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

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Keywords

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Introduction

Over the past decades European Union (EU) trade policy has shifted away from interventionism and price management in tropical commodity markets and toward arrangements consonant with the World Trade Organization (WTO). Fixed regulations like export stabilisation schemes and commodity-specific trade preferences have been replaced with *ad hoc* activities around partnership building and private sector development as the primary means of governing the traditional export sectors of the old 'Third World' (Orbie 2007). These changes reflect the constitutionalization of trade relations more broadly and the roll-out of new spaces of market exchange that has characterised the renewal of neoliberalism since the 1990s (Gill 2002; Peck and Tickell 2002). This regime has been much critiqued in the context of African agriculture, as traditional exporters found themselves exposed to volatile world markets and a widening spread of premiums and discounts within the transnational sourcing strategies of agribusiness and food retailers (Raikes and Gibbon 2000). The structural adjustment and market liberalisation policies that enabled greater corporate control were also linked to the acceleration of de-agrarianisation, as support for commercial staple food production collapsed and peasants were left to search out alternate and precarious non-agricultural livelihoods (Bryceson and Jamal 1997). Understood in class terms, neoliberalism was thus associated with declining opportunities for stable waged labour and the decomposition of the peasantry into agrarian capitalists supplying foreign buyers and landless labour seeking work in the (urban) informal sector (Bernstein 2002).

It is against this backdrop that we explore the restructuring of the EU's sugar trade policy and its use of 'Aid for Trade' to manage this transition. Defined as 'financial assistance for developing countries specifically targeted at helping them develop their capacity to trade', it has become a central plank of European development assistance (CEC 2012). More than €10bn is allocated by the EU and its members under this category, with the majority going to countries in Africa (CEC 2011). As part of its overhaul of the EU sugar market throughout the 2000s – which saw traditional preferences abolished, import competition increase and price guarantees reduced – the European Commission undertook its biggest Aid for Trade initiative to date, providing traditional cane exporters in the African, Caribbean and Pacific (ACP) bloc almost €1.3bn in grant finance. Known as Accompanying Measures for Sugar Protocol countries (AMSP) this was presented as a means to help countries cope with these changes by enhancing the competitiveness of their sugar industries, diversifying the economies of cane growing areas, and addressing the broader impacts generated by reform. In this respect, it also encapsulated the quintessential dilemma facing many tropical commodity producers under neoliberalism: either become price competitive through 'efficiency savings' or exit the industry and move into some other niche activity.

Drawing on fieldwork undertaken in Swaziland, a country with high levels of rural poverty and an acute reliance on sugar exports to the EU, we seek to explore the kinds of agrarian change ushered in by this 'post-Washington Consensus' agenda. What is at stake is the claim that via the supplementary provision of Aid for Trade, market liberalisation measures can 'work for development' (as the European Commission put it) rather than retard or degrade development as argued by its critics (CEC 2008). This is particularly important since many of these same critics also note the conjuncture between the 'neoliberalisation of agriculture' fomented by institutions like the World Bank and the precipitous fall in the proportion of international aid dedicated to food crop production (McMichael and Schneider 2011:121). As a series of multi-million budget lines targeted specifically at the sugarcane industry, the EU's AMSP provides an important opportunity to assess the impacts on the rural poor when donors *do* turn their attention toward the agricultural sector.

What we find is something of a mixed picture; what we refer to in the title as a 'bittersweet' case. On the face of it, the Aid for Trade experience would seem to have been a success. As part of the industry's plan to reduce unit costs by increasing processing capacity, hundreds of smallholders were given grants under the AMSP to enter the sugar business and supply cane to the mills. Without taking on the high debts characteristic of similar commercial ventures this new wave of contract farmers has seen their livelihoods tangibly improve. However, these gains have been jeopardised by the ongoing process of liberalisation and the exposure of small farmers to volatile world market prices. While the European Commission has tried to put policy coherence at the heart of its development agenda, particularly in relation to trade and agriculture, contradictions remain (see Carbone 2008). Another 'bitter' aspect of the Swazi case involves those vulnerable groups overlooked by the AMSP funding. Since most of this money went to infrastructural investment, the thousands of workers who lost their jobs, the sugar-belt communities who lost access to social provisioning formerly supplied by the mills, and the existing sugarcane smallholders who were mired in debt were left to fend for themselves. This presents another example of the inequalities generated by the re-organisation of capitalist agriculture and the failures of contemporary neoliberal governance to recognise and redress these (see Akram-Lohdi and Kay 2012; Bernstein 2002).

