

*Thematic Global Evaluation of European
Commission Support to agricultural
commodities in ACP countries*

Final Report

Volume 1: Main report

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Evaluation for the European Commission





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**Thematic global evaluation of European
Commission support to agricultural
commodities in ACP countries**

FINAL REPORT

VOLUME 1: MAIN REPORT

April 2012

This evaluation was carried out by



The evaluation is being managed by the Joint Evaluation Unit in DG DEVCO.

The author accepts sole responsibility for this report, drawn up on behalf of the Commission of the European Union. The report does not necessarily reflect the views of the Commission.

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List of Acronyms

€bn	Billion Euro
€m	Million Euro
3Cs	Coordination, Complementarity and Coherence
AB	Agriculture Biologique
ACP	African, Caribbean and Pacific
ACP-ACP or AAACP	All ACP Agricultural Commodities Programme (FED/2006/018-543)
ACP-GIIF	Global index insurance facility project for ACP countries (GIIF-ACP, FED/2007/020-850)
ACP-IF	Integration to the Multilateral Trading System and support to the Integrated Framework (FED/2008/020-237)
ACP-PIP	All ACP Programme PIP "Quality and Conformity Fruits & Vegetables" previously known as "Initiative Pesticides" (FED/2001/015-497)
ADE	Aide à la Décision Economique S.A.
AFD	Agence française de Développement
AfT	Aid for Trade
AGFOR	Agriculture and forestry
AIDCO	EuropeAid Co-operation Office (before merging within DG DEVCO)
AIDS	Acquired immune deficiency syndrome
AMSP	Accompanying Measures for Sugar Protocol
ARMT	Agricultural Risk Management Team
BAM	Banana Accompanying Measures
BAN	Budget line for Bananas
BF	Burkina Faso
BF-ANSE	Appui à la valorisation des ressources agricoles locales : filières anacarde et sésame (DCI-NSAPVD/2007/019-615 / contract n°149561)
BF-COT	PAFFIC - Programme d'Appui Financier à la Filière Coton (FED/2008/019-754)
BPC	Building Productive Capacity
BS	Budget Support
BTC	Belgian Technical Cooperation
CAADP	Comprehensive Africa Agriculture Development Programme (of NEPAD)
CAFR	Central Africa Region
CAP	Common Agricultural Policy
CAR	Central African Republic
CB	Capacity Building
CCRIF	Caribbean Catastrophic Risk Insurance Facility
CDC	Budget line for Decentralised cooperation
CDDCs	Commodity-Dependent Developing Countries
CFC	Common Fund for Commodities

CFP	Common Fisheries Policy
CGIAR	Consultative Group on International Agricultural Research
CI	Côte d'Ivoire
CI-ONG	Structuration professionnelle de la filière anacarde : une contribution durable pour la paix - Côte d'Ivoire (ONG-PVD/2003/004-562 / contract n°64188)
CI-REH	Réhabilitation agricole en zone élaéicoles et cotonnières de Côte d'Ivoire (FED/2008/020-255)
CM	Cameroon
CMO	Common Market Organisation
CM-ONG	Renforcement de l'autonomie et de l'auto-promotion des organisations paysannes pour le développement socioéconomique des communes de Garoua Rurale et de Gashiga – Cameroun (ONG-PVD/2005/017-215 / contract n°118626)
CM-PAS	Programme d'appui et de soutien à l'accord de partenariat économique (PASAPE, FED/2007/018-833)
COM	Communication <i>NB: In this evaluation, COM always refers to "Communication", never to a "Stabex FMO" (Framework of Mutual Obligations) or "COM Stabex" (Cadre d'Obligations Mutuelles) in French.</i>
COM (2004) 87	Communication from the Commission on a proposal for an EU-Africa Partnership in support of cotton sector development
COM (2004) 89	Communication from the Commission on a proposal for an EU action plan in Agricultural commodity chains, dependence and poverty
COMESA	Common Market for Eastern and Southern Africa
Commission	European Commission (formally the Commission of the European Communities)
COS-coton	Comité d'Orientation et de Suivi du Partenariat UE-Afrique sur le cont (Monitoring and Steering committee of the EU-Africa Partnership on Cotton)
CR	Caribbean Region
CRIS	Common RELEX Information System
CRMG	Commodity Risk Management Group, former division of the World Bank, now ARMT (Agricultural Risk Management Team)
CROP	Council of Regional Organisations of the Pacific
CR-RIC	Support to the competitiveness of the rice sector in the Caribbean (FED/2003/016-291)
CR-RUM	Integrated Development Programme For Caribbean Rum Industry (FED/2001/015-561)
CRS	Creditor Reporting System (OECD)
CSP	Country Strategy Paper
CSR	Corporate Social Responsibility
CTA	Technical Centre for Agriculture and Rural Cooperation (Joint ACP-EU Institution)
DAC	Development Assistance Committee of the OECD

DANIDA	Danish International Development Agency
DCI-FOOD	Development Budget line for Food Security
DCI-NSA	Development Budget line for Other non state actors and local authorities
DCI-NSAED	Development Budget line for Non state actors and local authorities Co-financing (ED)
DCI-NSAPVD	Development Budget line for Non state actors and local authorities Co-financing (PVD)
DCI-SUCRE	Development Budget line for Sugar
DDA	Doha Development Agenda
DG	Directorate General of the European Commission
DG DEV	DG for Development (before merging within DG DEVCO)
DG DEVCO	DG for Development and Cooperation - EuropeAid
DG RELEX	Directorate General for External Relations of the European Commission
DS	Dissemination seminar
DTIS	Diagnostic Trade Integration Study
EBA	Everything But Arms
EC	European Community
ECCAS	Economic Community of Central African States
ECHO	European Communities Humanitarian Office
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EIB	European Investment Bank
DG ELARG	Directorate General for Enlargement
EPAs	Economic Partnership Agreements
EQ	Evaluation Question
ESAIO	Eastern and Southern Africa and Indian Ocean
ET	Ethiopia
ET-CIP	Coffee Improvement Programme IV (CIP IV, FED/2001/015-643)
EU	European Union
EUD	European Union Delegation
FA	Financing Agreement
FAO	Food and Agriculture Organization of the United Nations
FF	Food Facility
FLEX	Support for fluctuations in export earnings
FMO	Framework of Mutual Obligations
FOOD	Budget line for Food Security
GBS	Global Budget Support
GDP	Gross Domestic Product
GE	Genetically Engineered
GH	Ghana
GH-COC	Ghana Cocoa Sector Support Programme - Phase II (FED/2007/019-650)
GIIF	Global Index Insurance Facility (FED/2007/020-850)
GPRSP	Growth and Poverty Reduction Strategy Paper

GSP	General System of Preferences
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HQ	Headquarter
I	Indicator
ICAC	International Cotton Advisory Committee
ICB	International Commodity Body
ICP	International Cooperating Partners
IFAP	International Federation of Agricultural Producers
IL	Intervention Logic
IMF	International Monetary Fund
INBAR	International Network for Bamboo and Rattan
IO	International Organisation
ITC	International Trade Centre
J/JC	Judgement Criteria
JEU	Former Joint Evaluation Unit of the European Commission common to DG RELEX, DG DEV and EuropeAid. Since the Lisbon Treaty, it is referred to as the Joint Evaluation Unit in DEVCO
KE	Kenya
KE-PAN	PAN-SPSO: participation of African nations in sanitary and phytosanitary standards-setting organisation (FED/2006/020-739)
LDC	Least Developed Country
LRD	Land division of SPC
MG	Madagascar
MG-FOOD	Programme d'appui au secteur agricole à Madagascar 1 & 2 (FOOD/2005/017-812 & FOOD/2006/018-309)
ML	Mali
ML-COT	Programme d'appui à la Réforme de la Filière Coton (FED/2006/020-723)
MoU	Memorandum of Understanding
MR	Monitoring Report
MS	Member States of the European Union
N/A	Not applicable
NAS	National Adaptation Strategy
NB	Nota bene
NEPAD	New Partnership for Africa's Development
NGO	Non Governmental Organisation
NIP	National Indicative Programme
NSA	Non State Actors
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
OIE	Office International des Epizooties
OLAS	On Line Accounting System
ONG	Budget line for Other NGOs

ONG-ED	Budget line for NGO Co-financing for Development Education (ED)
ONG-PVD	Budget line for NGO co-financing for ordinary NGO programmes in Developing countries(PVD)
ONU DI	Organisation des Nations Unies pour le Développement de l'Industrie
PAC	Pacific Region
PACER	Pacific Agreement on Closer Economic Relations
PAC-FACT	Facilitating Agricultural Commodity Trade (FACT, FED/2007/020-777)
PACPS	Pacific ACP states
PACREIP	Pacific regional economic integration programme
PCD	Policy Coherence for Development
PIC(S)	Pacific Island Country(ies)
PICT	Pacific Islands and Territories
PICTA	Pacific Islands Countries Trade Agreement
PIF	Pacific Islands Forum
PIFS	Pacific Islands Forum Secretariat
PMU	Project Management Unit
PNG	Papua New Guinea
PP	Public-Private
PPP	Public Private Partnership
PPS	Public Private Scheme
PROBA	Working Party on Commodities (PROduits de Base) of the European Council
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSNP	Productive Safety Nets Programme
QSG	Quality Support Group (EuropeAid)
R&D	Research and Development
R&E	Research and Extension
DG RELEX	DG for External Relations of the European Commission
RG	Reference Group
RIP	Regional Indicative Programme
RO	Regional Organisation
ROM	Result-Oriented Monitoring (EuropeAid)
RSP	Regional Strategy paper
RTAs	Regional Trade Agreements
SADC	Southern African Development Community
SAF	Special Assistance Framework
SAR-RES	Implementation and coordination of agricultural research and training in the SADC region (FED/2003/016-361)
SBS	Sector Budget Support
SEC (2003) 908	Commission Working Paper on Agriculture Commodity Trade, Dependence and Poverty - An analysis of challenges facing developing countries
SFA	Special Framework of Assistance
SI	Specific impact

SN	Senegal
SN-ONG	Insertion favorable des organisations paysannes professionnelles de la région de Kolda sur des marchés porteurs des filières sésame et noix de cajou (ONG-PVD/2006/018-227)
SPS	Sanitary and Phytosanitary
SSA	Special System of Assistance
STABEX	Système de Stabilisation des Recettes d'Exportation
SUG	Budget line for Sugar
TA	Technical assistance
TD	Trade Development
ToR	Terms of Reference
TPR	Trade policy and regulations
TRA	Trade-related Assistance
TRI	Trade-related Infrastructure
TZ	Tanzania
TZ-ONG	Support project to strengthen commercial capacities of agricultural producers in Tanzania (ONG-PVD/2004/006-239 / contract n°96162)
UG	Uganda
UG-COF	Establishing an export market for certified responsible coffee with smallholder producer groups in Uganda (ONG-PVD/2004/006-239)
UG-SBS	Sector Budget Support to the Programme for Modernisation of Agriculture (FED/2004/017-036)
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development.
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VFLEX	Vulnerability FLEX
VU	Vanuatu
VU-POP	Producers organisation project II (POP 2, FED/2002/015-896)
WAEMU	West Africa Economic and Monetary Union
WAF	West Africa Region
WB	The World Bank
WFP	World Food Programme
WTO	World Trade Organisation

List of Interventions

Abbr.	Name of intervention Decision ref / contract ref	Countries
ACP-ACP	All ACP Agricultural Commodities Programme - <i>FED/2006/018-543</i> <i>Abbreviated "AAACP" in the main report</i>	ACP countries
ACP-GIIF	Global index insurance facility project for ACP countries(GIIF-ACP) <i>FED/2007/020-850</i>	ACP countries
ACP-IF	Integration to the Multilateral Trading System and support to the Integrated Framework - <i>FED/2008/020-237</i>	ACP countries
ACP-PIP	Programme PIP "Qualité et Conformité Fruits et Légumes" previously "Initiative Pesticides" <i>FED/2001/015-497</i>	ACP countries
BF-ANSE	Appui à la valorisation des ressources agricoles locales : filières anacarde et sésame <i>DCI-NSAPVD/2007/019-615 / contract n°149561</i>	Burkina Faso
BF-COT	PAFFIC - Programme d'Appui Financier à la Filière Coton - <i>FED/2008/019-754</i>	Burkina Faso
CI-ONG	Structuration professionnelle de la filière anacarde : une contribution durable pour la paix - Côte d'Ivoire <i>ONG-PVD/2003/004-562 / contract n°64188</i>	Ivory Coast
CI-REH	Réhabilitation agricole en zone élaéicoles et cotonnières de Côte d'Ivoire <i>FED/2008/020-255</i>	Ivory Coast
CM-ONG	Renforcement de l'autonomie et de l'auto-promotion des organisations paysannes pour le développement socioéconomique des communes de Garoua Rurale et de Gashiga – Cameroun <i>ONG-PVD/2005/017-215 / contract n°118626</i>	Cameroun
CM-PAS	Programme d'appui et de soutien à l'accord de partenariat économique (PASAPE) <i>FED/2007/018-833</i>	Cameroun
CR-RIC	Support to the competitiveness of the rice sector in the Caribbean <i>FED/2003/016-291</i>	Caribbean region

Abbr.	Name of intervention Decision ref / contract ref	Countries
CR-RUM	Integrated Development Programme For Caribbean Rum Industry <i>FED/2001/015-561</i>	Caribbean region
ET-CIP	Coffee Improvement Programme IV (CIP IV) - <i>FED/2001/015-643</i>	Ethiopia
GH-COC	Ghana Cocoa Sector Support Programme - Phase II - <i>FED/2007/019-650</i>	Ghana
KE-PAN	PAN-SPSO: participation of African nations in sanitary and phytosanitary standards-setting organisation <i>FED/2006/020-739</i>	Kenya
MG-FOOD	Programme d'appui au secteur agricole à Madagascar 1 & 2 <i>FOOD/2005/017-812</i> & <i>FOOD/2006/018-309</i>	Madagascar
ML-COT	Programme d'appui à la Réforme de la Filière Coton - <i>FED/2006/020-723</i>	Mali
PAC-FACT	Facilitating Agricultural Commodity Trade (FACT) - <i>FED/2007/020-777</i>	Pacific region
SAR-RES	Implementation and coordination of agricultural research and training in the SADC region - <i>FED/2003/016-361</i>	Southern Africa region
SN-ONG	Insertion favorable des organisations paysannes professionnelles de la région de Kolda sur des marchés porteurs des filières sésame et noix de cajou <i>ONG-PVD/2006/018-227</i>	Senegal
TZ-ONG	Support project to strengthen commercial capacities of agricultural producers in Tanzania <i>ONG-PVD/2004/006-239 / contract n°96162</i>	Tanzania
UG-COF	Establishing an export market for certified responsible coffee with smallholder producer groups in Uganda <i>ONG-PVD/2004/006-239</i>	Uganda
UG-SBS	Sector Budget Support to the Programme for Modernisation of Agriculture <i>FED/2004/017-036</i>	Uganda
VU-POP	Producers organisation project II (POP 2) <i>FED/2002/015-896</i>	Vanuatu

Executive Summary

Purpose of the evaluation

This evaluation covers European Commission support to agricultural commodities in all Africa Caribbean and Pacific (ACP) countries over the period 2000-2009 in the context of the policies and approaches laid down in two Communications that set out the European Union's (EU) Action Plan for addressing agricultural commodity chains, dependence and poverty:

- Communication (2004)89: Agricultural Commodity Chains, Dependency And Poverty – A Proposal for an EU Action Plan, *and*
- Communication (2004)87: Proposal for an EU-Africa Partnership in support of cotton sector development accompanied by the Action Plan for Cotton¹.

The objective of the evaluation is twofold:

- To provide an **overall independent assessment** of the Commission's past and current cooperation support to agricultural commodities at a general level; *and*
- To identify **key lessons learnt** in order to improve the current and future Commission strategies and programmes.

Background to the evaluation

The economic and development importance of agricultural commodities (in terms of employment, income, revenue and foreign exchange) and the changes at the international and national scenes affecting commodity sectors and producers in Commodity Dependent Developing Countries (CDDCs) led the Commission to review its approach to supporting agricultural commodity sectors. It was set out in the two Communications mentioned above, focusing on ensuring more and better EU actions in six areas corresponding to the six challenges faced by CDDCs identified as follows:

- Treating commodity chains and dependence as priority issues in combating poverty;
- Coping with the long-term decline in prices;
- Managing commodity risks and providing access to finance;
- Diversifying production around traditional commodities;
- Promoting integration in the international trading system; *and*
- Encouraging the sustainable business and investment practices in the CDDCs.

The Council endorsed both Communications in April 2004, thus committing to enhanced joint action in these six priority areas. Joint action was to be developed by **multi-donor cooperation on agricultural commodities** with international organisations (WB, FAO, UNCTAD, CFC and, later on, ITC²), with a view to enhance expertise and development of

¹ The "Action Plan for the Implementation of the EU-Africa Partnership for Cotton" which was the result of a European Union-Africa Cotton Forum and which is presented in the Summary of Proceedings from this forum (held in Paris on 5th and 6th of July 2004).

² WB : World Bank ; FAO : Food and Agriculture Organization ; UNCTAD: United Nations Conference on Trade and Development; CFC: Common Fund for Commodities; ITC: International Trade Centre

innovative tools to support national commodity strategies. In addition, the Council invited the Commission and Member States (MS) to undertake assessments and make proposals to ensure the efficiency of International Commodity Bodies (ICBs).

Methodology

The evaluation was structured in four main phases, namely the structuring, desk, field and synthesis phases. Nine Evaluation Questions (EQs) were designed on the basis of the faithful intervention logic of the two Communications, thus addressing its six priority areas outlined above. The evaluation used a range of tools to gather information and to ensure an independent assessment and a broad coverage of the scope in terms of countries, activities, and sufficient depth of analysis. At first, an inventory of Commission support to agricultural commodities based on CRIS (the Common Relex Information System) was elaborated. This allowed the selection of 12 countries, 24 interventions and 8 products that were analysed during the desk phase. A total of 355 policy, programme and project documents (including monitoring and evaluation reports), international reports and statistical information were analysed complemented by 26 interviews with Commission officials at headquarters and with intervention representatives present in Brussels. On these bases, preliminary findings, hypotheses to test and gaps to fill during the field phase were formulated. Eight field visits were undertaken (in Burkina Faso, Cameroon, Côte d'Ivoire³, Ghana, Madagascar, Tanzania, Uganda and Vanuatu) during which 105 interviews with EU Delegation officials, project beneficiaries, implementing agencies, Government officials, NGOs (Non-Governmental Organisations) and donors were held and five focus groups on four agricultural commodities organised⁴. Country specific documentation (e.g. from Stabex projects, national statistics or additional project information) was collected and analysed. Finally, an internet based survey addressed to all ACP Delegations was also carried out.

