based on recognition of the right of the ACP countries to protect their agriculture, as has been the case in Europe, in order to guarantee satisfactory earnings for small farmers, increase local production and guarantee food security, while allowing selective market openings.

It also called on the EU to support the structural transformation of production in poor countries away from export-led economy towards an intra-regional sustainable development strategy, taking into account the real need of the populations and seeking to reduce dependency on industrialized countries and build domestic and regional markets. It calls for EDF assistance for conversion to organic farming where possible and Fair Trade farming where appropriate, and to reduce the use of capital intensive pesticides and synthetic fertilizers.

Challenges for EC Aid

EC aid has long been criticized for its lack of focus on poverty. An NGO study of EC aid to African agriculture concluded that there was no evidence that it was focused on the basic needs of small farmers; when EC aid reached the poor it was usually in the form of food aid only.

food security, environment, etc.); as well as national aspects of intra-ACP projects and programmes (e.g. SPS, live-stock, commodities and fisheries)

⁶ http://ec.europa.eu/development/how/methodologies/strategypapers10_en.cfm

⁷ Council regulation 1292/96 continues to guide assistance in the fight against hunger.

⁸ ‘30.7% of the Ninth EDF has been allocated to structural adjustment programmes, 21.4% to transport, only 7% to rural development and 1.1% to sectors specifically related to agriculture.’

The future will tell whether the implementation of the 10th EDF will have better impacts on African smallholder farming, farmers' livelihoods and the environment than the 9th EDF. An evaluation of the European Commission's aid to rural and agricultural development covering the period 1995-2005 was published in June 2007⁹. It concluded that EC aid, despite some successes, was 'limited... fragile... or hardly visible'.

These challenges were recognised by the EU-ACP Joint Parliamentary Assembly, and in proposing for how the deficiencies could be remedied called for the interests of small-scale subsistence farmers to be adequately represented. It stressed that farmers' organizations must be recognized as important players in initiatives affecting the rural and agricultural sectors and must be included in the non-government group regularly consulted by the EC on these matters.

⁹ ADE, *Evaluation of EC cooperation in the field of rural and agricultural development in partner countries*, June 2007

CHAPTER 2 – WHAT IS THE IMPACT OF EUROPEAN TRADE POLICIES ON AFRICAN AGRICULTURE AND AFRICAN FARMERS?

by Nora McKeon (Terra Nuova) and Marc Maes (11.11.11)

It is universally recognized that trade policies are closely linked to agricultural development and food security. What varies is the assessment of *which* trade policies ought to be put in place in order to promote *which* approach to agricultural development. There are two basic issues involved. Are the EU's trade policies relative to Africa designed to further the development objectives which underlie the Cotonou Agreement, or are they essentially cut from the same stuff as the FTAs which the EU is churning out at a rapid rate to promote the commercial interests of Europe and its corporations? Secondly, are the trade recipes proposed by Europe likely to favour sustainable development of the family-based farming on which the majority of the African population depends for its livelihood, or are they more likely to promote large-scale export-oriented agriculture?

The EC's "Advancing African Agriculture" communication makes three major references to the trade-agricultural development link. "Accessing remunerative markets" (including what are termed "niche markets" such as the controversial biofuels as well as fair-trade and organic agriculture) is identified as a priority for African agriculture. "Trade facilitation, emphasizing quality assurance and improvement" is cited as a key area for cooperation, with a focus on regional markets "building on the opportunities offered by EPAs" (Economic Partnership Agreements). An annex to the communication clarifies what model of agriculture is targeted by these measures: "larger and more market-oriented farming enterprises are expected to reap benefits from regional integration opportunities offered through other forms of AU-EU cooperation" whereas "smallholders can benefit from flourishing larger scale farming".

The First Action Plan for the Implementation of the Africa-EU Strategic Partnership adopted at the UE-Africa Summit in Lisbon in December 2007 integrates much of the content of the AAA communication into a Priority Action to "Accelerate the Achievement of the Food Security Targets of the MDGs" which accents "enhanced intra-Africa trade, including staple foods". The Action Plan's partnership on "trade and regional integration" includes among its activities that of "ensuring that the EPAs support Africa's regional integration efforts". But regional integration is seen essentially as the prerequisite for Africa's triumphal entry into the world market. This is clearly the orientation of the EC communication on "Regional Integration for Development in ACP Countries" (September 2008), which reiterates the Cotonou Agreement's statement that EU-ACP economic and trade cooperation "shall aim at fostering the smooth and gradual integration of the ACP States into the world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries." (Title II, Art. 34)

Finally, moving beyond the bilateral EPAs, the Africa-EU Strategic Partnership foresees "coordination of African and EU positions in international fora" including the Doha Development Agenda, "in particular seeking common ground to address key issues for development".

Small farming families victim of neoliberal market policies

The impact on African agriculture and food security of nearly three decades of neo-liberal market policies combined with continued production and export subsidies and market protection in

Europe (and elsewhere) has been catastrophic. Donor-induced policies and programmes have promoted export commodity markets, presumed to be most the promising route to African development. They have privileged investment in infrastructure and services in function of export markets, to the detriment of smallholder food production and marketing. African markets have been invaded by “dumped” European (and other) food products.

Neoliberal trade dogma has been invoked to prohibit African governments from elevating tariff barriers to this unfair competition with the result that local small producers can no longer sell their products on their own local and national markets. Africa’s share in world market has declined, contrary to the teachings of free trade prophets. Africa has become a net food importer with disastrous consequences as highlighted, dramatically, by the current food price crisis. FAO foresees an increase of 74 percent in the amount that low income food-deficit African countries will have to pay out in 2007-2008 to purchase cereals from abroad that could have been produced in Africa with appropriate agriculture and trade policies. Failing these, small farming families have continued to sink further into poverty and to leave the land, embarking in option-less and often life-threatening migration to African cities and the southern coasts of Europe.