The paper proceeds by charting the political economy of Aid for Trade, defining the context and character of its development since the mid-2000s (section two). We then explore the implications of this agenda in relation to the ASMP funding in Swaziland and the attempt to mitigate the economic shocks of reform (section three) and alleviate rural poverty (section four). It does so from the perspective of the most vulnerable groups of people in the sugar sector, with particular attention paid to how they have been affected the changing strategies of accumulation of the sugar mills and the processes of class differentiation this has entailed. We conclude by noting the centrality of the trade, land and labour regimes to the developmental outcomes of Aid for Trade initiatives in the sugar sector and suggest that donors like the European Union must consider market stabilisation and corporate regulation as necessary extensions of their aim to make trade work for the poor.

The political economy of Aid for Trade

As noted above Aid for Trade has been characterised as part of a post-Washington Consensus approach to international trade. This intellectual revision to the more austere and rigid formulation of free trade ideology evident in the 1980s initially focused on the need to support developing countries in WTO negotiations with technical assistance before evolving to encompass the adjustment costs brought about by liberalisation itself (OECD 2006). Policies were advanced to phase-in trade-induced shocks such as import competition more slowly, put social safety nets in place to assist those that lose their livelihoods, and improve physical and institutional infrastructure to address supply-side constraints (Stiglitz and Charlton 2005). This was intended to foster market-based development domestically and mitigate the social unrest that accompanies economic dislocation, or, put more cynically, re-present 'neoliberalism with a human face' (Peet 2002: 65).

The 2005 WTO Ministerial meeting in Hong Kong was significant for formally launching the Aid for Trade agenda among donors and staking a central role for the WTO in co-ordinating their activities. In this way, it became linked to the fate of small economies like the ACP sugar exporters which were suffering from the erosion of trade preferences and hesitant to sign up to a new round of liberalisation measures (Heron 2008). It was thus proposed by trade intellectuals that through the use of compensatory Aid for Trade preferences or 'distortions' within the multilateral trading system could be removed and a successful conclusion to the Doha Round reached (Bhagwati 2005; Francois *et al.* 2006). However, the emphasis on mitigating trade-related adjustment costs soon began to disappear as donors mainstreamed Aid for Trade into policy. It became less about coping with liberalisation and more about capturing its benefits. In this way Aid for Trade was reconceptualised as a requirement for all countries with falling shares of world trade and whose (innate) export potential was being stymied by infrastructural and institutional deficiencies like poor transport logistics and safety standards. As stated by EU's Trade Commission, 'it is not free trade that has failed these countries, but a lack of capacity to trade that blocks the path of even the most determined modern developing country entrepreneurialism' (CEC 2008: 3).

Various criticisms have been made of this new development agenda. First, many developing countries have complained that the amount of aid pledged by the donor community has been inadequate and/or diverted from existing funds. This was evident in the reaction to the EU's Aid for Trade package following its sugar reform in 2006. In order to make its domestic farm policy WTO-compatible and cheapen ingredients for its 'value adding' food manufacturing industry, the EU had reduced its reference price for sugar by over one third.[1] The traditional cane exporters in the ACP labelled this 'a black day' for the sugar industry and decried the accompanying aid they were given as 'utterly inadequate' compensation for the revenue loss they would consequently experience (Richardson-Ngwenya 2009: 128). Commentators would also later chastise the EU for not doing enough to deploy this assistance either quickly or flexibly enough to help tropical commodity producers adjust to the radical overhaul in policy (Goodison 2011).

Second, mirroring the debate over aid conditionality, many NGOs have argued that Aid for Trade has come with too many strings attached, specifically the requirement that developing countries sign up to further, harmful liberalisation deals like the Economic Partnership Agreements (Oxfam 2005). Indeed, as part of its attempt to have all ACP countries ratify a full EPA by 2014, the European Commission has publicly wielded the 'stick' of removing the market access they secured under interim EPAs and dangled the 'carrot' of additional Aid for Trade for those who accepted this 'offer'. In addition, scholars have noted how promises of aid have also reduced opposition to free trade policy by salving the consciences of social justice campaigners (Langan and Scott 2011). Taken together then, through financial incentive and rhetorical gloss Aid for Trade is cast as a complement to, rather than offset for, the extension of neoliberal trade relations (Orbie 2007: 308). This clearly runs counter to the perspective of policy-makers who see Aid for Trade as a much more benign intervention, capable of clarifying the developmental rationale underlying their liberalisation agendas. For example, the European Commissioner for Trade, Karel De Gucht, has argued that:

> Close cooperation between aid and trade will not only make our efforts more productive and effective, it would also increase their legitimacy by making it clear that one is not about *help* and the other about *self-interest*. Both are about exactly the same thing: increasing welfare for developing countries (De Gucht 2010: 6; italics in original).