Analysis and main findings for each Evaluation Question

Commission's reaction to price decline & volatility in supporting CDDCs (EQ1)

The continued importance of agricultural commodities in CDDC's economies (for a large majority of ACPs, agricultural commodities provided more than 50% of merchandise export earnings in at least one year over the period 1995-2008) and the steady decline of agricultural commodities prices between 1970-2000 prompted the Commission to issue two Communications in 2004 outlining its policy and Action Plan for general support to agricultural commodities, dependency and poverty (COM (2004)89) and for support and actions specific to cotton (COM(2004)87). Six priority areas for action were identified which the Commission would support with existing means. In the event, the publication of the Communications coincided with a time when non-earmarked support to agriculture in the Commission's cooperation programmes decreased but earmarked support (in particular

³ The visit to Côte d'Ivoire was replaced by interviews with an EUD representative who was back in the headquarters in Brussels, due to the political conflict in the country.

⁴ Focus group discussions were held in Burkina Faso for cotton, Cameroon for coffee, Ghana for cocoa, Tanzania for tea and for coffee.

to the banana and sugar sectors) increased. At the same time other initiatives (Aid for Trade and support to Economic Partnership Agreements (EPA) negotiations) emerged and were also relevant for the Communication's priorities.

In total, more than €2.1 billion were provided over 2000-2009 in support of agricultural commodities in ACP countries, all instruments or budget lines considered: EDF (European Development Fund), Stabex, Sugar budget line, Banana budget line, Food Facility and others (the most important being EDF and Stabex⁵). Within this portfolio, two programmes were specifically set up to embody the approach defined in the Communications: the *All-ACP Agricultural Commodities Programme (AAACP)*⁶ and the *Global Index Insurance Facility (GIIF)*⁷. Both programmes were implemented at all ACP level.

Support to the design of agricultural commodity strategies (EQ2)

Supporting CDDCs in designing commodity strategies and in incorporating them into national and regional development strategies was the Communications' first priority. Since the publication of the COMs, the Commission has supported the design of commodity chain strategies in at least 19 ACP countries and three regions, mostly through the AAACP. In addition to a large array of agricultural products, cotton was the main beneficiary of that support, especially in Côte d'Ivoire, in Burkina Faso and at regional level (in East & Southern Africa, West Africa and Central Africa).

For cases reviewed where the design of agricultural commodities strategies was supported, the Commission took account of competitiveness diagnostics, identified needs, stakeholders' opinions, donor coordination and cross-cutting themes such as environment, gender and corporate social responsibilities. No evidence was found that agricultural commodity strategies have been embedded into national or regional development strategies.

Coordination with International Organisations (IOs) & International Commodity Bodies (ICBs) and their adoption of the COMs' approach (EQ3)

Evaluation findings point to a mixed achievement of the Communications' intended results in coordinating support. Major steps were made by holding international consultations with IOs for the elaboration of the Communications, for the EU-Africa Partnership on Cotton and for the preparation and implementation of the AAACP. The AAACP in particular fostered cooperation amongst IOs, effectively using them as vehicles for spreading the value chain approach. Such achievements were particularly positive in the cotton sector. The Communications also strengthened and clarified the Commission's position in international discussion fora. However, at country level, coordination and cooperation with other donors and IOs were rarely formalised and were not stepped up as a result of the

⁵ Stabex transfers are part of EDF funding but for the purpose of this report the two are considered separately.

⁶ The AAACP was signed in 2006 and launched in 2007, for a total amount of €45m with the above-mentioned members of the multi-donor cooperation on agricultural commodities, to strengthen capacity to develop sustainable commodity strategies to improve farmer productivity and reduce income vulnerability.

⁷ The GIIF was launched in 2008 for a total Commission commitment of €25m to support the enhanced use of index insurance to reduce farmer vulnerability to external weather-induced shocks

Communications: IOs in particular were rarely consulted. In a few cases, the Commission has shown leadership in promoting coordination of support (e.g. Tanzania, Burkina Faso or Côte d'Ivoire). Complementarities with interventions of other donors were noted in a majority of interventions reviewed although it was difficult to assess their extent. Progress in reforming ICBs was found to be very slow.

Support to the competitiveness of agricultural commodity chains in CDDCs (EQ4)

In countries analysed, the bulk of Commission support aimed to improve competitiveness by increasing agricultural productivity or crop quality through support to research or access to inputs. Specific focus was given to key crops such as coffee, cocoa and cotton (or rice and rum in the Caribbean⁸). Support also targeted roads and infrastructure but serious constraints hampering commodity production, collection and processing still remained insufficiently addressed. Similarly, despite some support to market information for producers, much remains to be done in organising producers at higher levels, stimulating investments in commodity chains, obtaining, or adopting social codes of conduct.

Support to the ACP business environment in the 9th and 10th EDFs was important, with trade and regional integration often chosen as a focal sector of cooperation. However this was rarely found to specifically have targeted agricultural commodities' concerns except under the banana budget line. Elsewhere essential constraints were not necessarily addressed (e.g. land tenure or decentralisation). Free access to the EU market has been provided to most ACP countries and support to improve export capacities gave positive results (e.g. the PIP⁹) but has remained limited. Other trade agreements (e.g. World Trade Organization (WTO) negotiations or EPAs) showed slow progress.

With some notable exceptions where a value chain approach was adopted, analysed interventions remained small-scaled and localised, with impacts remaining confined to direct project beneficiaries. Major sector constraints had often not been addressed in the supported sectors, thus limiting the effectiveness of Commission support and undermining the sustainability of obtained results. In general no information systems were set-up to monitor and assess intervention results and impacts on incomes of producers, agricultural commodity sectors and ACP countries. In the few cases where the Commission addressed its support to the entire value chain results have been on a large scale: crises (social and economic) were averted in Burkina Faso and Côte d'Ivoire and, in Ghana, cocoa production and exports increased dramatically over the period under review. Similarly, support to the rum, banana and sugar sectors adopted an integrated approach. Sustainability of achievements in terms of competitiveness however depends on new international agreements, commitments to mitigate their effects and further possibilities to increase competitiveness.

⁸ The rice and rum interventions took place in the Caribbean following changes in EU trade regulations, to support Caribbean producers in coping with the market change (by increasing competitiveness).

⁹ The "PIP Quality and conformity Fruits and vegetables" is a programme that aimed at reinforcing sustainable competitiveness of the private sector fruit & vegetables in ACP countries through the improvement of the sanitary quality of products and strengthening the capacities of value chain stakeholders.

Support to risk management and/or social safety nets (EQ5)

In the past, the Stabex instrument provided automatically triggered funds to ACP countries suffering from price instability of agricultural commodities. Although its funds were very rarely used as risk management or compensatory tools for farmers, their use for supporting crop research, improved transparency of crop prices and, more generally, implementing projects aiming for improved competitiveness, all aimed indirectly to reduce farmers' risks.

Two projects issued from the COMs (AAACP and GIIF) were developing - rather than implementing - new risk management initiatives within the time scope of the evaluation (until 2009) so that results could not yet be assessed. The Commission was rarely found to intervene directly in risk reducing operations or to offer producer finance although approaches were tested in the AAACP (e.g. warehouse receipt system or commodity exchanges). More broadly, field observations showed that Commission supported projects were generally directed towards better performing rather than more vulnerable farmers.

Support to diversification around traditional products (EQ6)

When addressed in the development strategies of ACP countries, diversification of the agricultural production is promoted, even in CDDCs, as a means to increase farmers' income rather than to reduce the country's dependence on exports of a limited number of products. Most interventions analysed have been consistent with this approach. They aimed at diversifying farmers' livelihoods through the introduction of new cash crops in their production system, at increasing the production chains' added value and at improving the quality to meet the international market requirements. These Interventions contributed to increase local farmers' income and reduce their sensitiveness to price fluctuations level but have not been replicated nor given rise to countrywide strategies.

In banana and sugar producing countries, the Commission's support to diversification out of the sector was the alternative when competitiveness was considered unachievable. In a few Caribbean countries diversification within the sugar sector was sometimes envisaged but rarely implemented due to heavy investment requirements. Under the banana budget line, support helped to build capacity for economic diversification in the Windward Islands. Reducing dependence became a part of the countries' priorities but impacts could not be quantified.

Most effective contributions to diversification were generally undertaken in the context of the Commission's support to private sector development and the implementation of its Aid for Trade strategy rather than in the context of diversification around agricultural commodities. In its latest country strategies the Commission has actively supported Private Sector Development mostly targeting the institutional and regulatory environments whilst direct support to productive sector actors has been provided by the European Investment Bank (EIB) through loans to the agro-business sector, such as in Burkina Faso (cotton) or Cameroun (bananas).

Effects of other Community policies on the pursuit of the COM's objectives (EQ7)

Efforts are made by the Commission to ensure overall coherence of its policies. CAP reforms and WTO ruling impacted the agricultural sector of some producer countries and measures have been implemented to mitigate negative effects (e.g. in the sugar, banana, rice and rum sectors). According to stakeholders, some interventions funded under the banana budget line suffered from timeliness issues that reduced their relevance and effectiveness (market rulings taking effect much faster than interventions).

Synergies between support to agricultural commodities and other areas were identified concerning trade (including the Everything But Arms initiative), transport infrastructure, research and market access. Cross-cutting issues, mainly the environment and gender, but also corporate responsibility and HIV were included in strategy and programming documents and in several Commission supported interventions in the visited countries.

Cost effectiveness & timeliness of instruments & implementation modalities (EQ8)

Generally a mix of instruments was used. Delegations managed them in an effort to ensure complementarity (and the flexibility of Stabex was found particularly valuable in this regard) but synergies between instruments were rarely achieved. National and regional interventions were mutually supportive in the area of agricultural research. Elsewhere they were rarely noted in analysed programming documents (country and region papers refer to each other but do not explicit how complementarity is assured) or visited countries.

Implementation and financing modalities were chosen based on capacities of beneficiaries. They took account of the capacities of the Delegations and of the flexibility allowed by the financing instrument. Institutional strengthening has been an important component of support to agricultural commodities. However, a majority of interventions suffered from delays that affected their efficiency and effectiveness with regards to the outputs produced and results obtained: procedures and payments were most often cited as constraints to efficiency.

Support alignment with beneficiary needs & priorities and COM objectives (EQ9)

Project documents usually offered a broad analysis of the needs and issues at stake. Activities were clearly defined with related outputs, and less systematically, related intended results. However, the manner in which these results were meant to contribute to relieve identified constraints was rarely clear. In practice, the interventions did not always address needs and were rarely focused on sector priorities and objectives.

The Communications' approach has been most closely applied to sector-specific support (sugar and banana budget lines, cotton support in visited countries - Burkina Faso and Côte d'Ivoire - and the Caribbean rum and rice programmes) and to the two programmes implemented at ACP level (AAACP and GIIF). Other analysed interventions were not shaped by the Communications and cooperation in the field of agricultural commodities was driven by other considerations than that of price decline or variability. Although interventions were mostly aligned with the Communications' priorities, they rarely embraced the sector-wide value chain perspective.

Conclusions

Each conclusion listed below refers to the Evaluation Questions from which it stemmed as well as its level of importance (*Imp*) and relevance (*Rel*) to the evaluation. Levels range between the following four categories: highest – high – moderate – low.

On institutional commitment to the Communications' approach

C 1: The Communications were implemented at international and all ACP levels and through the sugar and banana budget lines. However, the design and implementation of support to agricultural commodities funded by the EDF and Stabex resources remained unaffected by the Communications. *(Based on EQs 1, 2, 3 and 9; Imp: Highest, Rel: Highest)*

The Communications' approach and principles were implemented through the clarification and strengthening of the Commission's stand on agricultural commodities issues at international level, through the shaping of support to bananas and sugar and through the launch of two 'catalytic and innovative' projects at all ACP level. However, beyond these initiatives that stemmed directly from the Communications, no provisions were made at country level to ensure that the approach would be adopted and implemented in existing or foreseen operations. Opportunities for using existing instruments (e.g. remaining Stabex funds) to implement the Communications were not sufficiently used.

C 2: The Communications did not shape the Commission's bilateral support to agricultural commodities; nevertheless the value chain approach to support agricultural commodities was adopted in some sectors and countries. In others an approach focusing on punctual constraints was used. *(Based on EQs 2, 4, 6 and 9; Imp: Highest; Rel: Highest)*

The adoption of the value chain perspective was implemented by the banana and sugar budget lines and was promoted and implemented by the AAACP and the EU-Africa partnership on cotton. Other cases of adoption of the value chain approach were rare but did exist. Analysed interventions showed that the Commission support to agricultural commodities always targeted improved competitiveness. However, the interventions most often addressed punctual constraints rather than viewing the whole sector, thus jeopardizing the effectiveness of support; they provided localised, small scale benefits to the populations involved but these initiatives were not up-scaled or replicated.

C 3: The most notable value added and the showcase of the Communications is the achievement in establishing a functional EU-Africa Partnership on Cotton. *(Based on EQs 2, 3 and 4; Imp: Moderate; Rel: Highest)*

The cotton-specific Communication (COM(2004)87) led to the agreement on an EU-Africa Partnership on Cotton. This continent-wide Partnership with a long-term vision was a very big step forward in implementing the Commission's policy. Support to the sector is highly relevant as it is the one facing the biggest challenges and where farmers are considered the most commodity-dependent. The Partnership laid a basis to adopt a value chain approach of support and to coordinate efforts. Leading to the establishment of the COS-Coton steering group (*Comité d'Orientation et de Suivi du Partenariat UE-Afrique sur le*

coton or *Monitoring and Steering committee of the EU-Africa Partnership on Cotton*), it also allowed to monitor and orient support at a general level.

On means of implementation

C 4: Coordination, especially at field level, remained a challenge and constrained the capitalization process *(Based on EQs 2, 3, 4, and 5; Imp: Highest; Rel: Highest)*

Under the AAACP the Communications boosted coordination with IOs at headquarter level but, in countries visited, the implementation of activities on the ground did not involve Delegations even though they were the major players in the field; the AAACP has yet to set an example in terms of coordination and its positive achievements have not yet been capitalised upon at field level. More widely, at country level, limited coordination at intervention level with IOs, MS, other donors and/or non profit organisations has constrained opportunities for creating complementarities and synergies.

C 5: Whilst the rigidity of procedures often represented a constraint for projects, the flexibility of the Stabex instrument allowed Delegations to offer a flexible response to unforeseen demands for support *(Based on EQ8, Imp: Highest; Rel: Low)*

Synergies and complementarities between interventions funded with different financing instruments were rarely achieved. Although EU Delegations did the best they could with what they were given, the different financing instruments were most often implemented without building synergies. Stabex funds were particularly appreciated for their flexibility (see C 6).

The effectiveness of the support was often found to be jeopardized by issues affecting the timeliness of output delivery: beneficiaries generally blamed Commission procedures.

C 6: Availability of information on Commission support to agricultural commodities was a major constraint to (i) learning from experience, (ii) assessing results and (iii) accountability. *(Based on EQs 2, 4, 5, 8 and 9; Imp: Highest; Rel: Low)*

A common thread through most of the countries visited and interventions reviewed was the lack of available information about the support to agricultural commodities. This lack of information about project achievements, results and financial data limits the scope for learning from experience (one's own or that of others), for evaluating the impact of the Commission support and verifying whether value for money was obtained. More generally, it put at risk the accountability of project managers, EU Delegations and the Commission.

On outcomes and impacts

C 7: The Commission's sector-wide interventions have had significant effects on competitiveness when support was important. On the other hand, support to agricultural commodities through punctual interventions contributed to an improvement of beneficiaries' situation but this was often temporary, on a small scale and not capitalized upon; sector competitiveness was rarely improved. *(Based on EQs 2, 4, 6 and 9; Imp: High; Rel: High)*

Information on the impact of support to agricultural commodity sectors upon sector, macroeconomic or social performance was rarely available. It is thought to have been

important in the cases where Commission funding of the sector was adapted to objectives (e.g. bananas, rum, and cotton). For punctual interventions, anecdotic evidence points towards localised benefits in terms of income improvements of the immediate project beneficiaries but sustainability of these gains is not ensured.

On sustainability

C 8: The Commission's support to the competitiveness of agricultural commodity sectors rarely considered project exit strategies. *(Based on EQs 2, 4 and 8; Imp: High; Rel: Low)*

Evidence shows that most projects were designed to support a sector in need based on identified problems or in times of crisis. While this support was highly relevant, its effectiveness on the long term was not sufficiently ensured.

C 9: The Communications and the Commission's support to the competitiveness of agricultural commodity sectors considered exit strategies from the sector only for the support to the banana and sugar producing countries *(Based on EQs 1, 2, 4, 6 and 9; Imp: High; Rel: High)*

Except in the banana and sugar sectors, the Commission rarely considered diversification as an alternative to supporting competitiveness improvement. Diversification as an alternative to supporting competitiveness improvement was rarely considered for Commission support from EDF and Stabex funding.

On coherence of EU policies

C 10: At headquarter level efforts are made to ensure coherence between different EU policies including in the way they affect particular sectors. However timeliness and administrative issues have at times hampered their effectiveness at field level. *(Based on EQs 1, 7 and 8; Imp: High; Rel: Moderate)*

The pursuit of ensuring coherence of EU policies with the COM objectives had important repercussions on the amounts and nature of Commission support to agricultural commodities during the period under review. Efforts were made to ensure coherence between EU development, trade and agricultural policies and to accompany the transition due to potential negative effects of new policies on ACP agricultural commodity producers. However since policy/market decision effects are faster than those of agricultural commodity support interventions, support was sometimes considered insufficient. Furthermore, the variety of instruments made global coherence difficult to ensure.