With such a bleak scoreboard it is hard to believe that powerful players including the EU can recommend more of the same. But that is just what is happening. It is of fundamental importance for African farmers and food and agriculture systems that the political opportunity offered by the current food crisis be seized to seriously question and fundamental recast the agricultural trade policies of the past three decades. If the EPAs are turned around to meet their declared objective of stimulating regional integration and strengthening regional and continental markets they could make a positive contribution to African agricultural development and food security. If the EU maintains its pledge to work together with ACP countries in international trade forums to win special and differential treatment for developing countries, the combined strength of the 77 ACP and the 25 European countries would be formidable. If the European response on both of these issues is negative, the impact will be devastating.

EPAs in the current form are not pro-development

The EC - in good faith or not - is operating on the false assumption that the EPAs, as presently being negotiated, do indeed offer opportunities for regional integration and support the development agenda of Cotonou Agreement. In reality nothing could be further from the truth. This is demonstrated by a growing body of literature produced not only by civil society organizations but also by such authoritative sources as FAO, the Carnegie Institute and the European Centre for Development Policy Management. Major problems which have emerged since the negotiations started in 2002 include:

- ✓ Vastly unequal negotiation capacity between EU and the ACP regions, making it difficult for the latter to define and defend their own interests;
- ✓ Domination of the process by DG Trade with DG Development playing a subordinate role, going so far as to use development aid as a “carrot” in the negotiations and to countenance conversion of EDF resources to “aid for trade” designed to help ACP countries cope with difficulties they could avoid by not signing EPAs to begin with;
- ✓ Inclusion of issues like government procurement, investment and competition which the developing countries have rejected in the context of the WTO negotiations;
- ✓ Totally inadequate involvement of stakeholders, in contravention of the rhetoric of both the Cotonou Agreement and the Africa-EU Strategic Partnership;

- ✓ Failure to explore alternatives to EPAs and to take into account the results of the impact assessments conducted by various actors and commissioned by the EC itself;
- ✓ Failure to seriously consider the situation of the ACP regions regarding real (not only “on paper”) implementation of regional integration and their requirements for addressing supply-side constraints and non-tariff barriers;
- ✓ Insistence on meeting the 31 December 2007 deadline ignoring the increasingly evident fact that the ACP regions needed more time and despite the stall in the Doha talks which would have justified a delay;
- ✓ Use of aid funds and threats of cutting market access for strategic non-LDC commodities as “incitements”;
- ✓ Initiating interim EPAs with “pieces” of ACP sub-regions thus damaging - rather than enhancing - prospects for regional integration.
- ✓ Refusing for four years to include development cooperation provisions in the EPAs
- ✓ Insisting on high levels of tariff elimination and inadequate transition periods (especially for the LDCs), on MFN clauses that limit the ACP opportunities for South-South agreements and on standstill clauses and the elimination of export limitations
- ✓ Failing to provide adequate and user friendly infant industry and food security safeguards

On the multilateral front, the EU has not opted to act in cooperation with ACP countries in the context of the WTO Doha Round in pursuit of objectives like revision of Article XXIV of GATT and definition of Special and Differential Treatment for developing countries. The EU has also not given much support to the G33 proposals for special products and an adequate and user friendly Special Safeguard Mechanism (SSM) to protect the food security, income security and rural development of developing countries.

Nor has the eruption of the global food crisis brought about a change of mind. The EC communication on “Tackling the challenge of rising food prices. Directions for EU action” (COM(2008) 321 final of 20 May 2008) lists, among the actions to be taken to address the effects of the crisis at international level, that of: “continuing to promote an open trade policy and working towards an early conclusion of the DDA. There are significant potential gains for developing countries from the Doha Round in terms of new market opportunities, which would help generate additional export income, stimulate agricultural production and facilitate access to foodstuffs, thereby alleviating the current food price hikes. The EU has already autonomously granted duty and quota free access to least developed countries. The same approach is now extended to the ACP countries in the framework of the EPAs”.

Recommendations of African farmer organizations and CSOs

The EPA negotiations have offered a terrain for exceptionally fruitful cooperation among African social movements, European civil society organizations (CSOs) and the international food and agriculture organizations (IFAD and FAO) to enable the regional African farmers’ networks to prepare their own autonomous assessments of the EPA negotiations. Respect for the different identities and roles of each partner has been a key factor. Political control of the reviews was squarely in the hands of the farmer networks. IFAD provided financial support, FAO gave technical assistance, while the European CSOs ensured the farmer organizations’ (FOs) access to strategic documents and information and facilitated their interaction with the institutions.

The results have been compelling. In the space of just six months, five autonomous assessments were prepared and presented to the respective regional integration organizations. A synthesis of the assessments presented to ACP Secretary General on 15 December 2006 won recognition of

FO networks at global level and their inclusion in the deliberations of the all-ACP experts. It directed four recommendations to the ACP negotiators: give priority to regional integration and markets; negotiate trade relationships based on asymmetry and equity and excluding food products; arrange for effective participation of actors; take the time and develop the necessary instruments to ensure that the agreements further the interests of the ACP regions.

Many European CSOs, including European farmers' organizations as well as NGOs, have based their advocacy work on these views expressed by the social actors directly affected, with an un-hoped-for impact. Concerted campaigning has brought what was a non-issue into the public domain. The EPA process as conducted by the EC has been delegitimized and its policy incoherence exposed. Increasingly rigorous questioning has taken place in the European Parliament and in a number of national parliaments. Most recently a report by a parliamentarian of the country that holds EU Presidency in the strategic latter half of 2008 has recommended a turn-about in the negotiations to put the development objectives up front.

