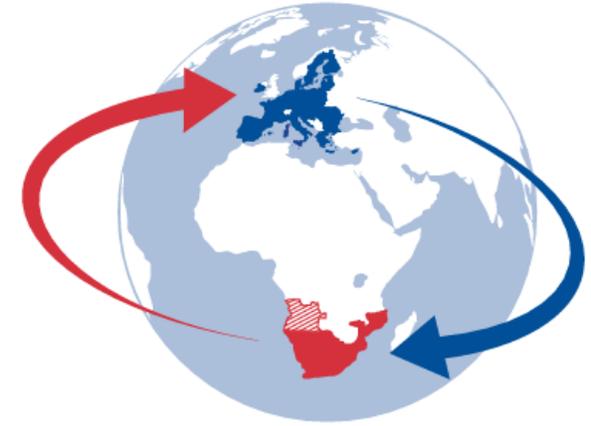


Sustainability impact assessment (SIA) in support of trade negotiations with Angola for EU-SADC EPA accession

(TRADE 2020/C1/C01, Contract No. SI2.839678)



Presentation of draft final report

CSD meeting
25 November 2021

Consortium led by



bkp ECONOMIC ADVISORS

Structure of presentation

1. Overview and summary of work done
2. Results of sustainability impact analysis
 - **Economic impact**
 - **Social, labour & gender impact**
 - **Impact on enjoyment of human rights**
 - **Impact on environment & climate change**
 - **Administrative capacity for EPA implementation**

1. Overview and summary of work done

Study overview

- **Study scope** covers:
 - Angola's accession to EU-SADC Economic Partnership Agreement (EPA) and bilateral Sustainable Investment Facilitation Agreement (SIFA)
 - Four SIA pillars (economic, social, environmental, human rights) and administrative capacity
 - Focus on effects in Angola
 - 4 case studies: fishery sector, agri-food sector, deforestation & biodiversity, child labour
- **Summary of work done**
 - Analytical work: Partial equilibrium (PE) model (by DG TRADE), complementary quantitative and qualitative analysis
 - Consultations – limited interest & contributions by stakeholders

Comments to draft final report

Please send your comments by **10 December 2021**

to

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2. Results of sustainability impact analysis

Economic impact – short-term trade effects

- Short-term **trade effects from tariff changes** under EPA (PE model):
 - Negligible for EU
 - Angola:
 - Avoidance of decrease in **exports to EU** that would happen under AGO's move to Generalised Scheme of Preferences (GSP): €14.5M (0.4% of total exports, 26.5% of non-oil, non-diamond exports), concentrated on few products: shrimps, ethyl alcohol, wheat brans, bananas
 - Increase in **imports from EU** €1.3B (51.2%); increase in **total imports** €693M (7.1%) – mostly consumption goods and intermediaries, across many sectors
 - **Actual effects** esp. on exports likely to be larger:
 - no consideration of non-tariff effects
 - model specification issues (zero-trade problem)
 - dependence on baseline values

Economic impact – other short-term economic effects

- **Effects from NTM provisions** limited in short-term but some regulatory changes in AGO might be required (customs fees, ratification of International Plant Protection Convention, IPPC) => would improve business environment
- **Increased import competition for very few products** (hygiene products, flour) can be addressed through exclusions/gradual tariff cuts
- **Wider economic effects** (output; gross domestic product, GDP) negligible
- **Net negative impact on AGO government revenues:**
 - Border taxes down by €276M (conservative scenario) to €301M (full liberalization theoretical scenario) – about 1.8% of 2019 government revenue
 - But full effect only after end of transition period
 - Total effect likely smaller: Domestic taxes expected to increase (due to positive competitiveness and economic effects), but quantification impossible

Economic impact – longer-term effects

- Long-term effects **not quantifiable but expected to be larger and positive for AGO** (still negligible for EU)
 - Competitiveness: access to cheaper intermediaries/inputs
 - Improvements in investment climate (also and especially resulting from SIFA – if implemented!): benefit ALL investors, especially smaller ones without direct links to government
 - Benefits from support and technical assistance related to EPA & SIFA: addressing trade constraints (e.g. quality infrastructure)
 - Economic diversification: relative gain in competitiveness for non-oil, non-diamond sectors, preferential access for processed food products
 - GDP: benefits from productivity gains