On strategic issues

C 11: The Communications outlined a policy response triggered by a series of macro-economic challenges. However, the proposed interventions targeted producers who have different stakes and face different challenges linked to food, not cash crop, production. *(Based on EQs 1 and 6; Imp: moderate ; Rel: High)*

The Communications focus on agricultural commodities. Although these do represent an issue at macroeconomic level, export crops are rarely the main production at smallholder farm level. Except in cases of plantations (e.g. sugar, banana and sometimes tea),

agricultural commodities are not the main source of beneficiaries' livelihood. Agricultural commodities mostly provide an additional income, except for cotton where it is most often the only source of cash income for farmers. Food crops are the main issue and concern at farm level as the production system primarily aims at self-subsistence. Producers therefore face other priorities and challenges, which should be taken into account when designing interventions at farm level.

Recommendations

Based on the foregoing conclusions, recommendations have been formulated in two main areas:

Specific to agricultural commodities

R1: Based on analyses of competitiveness and livelihood possibilities, decide whether to support competitiveness or to exit from a sector and provide means to do so (*Based on C1 and C9; Imp: Highest ; Rel: Highest*)

The decision to support one or several agricultural commodities should be based on a long term vision considering the country's potential competitiveness on world markets, such as it was intended in the sugar and banana budget lines. Since support to increasing competitiveness involves higher investments and therefore higher exposure to world market trends, such choices should be based on the best possible evidence. If the competitiveness gap appears to be too big and that better viable solutions are possible, the Commission should support the exit from the sector.

R2: Place the value chain approach in a comprehensive framework in line with an overall agricultural support policy (*Based on C1, C2 and C7; Imp: Highest ; Rel: Highest*)

Just as Communications lead the way towards an integrated value chain approach, interventions as well should take account of the value chain rather than focusing on punctual needs and activities. Other key issues to ensure effective support, such as food crops, land tenure, rural credit, infrastructure, etc. should be taken into account.

R3: Address dependence through diversification at a macroeconomic level (*Based on C9, C11 and C12; Imp: High ; Rel: High*)

Since diversification is at first an issue at macroeconomic level (dependence for export revenue is in most cases higher than farm income dependence) and that diversification goes beyond agricultural commodities, diversification strategies should be addressed through private sector development and trade policies.

R4: Implement the current Communication by focusing available resources on specific sectors that have long term prospects (*Based on C1, C2, C7, C8, C9 and C11; Imp: Highest ; Rel: Highest*)

The main message of the Communications – supporting the adoption of a value chain perspective in support to national agricultural commodity strategies – remains valid. The Communications themselves could be revised to take better account of the smallholder perspective and macro-economic considerations. Resources should be concentrated on supporting sectors showing long-term viability prospects and where social benefits are

commensurate with the support. Support should be directed towards the entire sector operations and the balance between cash and food crops should be considered more carefully. Implementation will require deeper efforts to ensure adoption by Delegations and improved headquarters quality control of programming and project identification processes.

R5: Deepen focus and research on possibilities to prevent the impact of agricultural commodity price volatility on farmers, including the poorest *(Based on C1, C11 and C12; Imp: Highest ; Rel: High)*

Difficulties in addressing issues of price volatility and its impacts on smallholders and particularly on the poorest farmers are linked to the fact that no solutions have yet been found. A thorough analysis of existing ex ante price stabilisation mechanisms and other potential risk prevention tools is required to enhance support's effectiveness in that field.

Non-specific to agricultural commodities

R6: Allocate resources for the implementation of policy level Communications *(Based on C1, C5 and C6; Imp: High ; Rel: Moderate)*

If and when policy level Communications are elaborated, they ought to be accompanied by a strategy for ensuring their translation and implementation at practical level: publicity, operational guidelines and a mobilisation of existing means are required in order to influence the cooperation programme and the design of individual interventions.

R7: Build complementarities and synergies within EU support between projects, programmes and non financial support *(Based on C5 and C10; Imp: Moderate ; Rel: Moderate)*

The Commission should ensure that its support to agricultural commodities engenders increased value added by building complementarities and synergies within Commission support by:

- complementing existing operations;
- building bridges between operations funded with different financial instruments;
- improving coordination of and complementarity between regional, all ACP and bilateral operations; *and*
- improving the use of non financial support (such as policy dialogue, sharing of information and best practice, coordination and complementarities with other donor and NGO initiatives).

R8: Improve and promote coordination with other institutions inside the country *(Based on C3, C4 and C5; Imp: Moderate ; Rel: Moderate)*

Beyond improved coordination within the Commission, enhanced coordination with other donors, non-profit organisations and other sector stakeholders is required to achieve higher complementarities with ongoing efforts and thus achieve a better outcome of the Commission's support at sector level. Projects like the AAACP could play a valuable role in this regard.

R9: Adapt implementation mechanisms and financing modalities to capacities and systems in place *(Based on C4 C8; Imp: High ; Rel: High)*

For each intervention, the choice of implementation modality should be based on an institutional diagnostic. In addition through the lifetime of the project, the institutional strengths and weaknesses of the chosen implementing agency should be monitored continuously so that implementation mechanisms can be adapted where/when necessary. Similarly the financing mechanisms used for an intervention should be based on an assessment of the systems already used by the implementing agency: if found to be acceptable, then these, and not the parallel systems based on Commission procedures, should be used.

R10: Ensure monitoring of results and their evaluation ex-post (*Based on C2, C6 and C7; Imp: High ; Rel: Highest*)

Adequate monitoring not only of inputs and outputs but also of outcomes and the reporting on this monitoring should be essential features of any Commission supported intervention: the monitoring of interventions' results on a continuous basis is essential for adapting the intervention's design and inputs to changing contexts and consequently ensure better effectiveness of these interventions. The monitoring and the public availability of monitoring reports are also of paramount importance for ensuring accountability of use of resources and availability of adequate information for learning lessons.

1. Introduction

As the fourth deliverable, this document is the *Final Report* of the *Thematic Global Evaluation of the European Commission* (hereafter referred to as “the Commission”) *support to agricultural commodities in ACP countries*. This evaluation has been commissioned by the Joint Evaluation Unit of the EuropeAid Cooperation Office and the Directorates-General for External Relations and Development (hereafter referred to as the Joint Evaluation Unit - JEU).

1.1 Overall objectives, mandate and scope

The **subject** of this evaluation is the **Commission support to agricultural commodities** in the context of the policies and approaches laid down in the **two Commission Communications** which set out the European Union’s proposed Action Plan for addressing agricultural commodity chains, dependence and poverty in Commodity Dependent Developing Countries (CDDCs):

- Communication (2004)89: Agricultural Commodity Chains, Dependency And Poverty – A Proposal for an EU Action Plan (**COM(2004)89**), and
- Communication (2004)87: Proposal for an EU-Africa Partnership in support of cotton sector development accompanied by the Action Plan for Cotton¹⁰ (**COM(2004)87**).

The first Communication concerns the support to commodities in general, while the second is specific to the cotton sector. The evaluation concerns the first Communication and provides answers to evaluation questions, conclusions, and recommendations at the level of the general support and not for a sector in particular. Since **cotton** had a special place in the EU commodities policy agreed in 2004, it was the subject of a special focus in the evaluation. Its analysis in the sector-specific fiches (see Annex 5: Product Fiches) is therefore more highly detailed.

The Terms of Reference (ToRs – see Annex 1) for this evaluation specify two main objectives:

- To provide an **overall independent assessment** of the Commission’s past and current cooperation support to agricultural commodities at a general level -and therefore not on specific products- (relevance, efficiency, effectiveness, impact, sustainability, as well as consistency¹¹, coordination, complementarity and coherence (3Cs), key cross-cutting issues, and the Commission value added); *and*
- To identify **key lessons learnt** in order to improve the current and future Commission strategies and programmes. Lessons learnt will relate to the overall strategy laid down in the action plan and take into account recent developments (e.g. current EU and international attention to Aid-for-Trade).

The **geographical scope** for this evaluation covers the ACP countries.

¹⁰ The “Action Plan for the Implementation of the EU-Africa Partnership for Cotton” which was the results of a European Union-Africa Cotton Forum and which is presented in the Summary of Proceedings from this forum (held in Paris on 5th and 6th of July 2004).

¹¹ Correspondence between the different objectives of a strategy and the extent to which resources foreseen are adequate in relation the objective pursued.

In terms of **temporal scope**:

- the **evaluation** covers the period 2004-2009 (*although during field visits, the analysed time scope was from 2000 to 2010*); while
- the **inventory** covers the period 2000-2009.

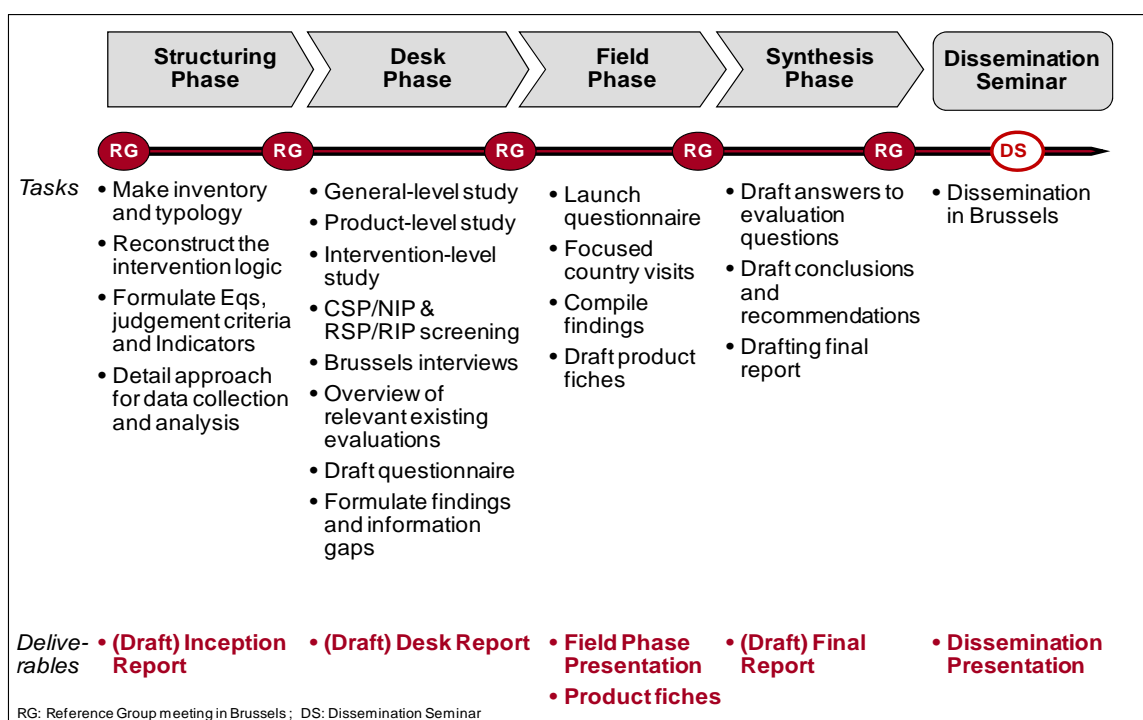
The **funds** covered for this evaluation include all Commission financial contributions made to support the agricultural commodity sectors, i.e. funds from (i) the European Development Fund (EDF) (including Stabex and FLEX instruments) and (ii) the European Union General Budget (including relevant Commission thematic and geographical budget lines, as well as relevant general and sector budget support interventions).

1.2 Key stages of the evaluation

The overall evaluation was structured in four main **phases** as summarised in the figure below. This figure presents the **activities** undertaken in the different phases; the Reference Group (RG) **meetings** and the dissemination seminar (DS) held and to be held; and the various **deliverables** (draft and final versions) produced/to be produced at the different stages. Each phase started upon approval of the deliverable of the previous phase.

The structuring phase started in January 2010 and ended with the approval of the inception report in October 2010. The desk phase deliverable, the Final Desk report was approved in March 2011. Field visits were undertaken over May-June-July 2011 and results were presented to the RG in September 2011. This Final Report is the result of the Synthesis phase.

Figure 1: Evaluation process



1.3 Objectives and structure of the Final Report

The final report provides the main findings and conclusions and recommendations of the evaluation.

The evaluation is based on: the inventory of Commission support to agricultural commodities (see Inception Report); the results of the evaluation team's review of 355 documentary sources (including websites) (*see Identification fiches of the 24 selected interventions in Annex 3 and Bibliography in Annex 9*); 26 interviews held in the Commission Headquarters and 105 interviews during the field visits in ACP countries including five focus group discussions with project beneficiaries (*see list of persons met in Annex 8*); and, the analysis of results of the survey undertaken amongst EU Delegations in ACP countries (34 respondents). The detailed findings are presented in three annexes: Annex 4 presents the data collected and analysed for each indicator, judgement criterion and Evaluation Question; Annex 5 specifically presents the findings for each of the eight agricultural commodity products reviewed; the online survey results are presented in Annex 6. The inventory was presented in the Final Inception Report.

Following this introductory chapter, this report is **structured** as follows:

- **Chapter 2: Key methodological elements:** this chapter provides a reminder of the intervention logic and the structured evaluation questions, forming the backbone of this evaluation, and details the methodological approach at the basis of the desk study;
- **Chapter 3: Main findings and analysis:** this chapter presents the answers to the evaluation questions and an overall assessment of the EC strategy;
- **Chapter 4: Conclusions;** *and*
- **Chapter 5: Recommendations** of the evaluation.

This report also contains 9 annexes in 4 volumes.

- **Annex 1:** Terms of Reference;
- **Annex 2:** Evaluation Questions, Judgment Criteria and Indicators;
- **Annex 3:** Intervention Fiches;
- **Annex 4:** Completed Data Collection Grid;
- **Annex 5:** Product Fiches;
- **Annex 6:** Online Survey;
- **Annex 7:** Field Mission Debriefings;
- **Annex 8:** List of Persons Met;
- **Annex 9:** Bibliography.

2. Methodology

This section briefly reviews the intervention logics of the two Communications, which were presented in detail in the Inception Report, the set of evaluation questions and the methodological approach of the evaluation with the challenges and limitations.

2.1 Intervention Logics of the Communications

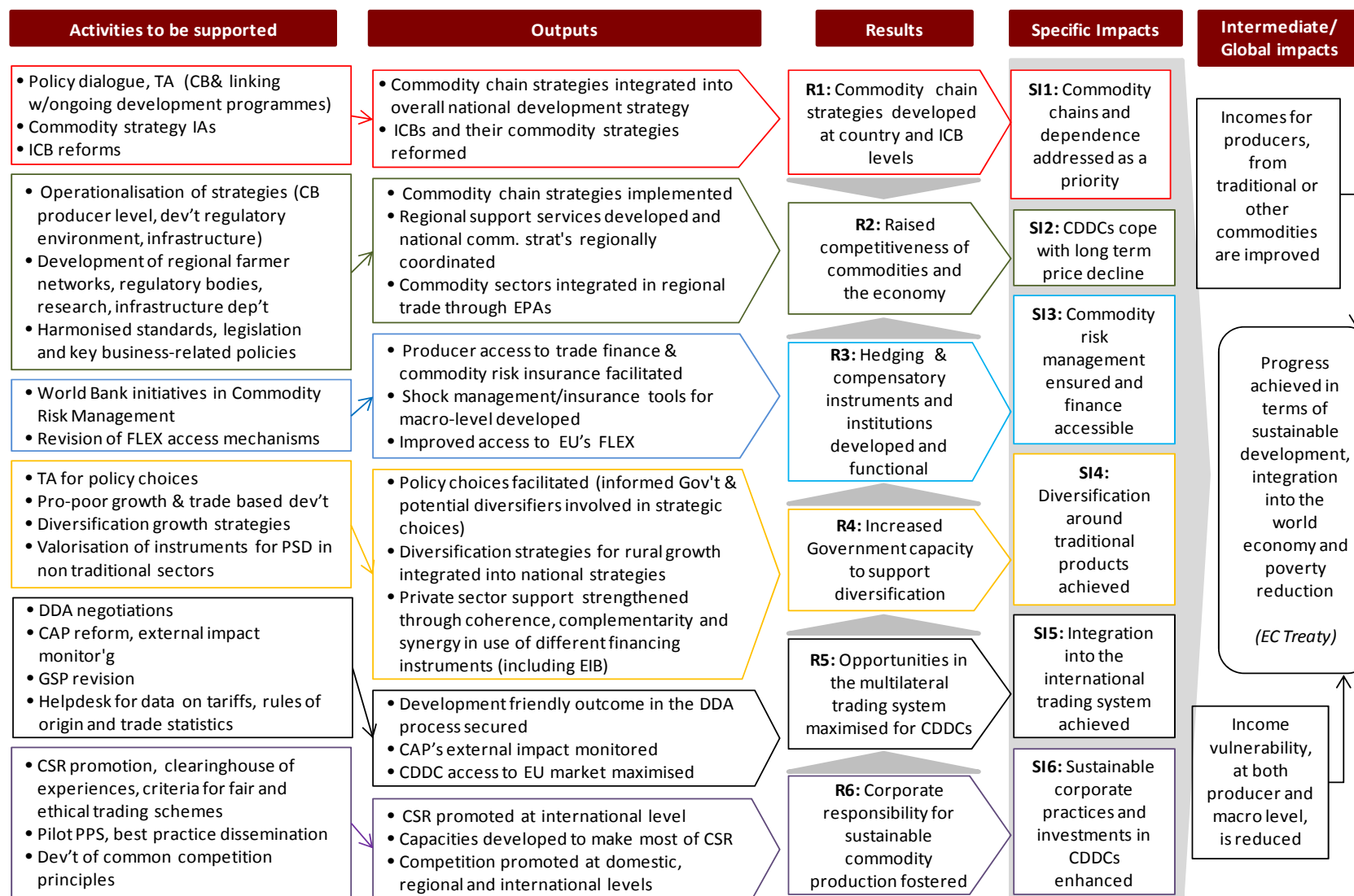
The European Union's policy statement and proposed Action Plan on agricultural commodity chains, dependence and poverty, which was the object of the Commission's Communication to the Council and the European Parliament COM(2004)89, is based on the Commission's analysis of challenges facing commodity dependent countries¹². Referring to the complex issues affecting agricultural commodities in ACPs and the key challenges facing ACPs in this respect discussed in the Staff Working Paper, the COM(2004)89 gives a clear presentation of these issues and proposes policy responses to the six main or priority challenges identified in the agricultural sector:

1. Addressing commodity chains and dependence as a priority,
2. Coping with long term price decline
3. Managing commodity risks and accessing finance
4. Diversifying around traditional commodities
5. Successfully integrating the international trading system
6. Enhancing Sustainable Corporate Practices and Investments in CDDCs.