On their own home front the African farmer networks have worked actively to sensitize and mobilize rural people, to defend farmers' interests in the negotiations undertaken by their regional economic organizations, and to conduct ongoing lobbying along with other sectors of civil society. Their advocacy and alliance-building has made an undoubted contribution to the fact that no full EPAs were initialled by the 31 December 2007 deadline and that some regions, West Africa in particular, are taking a far more forceful negotiation stance. Exchanges among the four regional farmer networks in the context of the EPA negotiations has contributed to the establishment in May 2008 of a Pan African Farmers' Platform that will strengthen their participation in policy negotiations between the African Union and the EU.

By 31 December 2007 eighteen African states (including most non-least developed and some least developed countries) had initialled interim EPAs. The remaining African countries, apart from South Africa, continue to export to the European market under the EU Generalised System of Preferences (GSP): its favourable Everything But Arms (EBA) sub-regime in the case of least developed countries, and the less favourable standard GSP for Nigeria, Republic of the Congo, and Gabon. An authoritative study published by ODI/ECPDM published in March 2008 (*The new EPAs. Comparative analysis of their content and the challenges for 2008*) sums up the differences among these agreements in the following terms: "countries have a deal that reflects their negotiating skills: that countries able to negotiate hard, knowing their interests, have obtained a better deal than those lacking these characteristics", a situation that is hardly acceptable given the EPAs' development objectives. The interim agreements are judged to pose significant difficulties for African agriculture: they create additional barriers to regional integration, they offer no guarantee that development assistance will be provided to support agricultural production, they do not provide adequate protection for African products against dumping and import surges. The way forward must ensure ownership not only by African governments but by all stakeholders. This means taking the time necessary, increasing the transparency of the negotiation process and redressing the negotiation asymmetries.

Therefore, current advocacy objectives for civil society and farmers organizations include:

- ✓ Independent assessments of initialled agreements before any further steps are taken;
- ✓ For ACP regions, rather than pursuing negotiations on the basis of EU proposals by trade ministers, define autonomous strategies for agricultural development and regional integration, with full involvement of stakeholders, parliaments and productive ministries;
- ✓ Moratorium on EPA negotiations until the above has been done (and so long as Doha Round is blocked).

CHAPTER 3 – WHAT IS THE IMPACT OF AGRIBUSINESS ON AFRICAN AGRICULTURE AND AFRICAN FARMERS?

by Myriam Vander Stichele, SOMO

Agribusiness, in this document, is understood to be agricultural production and processing & distribution of agricultural products beyond the informal sector and family farms or micro businesses linked to agriculture. This text focuses on foreign agribusiness aiming at exports and those operating on local or regional markets with products imported or produced in Africa. Attention is also paid to African agribusinesses operating in Africa (at local, national or regional level) with African agricultural products from Africa, or imported agricultural products. This document raises issues related to agribusiness that need to be further explored from a perspective of improving sustainable agriculture and food supply and ensuring nutritious food for all Africans, with priority for agricultural production by family farms.

Admitting market failures... by agribusiness

A basic starting point in the EC's "Advancing African Agriculture" communication is the recognition that "market failures have been prevalent" and that this has had negative impacts especially on marginal groups. This market failure relates to particular features and trends of agribusiness which are particular visible in Africa.

- ✓ Agribusiness has not set up the services or diversified production when the state was unable to provide support or when so-called market unfriendly state intervention was halted. When infrastructure (roads, communication networks, cold chain, etc.) is too poor or when the purchasing power of the farmers is too low to buy services, business can make no profit and does not (start) operat(e)/(ing). The lack of infrastructure for (foreign) investment in agriculture might be the reason why very large commodity agribusinesses like ADM and Bunge are barely operating in Africa. In order to attract agribusiness, governments, with the advise and support from donors, might tend to invest large sums in infrastructure. If this is to support export-oriented, large-scale and foreign agribusiness, this might be at the expense of budgetary spending for supporting small scale family farming as their needs for infrastructure might be different than those of large scale agribusiness.
- ✓ The existing agribusiness, and particularly the commodity export agribusiness, has failed to invest in diversification and for some sectors to invest in processing, in order to increase value added to agricultural production. For a long time, agribusiness has failed to deal with oversupply and low prices. The very low income for African farmers and farm workers has resulted in lack of purchasing power and lack of resources (from tax incomes) to invest in sustainable agriculture, including for food for local consumption. Given that foreign agribusiness controls the more lucrative parts of many export commodities and they are concentrated in a few hands, as for cocoa, the question remains how much of the benefits from the current increased commodity prices go to African farmers and whether the history of price volatility currently undermines confidence for farmers to invest in agricultural production.

- ✓ A market failure in the financial sector has been that private banks have failed to provide appropriate credit and financial services to small and family farms, and rural areas. The need for collateral has disadvantaged the access to financing by women who often are unable to provide collateral. In general, large agribusiness such as Cargill have set up their own financial support system from inputs to price risk aversion mechanisms whereby farmers have to deliver their produce to these agribusinesses (and follow the indicated production method). The consequence is that a large part of the production might not come on the market, making price manipulation to the disadvantage of the farmers possible.
- ✓ Agribusinesses with large financial, human and technical resources are able to easily out compete local farm production, trading and processing because they are unequal players in the market compared to the majority of their African counterparts. The huge marketing power of foreign agribusinesses undermines the development of domestic farming and agribusiness in different ways. For instance, the marketing of seeds from foreign companies can prevent better seeds developed domestically to be distributed to farmers.
- ✓ For exports, and here and there also on domestic African markets where (European) supermarkets are operating, market failures start in the EU, namely by the abuse of market dominance by European supermarkets. Food sales in some major European countries are in the hands of a few supermarket chains, some with national market shares of more than 20%. This gives supermarket chains buyer power to impose their conditions on suppliers and to extract lower prices than their competitors with lower market shares. Suppliers from Africa might feel the negative impact of buyer power through low prices received, and the standards and delivery conditions that are difficult to meet (tight timing, large volumes, year round delivery). European supermarkets operating abroad also use such practices.