We leave this issue of motives to one side here, though note that the AMSP package did indeed have an important political role to play in securing the acquiescence of the ACP to reform and assuaging NGOs and politicians concerned at the abandonment of their historical responsibility to the former colonies (Richardson 2009). Rather we focus on the third criticism of Aid for Trade which pertains to its developmental impact.

In a survey undertaken for UNCTAD (2012) state officials in recipient countries reported that while it had increased their awareness about trade, Aid for Trade initiatives had made little substantive difference to either economic diversification or poverty reduction. This corresponds to findings from the economics profession, which suggest that aid given for productive capacity building has failed to translate into increased trade (Calì and te Velde 2009). We take a different perspective to these elite-led and export-focused studies by looking at the role of Aid for Trade in mitigating economic shocks and alleviating poverty among the rural poor. This is important since there have been few studies to date on the livelihood impact of Aid for Trade initiatives in the agricultural sector, and fewer still that have sought to disaggregate the amorphous assembly of 'industry stakeholders' implicated in this restructuring. This paper therefore contributes a class-sensitive analysis of Aid for Trade, highlighting the emergence of, and challenges faced by, different fractions of agrarian society and which calls into question the role of corporate capital in determining developmental outcomes. We begin our assessment by looking at two of the most badly-affected groups in the Swazi sugar-belt: the low-waged labour working in the industry and the rural communities living in the villages.

Mitigating economic shocks: failure to address the impacts on workers and communities

Bryceson and Jamal (1997) have highlighted the complex dynamics of agrarian change augured by neoliberal reform and new incursions of capital into rural economies. An important contextual factor shaping these dynamics in Swaziland is the agro-industrial formation of sugarcane production. As the cane has to be processed soon after harvest, farm and factory are tightly linked both geographically and economically, giving rise to different fractions of labour that are all dependent on the success of one central sugar mill. Consequently, it is not just outgrowers and fieldworkers whose livelihoods are at stake in any restructuring programme, but also those of seasonal and permanent workers employed by the mill.

Certainly this was the case in Swaziland. In 2002, the sugar industry accounted for 10,000 direct jobs and was the biggest employer in the country outside the civil service. The two most important companies were, and still remain, Royal Swazi Sugar Corporation (RSSC) and Ubombo Sugar. These operated the country's three sugar mills, ran farms growing 60% of the national cane supply, and funded a host of municipal services in the rural areas including road maintenance, clinic facilities, housing compounds and school support. In the mid-2000s, the prospect of a reduction in the EU price led RSSC and Ubombo Sugar into a process of major restructuring. This meant that *before the EU reforms had even begun,* the milling companies had retrenched 1,400 jobs, outsourced another 3,000 and cut a number of community services (NAS 2005: 25). Despite this blow, no EU money was targeted at these groups. This section discusses, first, the impact on workers caused by the companies' new labour regime, and, second, the impact on the wider community caused by the cutbacks in education and health provision.

Retrenchment, outsourcing and the casualisation of labour

It was in part due to the time lag between the job cuts and introduction of the Aid for Trade package that the EC Delegation felt there was little it could do on the issue of retrenchment via the Accompanying Measures funding (Leto, EC Delegation, interview). At the very least, it was recognised that since some people would have been re-employed by the time the AMSP came around, it would be very difficult to identify a precise group to target (Batzlen, RDMU, interview). The Swazi sugar industry saw this as just one more instance where aid disbursement was unduly held up. They have complained of a chronic lack of 'delivery on the ground' and with good reason (Matsebula 2009: 3). After five of the seven years in which the AMSP would run, just 10% of the total funding had actually been spent. There were also differences between the industry and the Delegation over where the money would go. While the former wanted to spread the money among existing stakeholders, the latter preferred to concentrate it in a few large-scale projects, namely road infrastructure and smallholder integration. Consequently, potential interventions for former employees, such as training grants coupled with subsistence allowances or micro-loans for new businesses, were forgone.