During the structuring phase of the evaluation, the intervention logic presented in Figure 2 below was produced and agreed with the RG. It faithfully represents the COM (2004) 89 and associated Action Plan matrix: it presents the objectives and expected impact of the EU's support to agricultural commodities. It shows how each set of proposed activities intended to produce a specific set of outputs which, alone or combined with others, intended to contribute to the realisation of a result. In turn results aimed to contribute to the achievement of a specific impact. Finally the combined specific impacts in the six priority areas were intended to contribute to the two intermediate objectives of Commission support to agricultural commodities and to the overall objectives of Commission development aid. The Intervention Logic presented in Figure 2 thus faithfully reflects the Commission's overall intentions and approach in an aggregate form as can be inferred from the COM(2004)89, and is not oriented to an analysis of specific interventions or contributions.

¹² Staff Working Paper SEC(2003)908. The key challenges analysed included: long-term declining price trends, short-term price volatility, international market concentration and integration, market reforms in producing countries and the over-dependence on traditional primary commodities, such as coffee, cocoa, cotton, bananas and sugar.

Figure 2: The Intervention Logic Of The Communication (2004)89: “Agricultural Commodity Chains, Dependency And Poverty – A Proposal For An EU Action Plan”



The Intervention Logic can be read as follows:

- **Global impact:** The global expected impact from the EU support to agricultural commodities is to contribute to the sustainable development of partner countries, their insertion into world trade and the reduction of the poverty of their populations, which is the overarching objective of all Commission development cooperation. Specifically, this EU Action Plan is pursuing two intermediary objectives: the improvement of incomes of commodity producers and the reduction of the income vulnerability of these producers and of the economy.
- **Specific impacts:** The specific impacts identified in the COM (2004) 89 and the EU Action Plan faithfully reflect the six priority challenges identified by the Commission and are directly linked to the proposed policy responses. It is expected that the implementation of the EU Action Plan will contribute to the following specific impacts:
 - Commodity chains and dependence are addressed as a priority in the national development strategies,
 - CDDCs are equipped to cope with long term price decline of agricultural commodities,
 - Commodity risk management is ensured and finance for the agricultural commodities chain is easily accessible,
 - Diversification around traditional agricultural commodities has been achieved,
 - The CDDCs have integrated into the international trading system, and
 - Sustainable corporate practices have been adopted and investments in CDDCs have been enhanced.
- **Results and outputs:** The results and outputs span from the policy approach to agricultural commodities to the purely productive aspect of agricultural commodities through to the marketing and international trade requirements for agricultural commodities chains.

Overall, running almost through the entire spectrum of activities-outputs-results and across the six priority areas of interventions is the importance of involving farmers associations at all levels: this aspect does not explicitly figure in the activities but is seen as a cross-cutting feature of a successful tackling of agricultural commodities chains.

The COM(2004)89 thus responds to a complex set of challenges facing CDDCs by recommending support to a wide variety of areas that affect directly the performance of agricultural commodity sectors. It engages the European Union Member States (EU MS) to adopt this approach at bilateral level and when working with and through other international organisations.

2.2 The set of evaluation questions

Based on the detailed analysis of the Communications and the faithfully reproduced Intervention Logic presented above, the inception report proposed a set of **nine Evaluation Questions (EQs)**. They helped focusing the scope and limits of the evaluation and were designed to address the fundamental issues in respect of: the strategy of the Commission as it is presented in the two Communications; the targeting of

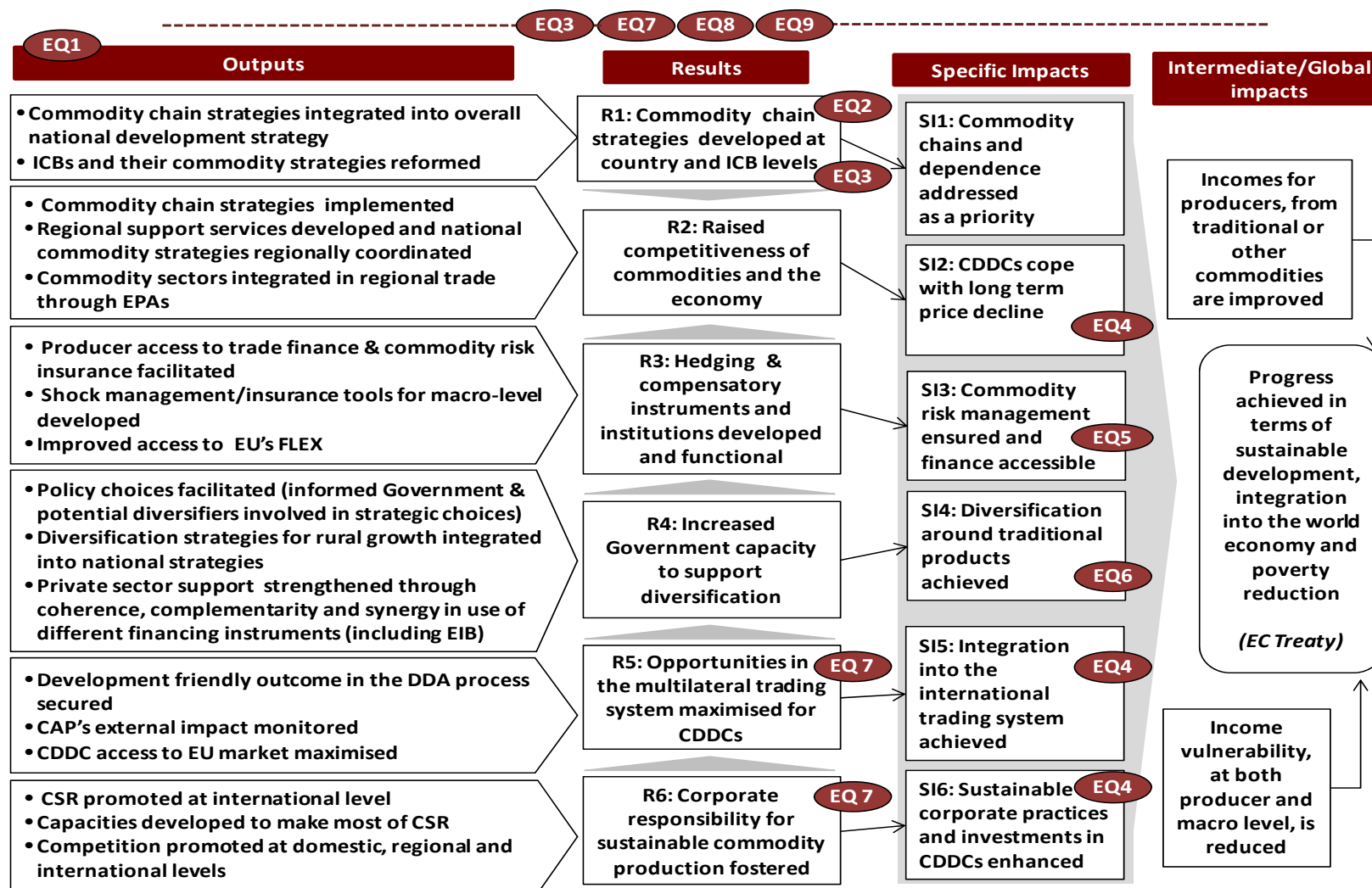
interventions at the six priority areas identified as challenges in the field of agricultural commodities; and, their implementation and impact on the objectives pursued in partner countries. The nine EQs are summarised in the table below.

Table 1: Set of Evaluation Questions

EQ 1	Contextual background to the Commission's Communication relative to agricultural commodities	In what ways has the Commission reacted to the long term agricultural commodities price decline and volatility when supporting Commodity Dependent Developing Countries?
EQ 2	Commission's support in terms of agricultural commodity strategy development	To what extent has the Commission's support enabled the design of agricultural commodity strategies in commodity dependent ACP countries and regions?
EQ 3	Commission's coordination with international organisations including ICBs	To what extent has the Commission encouraged other international organisations including ICBs to adopt the Communications' approach to agricultural commodity chains?
EQ 4	Commission's support in terms of competitiveness of agricultural commodity chains in CDDCs	To what extent has the Commission's support helped to improve the competitiveness of agricultural commodity chains in commodity dependent recipient countries?
EQ 5	Commission's support to risk management	To what extent has the Commission's support contributed to protect agricultural commodity producers from income variability through risk management and/or social safety nets?
EQ 6	Commission's support in terms of diversification	To what extent has the Commission's support helped producers, the agricultural sector and commodity dependent ACP countries to successfully diversify around traditional products?
EQ 7	Commission support in the wider context of EC policies	To what extent were different financing instruments and implementation modalities used in a cost effective and timely manner in order to facilitate attainment of the COM's objectives?
EQ 8	Use of different financing instruments in support of agricultural commodities	To what extent were different financing instruments and implementation modalities used in a cost effective and timely manner in order to facilitate attainment of the COM's objectives?
EQ 9	Conclusions on relevance of the two Communications and the EU Action Plan for cotton	To what extent has the Commission's support to agricultural commodities been: <ul style="list-style-type: none"> i. responsive to the needs, problems and issues of commodity dependent ACP countries, ii. aligned to and supportive of the policy objectives and priorities of recipient commodity dependent ACP countries and regions, and iii. consistent with and supportive of the objectives of the two communications COM(2004)89 and COM(2004)87?

The Evaluation Questions (EQs) and their coverage, along with their Judgment Criteria (JC), and corresponding Indicators (I) and information sources are presented in full detail in Annex 2. The same Annex also presents the Evaluation Questions' alignment with the traditional DAC criteria as well as EC value added, cross cutting issues and coordination and complementarity with other donors. In the following figure, the Evaluation Questions are pitched within the Intervention logic of the COM(2004)89.

Figure 3: Proposal for an EU Action Plan - Intervention Logic diagram: Coverage of Evaluation Questions



2.3 Methodology of the evaluation

During the structuring phase, apart from developing the Intervention Logics and the Evaluation Questions, an inventory was also undertaken based on information extracted from the CRIS database in order to identify the Commission's interventions in the field of agricultural commodities in ACP countries over the period 2000-2010. Based on this inventory, 24 interventions were then selected for an in-depth analysis during the desk phase (see *Annex 3: Intervention Fiches*). It should be underlined that, in line with the Terms of Reference, the interventions retained for detailed review were chosen excluding all projects and programmes funded by the sugar and banana budget lines¹³. They also excluded projects and programmes funded by Stabex because of the absence of available documentation in CRIS and in headquarters¹⁴.

The desk study consisted of a **review of available documentary sources** by the evaluation team and took into consideration **interviews** held mainly with Commission Headquarters' staff. The main information sources analysed during the desk phase included:

- **General information** on the Commission's support to agricultural commodities such as documents on the Commission's strategy, international studies and reports highlighting the context in which the Commission's support took place, data related to the inventory of Commission's interventions in support of agricultural commodities, etc.;
- **Results from the statistical inventory** as carried out during the structuring phase;
- **Available thematic/sector evaluations**, such as the Impact evaluation of the Special Framework of Assistance for Traditional ACP suppliers of Bananas and the Assessment of the Accompanying Measures for Sugar Protocol Countries; and,
- **Specific information available for the twelve selected ACP countries and five regions, for the 24 selected interventions** (see Intervention Fiches in Annex 3), and **eight products** (see Product Fiches in Annex 5):
 - **Country and regional strategy papers**, as well as **country and regional evaluations**¹⁵ available on the EuropeAid website;
 - **Programming documents, monitoring and evaluation reports** available at intervention level (see *Annex 3*);
 - Available **statistics and information** on the eight products.
 - **Information collected during interviews**, mainly at Commission Headquarters and in some cases at intervention level (where representatives of the intervention were available for meetings in Brussels).

¹³ 'There are already some specific support programmes for bananas and sugar for example, and these programmes are having separate evaluations. Therefore, it is not required to analyse this support in detail – however, the results of these evaluations, where relevant and useful, should be referred to in this evaluation and in the final report'. Page 5 of the Terms of Reference

¹⁴ The information provided on Stabex by the Commission has been limited to accounting data. No direct information on the uses of Stabex funds is available at headquarters.

¹⁵ Evaluation reports are available for the following countries and regions: Burkina Faso, Cameroon, Caribbean, ESAIO, Ethiopia, Ghana, Ivory Coast, Kenya, Madagascar, Mali, Pacific, SADC, Senegal, Tanzania, Uganda, Vanuatu and Western Africa.

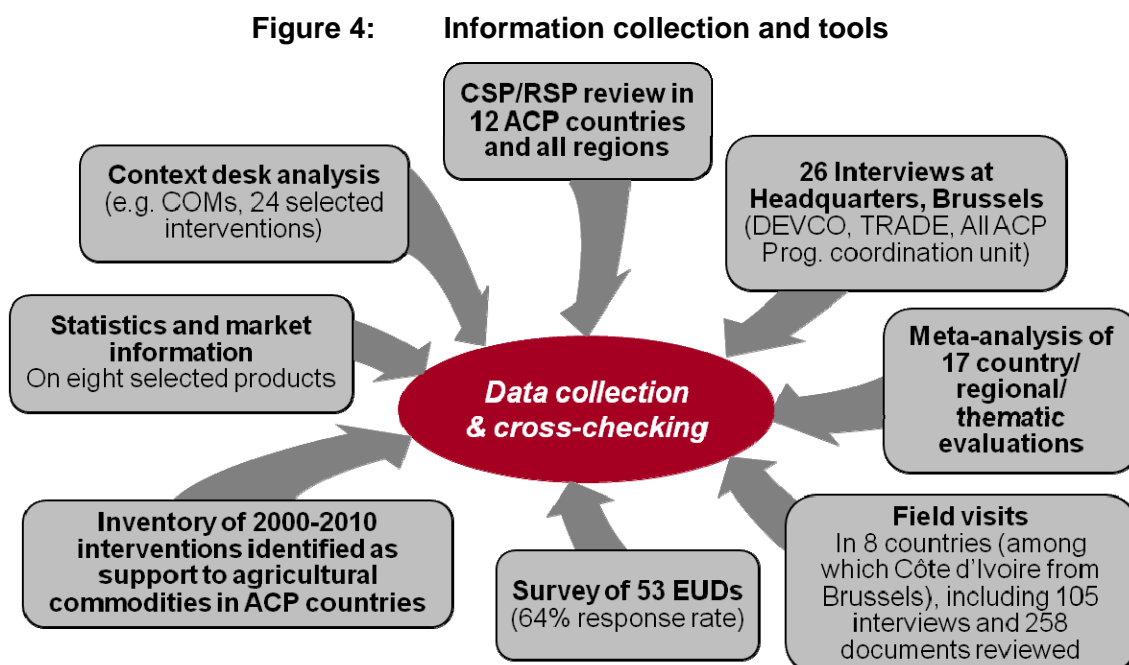
Based on the desk phase results which provided **preliminary findings, hypotheses to be tested and information gaps** to be filled, and on discussions with the RG, eight countries were retained for field visits and eight products were chosen for an in-depth analysis.

- The **countries selected by the RG for field visits** were Burkina Faso, Cameroon, Côte d'Ivoire¹⁶, Ghana, Madagascar, Tanzania, Uganda and Vanuatu.
- The products selected for more detailed study were: cashew nuts, cocoa, coffee, cotton, palm oil, rice, tea and vanilla.

The field visits allowed the evaluation team to analyse the documentation that was not available at headquarters: Stabex documentation, local information on interventions not available at headquarters and country-specific information and statistics. The field visits also allowed the team to interview relevant stakeholders (EU Delegation officials, ministry officials, implementing organizations, implementing agencies, intervention beneficiaries, NGOs and donors – including Member States active in the sector); five focus group discussions were held with beneficiaries and stakeholders in four countries and for five crops¹⁷.

Finally, information was obtained from an online survey designed to gain complementary information, especially from those countries which were not visited. The survey was sent to the EU Delegations of all ACP countries (a total of 53 Delegations covering 79 ACPs); the response rate was of 64% thus considerably broadening the scope of investigation. The details on the questionnaire methodology and results are presented in Annex 6.

The figure below summarises the evaluation's information collection and tools.



¹⁶ The visit to Côte d'Ivoire was finally replaced by interviews with the EUD representative who had been relocated to Brussels, due to the political conflict in the country.

¹⁷ Focus groups were organized in Burkina Faso for cotton, Cameroon for coffee, Ghana for cocoa, Tanzania for tea and for coffee.

Overall, the evaluation is thus the result of analysing the information obtained from these different sources. It is based on the structured Evaluation Questions and their Judgment Criteria and Indicators (*see Annex 2*), in accordance with the methodological framework defined during the structuring stage and of which the main steps are summarised above. **The results** of the study are presented per **Evaluation Question**, at the level of the **Judgment Criteria**, based on data collected at the level of the **Indicators** (*for all the information sources, see Identification fiches of the 24 selected interventions, Completed Data collection grids and the eight Product Fiches in Annexes 3, 4 and 5 respectively*).

The detailed analysis of the eight products is presented in Annex 5: **Product Fiches**. One should keep in mind that the product fiches prepared for each one of the eight products aim in the first place at generating information to answer the EQs and formulate conclusions and recommendations at a general level. An **overall assessment per product** is presented but these assessments do not constitute an evaluation *per se* of these products. They are used as building blocks for providing an assessment of the Commission support to commodities at a general level.