Macro economic policies on investment vs. the development agenda in agriculture

Many African countries have macro economic policies that are geared towards attracting foreign investment, amongst other things in order to earn foreign exchange to repay debts and to import many essential goods. These policies to attract foreign investment might disadvantage small scale and family farming in comparison with foreign agribusiness in the following ways:

- ✓ Tax holidays, including no import duties on inputs that might be agricultural products, undermine income for the national budget which could be used for services to farmers and results in unfair competition from untaxed imports.
- ✓ Large costs are made to attract foreign investment, some of which are covered by aid or loans, such as for infrastructure especially geared towards foreign investors.
- ✓ Foreign investors in agriculture seem to be more export orientated, which might undermine agricultural production for domestic consumption.
- ✓ Part of the policy to attract investment is to show stable legislation and domestic discipline in regulations. This results in the signing of trade and investment agreements (including EPAs) that provide foreign investors with governmental treatment at least equal to local agribusinesses and other producers. Such agreements undermine measures to prioritise small domestic and/or sustainable farms, and the policy space to regulate (including regulating imports at the border).

- ✓ An important aspect of providing legal certainty to foreign investment is to secure land ownership. In the efforts of governments to accommodate investors, or practices by investors themselves, land may be grabbed from local farms or people might be pushed off their small farms or off fertile ground.

Sector governance

Beyond policy harmonization and coordination, there are many issues of good governance in the agribusiness sector that need to be dealt with. They are amongst others:

- ✓ *Equitable distribution of benefits and risks:* In some sectors such as tea and cocoa the low prices of the last decades have led to the few dominating large agribusinesses disinvesting in large scale production and/or (increasingly in the case of tea) buying their supplies from small scale farmers. This means that price for produce can be provided to agribusiness traders at low prices because of (unpaid) family work, no legal obligations for minimum payments as is the case for plantation workers and no social security costs for the farmer or his informal farm workers. Also, when the harvest fails, the risks are left to the farmer. Such practices, amongst others, have an impact on food producing farmers because commodity farmers do not have sufficient purchasing power to buy food.
- ✓ *Labour rights:* Where agribusiness uses large plantations, decent wages and working conditions (health, safety, etc.), respect for labour rights, child labour, overwork might still be problems that affect farm workers and their families who cannot live from family farming. Government intervention to guarantee respect for collective bargaining rights to increase wages (and thus purchasing power for food) might not be sufficient as some plantations might (increasingly) use contract workers.
- ✓ *Environmental protection:* Do African authorities have the power to control and sanction large agribusinesses when they produce with unsustainable methods? Also, the increasing use of marginal land and the increasing production by poor farmers in some sectors might be unsustainable. The question is whether agribusiness has more resources to produce or to switch to producing sustainably, while the lack of income for small and poor farmers prevent the latter from doing so?
- ✓ *Political influence:* Moreover, some governments are reluctant to intervene and protect farm workers as this is feared to be seen by foreign investors as negative attitude towards foreign investors. The same applies for adopting and enforcing environmental laws that aim at sustainable agricultural production. Moreover, foreign investors might threaten to leave if too high standards are adopted or applied. This might affect the sustainability of the whole agricultural production in a country where, as a result, the regulations and measures to promote sustainable agriculture might be lacking.
- ✓ *Getting income:* One issue that is increasingly getting attention is whether foreign investors and large businesses are paying sufficient taxes in the host country. An interesting agribusiness to research this question might be the French agribusiness Louis Dreyfus.

Research vs marketing

The EU's emphasis on better research and coordination might underestimate the fact that research for better seeds for instance is being undermined by the marketing power of large agribusinesses which reaches farmers better than governmental researched products, methods, etc.

In the research institutions mentioned in the EC communication such as GFAR and CGIAR, the private sector plays a role. It would be interesting to know in how far large agribusinesses are able to influence the agenda of large research institutions and forums.

Trade facilitation with focus on quality is export oriented

The trade facilitation agenda proposed by the EC is oriented towards export strategies, assuming that export markets are remunerative. The concentration in the hands of agribusiness of the trading, transportation and retailing of food and agricultural products do not guarantee that exports get remunerative prices for African farmers and producers at the beginning of the chain.

Foreign agribusiness seem to be relatively more involved in exports (commodities, fresh fruit and vegetables, grains) than in production for local consumption. Exports tend to be larger scale in order to meet delivery demands. Also low commodity prices have made agribusiness aim at increasingly larger scales of operation. Small-scale farmers are, or become, less competitive than the larger scale export oriented agribusiness and abandon their exports. For instance, the Kenyan green bean exports are dominated by Homegrown, a large UK owned agribusiness.

Some large export agribusiness, such as Louis Dreyfus, have their own traders, transport system (ships, cold chain) up to importing countries, etc. When this infrastructure can only be used by the private company, it means that infrastructure is not provided for the local farmers.

Direct relationships with supermarkets and importers seem to be normal for some export products such as mangoes, which means that wholesale markets decrease and small farmers have less outlets and opportunities to sell their produce. Also, agricultural products such as fresh fruits and vegetables that were produced for export but then rejected, can end up in local markets, thus flooding the market and decreasing the price. From a quality and nutrition point of view, the best products are more likely to be used for exports. In addition, export products such as sweet pineapple might be patented so that the patent/licensing income goes to agribusiness and local smaller exporters are not allowed to produce the same products.