The changes in employment status have had significant impacts on people's quality of life. Being a permanent employee of a milling company has long being considered a prime job in the country and 'a haven of employment' (Motsa, RSSC, interview). This is down to the relatively good wages and the benefits-in-kind, which can include free housing and electricity, free medical care, subsidised schools fees, pension contributions and food rations. In this respect, it is not just retrenchment that has negatively impacted on the workforce but outsourcing too. The two milling companies between them outsourced jobs in waste disposal, cleaning, security, accommodation services, cane haulage and cane cutting. Not only do these contractors not provide similar levels of benefits, according to a sugar sector union spokesman, they are also 'ruthless' employers (Sayed, SAPAWU, interview). Labour legislation is not a priority, and while they are obliged to meet the national minimum wage, this in itself is very low – currently E23 (around €2.30) per day for an agricultural labourer – and below the minimum rates set by the sugar companies (Dlamini, SFTU, interview).

Moreover, compared to the task of organising labour in a large milling company, which has a transparent management structure and regulations to which the union can appeal, it has been much more difficult to organise labour among industry contractors. Union representatives spoke of having to approach workers in secrecy, since the contractors would probably fire, or at the least intimidate, a person if they were found to be engaged in union activity (Dlamini, STFU, interview). On top of this, there is little recourse to the rule of law since the monitoring of working conditions and contracts by government is weak. It was suggested that the government is less than favourable with the trade unions in matters of industrial relations. If a contract has been broken, unions are told to take the slow and expensive route of going to court, rather than having the matter resolved through political channels (Sayed, SAPUWU, interview). This bias is arguably shaped by the wider politics of Swaziland, where, given that political parties are banned, the trade unions constitute the unofficial opposition to the ruling monarchy.

It is important to stress here that the actions taken by the sugar millers are not a one-off; though less severe than when EU reform became a reality, this agenda of labour-shedding is ongoing. One manifestation is the 'casualisation' of work as jobs are put onto seasonal contracts, thereby excluding many from the extra-wage benefits afforded to permanent employees. Another is a reluctance to replace personnel lost through natural attrition. A final means is mechanisation and the steady introduction of pivot irrigation and harvesters so that fewer people are needed to farm the cane in the first place. A union representative likened this to 'lying in your death bed, waiting for something to happen' (Sayed, SAPAWU, interview). This was confirmed by the milling companies, which foresee a slow phase-out of cane cutting – one of the most labour-intensive parts of the business – over the next two decades (Jackson, RSSC, interview).

Rollback of education and health provision

As in the case of the newly unemployed, there was no AMSP money allocated toward social welfare in the sugar-belt, negatively impacting some of the most vulnerable members of society. As the frustrated Community Services Manager at RSSC put it: 'We've done all the papers, provided all the information, and we have gotten zero' (Motsa, RSSC, interview). This is in a context where life expectancy in Swaziland has almost *halved* over the last decade, due largely to the high prevalence of HIV (UNGASS 2010: 2). For its part the EC Delegation claimed that it did not want to duplicate investments in public services which were: (a) the responsibility of government; and (b) fall under the funding remit of the European Development Fund (Leto, EC Delegation, interview).[2] However, many interviewees retorted that there could be no duplication as these 'alternatives' were simply not present. They suggested that while it may be the responsibility of governments in *developed* countries to provide public welfare, in Swaziland the government was not capable of this.

The rationale for sugar companies to provide municipal services to begin with is two-fold. First, it helps attract and retain staff. The location of the sugar industry means many skilled employees would be reluctant to move without 'privately' provided schools and medical care (Jackson, RSSC, interview). Second, it also serves a corporate social responsibility function and a kind of political compromise with the Swazi nation, given the large swathes of land turned over to the crop. The milling companies remain active on this front. RSSC, for instance, allocates E34m to education and health per annum. This helps provide schooling to 3,700 students as well as HIV testing and Anti-Retroviral Treatment to around 1,000 people. In both cases, the majority of beneficiaries come from outside company ranks.

However, in response to the reform of the EU sugar regime and the demands of shareholders, services deemed 'non-core' have been cut. These included housing for teachers at government schools (both companies), closure of clinics and business loans for women's groups (at RSSC) and training centres, village health workers and school buses (at Ubombo). Interviewees reported that it was thanks only to the 'noise' made by the Chief Medical Officer at Ubombo that the company kept their medical centres open. In a press statement at the time, he argued that: 'The alternative for those people [HIV/AIDS patients] is a government unit 70 kilometres up the road that is understaffed and over-utilised. The care they would get is not anywhere near what they would get here' (AfrolNews 2005).