2.4 Challenges and Limitations

The data collected was gathered into evaluation grids, which were then used to perform an assessment by Judgment criterion and by Evaluation Question. The main limitations encountered were:

- Data limitations:
 - A major shortcoming in the workability of the CRIS database lies in the widespread lack of attribution of sector codes to the interventions listed. This prevented from obtaining a readily available and complete list of the support to agricultural commodities in ACP countries. In order to compensate this, the evaluation team followed a step-by-step approach in its inventory of interventions. All relevant thematic budget lines and financial instruments were extracted. Contract names were then screened using a list of keywords based on the Communications' key concepts and priorities. A line by line analysis of the interventions was then performed and when necessary the selection was cross-checked with readily available information on interventions.
 - There is a wide array of activities recommended for support by the Commission in its Proposed EU Action plan for agricultural commodities: these include some activities that are not necessarily specific to agriculture (such as regional integration, EPAs, diversification, trade negotiations, etc.). The difficulty thus lay in identifying interventions which actually did support agricultural commodities within such broader contexts. In order to identify relevant interventions for agricultural commodities among the large array of interventions, all Country Strategy Papers (CSP) and Regional Strategy Papers (RSP) and their related National Indicative Programmes (NIP) and Regional Indicative Programmes (RIP) were reviewed in order to check whether the objectives and components of such generic interventions made a reference to agricultural commodities. The selections were validated by looking into focal sectors and objectives of the Commission's support, instruments used and intervention logics in each ACP

country. The choice of projects was then adapted as the content behind the inventory was revealed.

- **The limited Stabex information:** Information on interventions funded with Stabex (such as Frameworks of Mutual Obligations - FMOs, project reports and evaluation reports) was only available in EU Delegations (with the usual caveats of archiving rules applying). The information was thus only analysed for the eight visited countries. But more importantly, it appeared from field visits that the Stabex funds were much greater than those recorded in CRIS and thus the inventory. As highlighted in Annex 5 (Product Fiches), the support to some products (e.g. cocoa) was in reality much higher than identified by the inventory¹⁸. This limits the vision of the evaluation, which could miss a very large share of the Commission's support to agricultural commodities. To highlight and compensate this shortcoming, inventory information was complemented by the data of the audit of Stabex funds published in 2004¹⁹ and the evaluation team provided an information box on identified Stabex funds where it could be done, i.e. in the eight visited countries (see Stabex funds box in EQ 5).
- **Information available on results** was very sparse because of lack of systematic and detailed monitoring mechanisms and evaluation of the operations (no ROMs for Stabex, no systematic ROMs for the others, few evaluation reports, etc.). The evaluation team responded by exploiting alternative sources of information such as project reports, ex-post evaluations if available, public statistical data, information provided in project files at Delegations, information obtained from interviews and focus group discussions, etc..
- **The limited scope of the field visits:**
 - The initial selection of twelve countries for the desk study amongst which eight would be chosen for the field visit had to be modified due to reasons outside the team or RG's control. As a result, the outcome of the systematic approach based on a number of complex criteria for choosing the countries to be visited could not be adhered to and in particular the two ACP countries that were both the highest recipients of Commission aid to agricultural commodities over the period and that rated highest in terms of commodity dependence could not be visited (Ethiopia and Malawi).
 - The team ensured that both Delegations responded to the questionnaire so as to enable a partial filling of the information gap.
 - Field visits allowed collecting general information for seven countries, and specific information for support to one or two crops within each country. In Côte d'Ivoire, the eighth field visit country, information collection was limited to that of the EU Delegation. No beneficiaries, implementing agencies, ministries or other donors were met in that case since the country's political situation made the EU Delegation return to the Commission HQ.

¹⁸ In the 8 visited countries, €475.7 m stemming from Stabex transfers was reported by Delegations to have been used over the period 2000-2010 for support to agricultural commodities, as compared to only €183.4 m identified through CRIS.

¹⁹ European Commission, Europeaid Cooperation Office, Final report - Inventorisation of the utilisation of the 7th and 8th EDF STABEX transfers, 30th September 2004

- With only eight countries visited, the coverage of information per product and per priority was relatively thin (see also below): whenever the opportunity presented itself, the team extended its in-country analysis beyond the one product initially foreseen (for example, in Tanzania, the analysis of support to the tea sector was to be the main focus of the field mission but coffee and cashew nuts were also analysed).
- **The shift of priorities and focal sectors of support in the country strategy programmes:** Although the Commission support has historically been important, the recent trend of development cooperation has rather shifted away from agricultural commodities (while focus is returning to agriculture, it adopts a food security perspective rather than commodities). The number of relevant interventions under the CSP/NIP was therefore limited. In order to give a better coverage of the Commission's activities in the agricultural sector on the ground, the team put special emphasis on the in depth analysis of interventions funded under the Stabex instrument in the countries visited.
- **The differences between questionnaire results and field evidence:** Although results were overall coherent, in some cases, online survey answers contradicted what was found in the field. Possible explanations for differences could be optimism bias, different interpretations of survey questions, lack of knowledge on the history of commodity support or problems concentrating through the whole questionnaire (over 200 sub-questions). Attention was paid to cross-check and triangulate information as much as possible, going back to Delegations for supplementary information where required.
- **The difficulties in ensuring representativeness of the product and priorities analysis:**
 - As it is highlighted in Annex 5 (Product Fiches), information is limited for some of the products.
 - Information was limited to one or two field observations in the cases of cocoa, palm oil, rice, tea and vanilla. Information was more complete for the other three products: cotton, coffee and cashew nuts.
 - Palm oil and rice have a particular status in the group of agricultural commodities. Whereas rice is produced as an exported commodity in some countries of the Caribbean (e.g. Surinam and Guyana, which export rice to the EU), it is produced for the domestic or regional market in Sub-Saharan Africa. For palm oil, Papua New Guinea is the only significant ACP exporter to the EU market. The logic of interventions for such products e.g. in African countries is therefore quite different than for the other analysed products.
 - Information on support to some of the Communication's priorities was scarce because interventions were few and/or relatively recent (strategy formulation, risk management for example).

In order to improve the coverage of the collected information, the evaluation team countered these difficulties by analysing in detail activities undertaken under the All ACP Agricultural Commodities Programme (AAACP) relating to the five products and the areas where support was limited or very recent.

3. Main Findings and Analysis

EQ1 on the contextual background to the Commission's Communication relative to agricultural commodities

In what ways has the Commission reacted to the long term agricultural commodities price decline and volatility when supporting Commodity Dependent Developing Countries?

This EQ is an introductory question which brushes the broad context in which the Commission elaborated its COM(2004)87 and COM(2004)89. It provides a picture of the Commission's aid flows to Commodity Dependent Developing Countries (CDDCs) in support of their agricultural commodities sectors distinguishing the importance in terms of funding of the different priorities within this support to agricultural commodities over the past ten years.

The EQ starts by shortly discussing the concept of commodity dependence and links with poverty. Secondly, it provides an understanding of the circumstances which prompted the Commission to develop a new strategy for support to agricultural commodities in CDDCs by presenting an analysis of the price trends of agricultural commodities. Thirdly it captures the way the Commission has reacted to these price trends in terms of its support to Commodity Dependent Developing Countries (CDDCs) by presenting data of Commission funding of interventions broken down by strategic priority, to the extent possible considering the availability of detailed data within CRIS.

Summary Answer Box

The concept of 'agricultural commodity dependence' is often used but rarely defined. For the Commission, 'CDDC' (...) refers to countries that are particularly exposed to developments such as price variability in international agricultural commodity markets and thus share certain development challenges. It should not be taken to suggest that a specific definition exists, or indeed should exist'. Measuring agricultural commodity dependence by the share of agricultural commodities in the total exports of goods shows that 75% of ACPs reached over the 50% threshold at least one year of the period. Prices of agricultural commodities have declined for most of the past 30 years but the trend has reversed from 2002 onwards; however, variability of prices around the trend has increased.

The support to CDDCs and to agricultural commodities has been an essential feature of development aid provided by the Commission through different mechanisms and instruments for a long time. Budget lines have been set up for specific reasons (trade preference erosion, food security) and benefited, directly or indirectly, agricultural sectors and thus helped countries cope with price decline and/or volatility. Support has been more focused on the long term declining price through enhancement of competitiveness or diversification than on volatility.

The Communications were to be implemented with existing funding instruments but their publication coincided with a time when non-earmarked support to agriculture in the Commission's cooperation programmes declined. At the same time, earmarked support (to sugar and banana sectors) increased and other initiatives relevant to the priorities of the Communications emerged (such as Aid for Trade or EPA negotiations). Countries that benefitted from the most support were those targeted by Stabex interventions and the sugar and banana budget lines.

After the publication of the Communications (2004) the distribution of non earmarked support to agricultural commodities changed slightly with an increase of all ACP, regional and cross-thematic interventions and in particular the launching of the All ACP Programme (AAACP) and the Global Index Insurance Facility (GIIF) as direct applications of the Communications' principles.

JC1.1 - Commodity dependence and poverty

Although there are many publications on CDDCs (including from the most notable institutions dealing with agricultural commodities), the measurement and concept of ‘dependence’ are rarely defined.

- In most cases, ‘commodity dependence’ is used to loosely refer to a group of commodity producing countries without giving a clear definition of how the dependence is measured or what the rate of dependence is.
- In its Communication (2004)89, the Commission refers to several issues when describing the concept of commodity dependence²⁰: the number of primary commodities (three or fewer), the measurement basis (export revenue) and the geographical localisation (small/islands). But it also refers to the effect dependence has on countries’ economic performance and the lack of resilience of these countries to changes in external environments. An annex to the Communication furthermore lists countries depending on three or less agricultural commodities for more than 20 % of their total exports by characteristics such as GDP/capita, HDI rank, population, HIPC and net food position. Nevertheless, the Commission, likewise to other institutions, refrains from rigidly defining the concept: *“CDDC” is used for convenience throughout this document as an abbreviation. It refers to countries that are particularly exposed to developments such as price variability in international agricultural commodity markets and thus share certain development challenges. It should not be taken to suggest that a specific definition exists, or indeed should exist.* (Communication (2004)89, page 4, footnote 2).
- In this report, dependence refers to a measurement of agricultural commodity contributions to export proceeds; it never refers to agricultural food production (food deficit).

On the basis of UNCTAD external trade statistics over 1995-2008, the evaluators calculated agricultural commodity dependence ratios based on values of agricultural exports as a share of total goods export values. These dependency ratios show that export proceeds of some ACP countries were heavily dependent upon the performance of their agricultural exports (I.1.1.2):

- The dependence ratio (calculated as the average value of agricultural exports/average value of total exports of goods over the 14 year period 1995-2008) reached the following levels in at least one year of the 14 year span:
 - over 50% for 54 ACPs (2/3 of total);
 - over 75% for 32 countries (39,5% of total);
 - over 85% for 23 countries (30% of total)
- For each and every year over 1995-2008, ten ACPs (five in Africa and five in the Caribbean and Pacific) have had a dependency ratio of more than 50%. For two countries (Malawi and Ethiopia) this ratio reached 80%.

²⁰ *In about 50 countries, three or fewer primary commodity exports constitute the bulk of export revenue. These countries are located mainly in Sub-Saharan Africa, but also in the Caribbean and Central America (see Annex). Many are LDCs, landlocked or small island states. Many CDDCs are caught in a trap of declining income and investment, stagnating competitiveness, persistent poverty and dependence. Their commodity sectors have difficulties in adapting to increasingly harsh international competition and changes in the international market environment, but these countries have few resources to counter the situation.* (Communication (2004)89 page 4)

- For some countries the dependency ratios were highly variable from one year to the next (I.1.1.2): Sudan, Sierra Leone, Chad, Mozambique and Burundi, as well as some small islands have shown the most disrupted trends.
- Poverty and underdevelopment characterised these agricultural commodity dependent countries. The countries with the lowest human development indicators were extremely dependent on exporting commodities. The Commission’s Communication 2004(89) identified 54 agricultural CDDCs. **Of the 30 countries with the lowest HDI indicators in 2001, 26 were among the 54 CDDCs.**

The table below shows that the countries studied in this evaluation belonged to the bottom quarter of the HDI list.

Table 2: CDDCs dependency rates and HDI ranking

	CDDC dependency rate 1995-2008	HDI ranking 1 to 169
Ethiopia	86% (coffee only)	157
Burkina Faso	77%	161
Uganda	75% (of which 52% coffee)	143
Vanuatu	75%	n.a.
Tanzania	62%	148
Côte d’Ivoire	61% (of which 78% cocoa)	149
Kenya	59% (of which 65% tea)	128
Ghana	48% (cocoa only)	130
Madagascar	46%	135
Mali	42% (cotton only)	160
Cameroon	36% (of which 48% cocoa)	131
Senegal	32%	145

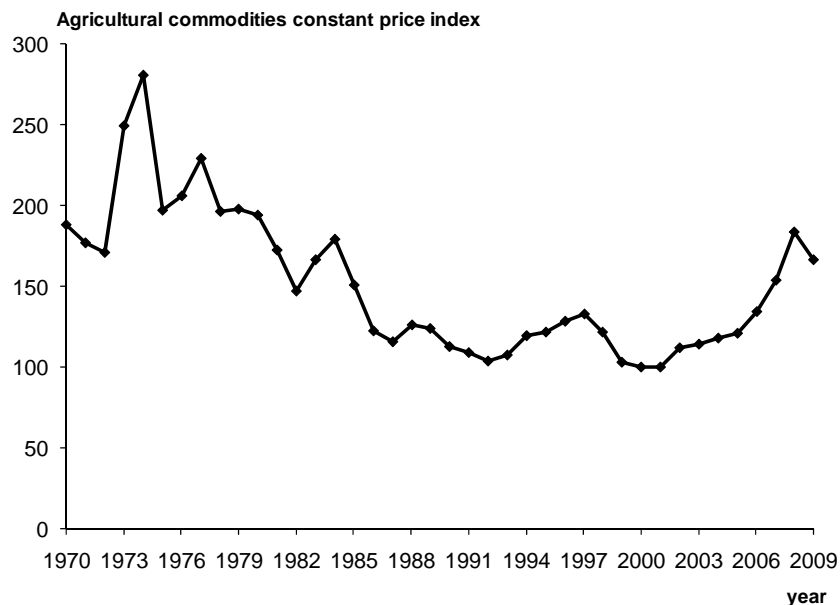
Source: ADE based on UNCTAD COM-Trade and UN Human Development Report 2010 (Table 2)

JC1.2 - Prices of agricultural commodities exported by ACPs have demonstrated a long-term declining trend and high volatility

The long term declining trend is confirmed for the period between 1973 and 2002 but questions remain on the medium term trend after 2002.

The graph below shows the long-term declining trend of the agricultural commodities between 1973 and 2009. After increasing sharply in 1973 during the oil crisis, agricultural commodity prices declined for most of the past 30 years. This downfall has been punctuated by short-term increases and rapid falls.

Figure 5: Agricultural commodities constant price index between 1970 and 2009 (Year 2000 = 100)



Source: World Bank Commodity Price Data

At the time of the preparation of the working paper, *Agriculture Commodity Trade Dependence and Poverty, an analysis of challenges facing developing countries*, commodity prices had reached a historically low level. In this context, there was an international debate on direct action on prices. By publishing the working paper in 2003 the Commission wanted to communicate that action on prices was not a way forward and that the Commission could support CDDCs to design and implement strategies needed for coping with long term decline. The scene changed after the Communications were published, as agricultural commodity prices began to rise. Since 2002, the issue has no longer been that of declining prices but of volatility.

The reversed trend starting around 2002 has challenged the paradigm of the long term declining prices. Prices rose to reach a peak in 2008, the year of the food crisis²¹. They then declined in 2009 but in 2010, the index value was even slightly higher than in 2008 (191.81 in 2010 compared to 183.56 in 2008). Average crop prices over the next 10 years for agricultural commodities are projected to be above the levels of the decade prior to the 2007/2008 peaks in both nominal and real terms²².

Even though the trend was the same for all commodities, some particularities existed between commodities as is illustrated in the product fiches in Annex 5. For example, the reversed trend noted in 2002 was not so clear for all commodities (e.g. cotton). In 2010 furthermore, the trends have been different among products. The prices of palm oil, Arabica coffee and cotton once again underwent spectacular hikes (respectively 35, 32 and 65% price increases). Cocoa and Robusta coffee prices also rose, while tea prices remained stable and rice decreased by 10%.

²¹ It is to be noted that the prices of agricultural products (including commodities) rose to reach a peak in 2008 during the food crisis. However this evaluation does not cover food crops or the food crisis.

²² OECD-FAO Agricultural-outlook 2010-2019.

Price volatility has always been a major constraint for CDDCs and has increased since 2002 with no clear trend for the future. From field visits its effects appeared stronger at macro-economic than at farm level.

- Agricultural commodity price volatility is a major source of concern at macro level due to its impact on inflation, growth, and income, especially in CDDCs. Due to the dependence, the amplitude of the shocks created by price volatility on the economy can create massive imbalances in the economy and public finance with painful social consequences.
 - In visited countries, the price increase through 2009-2011 of three of the studied products (coffee, cocoa and cotton) has had positive impacts on terms of trade of countries such as Burkina Faso, Ghana and Cameroon. Impacts were less clear for other countries, such as Madagascar, subjected to mixed effects of low vanilla and high coffee prices.
- At the farm level, price volatility creates uncertainty on the income perspective which generates risk management strategies that are unfavourable to investments and intensive production. In visited countries the findings were mixed:
 - Except in plantations (banana and sugar), agricultural commodities were never the farmers' only crop. Farms were mainly oriented towards food crops. Commodities provided cash income when prices were favourable, but livelihoods were rarely considered 'dependent' on agricultural commodities even though they provided cash for education, health services, etc. The price risk strategy was therefore to not tend to crops in case of unfavourable prices.
 - This statement was less true for cotton: although cotton farmers also primarily focused on food crops, cotton, when produced, accounted for a significant share of revenue.
 - In the case of tea, the crops require regular maintenance and were thus not abandoned even if prices were low.
 - In cases of guaranteed price schemes for farmers (such as in Ghana's cocoa sector), the reduced price risk can involve a higher investment and dependence in the sector. However, such behaviour was not encountered during field visits.
- The sources of price volatility are the balance between supply and demand and the anticipation made by the market on this balance. Shocks affecting production and consumption are transmitted into price variability. Agricultural production can vary because of variations in utilised area or yield variations due to various factors (e.g. weather conditions, sanitary problems and environmental constraints). Consumption varies because of changes in income and consumption habits.