The problem of the standards set by the importing countries, not only by governments but also by the private retailing sector in the EU (EUROPEAN GAP), is being tackled in the EC document, and in current practice, by supporting implementation and certification. However, solutions also need to be found by changing the relationship with the standard setting companies and bodies who should consult with developing countries' producers, cooperate in order to find locally appropriate standards, and provide appropriate means to producers to adopt new standards.

Risk management

The financial risk management instruments are sometimes offered to farmers by large agribusiness companies such as Cargill (Cargill is present in Africa operating in sectors like cocoa, grain, cotton), but it needs to be investigated whether this is also the case in Africa.

Although hedging against changes in prices and currency values has been a long time practice, the current price increases and the increase in analysis of financial products reveals that there are also a lot of speculative financial instruments on the financial market (due to deregulation) that result in farmers not receiving a large part of the price increases and making food unaffordable for many parts of the population in Africa.

CHAPTER 4 – WHAT IS THE IMPACT OF INVESTMENTS BY THE EUROPEAN INVESTMENT BANK IN THE AFRICAN AGRICULTURAL SECTOR?

by Antonio Tricarico, Campagna per la Riforma della Banca Mondiale (CRBM)

Looking forward to how European development finance mechanisms are changing and adapting to a different context, in particular as concerns lending to sub-Saharan Africa, it is key to look at the recent evolution of the European Investment Bank (EIB), unknown to most, but set to potentially become a key player in the EU external relations.

Originally set up to finance the physical infrastructure of the EU member states and to provide investments in less-developed areas of the European Union, the EIB has now become one of the largest international financial institutions in the world. With an annual portfolio of almost 50 billion Euro, the EU house bank is responsible for almost double the amount of financial investments made by the World Bank. Beside the World Bank, only European governments and the European Commission sit on the board of the EIB – no Southern recipient countries.

Its portfolio, mission and area of interest investment has grown substantially since then and now the EIB is a major financier of development projects around the world, with 6.3 billion euros or more than 13 percent of its overall lending portfolio lent outside of the EU in 2007. However, with regard to lending to developing countries as well as within the EU, the EIB is biased towards private sector development as a key engine of development. In the context of the emerging European consensus on development, subordinating aid policies to European trade, political and security priorities, the EIB might play a more prominent role in the near future with severe impacts on developing countries and in particular in Sub-Saharan Africa.

The EIB lends to developing countries under mandates given by the European Union

Even though the EIB has no explicit development mandate by statute and does not consider itself a development bank, all mandates and agreements approved by the EU Council have a strong focus on development cooperation policy. This is valid for all financial mechanisms the EIB is using – the use of their own resources, an EU guarantee against losses, or the management of budgetary resources as in the case of ACP countries.

In December 2006, the Council of the European Union approved a new external mandate for the EIB for the 2007-2013 period, providing a total of 27.8 billion euro of Community guarantees compared to 20.7 for the period 2000-2006. In particular more than 6 billion euros will go to ACP countries, and more than 8 billion to the Mediterranean region, including Northern Africa.

EIB lending in the ACP countries has grown substantially since 1990. There are EIB loans in most of the 79 ACP countries. In ACP countries the EIB lends its own resources and in addition increasingly manages EU budget resources of the European Development Fund (composed of EU Member State funds managed by the Commission). On behalf of the European Commission,

the EIB manages the Cotonou Investment Facility (IF), a risk-bearing instrument established in June 2003, which makes available more resources and new financial instruments.

Additionally, under the EU-Africa Partnership, a Partnership on Infrastructure has been established, supported by a new EU Infrastructure Fund for Africa (Trust Fund). The Fund provides grant funds, which implement leverage of the provision of long-term loan finance by the finance institutions. The EIB provided an initial allocation of up to 260 million euro in loans for the operation of the Fund and 5 600 million euro will be provided from the 10th EDF (2008-2013).

Even though the amount it lends puts it in line with other international financial institutions, the EIB differs in that it is an EU institution, so guided by EU objectives. Unlike the World Bank, it does not offer structural adjustment loans, nor are its loans officially tied to conditions affecting government policy. Hence the EIB is kept out of the debate surrounding debt issues.

The Cotonou Agreement states that the EIB shall 'act in accordance with the objectives of this Agreement', defined as 'reducing and eventually eradicating poverty consistent with the objective of sustainable development and the gradual integration of ACP countries into the world economy'. Fundamental principles in the agreement include ownership of development strategies, participation of a wide range of non-state actors including civil society, the pivotal role of dialogue and mutual obligations and respect for regional differentiation.

In 2007 the EIB provided loans to ACP countries for 756 million euro. While large infrastructures and global loans remain the primary area of interests for the EU house bank in ACP countries, the EIB project finance to the agricultural sector is minor, accounting for only 286 million euro in ten years from which 36.2 million euro have been lent to ACP countries as follows.

<i>Year</i>	<i>Country</i>	<i>Project</i>	<i>In euro</i>	<i>Description</i>
2006	Solomon Islands	Kolombangara Forestry Project	3,500,000	Rehabilitation of approximately 3 750 hectares of poor quality tropical hardwood plantation and replacement of ageing equipment
2005	Mauritania	Seph-Nouadhibou	2,500,000	Extension of seafood preparation, freezing and packing plant
2005	Madagascar	Aqualma III	5,000,000	Expansion of shrimp farm in Mahajamba delta on north-west coast
2004	Borswana	Fabulous Flowers	2,000,000	Production and export of roses
2002	Cameroon	Plan Bananes 2002-2006	8,000,000	Modernisation and strengthening of the competitiveness of three banana plantations in western Cameroon
2001	Kenya	Kenya Geraniums	4,400,000	Construction of plant-breeding and propagation facilities in Thika, east of Nairobi
2000	Belize	Belize Citrus Sector Operation	8,800,000	Finance for replanting of existing citrus groves
2000	Madagascar	Aquamas Aquaculture	7,000,000	Construction of shrimp farm and packing facility at Baly Bay on north-western coast
1999	Madagascar	Moramba Aquaculture	1,000,000	

Source: European Investment Bank's website

Currently there is one additional project submitted in 2008 and still under appraisal related to a 4.65 million euro loan for the New Forest Company Ltd in Uganda for a commercial plantation of eucalyptus and pine – another highly controversial sector.