At the same time as treatment services are being cut, the restructuring of employment has also created problems, both in terms of accessing treatment and reducing HIV transmission. The International Organization for Migration reports that people who are not directly contracted by the sugar industry only have partial access to the company HIV and AIDS programmes in the sugar-belt areas, meaning that outsourcing has reduced the level of subsidised care that sugar workers can receive (IOM 2010: 4). Furthermore, as the level of well-remunerated jobs in the area has declined, it has been reported anecdotally that many women have turned to prostitution to help make ends meet for their families (Motsa, RSSC, interview).

In sum, against the backdrop of imminent trade liberalisation reforms, the majority owners of RSSC and Ubombo (the Swazi monarchy's trust fund and the UK's Associated British Foods, respectively) mandated their mill-level managers to make the necessary adjustments to become price competitive. This has translated into cutting labour and amenity costs – common practice across many sectors in southern Africa, especially in the wake of the New Partnership for Economic Development. This has not been offset by the EU's Aid for Trade programme, despite a clear prerogative in its legislation to do just that. Not only has this left many bereft of what little support they were offered previously, but it could also be argued that it has undermined the work done in the region by EU-funded AIDS-related projects. Combined, these outcomes are negatively impacting the already poor life prospects and living conditions experienced by sugar workers. In a video recorded as part of our research, one of these workers Make Masimula tells how she relies on odd jobs weeding the cane fields, but finds the wages too low, especially since school fees and hospital fees have now risen and government is unable to cover them. Some of her children have had to drop out of education and with jobs difficult to find, 'as you see, things are hard' (Traidcraft 2012: no. 4).

Alleviating rural poverty: sugarcane farming as a route to development?

As noted above, the EC Delegation prioritised two main areas to support through the Aid for Trade programme: road infrastructure and smallholder integration into the sugarcane supply-chain. It was able to have this influence because of the particular way in which the AMSP was set up to be managed across the ACP countries by the EU in Brussels. The recipient governments would prepare National Adaptation Strategies (though in practice it was usually the industry and/or hired European consultants that took the lead) then the in-country delegations would review the plans to check which parts of this were appropriate and feasible. This often resulted in tensions between the main parties involved. In Swaziland, for instance, the industry expressed disappointment that the Restructuring and Diversification Management Unit (RDMU) set up to coordinate the AMSP was established as a stand-alone unit to work alongside the Swazi Ministry for Economic Planning and Development. They had hoped to avoid what they saw as unnecessary duplication by hosting it within existing industry structures, and, by implication, insulating the budget from both the EC and the national government (Matsebula 2009: 5).

Despite these differences, some common ground was found between the parties managing the AMSP when it came to smallholder integration, since this strategy had been pursued by the sugar mills and Swazi government since the mid-1990s. Two factors were involved. The mills were looking to increase their cane throughput, and, unable to find large tracts of land to purchase themselves, needed to find a way to bring the Swazi National Land owned by the king under production. This dovetailed with government plans to improve food security through the commercialisation of smallholder agriculture. Two major irrigation schemes were developed to this end: the Komati Downstream Development Project (KDDP) and the Lower Usuthu Smallholder Irrigation Project (LUSIP). From the outset, sugarcane was the government's preferred crop, having the distinct advantages of allowing poor farmers to access the credit necessary to cover the cost of land clearance and irrigation installation and giving them a ready buyer in the sugar mills (Terry and Ryder 2007: 265). When the AMSP funding later became available, the EC Delegation sought to extend this opportunity further by offering grants covering 70% of the start-up costs, seeing this as a means to give its Aid for Trade project a pronounced poverty-reducing effect, and, we can assume, greater legitimacy within the development community.