Social, labour, and gender impacts

- Expected **impacts for employment** are likely to be limited and will depend on:
 - import structure (capital / consumer goods supporting or substituting domestic production),
 - the ability to generate trade and investment flows (dependencies with e.g., skills, TBT and SPS),
 - potential for new jobs in retail trade and business opp. (ease of setting up / doing business).
- **Potential for formal jobs** in retail trade (stores), at formal farms, and in fishing (ILO No. 188). Further effects depend on the move towards formal economy in retail trade & cooperatives.
- Expected **effects for consumers** are likely to be limited and linked to imports (increased diversity and availability of consumer goods) and effects for employment and income.
- Potential for **limited poverty reduction** (depending on job creation and income levels), in rural areas (fruits and vegetables) in provinces with high poverty levels, in coastal areas (fisheries, incl. shrimps), and in urban areas (e.g. retail trade). Better effects in formal jobs.

Social, labour, and gender impacts (continuation)

- Potential job opportunities for **women**, e.g., in retail trade, agriculture and fish processing, & business opportunities, if Government supports (access to funds, skills, land ownership).
- **Limited impact on child labour** (e.g., in fishing, ILO No. 188) and more likely in a longer-term, with income opportunities for adults and support for children's school attendance.
- No direct link between cases of **forced labour** in Angola and accession to the EPA.
- Low potential for positive direct impacts for **freedom of association** (no TSD Committee and no discussion at TDC on labour to-date, while not excluded in the future).
 - Cooperation opportunities , e.g., to strengthen and diversify social dialogue in Angola.
- Potential for improved enforcement of labour laws and working conditions, if technical assistance is provided to strengthen the capacity & capability of **labour inspection services**.
- Positive impacts through **CSR** uptake & **certification mechanisms** (tech. assistance useful).

Human rights impact: overview

- Overall expected impact is limited
- Possible sector impact :



Right to work

- minor shifts in employment
- possible investment in some sectors (more jobs)



Economic & social analyses



Right to own property

- investment in “land-intensive” sectors



Human rights analysis



Right to food

- investment in “land-intensive” sectors
- production & trade in food products
- investment in food supply



Right to water

- environmental impact of business activities



Environmental analysis



Right to health

- environmental impact of business activities



Environmental analysis

Human rights impact: Right to own property



Right to own property

- No explicit reference in the EPA; Art. 2.4 SIFA proposal
- Other commitments may lead to increased investment in “land-intensive” sectors
- International framework: ICERD; Banjul Charter; CEDAW – all ratified by Angola → legal obligation
- Particular vulnerability regarding land rights in Angola
- Literature review points to deterioration of land rights due to increase in development projects
- Stakeholders are concerned based on previous experience

Human rights impact: Right to food



Right to food

- No explicit reference in the EPA/SIFA but commitments on trade and investment facilitation may lead to an impact through trade/investment in food sectors and through land rights
- International framework: ICESCR – ratified by Angola → legal obligation
- High vulnerability regarding right to food (serious level of hunger)
- Access to high quality agri products is expected to increase
- Investment in food conservation and food supply may enhance food security and nutrition
- Investment in “land intensive” sectors may affect communities whose livelihood depends on the lands they occupy due to existing problems with land titling and registration
- Stakeholders are concerned about impact linked to land rights

Impact on environment & climate change

- The direct environmental effects of accession to the EU-SADC EPA are limited
- But although national impacts are limited, current local vulnerable situations could be further threatened. Angola does have local vulnerable situations in several environmental areas (incl. water access, land use change and biodiversity)
- Small positive effects may stem from diversifying Angola's economy away from oil, f.ex. small improvement of air quality
- Potential increase in agri-food production and fishing could further threaten land use change (deforestation for agricultural export-oriented production purposes) and thereby increase water stress, GHG emissions and biodiversity loss

