

Aid for Trade and African agriculture: the bittersweet case of Swazi sugar

Submitted to *Review of African Political Economy*, July 2012

Ben Richardson and Pamela Ngwenya
University of Warwick and University of KwaZulu-Natal

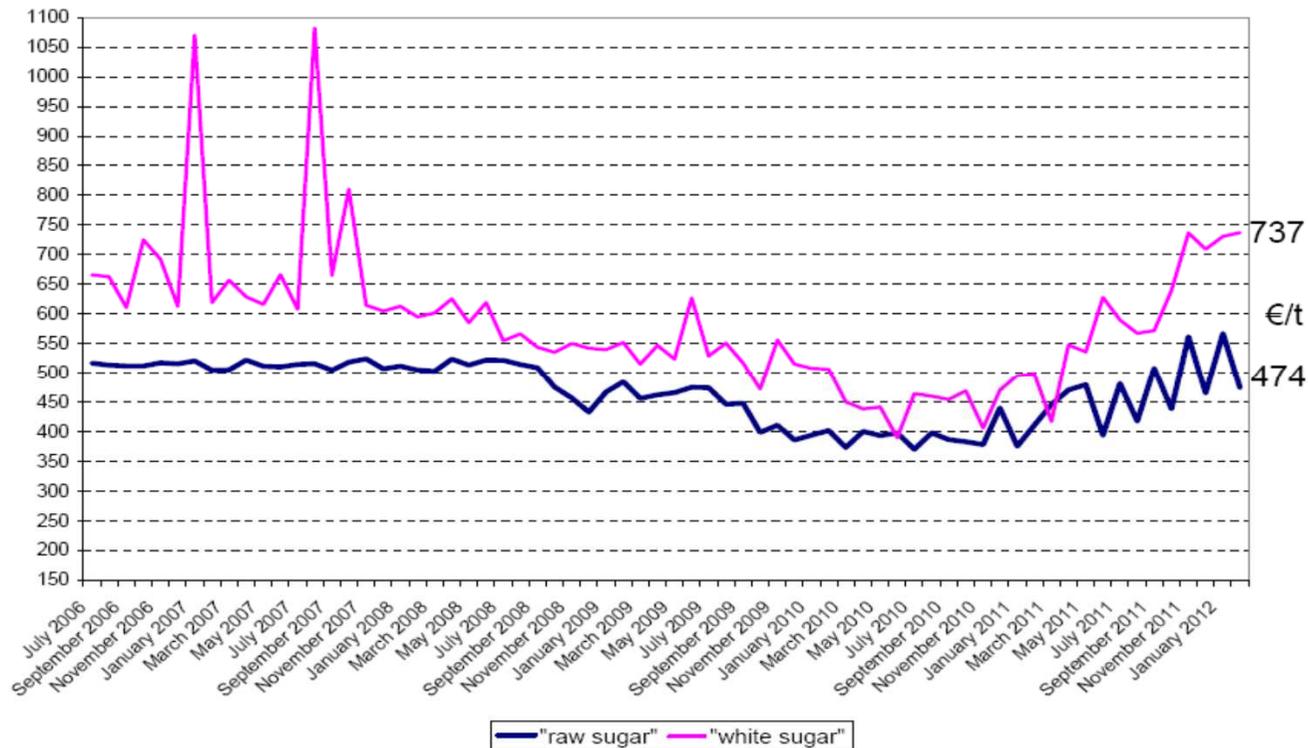
The EU Sugar Reform price cuts

Year	Price per tonne	% change (cumulative)
Un-reformed price	€523.7	
2006/07	€496.8	- 5.1%
2007/08	€496.8	- 5.1%
2008/09	€448.8	-16.7%
2009/10	€335.0	-36.0%

Table 1 The cumulative price cuts issued under the EU Sugar Reform, 2006-2010.

Source: <http://agritrade.cta.int/en/Resources/Key-policy-issues/No.-4-ACP-EU-sugar-sector-issues>,

Transition to unprotected market: world market prices



Price of raw and refined sugar received by ACP exporters to EU

Source: Management Committee for the Common Organisation of Agricultural Markets (2012) *Sugar Price Reporting*.

http://ec.europa.eu/agriculture/sugar/presentations/price-reporting_en.pdf

Aid for trade

- Defined as **financial assistance for developing countries specifically targeted at helping them develop their capacity to trade'**
- Now a central plank of European development assistance: more than €10bn allocated by the EU, with majority going to countries in Africa (CEC 2011).
- Accompanying Measures for Sugar Protocol countries (AMSP) is EU's biggest Aid for Trade initiative to date, providing almost €1.3bn to traditional cane exporters in the African, Caribbean and Pacific (ACP) bloc.
- AMSP was presented as a means to help countries cope with the Reform by enhancing the competitiveness of their sugar industries, diversifying the economies of cane growing areas and addressing the broader impacts generated by reform.

Can Aid for Trade work for the poor?

Paper outline

- Political economy of Aid for Trade
- Implications of AMSP in Swaziland:
 - Mitigating economic shocks: impacts of workers and communities
 - Alleviating rural poverty: sugarcane as a route to 'development'?
- Conclusions

Political economy of 'Aid for Trade'

- Part of post-Washington Consensus approach to international trade
- Intended to foster market-based development and mitigate the social unrest accompanying neoliberal reform
- Since 2005, became mainstreamed into policy: now less about mitigating shock and more about capturing benefits of liberalisation.