To enable smallholders to manage the business of sugarcane farming, the government created the Swaziland Water and Agricultural Development Enterprise (SWADE). Their role was to encourage villagers to pool their plots into communally-operated 'block-farms' and to form Farmers' Associations that had a legal, corporate identity (Vilakati, SWADE, interview). This was dubbed a 'fields to farm' transformation, and according to Taruvinga (2011: 64-66) depended on a certain amount of persuasion on the part of SWADE, with local chiefs enrolled and the authority of the king invoked to encourage *all* community members to turn their land over to the project (Taruvinga 2011: 64-66). In pooling their land, the members of the Farmers' Association – usually the (male) family head – received a share in the business which allowed them to claim a dividend on profits. Hence they also transformed 'from smallholders to shareholders'. A Committee was then elected out of the member shareholders to act as the ‘Board’ and a Farm Supervisor and Clerk hired to manage its day-to-day operations. The intention to modernise peasants into entrepreneurial subjects through the commercialisation of their production was thus apparent in the very language of the projects; a common feature of contemporary development policy in the agricultural sector (Oya 2012).

By October 2011, there were a total of 116 Farmers’ Associations operating in the country: sixteen of which were assisted with direct grants by the Swazi government and twenty-eight under the AMSP (Maziya 2011). The vast majority, meanwhile, were 100% privately debt financed. The tendency of neoliberal governance strategies to individualise risk through the promotion of personal responsibility and privatised services, protecting corporate capital and locking the poor into debt in the process, has been discerned in many other contexts (see Adejumobi 1999). In our case, the costs of industry restructuring and land expansion were dispersed away from the sugar mills and onto the smallholders and EU and Swazi states, raising questions about whether this effective industry-subsidy constitutes an appropriate use of public funds. Moreover, the fortunes of the two sets of farmers has differed markedly, with those receiving grants being able to distribute dividends among their members after a relatively short period, while those financed by the banks have struggled to emerge from their indebtedness and been left ‘working for the financier’.

Working for the financier

As the EU reference price reductions kicked in during 2009-2011, the average price paid for sugar imported from the ACP fell also. This was an important contributing factor, along with rising input costs, for the falling profit margins experienced by Farmers’ Associations during this time. As a result of this many small cane farmers, especially those privately debt financed and/or less well managed, were left struggling to break even. This in turn meant that many start-up loans, typically upwards of €1 million, were not repaid. Given the reluctance of the banks to lower their interest rates, some Associations are still making low, or even no, operating profit, even after ten years in business (Ginindza, SCGA, interview).

This has left many growers mired in debt, resulting in a reluctance to invest in farm improvements and causing hardship and tensions within the Farmers’ Associations (Ndlovu, Ubombo, interview). Some groups resorted to borrowing more money just so they could pay out dividends, while others have been completely reliant on farming maize for subsistence on the little land that they still have available (Maziya 2011; Bambanani Farmers’ Association, interview). In these cases, people appeared to regret abandoning their previous livelihoods of maize and cotton growing for the promises of sugarcane; a business in which they were now locked in (Jele 2009).

The Swazi government alleviated some of this pressure by providing rebates on capital loans to the tune of E97m (around €9m). However, this merely made good on an initial promise to fund some of the infrastructural development, and only came after concerted lobbying by the industry. The slow disbursement of EU funds has also hindered the ability of the Farmers' Associations to remove themselves from 'debt bondage'. The Sugar Cane Growers Association (SCGA) were allocated a grant of €3.8m to oversee irrigation rehabilitation for those remaining in business and help those located at a distance from the sugar mill to diversify out of cane. Yet to receive this money and provide accountability, the SCGA were required to first appoint a project manager and finance manager, and then to put up €1m collateral. As a voluntary association with few assets, the SCGA found this difficult to achieve and asked us rhetorically: 'Why is it a grant if it requires a finance guarantee?' (Ginindza, SCGA, interview).

Rural development through commercialisation?

Those Farmers' Associations that *have* been supported with grants have been quicker to pay off their (smaller) capital loans and to start paying out dividends to members. These dividends have typically ranged from E7,000 – E9,000 (Batzlen, RDMU, interview). Multiplied by the number of hectares each member owns, usually between one and three, this gives an annual income of E7,000 – E27,000 (around €700 – €2,700). To put this in context, the average income in Swaziland is estimated at E20,500 per capita (UN Data 2011). However, this national average does disguise the inequality in the country, where per capita income in urban areas is roughly four times higher than in rural areas (Rural Poverty Portal 2011). Hence, participation in a successful Farmers' Association is generally considered a good position to be in (interviews with various Farmers' Associations).