More than the long-term price decline, the volatility and the strategy to limit it and its consequences have justified a lot of public intervention at the country level and at the international level in the past (see JC1.3).

In the working paper published by the Commission in 2003, due to the context of historically low levels of commodities prices and after twenty years characterised by moderate price volatility, more focus was put on long-term declining prices. Nevertheless, the volatility was designated as an issue for the CDDCs and it was proposed to look at new tools for addressing it (see EQ5).

JC1.3 - Adjustment of Commission support to CDDCs to the constraints revealed by long-term price decline and short-term price volatility

After the initial analysis of price trends undertaken in its working paper, and the subsequent Communication, the Commission monitored price developments (I.1.3.1).

- At field level, 18 of the 30 surveyed delegations in ACP countries (that exported agricultural commodities and benefitted from EU support) monitored price developments of the country's main agricultural commodities. Furthermore, 24 of them monitored the country's export performance;
- At headquarter level, the monitoring of prices triggered the setting up of the Food Facility (a specific instrument to address the soaring food prices);
- No specific budget lines were created to assist CDDCs in coping with the impacts of price variations and/or market developments of agricultural commodities other than the earmarked funds to assist banana and sugar producing countries to adjust to the new EU market conditions. Rather, with its Communication, the Commission invited CDDCs to adopt relevant long-term strategies to deal with the challenges of agricultural commodity market developments whilst offering support in specific areas.

The only instrument designed by the Commission specifically to help CDDCs in coping with the effects of price variability of agricultural commodities at macro-economic level has been the Stabex fund established in 1975 and stopped in 2000.

- Introduced under the Lomé convention, Stabex was designed to help ACP countries to cope with commodity crises by offsetting losses in foreign exchange earnings from agricultural commodities exports. Stabex provided funds to ACP countries as soon as a drop in export earnings of a single product (whether due to price or quantity variations) was noted. This applied to a wide number of agricultural products such as cocoa, coffee, groundnuts, tea and others. The Commission has been the only donor to provide such a mechanism to ACP countries.
- After the Stabex scheme was stopped in 2000²³, the Commission introduced another non-programmable fund - the FLEX mechanism - designed to assist governments facing sudden losses of revenues, generally linked to the performance of the external sector. The mechanism aims at safeguarding socio-economic reforms and policies that could be affected negatively as a result of a drop in export earnings. Contrarily to Stabex, FLEX is not triggered automatically and is based on the overall drop in export earnings (all goods considered) compared to a reference basis (as opposed to drops linked to single crops).

Several other channels of support to agricultural commodities in CDDCs have been used. Over the past decade, funds have been provided as a reaction to reforms of the EU market conditions that triggered changes in trade rules affecting specific products (sugar, bananas, rice, and rum) or in reaction to the food crises these countries had to cope with rather than in reaction to the long-term decline or volatility of agricultural commodities.

²³ Stabex funds were stopped in 2000 because, amongst other things, the late release of funds meant their use was not counter-cyclical. According to the survey results, Stabex funds are still in use in 6 of the 30 respondent countries that export agricultural commodities and benefit from EU support, see EQ8.

- Trade preferences have been the backbone of the cooperation between EU and ACP countries with ACP countries having been granted preferential access to the EU market. These trade preference mechanisms were a way to address price volatility and low commodities prices. For example, ACP sugar producers received the same advantage in terms of price level and stability as European producers.
- However, they have been progressively abandoned due to their incompatibility with WTO rulings. To prepare countries affected by trade preferences erosions, specific budget lines were set up by the Commission for the following products (see also EQ7):
 - Bananas: Following the earlier Special System of Assistance (SSA) set up in 1994, the Special Framework of Assistance (SFA) was set up in 1999²⁴ to assist ACP banana exporting countries to improve the competitiveness of their banana sectors and/or to diversify their economies into other sectors in order to reduce their dependence on bananas.
 - Sugar: In 2006 the European Union established Accompanying Measures for Sugar Protocol (AMSP) countries affected by the reform of the EU sugar regime.
- Under the Cotonou Agreement, the EU and ACP Caribbean countries signed Declarations through which the Commission committed itself to dedicate EDF Funds to finance measures aimed at improving the competitiveness of Caribbean rum and rice in order to cope with price decline.
- In parallel with these earmarked funds, EDF resources were also potentially directed to the support to agricultural commodities. In the past, agriculture was the first sector of support in many countries but Commission allocations to agriculture decreased sharply during the nineties (see JC1.4. for detailed analysis).

JC1.4 - Adjustment of Commission interventions supporting agricultural commodities to the constraints revealed by long term price decline and short term price volatility

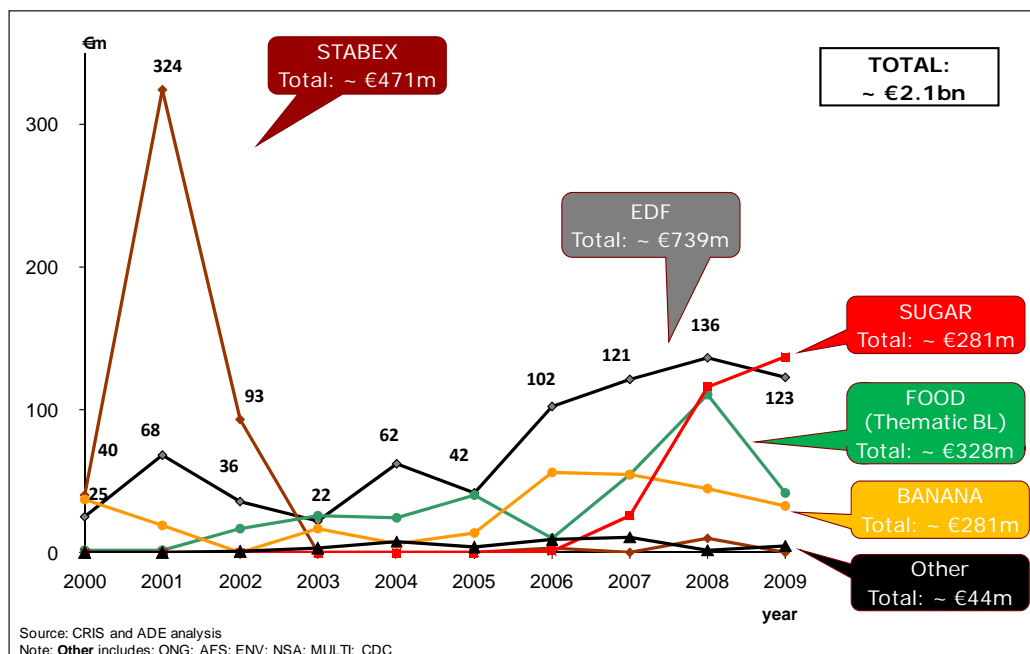
After the publication of the Communications there was a noticeable shift in the allocations of support to agricultural commodities: the allocations to and use of earmarked funds from the SFA and AMSP budget lines increased much faster after 2004 than those from Stabex and EDF. The Communications were published at a time when non-earmarked support to agricultural commodities decreased.

- The analysis of Commission support to the agricultural commodities sectors was based on the inventory of interventions that was presented in detail in the Inception Report. The Commission's support to agricultural commodities is illustrated below and shows that funds contracted under the banana and sugar lines increased from about €79 million over 2000-2004 to nearly €483 million over 2005-2009 whilst EDF funds increased from €213 million to €525 million. However, with Stabex funds representing another €471 million according to CRIS and €793 million according to the 2004 audit²⁵, the non-earmarked funding for agricultural commodities still largely dominated with 76% of all funds contracted to agricultural commodities over the period 2000-2009.

²⁴ SFA runs from 1999-2010 and is to be followed by the Banana Accompanying Measures (BAM), yet to be signed.

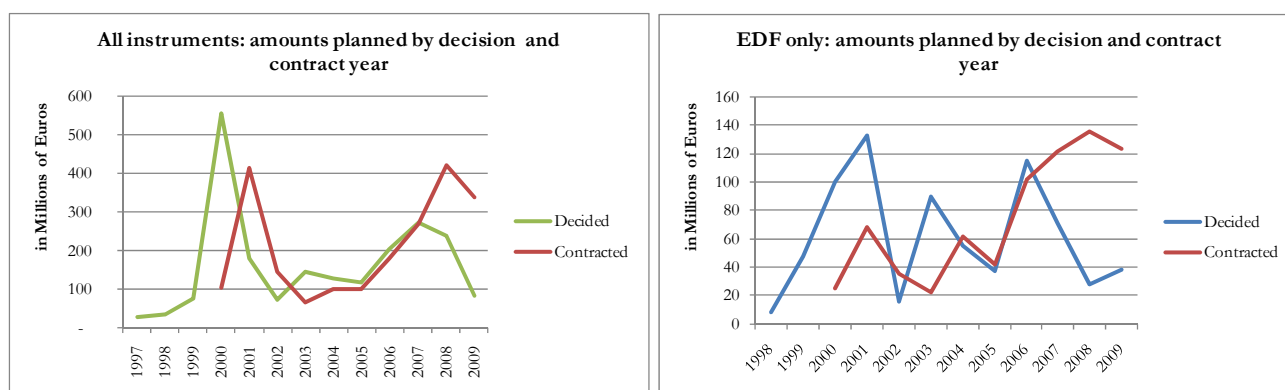
²⁵ Inventorisation of the utilisation of the 7th and 8th EDF STABEX transfers, 30th September 2004, op cit.

Figure 6: Trend in the amount contracted by the Commission to support directly agricultural commodities between 2000 and 2009 (€m). Breakdown by budget line / financial instruments



Over 2000-2009, the Commission directly supported agricultural commodities in ACP countries for a total contracted amount of €2.1bn²⁶, all sources of funding combined. These contracted amounts resulted from funding decisions taken since 1997 (illustrated below).

Figure 7: Trend in amounts decided and contracted by the Commission in support of agricultural commodities (€m): all instruments and EDF funds²⁷ only.



Source: ADE Inventory analysis based on CRIS data

²⁶ The Commission disbursed €1.6bn or 78% of this contracted amount as of January 2010 (date of data extraction from CRIS). Please see the Inception Report for methodological issues surrounding the inventory.

²⁷ Excluding STABEX funds.

Based on decisions, allocations of programmable EDF funds decreased after the Communications. However allocations from the sugar and banana budget lines increased and other initiatives, such as Aid for Trade and EPA-support interventions, also received increased attention and funding after 2004 and were particularly relevant for agricultural commodities.

- Non-earmarked allocations to agricultural commodities support (measured in terms of EDF amounts decided rather than contracted) were uneven during the period and decreased after 2004 from €393 million over 2000-2004 to €289 million over 2005-2009. In contrast, the decisions on sugar and banana budget lines increased from €205 million to €357 million over the same periods.
- The Communications were published at a time when the importance of trade rules in the pricing of agricultural commodities was increasingly being recognised and where the focal sectors of support increasingly shifted towards trade and regional integration (as can be seen in the second table of Annex 3) given the context of the Doha Development Agenda and EPAs. Agricultural commodities are also concerned by this support, especially in CDDCs (whether it implied making countries more competitive on world markets or diversifying exports).

The Communications led to the launch of two ‘strategic and catalytic’ projects, the All-ACP Agricultural Commodities Program (AAACP) and the Global Index Insurance Facility (GIIF). (See box hereunder)

Box on the AAACP and GIIF programmes

The **AAACP** is a Commission-funded programme which was launched in 2007 in collaboration with 5 International Organisations active in agricultural commodities, which implement the programme: the Common Fund for Commodities (CFC), the International Trade Centre (ITC), the Food and Agriculture Organization (FAO), the United Nations Conference on Trade and Development (UNCTAD) and the World Bank (WB). This €45m programme acts in all ACP countries to strengthen the capacity to develop and implement sustainable commodity strategies that improve farmers’ productivity and their rural livelihoods and reduce income vulnerability. It aims at developing the following four elements: *(For further information, see Annex 3)*

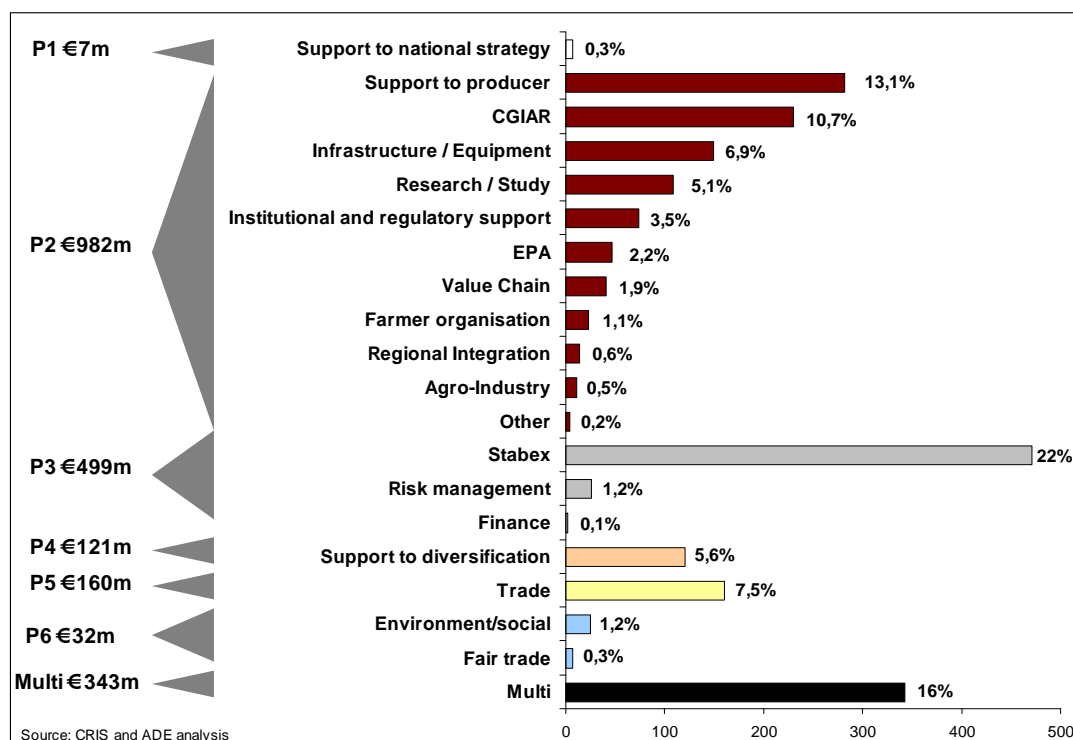
- Commodity strategies and implementation plans;
- Access and use of markets, production factors and services;
- Market-based risk management instruments; *and*
- Complementary aspects of and synergies between the international organisations, the EU and the ACP actors

The **GIIF** (€25 million) supports the enhanced use of index insurance (i.e. not related to a specific ‘property’ or crop but related to an event which is measurable such as drought, wind etc.). The programme was launched in 2008 in joint funding and management with the IFC (International Finance Corporation) of the World Bank group. The aim of the GIIF is to reduce the vulnerability of ACP farmers to external (weather induced) shocks by using ex-ante risk reduction options and therefore encourage investments in production. *(For further information, see Annex 3).*

In terms of allocations of support to different priorities of the Communications, the main priority remained to assist countries to cope with price decline (by supporting competitiveness); small but noticeable changes occurred after the Communication with increased emphasis given to all ACP and regional cross thematic programmes.

In terms of breakdown of allocations by Communication priority, the largest share of support has been devoted to coping with the long-term price decline. As explained in the Inception Report, all interventions supporting agricultural commodities have been classified into the six priorities of the Communication (see section 2.1 above) and those pursuing more than one objective have been classified under the “multi” category. The figure below provides a detailed breakdown of Commission funded activities by priority.

Figure 8: Breakdown of interventions by category, contracts (€m), 2000-2009



It shows that:

- Nearly half the funds were contracted to activities that fell within the scope of **priority 2** “coping with long term price decline”.
- Support to **priority 3** (23% of the total contracted amount) is overestimated since Stabex funding has been ranked here by default. CRIS records the transfer, not the use of Stabex funds and Stabex funded projects were not subject to the Commission’s Result-Oriented Monitoring (ROM) system. In visited countries, Stabex was used mostly towards the improvement of competitiveness through research, infrastructure and services. In Cameroon and Uganda, Stabex funds were also used for diversification.

- The “**multi**” category included the AAACP (because its activities related to strategy design, production as well as value added and trade, see Annex 4, I.1.4.1) and all Sector Budget Support (SBS) operations specific to agricultural commodities financed by the Commission under the Sugar budget line²⁸ and the EDF. These SBS operations are targeted at supporting agricultural commodities but no further indication was available in CRIS to determine the priorities (among P1 to P6) they supported.
- The other priorities, **P5, P6, P4 and P1** represented a smaller share of the total contracted amount, respectively 7%, 6%, 0.9% and 0.1%.
- The Communications’ influence on the allocations per priority were as included the AAACP (€45 m), ranked under the “Multi” category, of which most of the funds were allocated to priorities 1 and 2 (respectively €12m and €10m of the project’s €31m allocated as of June 2010 – see Annex 4, I.1.4.1), and the GIIF (€ 25m), ranked under the “Risk Management” category.

In terms of support breakdown by product, an increase of cross-thematic support was identified.

- Interventions specifically targeting one product represented 59% of total support to agricultural commodities over 2000-2009 (the remaining 41% of the amount was directed towards cross-cutting or thematic issues).
- One noted a slight decrease of support to **product specific interventions as a share of total amounts contracted** (from 69% over 2000-2004 to 53% over 2005-2009) confirming the above finding of **a relative switching of funds towards regional and all-ACP programmes and from product specific to cross-thematic support** (such as broader risk management programmes and regional programmes which were shown to have increased significantly after 2004).
- This change did not apply to support for cotton - which maintained its share of support due to the €15 million cotton-component of the AAACP (decided in 2006) and other cotton specific projects decided over 2004-2009 - nor to sugar and bananas for which support increased dramatically with the coming on stream of the dedicated budget lines.