As has clearly emerged, despite the limited financial support, all these interventions focus on crucial and controversial sectors, with a strong bias in favour of export oriented production. Furthermore, among sectors in which the EIB could get strongly involved is carbon trading and carbon reductions generating projects, a field which deserves careful attention given the highly negative local environmental and social impacts, in particular on rural communities, often associated with this kind of projects.

A major issue is indeed represented by the global loans. They are credit lines provided to intermediaries (banks, leasing companies, or financial institutions), which in turn give loans for local authorities or Small and Medium-sized Enterprises (SMEs) for new capital investment projects worth up to 25 million euro. The objective is to serve SMEs, which require numerous smaller loans that the EIB is too unwieldy to handle. However, there is a complete lack of transparency in how this money is further distributed and used. While the EIB provide a list of intermediaries that have received the credit lines, in practice global loans are almost impossible to track not only by ordinary citizens but also by responsible national decision makers. Only in 2007 the bank lent 90 million euro to 9 intermediaries (mostly private banks) in 9 ACP countries.

Since it is not possible to scrutinize this type of loan, the exact amount allocated for the agricultural sector remains unknown.

Political opportunities

From intelligence gathered in informal meetings with EIB senior management and other EU officials, it is expected that the mid-term review of the external mandate of the EIB (2007-2013) - scheduled in mid-2010 under a European Council decision due to the pressure of the UK government - will go far beyond a technical exercise.

The next two years see a significant change in the whole European development finance architecture. EC officials, EIB management and some member states are considering the need for closer coordination between EU aid/European Development Fund - just replenished in 2007 for 22 billion for the new EU budget period - and the EIB. The latter may be enlarged to include the EBRD, possibly establishing a new and comprehensive European Development Bank through the merger of some of these institutions and funding.

The potential structural change under discussion will have important implications for how the European governments would contribute to other Multilateral Development Banks, including the World Bank. The EC - in particular DG Development and to a certain extent DG Ecfm - has already shown its interest in moving along alternative paths to a certain extent through new ad hoc European-controlled trust funds not involving the World Bank. For instance, the African trust fund and the Global renewable energy and energy efficiency fund, both managed by the EIB.

The EIB mid-term review in mid-2010 is an important deadline when different European stakeholders will be called to the table and new scenarios could emerge. This review will involve not just those finance ministers who sit on the EIB board, but also for the first time foreign affairs and development ministers of Member States, thus generating new and unpredictable dynamics around the EIB, which so far has been mainly discussed just at the ECOFIN level.

In recent years the European Parliament has played a key role in challenging EIB operations both within and outside the EU, by recommending a comprehensive reform process of the EIB.

It has sought to align the EIB's external lending with EU development goals and policies and include it in the harmonisation processes at the EU and OECD.

Therefore, groups struggling for food sovereignty and innovative aid financing mechanisms for supporting local markets in the South should consider how to seize this important opportunity.

CHAPTER 5 – WHAT IS THE IMPACT OF THE EU COMMON AGRICULTURAL POLICY ON AFRICAN AGRICULTURE AND AFRICAN FARMERS?

by Edoardo Calzabini (Crocevia) and Francesco Benciolini (ARI + Via Campesina Europe)

CHAPTER 5 – WHAT IS THE IMPACT OF THE EU COMMON AGRICULTURAL POLICY ON AFRICAN AGRICULTURE AND AFRICAN FARMERS?

by Edoardo Calzabini (Crocevia) and Francesco Benciolini (Associazione Rurale Italiana, Via Campesina Europe)

In the EC's "Advancing African Agriculture" communication, the Commission refers specifically to the experience of the European Union in terms of the Common Agricultural Policy (CAP) and the consistency between development policies and other community policies. But when the EU refers to the CAP instruction and good practice that would be appropriate for African development, it is still referring to the current vision of CAP, and in particular to the spirit that characterized its reforms from 1992 onwards. It is forgetting the founding principles of CAP that formed the base of its successes.

In other words, the EU omits to note that it is import control instruments in accordance with the principle of community preference (with specific customs duties), as well as pricing policy (with the indicative prices and intervention prices system), that have allowed it to achieve food sufficiency, imposing (supporting) liberalization of agricultural markets as a formula for development of African agriculture.

On the other hand, the Commission has never had doubts about the industrial productivist production model, which has been supported by CAP from its origin and even more so by its reforms. This model has had devastating environmental impact, badly affected the health of producers and consumers and has resulted in a gradual depletion of the social fabric of rural areas due to the continuing disappearance of agricultural enterprises, as well as the external effects of CAP due to overproduction and the resulting dumping in developing countries through export refunds.

Since the Stresa Conference, the Commission has theorised an increase in productivity focused on agricultural development based on scale increase, intensification, specialization of processes of agricultural production and introduction of alternative labour technologies. The objective was to generate a modernisation process that eliminates the differentiations present in Europe.

Since 1992, with the MacSharry reform focused on reduction of intervention prices and introduction of direct aids to partially decoupled revenues, other reforms followed in 2000 and in 2003, all contributing to a reinforcement of the decoupling and the export propensity of CAP.