Though it is tempting to focus on the profitability (or otherwise) of sugar farms as their main contribution to poverty alleviation, field research suggests that in fact it is their 'hidden benefits' that are most appreciated. Most importantly, since the sugarcane 'complex' brings with it irrigation and electricity infrastructure to pump water to the farms, opportunities are created to lessen the dependence on rain-fed crops. Thus, where smallholders were able to leave some of their land for home gardens rather than convert it all to cash cropping and use the water for this purpose (albeit at a price), an important contribution was made to improving food security.[3] Not only could maize and beans be grown more reliably, but by growing vegetables and fruits the quality of the diet was enhanced. These 'backyard gardens' were considered akin to 'having a dividend every day' (Vilakati, SWADE, interview). Moreover, having potable water closer to the home also reduced the time taken to collect it, as well as providing the opportunity to install improved sanitation facilities if government funding or personal savings allowed. This has an important equity effect across the genders, given that women are generally responsible for fetching water and for horticultural activities.

The second 'hidden' benefit of sugarcane farming has been the creation of paid jobs. With unemployment in the country around 40% and no state benefits available for those out of work, waged labour is highly prized. In the case of the Farmers' Associations, this may include menial work on the farm, earning around E35 (€3.50) per day. Although this is low by most standards, it can mean that workers are able to send their children to school, which would otherwise be impossible (see Traidcraft 2012: no. 3). There may also be off-farm employment in sugar-related industries such as haulage and input suppliers, or local businesses such as grocery shops. The dividend, if it comes, is then granted *on top* of any additional income earned. Moreover, with the help of SWADE, some Farmers' Associations have also expanded into basic processing such as maize milling, and into more commercially-oriented horticulture, such as supplying gooseberries to the Komati Fresh Produce Farmers cold-store.

There are some qualifications to add here. Sugarcane growing is not especially labour intensive, and so, although some jobs are created, not everyone in the project will benefit. For example, Taruvinga (2011: 31) found that in one project just fifty-five farm jobs were available in a community of near 3,000. Moreover, employment opportunities have tended to be captured by the members of the Farmers' Association, with neighbouring communities excluded and inter-village inequality rising sharply (Terry 2012). That said, SWADE (2011: 12) have reported that through the KDDP and its close ties to the sugar industry, an aggregate of over 1,000 seasonal and permanent jobs have been created, helping to offset, to a degree, the job losses incurred at the sugar mills.

In sum, in instances where heavy debt has been avoided and despite the unfavourable movements in input and farm gate prices, sugar has offered relatively stable and remunerative livelihoods for those chosen to be part of these projects. Its biggest impact developmentally has been in the area of food security, which, in contrast to those accounts linking contract farming to dependence on food markets, has been enhanced through the use of 'backyard gardens' and the symbiosis of subsistence and commercial production. However, as Terry and Ryder have cautioned, large-scale irrigation and cash crop farming is not the sole answer to rural food security in Swaziland, since most people live too far away from a perennial water supply to participate in such projects. To this we would also add that contemporary agro-industry also favours labour-expelling production regimes. This is important in the Swazi context since most food-insecure families actually depend on local shops for basic foodstuffs as the country is closely integrated into South African food markets and at the national level, food availability is generally not a problem. Rather, as the United Nations concluded in its food security survey, ‘job losses not crop losses’ were the biggest risk to hunger (IRIN 2009).

Conclusions

This paper considered the impact of the EU’s price reduction for sugar and its adjoining AMSP ‘Aid for Trade’ programme on the rural poor in the Swazi sugar-belt. It found that the two policies have resulted in a shift in the political economy of the sugar industry, as the mills have reduced their direct labour and social costs while expanding their supply base through the incorporation of smallholders. Put crudely, it has precipitated an uneven shift in the way wealth is socialised in the industry: from labour and toward land. This has been based on the loss or outsourcing of 4,400 mill jobs, on the one hand, and the entry of 1,200 Farmers’ Association members and associated multiplier jobs funded through EU grants, on the other. This has exacerbated the situation facing those thousands of casual workers that relied on the industry for salaried wages and seasonal incomes. Simultaneously however, it has also given the opportunity for a select number of communities based on Swazi National Land to become enmeshed within the sugarcane complex, albeit by taking on debt and accepting a large degree of dependence on the sugar mills. The new and uneven geographies of class relations identified here chime with Bernstein’s (2002) findings regarding ‘de-peasantisation’ in rural Africa, whereby processes of agricultural commercialisation create opportunities for some land-owning peasants to effectively rent out their land and hire waged labour. Livelihoods remain agrarian, but the peasantry fragments and a new class of people are given a stake in the accumulation of capital by the region’s dominant firms.