In terms of the support breakdown by country/region and source of funding, it was noted that the largest recipients are those that benefitted from the Stabex, sugar or banana lines.

- The Commission intervened in support to agricultural commodities in 70 ACP countries or sub-regions (reported in CRIS in lieu of regional programmes)²⁹.
- The ten largest recipients of the Commission’s support to agricultural commodities over the period 2000-2009 were in order of importance: Cote d’Ivoire (nearly €119 m

²⁸ CRIS titles reported AMSP interventions as either sector budget support or general budget support but because they all aimed to support the governments’ national sugar strategy they were all considered as sector budget supports.

²⁹ Out of the 70 beneficiaries, 62 are countries and 8 are sub-regions/”all ACP”/”all countries”. Interventions classified under one of these 8 sub-regions are regional programmes or programmes covering the whole ACP region or larger worldwide programmes. In terms of countries, out of the 79 countries signatory of the Cotonou Agreement, 62 ACP countries benefited from Commission funds to support agricultural commodities over 2000-2009 at one time or another and 17 were not: Angola, Antigua & Barbuda, Bahamas, Botswana, Cook Islands, Djibouti, Guinea-Bissau, Equatorial Guinea, Lesotho, Marshall Islands, Micronesia, Nauru, Nigeria, Niue, Palau, Seychelles, Tuvalu.

over 2000-2009), Jamaica, Sudan, Mauritius, Saint Lucia, Uganda, Kenya, Cameroun, Guyana and Dominica (€47 m over 2000-09) (see Annex 4). In the Caribbean region, Cameroon and Mauritius, the support stemmed almost entirely from the banana or sugar lines. In Côte d'Ivoire, Kenya and Sudan it stemmed from Stabex transfers.

- The sugar and banana lines have weighed heavily in the total funding devoted to agricultural commodities (JC 1.3); if these funds were to be ignored, countries such as Mauritius, Saint Lucia, Guyana, Dominica, St Vincent and the Grenadines and Belize would not figure in the top 20 beneficiaries but countries like Ghana, Benin, Rwanda, Burundi, Mali and Senegal would.
- In 17 ACP countries, Stabex has been the single most important (and nearly exclusive) source of Commission funding in support of agricultural commodities (Côte d'Ivoire, Sudan, Kenya, Tanzania, Rwanda, Burundi, Senegal, Solomon Islands, Togo, Zimbabwe, Sierra Leone, CAR, the Gambia, Mayotte, PNG, Comoros, Western Samoa and Kiribati). According to the survey results, the products most often supported were coffee, sugar and rice. The themes most often supported were infrastructure, institutional & regulatory support and production factors. This is illustrated in the table below:

Table 3: Survey results on countries benefitting from support to commodities since 2004, by product and theme

Share of respondents of commodity exporting countries that benefitted from Commission support			
By Product		By Theme	
Coffee	43%	Infrastructures, including feeder roads	77%
Sugar	37%	Institutional and regulatory support	57%
Rice	37%	Production factors, such as extension services and agricultural techniques, water, fertilizers seeds and energy	57%
Cotton	30%	Market information and advisory services to producers organisations/ producers	50%
Cocoa	27%	Collection and processing of agricultural commodities	43%
Banana	23%	Diversification and growth	40%
Oil Palm	23%	Capacity building needed to design agricultural commodity strategies	37%
Tea	20%	Specific support to regional trade of agricultural commodities, including in the EPAs	33%
Vanilla	7%	Research related to agricultural commodity value chains, including support to CGIAR	30%
Tobacco	3%	Sanitary and Phytosanitary (SPS) measures	30%
Cashew nuts	3%	Agricultural commodity value chain strategies	23%
Rubber	3%	Technical Barriers to Trade (TBT)	17%
		Risk management	7%

Source: Online survey, ADE 2011

According to field visits, Delegations were keen to provide more support to agriculture either because of the role of agriculture in economic development (employment, incomes) or because of problems related to food availability or because of the need to capitalise upon existing resources and/or diversify exports.

EQ2 on the Commission's support in terms of agricultural commodity strategy development

To what extent has the Commission's support enabled the design of agricultural commodity strategies in commodity dependent ACP countries and regions?

This EQ addresses the criterion of effectiveness and impact relating to the first priority of the Communication COM (2004)89: "Addressing commodity chains and dependence as a priority", which is also a priority of the Communication (2004)87 on cotton and of the Action Plan for the Implementation of the EU-Africa Partnership for Cotton and which was supported by interventions totalling €7 million over 2000-2009. This EQ assesses the results obtained by Commission supported interventions, looking at the aspect of the design of commodity chain strategies and their integration into the overall national and regional development strategies. Specific attention is devoted to verifying whether the strategies promoted by the Commission were designed taking into account: the findings of diagnostics or needs analysis studies; the participation of producer/farmer organisations in the various schemes; and, key transversal issues such as gender, environment and corporate social responsibilities. Eventually, the EQ determines whether or not the Commission had an added value in terms of agricultural commodity strategy development in CDDCs, in addition to and/or in coordination with EU Member State interventions.

Summary answer box

The Communications' first priority focuses on the need to support CDDCs in designing commodity strategies and in incorporating them into national development strategies and regional strategies. The Commission's support to sugar and banana producing countries focused specifically on this aspect by linking all support to the design of a national agricultural commodity strategy. Since the publication of COM (2004)89 and COM (2004)87, the Commission has supported the design of commodity chain strategies in at least 19 ACP countries and for selected agricultural commodities. Support was mostly provided through the *All ACP Agricultural Commodities Programme*, implemented mainly by the International Trade Centre (ITC) and UNCTAD. Amongst a large array of agricultural products, cotton was the main beneficiary of that support, especially in Côte d'Ivoire, Burkina Faso and at regional level.

For the cases reviewed where the design of agricultural commodities strategies was supported, the Commission ensured appropriate design by guaranteeing the availability of competitiveness diagnostics of agricultural commodity value chains and by taking account of issues and needs identified in these diagnostics, as well as cross-cutting themes such as environment, gender and corporate social responsibilities. Most of the time, the Commission also ensured support to enhance stakeholders' capacities with a view to designing agricultural commodities strategies and to ensure their participation.

However, there was limited national or regional uptake. No evidence was found in analysed documents and in visited countries that national agricultural commodity strategies have been embedded into national development strategies or that these national strategies have been included into regional strategies.

The Commission has a long-standing positive experience in the agricultural commodity sectors of ACP countries not the least through the operation of Stabex since 1975. The design of agricultural commodities strategies in visited countries was usually well coordinated with MS and IOs.

JC 2.1 – Promoting commodity chains and addressing dependence as a priority in national strategies

The Communications highlight the importance for CDDCs of considering dependence as a priority issue in national strategies and of tackling the integration of agricultural sector development issues in these strategies in an integrated or commodity chain manner. The promotion of such an approach is an issue of policy dialogue at macro and sector levels.

Through 2004-2009, the CDDC-Commission policy dialogue has included the competitiveness or diversification of agricultural commodity sectors in around half of the surveyed ACP countries, which is double the share of ACPs where agriculture is a focal sector of cooperation. While competitiveness of agricultural commodity sectors was reported as being an important issue by almost all surveyed EUDs, partner Governments did not systematically address it as a priority and agriculture rarely was a focal sector of the 9th and 10th EDFs (I.2.1.1).

- Around half the CSPs and RSPs under review refer to the competitiveness and/or diversification of agricultural commodity sectors in their general country analysis.
- Amongst the 34 EUDs surveyed, less than a quarter retained agriculture as a focal sector of cooperation³⁰, but over half (18) included competitiveness and diversification of agricultural commodity sectors (specific or as part of overall policy dialogue relating to trade) in their policy dialogue with the partner ACP Government and in 22 were the topics flagged as being a priority of the partner Government's policy. The Commission provided general budget support triggered *inter alia* by agricultural sector performance indicators in three of these countries.
- According to survey results, the Commission mostly coordinated its initiatives in the policy dialogue on competitiveness and diversification with the partner governments, EU MS, other donors and IOs. The main themes addressed were market access; farm inputs and food security; production factors, productivity and added value; regulatory affairs and financing; coordination and complementarity issues; and quality standards.

The analysis of sustainability, poverty implications and needs of commodity sectors was undertaken as part of CDDCs' strategy development in a majority of countries. The studies were generally carried out by consultants without enhancing partner countries' institutional capacities to design and ensure flexible and effective national strategies (I.2.1.2, I.2.1.3, I.2.1.4).

- Studies were undertaken in all banana and sugar exporting countries affected by the changes in EU market regulations in line with the requirements of the SFA and/or AMSP. Studies were generally carried out by consultants:
 - According to the Impact Evaluation of the SFA for traditional ACP suppliers of banana (2008), several analyses of SFA's contribution to reducing poverty or providing sustainable benefits in targeted countries were undertaken. The strategies adopted by countries also underwent evaluations of their continuing

³⁰ 34 out of 53 EU Delegations answered the online survey. These Delegations were located in the following ACP countries: Mauritius, Dominican Republic, Solomon Islands, Uganda, Kenya, Barbados and the Eastern Caribbean, Rwanda, Benin, Democratic Republic of Congo, Togo, Ethiopia, Zambia, Madagascar, Ghana, Jamaica, Mali, Vanuatu, and Fiji. In the analysis, it is important to note that Mauritania, Namibia, Lesotho, and Eritrea's exports of agricultural commodities are very insignificant.

validity in the face of changing markets (and therefore changing needs of commodity sectors).

- In order to benefit from the AMSP programme, Sugar Protocol countries were requested to assess the impact of the EU decisions regarding the sugar market and to use a participative approach to formulate a National Adaptation Strategy (NAS).
- Support to the rice sector of Guyana and Surinam also included support to the design and adoption of a strategy as preliminary action.
- In other countries, diagnostic studies of the agricultural sector and of trade (including of agricultural commodities) were carried out with a view to informing the programming of the Commission cooperation strategies, in respectively 60% and in 40% of ACP countries where EUDs responded to the online survey.

In visited countries, the coordination and complementarities between the Commission and MS (I.2.1.5) and between the Commission and other international organisations (I.2.1.6) were rather limited in terms of the promotion of agricultural commodity chains. This stood in contrast with the achievements of the *All ACP Agricultural Commodities Programme (AAACP)*³¹ where a high level of coordination was a central objective and driving force of the programme.

- Coordination in the set-up and implementation of commodity chain strategies was not evidenced except in Uganda, where the Commission participates since 2001 in the Plan of Modernization of Agriculture with Member States and other donors (*see also EQ3*).
- In the framework the AAACP, IOs supporting national and regional strategies, such as UNCTAD and the ITC, have been invited since 2004 to work together and with ACP national and regional stakeholders in the designing process.

In analysed documents and in visited countries, there was no evidence that national development strategies integrated a strong consideration of the problems and issues surrounding agricultural commodity dependence or that these problems and issues were addressed in a cross-sectoral manner (I.2.1.7).

JC 2.2 - Design of commodity strategies by CDDCs and their incorporation into national and regional development strategies

In almost all the cases where it supported the design of agricultural commodities strategies, the Commission ensured and supported the availability of diagnostics of the competitiveness of agricultural commodity value chains (I.2.2.1).

- In 19 out of 30 surveyed EUDs in commodity exporting countries (63%) the Commission supported the partner Government and the sector stakeholders in the design of agricultural commodity strategies. Out of these 19, diagnostics of the competitiveness of agricultural commodities value chains were carried out in 14 cases.

³¹ With the help of a Coordination Unit based in Brussels, the AAACP, which supported ACP countries in designing agricultural commodities strategies, has been implemented by five international organizations, namely the World Bank, FAO, UNCTAD, CFC and ITC. Especially in the cotton sector, the Joint ACP-EU cotton steering committee (*COS-Coton*) coordinated and monitored the implementation of the EU-Africa Partnership on Cotton. More precisely, the mission of the COS-Coton entailed handling the needs of stakeholders, the coherence and appropriation of the cotton action plan as well as the associated programs, including the specific aspect concerning cotton in the AAACP.

- Countries benefiting from the AMSP had to assess the impact of the EU decisions regarding the sugar market and to use a participative approach to formulate a NAS.
- In the SFA for traditional ACP suppliers of bananas, Banana Strategy Papers, agreed with the Commission, formed the basis of the annually agreed programmes and allowed the countries to opt for support of the competitiveness of their banana sectors with a view to increase the quantity of bananas exported to the EU or for support to diversification out of the sector.
- A large part of the activities supported by the AAACP were devoted to the preparation and design of agricultural commodity strategies in ACP countries, including commodity value chain studies as well as strategy validation and analysis.
- Diagnostics of the competitiveness of agricultural commodity value chains were found in 6 out of 8 visited countries. In Burkina Faso and in Ivory Coast, the Commission financed diagnostics of the competitiveness of the cotton value chain before designing cotton development strategies. Studies to prepare the reform of the Ghanaian cocoa sector (1997, 1999) and a study of econometric modelling of price and costs factors within the Ghanaian cocoa supply chain were carried out with a view to helping the cocoa strategy formulation (started in 2010).

The AAACP has been particularly active in promoting the design of value chain strategies for selected agricultural commodities – and in particular for cotton. Most often, strategies developed have addressed needs and challenges identified in diagnostics and have taken account of important transversal and cross-sectoral issues but have not systematically been embedded in national strategies. One of the achievements of the AAACP and the EU-Africa partnership has been the elaboration of three regional strategies for cotton (I.2.2.2, I.2.2.3 and I.2.2.5).

- In the 19 surveyed countries where agricultural commodities strategies have been designed, the Commission also often enhanced the human and institutional capacities to do so and ensured the participation of representatives of producer organisations. Needs and challenges identified in diagnostics and cross-cutting issues such as environment, gender, corporate responsibility were most often taken into account.
- In visited countries, half received Commission support for the design of strategies for key products such as cotton in Côte d’Ivoire and Burkina Faso (where it was a disbursement trigger for the ‘Programme d’Appui Financier à la Filière Coton’) or cocoa in Ghana, and coffee, cocoa, banana and cotton in Cameroon.
- The AAACP has been active in developing 19 agricultural commodities strategies for 12 sectors and 13 countries and has facilitated and supported the design of regional strategies and implementation coordination in East & Southern Africa (COMESA³²), West Africa (WAEMU³³) and Central Africa (ECCAS³⁴).

In the known cases where the Commission has promoted national commodity chain strategies, it was generally done in coordination and in complementarity with involved Member States and international organisations (I.2.2.4).

³² ‘Regional strategy for cotton-to-clothing value chain’, validated in June 2009.

³³ ‘Stratégie révisée de mise en œuvre de l’agenda pour la compétitivité de la filière coton-textile’, validated in November 2010.

³⁴ ‘Stratégie de développement de la filière coton-textile-confection en Afrique centrale’, validated in June 2011.

- Surveyed EUDs were generally aware of donors involved in commodity chain strategies (the main ones being EU MS in 34% of cases, FAO in 34%, World Bank in 24, ITC and CFC in 7%, and other donors in 10%).
- In visited countries, the coordination in promoting agricultural value chains between the Commission and other MS varied from one country to another. In Burkina Faso, for example, France and the Commission coordinated their efforts in the development of cotton strategies. But in Cameroon, France supported generalist extension services at farm level while the Commission promoted a value chain support for specific crops.

Interviewed beneficiary Government representatives (I.2.2.6) and producers (I.2.2.7) were mostly satisfied with the Commission's support to the development of national and regional strategies. The main complaints of interviewed stakeholders dealt with the intervention's delays such as the slowness of the revision of the WAEMU textile agenda (designed in 2003, validated at end 2010)³⁵ and the non-consideration of producer's needs in Cameroon in the framework of the AAACP activities.

JC 2.3 – Value added of Commission support to agricultural commodity chain strategies

The Commission and MS worked closely together in some cases (cotton sector in Burkina Faso and through the *Plan of Modernization of Agriculture* in Uganda) but this was not systematic (I.2.3.1). In Burkina Faso in particular, the Commission's support enabled the design and implementation of a cotton strategy at a time of crisis when the sector would have collapsed without support. In other countries, value added was less evident either because the Commission was the only donor supporting agricultural commodities and its support was piecemeal (such as tea and coffee research in Tanzania) or MS did not promote the value chain approach to agricultural commodities.

Although few programming documents refer to a comparative advantage of the Commission in the area of agriculture in CDDCs, interviewed Commission staff and field evidence testified to the contrary.

- According to interviewed Commission staff, the Commission had a comparative advantage on agricultural issues for three reasons (I.2.3.2): *(i)* it has been one of the only donors which has kept a consistent presence in the sector; *(ii)* it is able to take a much more neutral position than bilateral agencies, and has been aware of CDDC constraints in trade negotiations and other international *fora*; and *(iii)* it has had financial and increasingly political clout.
- The Commission also has a long-standing experience in CDDCs in agricultural commodity sectors notably through Stabex funds (I.2.3.3). Moreover, it has a proven experience in supporting agricultural research at regional level and in supporting EPA and WTO negotiations.

³⁵ Different issues impeded the development of the regional cotton strategy, such as misunderstandings about the roles of involved stakeholders at first stages of the revision process, the lack of communication between WAEMU headquarters in Brussels and in Ouagadougou about issues at stake and perspectives in the framework of the AAACP, and the blockade of West African producer's organisations which felt that the strategy design process did not take their needs into account.

EQ3 on the Commission's coordination with international organisations including ICBs

To what extent has the Commission encouraged other international organisations including ICBs to adopt the Communications' approach to agricultural commodity chains?

To promote the use of the Communications' approach to commodity chains and dependence at international level, the Communication proposes that the Commission supports efforts (i) to spread this approach to International Organisations (IOs) through its own voice and that of its MS who are also members in their own right of these different organisations, (ii) to step up the level of coordination between IOs active in the commodity chain to reach greater complementarity and create synergies between the different strategies and actions in the area of agricultural commodities and (iii) to support reforms of the International Commodity Bodies (ICBs) in order to enhance their performance and strengthen their commodity strategies.