Environment - regulatory framework

- Angola pays attention to addressing environmental issues, but strengthening of the regulatory and policy framework is needed:
 - Ratification of trade-related MEAs is encouraged (but not a legal requirement under the EPA)
 - Solid governance structures are needed; this would support policy implementation
 - More specific target setting can help tailoring policies to the highest needs
 - Improved transparency of processes and a strong, active involvement of civil society would support effective policy implementation
 - Improved monitoring is needed to improve data quality and availability; this would support increased understanding of the challenges, needs and priority actions
 - Improved auditing mechanisms and active enforcement would help to ascertain that improved sustainability principles result in structural improvements on the ground

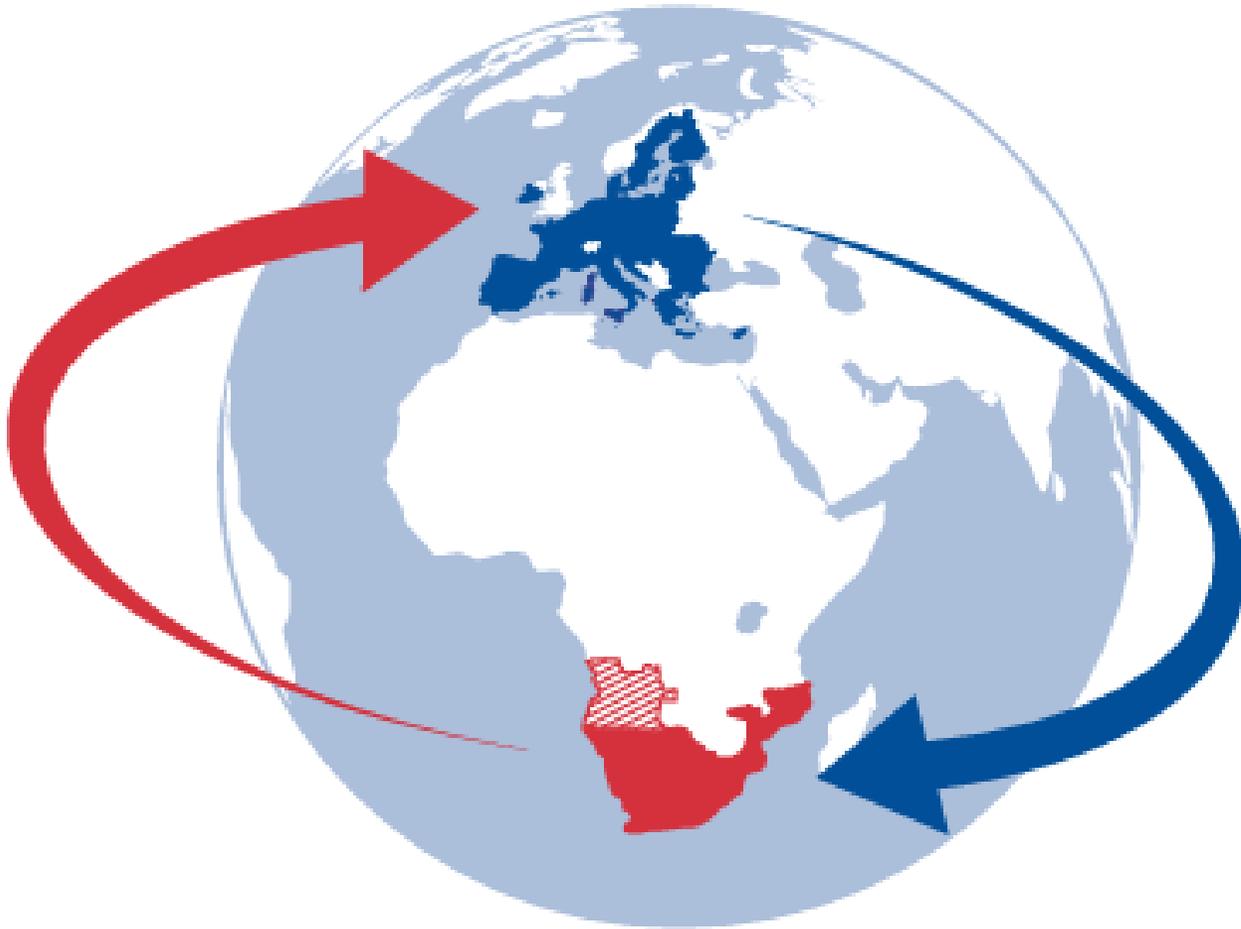
Environment – high benefits from strengthened cooperation