We finish by drawing out some broader conclusions from this case, firstly, on the effectiveness of Aid for Trade policy, and, secondly, on the place of the sugar industry in the contemporary development landscape.

On Aid for Trade, our case suggests that despite the nominal importance still attached to it as a means of addressing trade-related adjustment costs, it is not well suited to this task. This is due to the slow nature of aid disbursement, especially in countries like Swaziland that cannot be allocated budget support because of corruption in government, and the incentives for policy-makers and industrialists to use it for commercial ends rather than as a form of social transfer. To put in place the safety nets needed by those who do suddenly lose their livelihoods, donors should make clear that Aid for Trade need not be solely directed to 'private sector development' (understood narrowly as export competitiveness) but retain at least some semblance with the traditional notion of aid as support for the poorest of the poor. This could be implemented by earmarking a proportion of aid for retrenchment support and allowing companies to spend this on credit before claiming expenses back later once its provision has been verified.

Another finding is that Aid for Trade cannot be divorced from changes in the broader trade system. Despite their efforts at restructuring, the Swazi industry does still rely on the remunerative export market offered by the EU. Were this to be further eroded – as proposed by the European Commission as part of its 2013 Common Agricultural Policy reform and in various bilateral trade discussions – the consequences would again be felt among the vulnerable and poor of the country. One Swazi farmer summed up this request for consistency well: 'All in all we appreciate the help given by the EU but the price needs adjusting; the grant was a one off thing' (Metfula, Ingcayizivele Farmers' Association, interview). Such an eventuality would both undermine the significant investment that the EU has already put into poverty alleviation within the sector and run counter to its commitments on trade and development policy coherence.

On the role of the sugar industry, we hope to have provided a more nuanced account of the importance of mills in developing countries. Many problems have been highlighted with regard to the neo-plantation system of production witnessed in Mozambique and Brazil, specifically related to 'land grabbing' and/or highly concentrated landholdings (Borras *et al.* 2011; Wilkinson and Herrera 2010). Swaziland provides a useful contrast, showing a different way in which the industry can be organised. This can be traced to the customary land tenure regime which has so far precluded the development of vast agro-estates as can be found elsewhere. Moreover, when supported by some form of development grant (to avoid very high debt levels) and when able to use some of the irrigated water for subsistence food production as well as cane growing, we found that integration into the Swazi sugar supply chain could provide a relatively stable and remunerative livelihood to impoverished smallholders. Yet where the sugar mills' access to land is to be effectively supported by the public purse, they must do more to assist their new suppliers. In the manner of Lahiff and Cousins' (2005) notion of having agro-processing concerns act as 'core service nodes' in rural areas, this could include devoting more resources to the extension offices, negotiating with input suppliers and credit providers on behalf of the Farmers' Associations, giving them explicit permission to use the irrigated water for their gardens, and allowing many more people access to their HIV/AIDs programmes in prevention, treatment and palliative care. Although these companies have been squeezed by trade reforms, they do remain profit-making entities (over €7m for RSSC and Ubombo each in 2010).

This highlights the importance of negotiating with powerful fractions of capital, particularly by donors with leverage over the sector. Under the AMSP, the EC Delegations could have worked harder to influence companies in aid-recipient countries while the EU could have observed the activities of their parent companies domestically. Support for trade unions to monitor contractors' compliance with labour laws, interventions to provide better borrowing terms for smallholders, strategies to provide alternative employment for newly redundant workers, and scrutiny of potential transfer pricing and tax avoidance schemes could all have been advanced. Integrating more equitable and lasting rural development strategies into the operational remits of such companies would go far in rendering the sugar sector a much sweeter development success.

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[1] Restructuring aid was also provided to domestic sugar beet producers but without the strings attached. Moreover, while beet growers were affected by the reduction in the reference price, unlike the ACP producers, they were entitled to the EU's decoupled farm payments.

[2] The 10th European Development Fund, which runs from 2008-13, has committed €63.9m to Swaziland targeted at the health and education sectors, but, again, because of the lengthy

timeframes for implementation, it may be many years before adequate *public* services are provided in the sugar-belt, if at all.

[3] Concerns have been raised that, in some instances, pressure has been applied to the Farmers' Associations to reserve land and water for cane growing so as to satisfy the mills and banks (Taruvinga 2011).