The EU therefore, rather than undertaking effective management of supply, has implemented a progressive deregulation of the European market through reduction of the intervention thresholds and levels, taking prices below production costs, introducing compensatory payments – which, with the decoupling, guarantee that advantages acquired on the basis of the previous production quantity are maintained – and export subsidies replaced with direct payments. This strategy, in line with the WTO Agreement on Agriculture (implemented in cooperation with the United States), was undertaken in order to maintain the EU export quota on the global market and to prioritise the interests of the agri-food multinationals that have thus been able to access raw materials at low prices and to extend their markets to take up their overproduction. It should be remembered that the EU has become the leading importer and leading exporter of agricultural products.

In Africa, 20 years of structural adjustment policies promoted by the World Bank and International Monetary Fund have created the ideal terrain for the invasion of the African markets by subsidized European (but not only European) products, leading the African countries to change from net exporters to net importers of agri-food products. These institutions, in exchange for aid credits, have asked the beneficiaries for a reduction in public support and financing of agriculture, but also for liberalization of the agricultural sector and markets (reinforced by WTO agreements).

A healthy Health check ?

The EU is currently in the process of performing what is called the ‘Health Check’ of CAP2003. The Commission has clearly emphasized that this is not another CAP reform, as was the case for the mid-course of Agenda 2000, but simple adjustments with the aim of adapting to new challenges such as climate change, protection of biodiversity and water management. The EC proposals do not include any modification of the strategic vision on which the 2003 reform is based, but only modifications of the current instruments.

According to the Commissioner for agriculture and rural development Mariann Fisher Boel, “the objective of the CAP health check assessment is to simplify, refine and modernize the CAP, offering European farmers the necessary instruments to face the new challenges such as climate change. This is only a means of exempting the farmers in order that they may be able to satisfy the increase in demand and respond rapidly to market requirements’.

The main objective is therefore the definitive elimination of the link between direct aid and production to allow farmers as much liberty as possible in responding to the signals of the market. Among a whole range of measures, the proposals specify an increase in the rate of decoupling in countries that have chosen to maintain the link between aid and production, in certain agricultural sectors; modification of the single payment system changing from subsidies based on historical data to a ‘fixed sum’ system; the increase in the area that a farmer must own in order to benefit from community aid (one hectare in comparison with the current area of 0.3 hectares); the abolition of mandatory land freezing; the gradual increase in dairy quotas until they disappear in 2015; a lessening in intervention on the markets.

Challenges and opportunities

More than one hundred organizations from 5 continents took part in the Tetra Petra Forum, which took place in Rome at the same time as the Food and Agriculture Organization Summit of 1st to 4th June 2008. They proposed a sustainable means of dealing with the current ecological

and agri-food crises. Taking as their starting point, the rejection of the industrial and intensive production and consumption model, which forms the basis of the continuing crises, these organisations reaffirm the necessity of creating a new model of international for food and agriculture, with the central objective of promotion and implementation of Food Sovereignty and the Right to Food.

The Rural People's Organizations, like the European Rural People's Coordination, and the European civil society organizations, are asking for a change in the direction of CAP in order for it to become a policy focused on the paradigm of food sovereignty and meeting the expectations of society in terms of healthy food, protection of the environment, fighting global warming and rural development. They consider that the 'health check seems to be a missed opportunity given the maintaining of the strategic vision of the 2003 Fischler reform for a major market deregulation, and a reinforcement of decoupling and export propensity of CAP.

A new CAP must be focused on rural agriculture and the specific characteristics of these methods of production based on the work of the farmer, local knowledge, organization of agricultural practices, not only in relation to production but also to reproduction of production factors and short lines. It must ensure rural and sustainable agriculture, not only to guarantee provision of food, but also for its social and multi-functional role. It is necessary to reverse the current tendency to concentrate operations and to maintain a substantial network of small and medium operations, which play an irreplaceable role in the production of high-quality and diverse food, maintenance of landscapes, clearing of woodland and forests, human occupation of the land, etc.

In order for CAP to be consistent, sustainable and legitimate, it is necessary to combine several levels of proposals that should be implemented together:

✓ *Agricultural prices and income for rural people*

If consumers wish to keep agricultural production in Europe, it is necessary to keep farmers there. In order to achieve this, given that Europe is a region with higher production costs than in many other regions of the world, it is necessary to protect the market from low-price imports. This is legitimate from the point at which the EU stops exporting at low prices. The EU must fix a community preference level for all agricultural products using an orientation price for the European market linked to an average European production cost.

If taxpaying European citizens wish to keep farmers in all regions, including the less favoured regions, they must allow them to produce, using direct payments to support the difference between their higher production cost and the level chosen for community preference. Price supplements must therefore be specified in the form of direct payments, grouped together in a single payment per operation, with a ceiling of the agricultural assets, taking account of various operating productions.

The revenue linked to agricultural production consists firstly of sales of products, based on a European market price linked to European production costs, to which may be added a direct payment that varies according to region.

Through policies that guarantee fair and stable agricultural prices, the decoupled direct aid, contributing to the continuation of dumping, could be eliminated. The agricultural budget could be

used in a more effective and legitimate way, with a link between production and direct payments, combined with production control, and ceiling according to assets. A larger share of the budget would thus be available to support sustainable rural agriculture and to allow genuine rural development that maintains the space and the environment and generates jobs in rural areas.

✓ *Production control and production methods*

The objectives for sustainability and control of supply are connected. Given the scale of the costs to society of overly intensive agricultural production methods, it is necessary to disintensify overly intensive agricultural operations, specifying a transitional period and financial support for small and medium operations. Disintensification and community preference will eliminate the structural surpluses of animal products and grains. However, in the case of cyclical surpluses, other additional measures are necessary, such as establishment of minimum agricultural purchase prices for the agri-food industry and mass retail.