- With a wide range of needs and lack of resources, Angola would highly benefit from strengthened international cooperation
 - Knowledge exchange to improve understanding of environmental risks as well as the interaction between various environmental issues
 - Supporting use of clean technologies and trade in green products (and phase out of unsustainable production)
 - Improved understanding of opportunities through green government procurement, phasing out of environmentally harmful subsidies, or differential tariff structures
 - Support in development and effective implementation of environmental standards
- The report identifies benefits of proposed enhanced cooperation in the EPA context such as higher agricultural productivity, lower water use, improved food security, reduced poverty, improved biodiversity, lower GHG emissions, and improved air quality.

Administrative capacity for EPA implementation

- No constraints for implementing tariff cuts, but no experience with **quota/TRQ administration** => AGO should commit not to use them
- **TBT and SPS: quality infrastructure underdeveloped**
 - No effective control of imports, ensuring human, animal and plant safety against imported pests and sub-standard quality products,
 - No internationally accredited conformity assessment services for exporters
 - Challenges include buildings and equipment, technology, accreditation, human resources, and finances.
- **Customs control:** overall relatively well developed, but weaknesses in risk-based operations (also regarding compliance of imports with rules of origin)
- **Trade facilitation:** High costs of trading across borders, problems with implementation of electronic single window for trade
- No **trade defence** regime in place (and not required under EPA)
- **Overall knowledge of trade matters** in public sector limited

Sustainability Impact Assessment: Angola's Accession to the EU-SADC EPA



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Recommendations for negotiations

■ EPA accession

- GoA: Consider which goods need transition periods / exclusion based on Government revenue considerations and limiting import competition for key domestic sectors
- GoA: Use of TRQs not recommended (in line with most other SADC EPA states)
- Both Parties: Discuss priority areas for technical assistance and support already during the accession negotiations. Suggested priorities see below
- Both Parties: Jointly work on TSD matters and use existing tools (i.e. the EPA committee, the upcoming EPA review and monitoring process) to avoid or mitigate any potential negative environmental effects stemming from the EPA

■ SIFA

- Minimise use of soft provisions (esp. where provisions are already complied with)
- Aim at including strong enforceable provisions to strengthen CSR of companies operating on the territory of Angola, including on land rights

Recommendations for flanking measures

Mostly addressed at GoA – EU to provide support:

- Develop and implement fiscal measures aimed at increasing non-tariff revenues
- Prepare regional integration strategy and prioritise specific value chains to be developed with SADC countries
- Take complementary policy measures to maximise longer-term benefits from EPA & SIFA (e.g. investment in vocational training)
- Improve business environment (setting up and running formal businesses, encouraging formal employment, supporting creation of cooperatives, developing trade infrastructure, and facilitating access to finance for small-scale food producers)
- Take measures to reduce child labour (awareness raising campaigns, facilitate access to school and social assistance for children from poor families), trafficking in persons, forced labour, hazardous child labour and other illegal activities
- Provide support to small farms (e.g. assistance in meeting product standards)
- Strengthen right to property, specifically land rights related to business activities, ensure & monitor effective consultation processes and appropriate environmental and social impact assessments

Recommendations for support and technical assistance priorities

- Provide **(further) support to help address identified constraints** in Angola:
 - customs management and control
 - quality infrastructure (covering SPS issues and TBTs), especially in agri-food sector
 - trade training programmes/scholarships (aimed at both public and private sector staff)
 - monitoring of working conditions by labour inspection and trade unions, and development of domestic dialogue between the Government and social partners related to labour standards and working conditions
 - promotion of the use of CSR/RBC practices and supporting capacity building in their application
 - development of renewable energy and of the expansion of clean technologies for sustainable agriculture and fishing, and support towards Angola's ratification of the remaining trade-related MEAs and in the effective implementation
 - support to civil society (also by EESC and EU civil society) in dialoguing with government on TSD issues