Criticisms of Aid for Trade

- Many countries complained that the aid pledged is inadequate or diverted from existing funds
- Too many 'strings attached': requirements to sign up to further liberalisation in order to receive funding
- Acts to reduce political opposition to free trade policy at large by 'salving the conscience' (Langan and Scott 2011)
- Has made little difference to economic diversification or poverty reduction(UNCTAD 2012)

Swazi sugar

- 10,000 directly employed by sugar sector
- Biggest employer in country, except civil service
- 2 big sugar companies: Royal Swazi Sugar Corporation and Ubombo Sugar
- 3 mills, 60% of cane supply from company land
- Fund municipal services: roads, clinics, schools, housing, etc.



Ongoing retrenchment, outsourcing and casualisation of labour

- Cutbacks since mid-2000s: 1,400 jobs retrenched, 3,000 jobs outsourced
- Despite cuts, AMSP has not targeted re-employment or labour reforms





Rollback of education and health provision

- Sugar companies traditionally provide healthcare, housing and schooling for workers and their families
- For example, RSSC allocate R34m to education and health per year, providing schooling for 3,700 students and ARVs to around 1,000 people
- Reform: services deemed 'non core' have been cut
- No AMSP funds allocated for social welfare; negatively impacting the most vulnerable members of society
- Connection to HIV/AIDS epidemic

Video: Make Masimula, Mgidza, Vuvulane (causal workers compound)



http://www.youtube.com/watch?v=gXUZgyIHKQ8&list=PLD7C088057172C9FC&index=4&feature=plpp_video

- Make is an informal sugar worker, 42 years old, with seven children. She has lived in the compound since 1994
- There are approximately 5000 people living in the compound, which is one of 6 in the area. There are no facilities or transport. Water comes from an irrigation canal and is unclean.
- When sugar production started in the area people were evicted from their land and moved to the compound. They were promised new land but have been in their present situation since the 1970s.
- She can't afford to send her children to school
- She rents the land on which she lives from a local farmer and pays R50 per month. She has to build and maintain her own home.

Alleviating rural poverty: sugarcane as a route to development?

- Both Swazi government, sugar mills and the EU see commercialisation of small sugar cane farmers as a route to 'development'
- AMSP provided funds for roads and small holder integration into the supply chain
- This involved the EU financing the formation of farmers' associations
- Swazi government projects include two major irrigation projects and the formation of Swaziland Water and Agricultural Development Enterprise (SWADE)

Farmers' Associations

- SWADE encouraged villagers to pool their plots into commercially-operated block-farms
- Dubbed a 'fields to farms' transition
- Members of Associations usually (male) family head
- Members are shareholders and receive a dividend on profits
- Intention: to modernise peasants into entrepreneurial subjects
- By Oct 2011, 116 Farmers Associations, exist, but only 16 assisted by grants from Swazi government and 28 assisted by AMSP grants
- Most were 100% debt financed and struggling to emerge from 'debt bondage'



Benefits of new agrarian structures

- Farmers' Associations that *have* been supported with grants have been quicker to pay off their loans and to start paying out dividends to members.
- Dividends have typically ranged from E7,000 – E9,000 per ha,; gives an annual income of E7,000 – E27,000 (average national income, E20,500 per capita (UN Data 2011)).
- 'Hidden benefits' are most appreciated: irrigation and electricity infrastructure, backyard gardens
- Creation of paid jobs: but only R35/day

Video

- Intamakuphila Farmers Association:
<http://www.youtube.com/watch?v=XNkYvi0f-bw&feature=BFa&list=PLD7C088057172C9FC>



Video

- Sivukile Farmers Association, contract workers:
http://www.youtube.com/watch?v=FSkMy_ULQto&feature=BFa&list=PLD7C088057172C9FC



Conclusions: Swaziland

- EU sugar reform and AMSP resulted in a shift in the political economy of the Swazi sugar belt: from labour to land
- Uneven shift in the way wealth is now socialised: loss or outsourcing of 4,400 mill jobs and new entry of 1,200 into farmers Associations, plus multiplier jobs
- Devolution of risk: farmers taking on huge debts
- Exacerbated situation faced by those depending on wage work
- New and uneven geographies of class relations: see Bernstein (2002) on 'de-peasantisation'

Conclusions: Aid for Trade

- Aid for Trade has not assisted the poorest of the poor
- Continued liberalisation of the EU sugar market will *undermine* existing programs
- Sugar corporations must do *more* to assist their suppliers: (RSSC and Ubombo made over €7m profits each in 2010)
- In this regard, EC delegations must work to influence companies in aid-recipient countries, as well as monitoring domestic parent companies in the EU
- Trade unions need more support to negotiate terms for smallholders and workers

Thanks!

- Paper available from presenter: perichardson@gmail.com
- **Acknowledgements:** Pamela Ngwenya would like to acknowledge UKZN for postdoctoral funding and Gareth Siddhorn of Traidcraft UK for the opportunity to assist with video advocacy in the field. Ben Richardson extends thanks to the Leverhulme Trust for their Early Career Fellowship, which funded his travel to Swaziland.