✓ *Regional equilibria*

CAP must favour regional markets and local transformation of products. EAGGF and structural Funds must support the local and regional markets, direct sales and small transformational structures. Without the various health and technical standards of the industrial standards, the transformation of agricultural products on the farm and in small skilled operations cannot be maintained and developed. It is necessary always to make choices that reduce long-distance transportations: it is better for the environment and for food safety.

✓ *International agricultural business without dumping*

The various regions of the world have regional products to be exchanged and the world needs fair rules for these exchanges. But this must be implemented without economic dumping (export below production cost), or social or environmental dumping. It is necessary to cancel the priority given to low-price exports of basic products in comparison with local and regional food production. International agricultural business negotiations are to be limited and these are not to be allowed to define agricultural policies, as is the case currently.

Fair working conditions must be based on a new CAP. All the subsidies should be linked to social requirements such as the number of workers employed and guarantees for the safety of workers.

The policy described above will put the European Union into a better position for negotiation and alliances due to the removal of direct and indirect aid to export. It will be better able to justify the community preference and the right for all countries/groups of countries to protect themselves from very low-price imports.

The WTO does not play a role in the definition of agricultural policies or public services (health, education, water, energy, etc.). The commercial rules would have to be subject to the Universal Declaration of Human Rights as well as international conventions on social and environmental issues. UNCTAD, in connection with the FAO, should be rehabilitated to deal with the agricultural commercial rules and an independent international legal proceedings instituted to settle commercial disputes.

CONCLUSIONS:

This concluding chapter still has to be written. This will be done on the basis of the reactions/contributions of the organisations that had expressed their interest to this monitoring exercise earlier and are receiving this first draft right now. Also the authors of the different chapters will be asked to propose conclusions and recommendations for their parts.

Annex 1

Advancing African Agriculture: Proposal for continental and regional level cooperation on agricultural development in Africa

The proposal was published on 24 July 2007 as a Communication from the European Commission to the Council and the European Parliament. It is designed to create an improved enabling environment for agricultural development in Africa. European Cooperation will be based on the following principles:

- **Commitment to the Millennium Development Goals**, with specific reference to the 1st (Hunger and Poverty) and the 7th (Environment) MDGs.
- **Alignment with African priorities**, based on the CAADP processes, principles and targets.
- **Donor harmonisation and alignment**, following the principles of the Paris Declaration.
- **Building on other AU-EU Partnerships and Facilities**, complementing EU initiatives which directly or indirectly support rural development in Africa and using existing Africa-Europe partnerships.
- **Drawing lessons from relevant EU experiences and good practice**, building on nearly 50 years of agricultural policy experience in the EU.
- **Application of subsidiarity**, supporting only those regional and continental functions that add value to national level interventions.
- **Policy Coherence**, between EU development policies and agricultural, fisheries, trade, consumer and energy policies.

Advancing African Agriculture covers 7 areas of cooperation based on the main challenges to agriculture in Africa and on African priorities, as reflected in the CAADP. A central role for CTA is envisaged in this facilitating information exchanges relating to this proposal:

1. Agriculture in Development Strategies

This area will address the need for agricultural development to be an integral and strategic part of the development agenda at national, regional and continental levels, recognising agriculture as a key sector for economic growth and poverty reduction. Regional Farming Organisations will form a group of partners and help will be given in the establishment of a continental farmers forum, linking national and regional farming organisations, and strengthening their roles in CAADP processes.

2. Sector Governance

This cooperation area will assist in capacity building at regional and continental levels, with a view to improving governance that will contribute to a smoother transition of smallholder farming towards commercially viable and sustainable family-based agriculture. This will include strengthening of regional and continental-level representations of producer and professional organisations, with effective advocacy and lobbying capacity, including comparative analysis and lesson-learning from liberalisation and privatisation processes in agriculture, public-private relations and government performance.

3. Research, Knowledge Systems and Dissemination

The aim of this cooperation area is to increase the impact of agricultural research and knowledge systems on rural productivity, poverty reduction, food security and sustainable management of natural resources, taking into account challenges posed by climate change. There will be an emphasis on multidimensional research approaches, on sustainable agricultural production systems and on research with positive impacts on the rural poor. Extension systems will include support for farmer to farmer exchanges. The main partners will be FARA and the related Sub-Regional Research Organisations (SROs), the Global Forum on Agricultural Research for Development (GFAR) as well as the European Forum (EFARD).

4. Trade Facilitation, emphasising Quality Assurance and Improvement

The aim of this cooperation area will be to strengthen Africa's ability to make markets work for poverty reduction, focusing on regional markets for agricultural produce. Proposed cooperation includes strengthening the ability to influence, set and adhere to meaningful production and trade standards in order to (continue to) access remunerative markets for agricultural produce and to guarantee product safety for consumers. Support will specifically build on the opportunities offered by EPAs.

5. Natural Resource Management: Land, Fisheries, Forestry

This cooperation area will back improvements in governance and management regimes for land, fish and forest resources that aim to combine environmental sustainability and biodiversity with profitable utilisation and poverty reduction. It includes, inter alia, promoting a policy environment that makes it easier to allocate responsibility and accountability in terms of natural resource use and monitoring and surveillance of the state of (and pressure on) natural resources and of the effects of climate change on agriculture and natural resources.

6. Livestock Development and Disease Control

This cooperation area will enhance the sustainability of the livestock sector and its contribution to poverty alleviation and growth, with an emphasis on strengthening animal disease control knowledge and systems. Cooperation will aim to reduce animal mortality, lower livestock production risk and improve public health prevention, as well as to improve access to regional and international markets, facilitate rational land use and reduce livestock related environmental problems.

7. Risk Management

This area of cooperation will address capacities for reducing risks related to climate change, natural disasters and price shocks, with a focus on organisational questions and financial instruments.