Summary answer box

Overall, the evaluation findings point to a mixed achievement of the Communications' intended results:

- (i) In terms of increased coordination with international organisations (IOs) major steps were made at international level by holding international consultations firstly for the elaboration of the Communications and then during the preparation and implementation of the All ACP programme. This programme as well as the EU-Africa partnership on cotton through the 'COS Coton' applied the principles of cooperation and coherence promoted by the Communications. The initiatives undertaken under the AAACP stand out as having strongly fostered cooperation amongst IOs, effectively using IOs as vehicles for spreading the value chain approach and achievements in the cotton sector in terms of policy dialogue, cooperation and harmonisation of approach were particularly positive.**
- (ii) The Communications also strengthened and clarified the Commission's position in international discussion fora.**
- (iii) However, in countries visited, coordination and cooperation with other donors and IOs was rarely formalised and where found was the result of the Paris and Accra agendas. In some countries/regions the Commission has shown leadership in promoting coordination of support for agricultural commodities in such as Tanzania, Burkina Faso, Côte d'Ivoire and SADC.**
- (iv) Complementarities between the Commission's interventions in agricultural commodities and those of other donors were noted in a majority of interventions reviewed although it was difficult to assess the extent of such complementarities/synergies.**
- (v) Progress towards strengthening ICBs and encouraging them to adopt the value chain perspective was found to be very slow.**

JC3.1 - Coordination with relevant international organisations following adoption of the Action Plans

During the process of elaboration of the two Communications, the Commission initiated international consultations and discussions with IOs and key actors to discuss the coordination of the approach towards agricultural commodities. The preparation of the Communications thus implied intensive policy dialogue with IOs at international level. Following the publication of the Communications, the consultations and coordination with relevant IOs intensified in the context of the preparation and implementation of the All ACP Programme (AAACP) and the EU-Africa partnership on cotton. The All ACP and EU-Africa partnership on cotton perfectly embodied the approach favoured by the Communications and the Action Plans and provided a platform for coordination and exchanges between IOs (I.3.1.1 & I.3.1.2).

- An important result to be attained by the AAACP intervention was to capitalize on complementarities and synergies of the ACP, EU and IOs in the area of agricultural commodities as well as to share experiences at the all-ACP level. Progress towards this was made by triggering increased coordination with relevant IOs (FAO, ITC, WB, CFC, and UNCTAD) during programme preparation and implementation (from the end of 2007 onwards). The programme also took into account comments and needs provided by EU (including MS) and ACP commodity chains stakeholders during consultation workshops at its formulation and implementation (kick-off regional workshops) stages.
- The AAACP implemented a participatory approach to support the development of commodity strategies in most of the commodity dependent ACP regions and countries in order to engage all the key stakeholders (in diagnosing the commodity sectors, analysing options and developing responses, see also EQ2).
- An increased level of coordination was also reflected in the implementation mechanisms of AAACP with: tasks divided between IOs based on an assessment of comparative advantages as relevant for the programmes; the use of a Steering Committee (SC) chaired by one of the ACP representatives with Commission and COS-Coton presidents to meet the programme's specific guidance needs³⁶; and, a Coordination Unit to facilitate day-to-day successful implementation, including the regular Interagency Coordination.
- The specific application of the AAACP's approach to cotton has contributed to enhance the level of cooperation and coordination in the framework of the EU-Africa Partnership on cotton with the "COS-Coton"³⁷, supported since 2008 by the AAACP intervention. However, the mid-term evaluation of the EU-Africa Partnership on cotton (June 2009) highlighted the fact that COS-Coton had not fulfilled its role satisfactorily in terms of coordination, monitoring and orientation of programmes. It was recommended that COS-Coton be decentralized establishing regional entities in Africa. The cotton regional focal points implemented through AAACP could be one step in that process.

³⁶ The five IOs, ProBA/MS-EU and ACP Region representatives are permanent observers in the SC

³⁷ Cos-Coton is a joint EU-ACP Steering Group set up in September 2004 to follow the implementation of the EU-Africa Cotton Action Plan which gave way to an Action Framework in February 2010. Cos-coton committee is composed of 5 categories of stakeholders: ACP states, EU, Regional integration organisation (WAEMU), EU-ACP organisations (CTA, CDE) and regional African cotton associations (private sector): AProCA for producers, ACA for ginners and ACTIF for manufacturers

The Communication also offered the EC/EU a clear position from which to participate in international debates (I.3.1.2).

At policy level, the Commission (DEV B) took part in all international fora and put its views on agricultural commodities forward (e.g. UNCTAD conferences, FAO, CFC, ICBs, WTO, etc.). It checked the compatibility of policies issued by these institutions with the principles laid out in the Communications (see also EQ7). Depending on the forum, the Commission may speak for the EU (for example for WTO negotiations) or only for the Commission, with MS putting their own views forward.

However, the initiatives of the AAACP did not result in stepped up coordination at field level. In countries visited, formalised coordination bodies and efforts (such as in-country donor/government working groups) were scarce in the field of agriculture/rural development and even more so in agricultural commodities. They resulted from aid harmonization efforts and foremost concerned the donors and the Government; IOs were generally not involved..

- Notwithstanding an increased level of coordination between IOs and the Commission in Brussels, the field phase found no evidence to confirm this. It was found, on the contrary, that most EUDs ignored the activities undertaken by the AAACP in their countries, and in some, such as in Burkina Faso, this lack of coordination with the all-ACP programmes was clearly deplored by EUDs and some offices of IOs.
- At country level, discussion fora, especially thematic working/technical groups, were set up but fora clearly dedicated to agricultural commodities were very rare (I.3.1.3):
 - 60% of survey respondents claimed that discussion fora were set up to discuss general agricultural issues or agricultural product specific issues between representatives of the Government, the Commission and other donors or active organizations in the field of agricultural commodities. Nevertheless, when asking specific issues discussed in these fora, only two countries (Benin and Mali) reported discussions related to agricultural commodities.
 - Countries visits confirmed the fact that most of the existing thematic working/technical groups were not dedicated to agricultural commodities but to agriculture/rural development or food security. Exceptions were in Burkina Faso and Mali, where technical/working groups on cotton had been set up. France's AFD provided the technical group's leadership but, as observed in Burkina Faso, with varied EUD implication over time depending on the state of play and level of funding of its support. In Tanzania, EU Delegation was active in a consultative group with a focus on tea and coffee whilst in other countries some punctual initiatives were observed (e.g. workshops in Kenya on EU safety regulations or organisation of an international seminar³⁸ in Burkina Faso by COS-Coton).

³⁸ Decision-making supports for the introduction in Africa of the genetically modified cotton plant, September 2008.

At intervention level, except for the AAACP, there is limited evidence that the Action Plans triggered coordination initiatives with relevant IOs or that the level of coordination between donors concerning activities in the field of agricultural commodities was stepped up (I.3.1.4):

- It is worth noting that the AAACP programme allowed intensified coordination with IOs, including some ICBs through the CFC. This mostly concerned the ICAC³⁹ for cotton and to a lesser extent, two ICBs (FIGG⁴⁰ and FIGTF⁴¹) which were hosted by the FAO as Intergovernmental Groups:
- The interventions devoted to cotton (in Burkina Faso and Mali) clearly took place in the framework of the EU-Africa Partnership on cotton and contributed to increase the level of cooperation with other donors.
 - The intervention in Mali made explicit reference to the Action Plan for the EU-Africa partnership on cotton and the donors' consultation turned into a technical group [Commission-MS]-USAID-WB.
 - In Burkina Faso, the Commission support contributed to the “stratégie de sortie de crise” for the cotton sector in cooperation and complementarity with France's AFD. Nevertheless, this cooperation was noted to have been loosening since 2008.
- The ACP-GIIF project was designed after consultations with other donors, notably international discussions held at the International Task Force on Commodity Risk Management led by the WB and also involving FAO, WFP and the private sector.

Collected information does not point to Commission leadership in the promotion of cooperation and the search for complementarities on agricultural commodities interventions in-country, with the noteworthy following exceptions (I.3.1.5):

- The AAACP evidenced the Commission leadership in this field and specifically for cotton in the framework of EU-Africa partnership on cotton.
- Côte d'Ivoire was a specific case with a “by default leadership”. Indeed, the EUD was the only partner of the international community which remained almost permanent during the period. The Commission leadership dealt specifically with the cotton sector.
- In Tanzania the Commission led donors in several fields including agriculture and has a specific mandate from MS in the field of trade. Without actually affirming leadership, the Commission was active in a consultative group with a focus on tea and coffee for which it had a long commitment/support.
- The Commission has served as the lead agent for donor coordination efforts in the joint SADC-ICP Task Force since 2002; it aimed at improving coordination between International Cooperating Partners and SADC and included an agriculture thematic group.
- In Mali and Burkina Faso the Commission coordinated the cotton sectors but its continued involvement was uncertain since no support to cotton was included in the NIP/CSP of the 10th EDF (2008-2013).

³⁹ International Cotton Advisory Committee

⁴⁰ FAO Intergovernmental Group on Grains

⁴¹ FAO Intergovernmental Group on Tropical Fruits and vegetables

JC3.2 – Complementarity of Commission’s interventions to those of other donors in the field of agricultural commodities

In the majority of analysed interventions (63%), programme documents referred to complementarities/synergies with interventions supported by other donors. Nevertheless, except for some activities of the AAACP programme, it was mostly difficult to assess the level of such complementarities/synergies (I.3.2.1).

- This percentage was corroborated by the results of the questionnaire, an equal proportion (63% of the respondents) indicating that agricultural commodities received support from joint initiatives. Most frequently mentioned donors were the Commission, FAO, WB and EU Member States cooperation. However, only 31% of the respondent countries considered that the Commission has increasingly supported agricultural commodities through joint initiatives. Where no joint initiatives were indicated, no reasons were given.
- On the other hand, more than 70% of the respondents pointed out that agricultural commodity value chains would have been supported without the Commission contribution. The main reason given is that other donors were committed to support agricultural commodity value chains, whether or not Commission would have done it.
- Complementarities and synergies were furthermore explicitly identified in documentation or field visits of 19 programmes (see I.3.2.1).
- Only three instances of opposite approaches, conflicts, cases of overlap or duplication were noted in visited countries between the interventions supported by the Commission and those of other donors (in Cameroon, Ghana and Vanuatu, see I.3.2.2).
- In several countries Commission interventions developed synergies with other donor projects. One may mention in this respect Burkina Faso, where the Commission assistance to cashew nuts development complemented the Initiative for African Cashew Nuts promoted by GTZ and the Gates Foundation; Côte d’Ivoire, where the Commission but also the World Bank, GTZ, USAID supported cashew nuts development; Uganda, where some 20 donors provided financial support and technical assistance to the implementation of the Plan for Modernization of Agriculture and where a follow-up of the Commission support to the Coffee Farmers Alliance project was provided by the Gates Foundation and Danida.
- For several sectors, the Commission was the only donor providing support: bananas, sugar and rum.

JC3.3 –The extent to which ICBs⁴² have adopted a commodity chain perspective and spread it to other international organisations

The Communication underlined the potential role of the ICBs in promoting the commodity chain approach and in spreading this approach to other IOs. To this effect it identified the reform of ICBs as a central element and proposed that the Commission should play an active role in this by undertaking assessments and promoting the reform of the ICBs with regard to their justification and membership. This would be accomplished through (i) the Commission’s re-evaluation of its membership in ICBs, (ii) the Commission

⁴² The 10 independent agricultural ICBs consist of ICO(Coffee), ICCO (Cocoa), IGC (Grains), ISO (Sugar) and IRSG (Rubber) in London, and IJSG(Jute) in Dhaka, INBAR (Bamboo and Rattan) in Beijing, ITTO (Tropical Timber) in Yokohama, ICAC (Cotton) in Washington and IOOC (Olive Oil)in Madrid.

considering withdrawing from ICBs with low relevance, continuous poor performance or very small size and (iii) the Commission proposing to merge ICBs covering related commodities.

A study on the future of ICBs (IDC, 2007) financed by the Commission and the French Government was undertaken but the proposed reform process was slow despite Commission commitment (I.3.3.1, I.3.3.2 & I.3.3.3).

The 10 to 16 year validity of ICB agreements slowed down the reform process as the Commission, representing the EC, could only propose demands for new reforms/changes during the renegotiation of each agreement at the end of their validity period. An example was the new agreement on cocoa in 2010 (ICCO not implemented yet, a few countries being reluctant to adopt some reforms) that integrates the support for small farmers, standards related to women and child labour, environmental standards, adoption of sustainable economy principles.

Contrary to the announcement in the Communications, the Commission did not envisage withdrawing from certain ICBs. On the contrary, the Commission was considering the feasibility of its adherence to the ICBs where it was not yet a member. Moreover, the Commission sought to gradually strengthen the coherence of its involvement in ICBs, notably with regard to EU Member States. Proposals to merge ICBs covering related commodities existed but seemed very difficult to materialize (I.3.3.1 and I.3.3.2).

- The Commission was not yet member of INBAR (Bamboo & Rattan) and ICAC (cotton, but for which several EU MS were members). However, accession discussions/negotiations were ongoing.
- Moreover, there was a trend (e.g. for cotton/ICAC) towards a representation of the European Union by the Commission in all ICBs. This would not prevent an active participation of EU MS (depending on their interests for the agricultural commodity and the representatives' motivation), but over time the purpose would be to speak officially in each ICB with one voice, through the European Commission. This slow evolution seemed to contrast with the past, when the situation was more confused, each EU Member State officially speaking on its own.
- Despite efforts and discussions in progress, apart from some commodities for which a merging dynamic existed (e.g. between ICO (Coffee) and ICCO (Cocoa); or between the Intergovernmental Group on Hard Fibres/FAO and IJSG (Jute), there was no convergence yet between ICBs on agricultural commodities. The only example of a successful merger was for non-ferrous metals. It is more difficult to carry out mergers for agricultural commodities given the specificities of these products.

So far, in relation with the very slow pace of ICB reforms, no major indication can attest that progress has been made towards achieving the objectives of the Communication regarding ICBs: (i) strengthening of ICB individual commodity strategies as a result of adopted reforms and (ii) strengthened ICBs having drawn on and influenced other international actors working on cross-cutting commodity chain initiatives so that they incorporate a commodity chain perspective in their strategies (I.3.3.4 & I.3.3.5).

EQ 4 on the Commission's support in terms of competitiveness of agricultural commodity chains in CDDCs

To what extent has the Commission's support helped to improve the competitiveness of agricultural commodity chains in commodity dependent recipient countries?

As the second priority (P2), the Communication includes the support to the competitiveness of agricultural commodity chains; according to the inventory €982 million were allocated to this priority over 2000-2009; in addition another €121 million supported trade related initiatives (P5), and €32 million supported CSR and fair trade (P6). The support to competitiveness, with a total of €1,174 million, thus claims the largest share of Commission support to agricultural commodities and this is excluding Stabex funding (another €417 million based on inventory figures) which is believed to have been mostly used to increase competitiveness of agricultural chains. The second priority aims at reducing CDDCs' producers (and the countries') vulnerability to price decline and volatility. In this respect, the proposed activities include the implementation of agricultural commodity chain strategies, the development of regional support services and the coordination of national commodity strategies at regional level, as well as the integration of agricultural commodities sectors in regional trade through Economic Partnership Agreements (EPAs). This EQ proposes to look at the Commission contribution to create an environment conducive to increased competitiveness of agricultural commodity chains in CDDCs (JC 4.1), before assessing efforts made and results obtained in terms of increased agricultural commodity production and lowered average cost of production and processing (JC 4.2), and of improved capacity of producers to respond to commodity EU and international market requirements (JC 4.3). Finally, the EQ assesses the potential impacts on incomes at producer, sector and country levels (JC 4.4).

Summary Answer Box

The Commission provided important support to the ACP business environment in the 9th and 10th EDFs with trade and regional integration most often chosen as a focal sector of cooperation. Business environment support for agricultural commodities was a significant target of the banana budget line. Elsewhere such support rarely aimed at improving agricultural commodity trade per se and essential constraints were not necessarily addressed (e.g. land tenure or decentralisation). In general, much focus has been put on trade issues or access to the EU market with most ACP countries being provided free access for their goods. Support to improve export capacities has provided positive results (e.g. the PIP) but been more limited and other trade agreements (e.g. WTO negotiations or EPAs) showed slow progress.

In interventions and countries analysed, the bulk of Commission support aimed at improving competitiveness by increasing agricultural productivity or crop quality through support to research or access to inputs with a specific focus on key crops such as coffee, cocoa and cotton (or rice and rum in the Caribbean). Support also targeted roads and infrastructure but serious constraints hampering commodity production, collection and processing still remained insufficiently addressed. Finally, the Commission supported the availability and use of market information for producers and producer organisations but much remains to be done in terms of organising producers at higher levels, stimulating investments in commodity chains, obtaining labels or partnerships with supermarket, or adopting social codes of conduct. The support to Caribbean rum was an important achievement in that direction.

Since interventions mostly took place on a small scale and results were not effectively monitored, the impact of support to competitiveness on sectors and countries as a whole could generally not be identified. Results were generally positive but remained local. In the few cases where the Commission addressed its support to the entire value chain such as the sector-wide crisis management for cotton in Burkina Faso and Côte d'Ivoire and earlier support for the recovery of the cocoa sector in Ghana, results have been on a large scale: crises (social and economic) were averted in Burkina Faso and Côte d'Ivoire and in Ghana cocoa production and exports increased dramatically over the period under review. Similarly, support to the rum sector or through the banana and sugar budget lines adopted an integrated approach. Sustainability of achievements in terms of competitiveness however depends on new international agreements, commitments to mitigate their effects and further possibilities to increase competitiveness.

JC 4.1 - Environment conducive to increased competitiveness

According to the Communications, tackling CDDCs' vulnerability to price decline requires the improvement of the competitiveness of agricultural commodities chains and this in turn requires that a favourable environment exists to do so. **During 2004-2009, policy discussions with partner Governments and financial support aimed for an improved macroeconomic environment but rarely with a view to improve agricultural business development apart from support in the framework of the banana budget line. Essential constraints for agricultural commodity exports (e.g. land management) were thus not necessarily addressed (I.4.1.1).**

- In countries reviewed and surveyed, agriculture was rarely a focal sector of 9th and 10th EDF and the focus of the partner Government was not systematically on the competitiveness of agricultural commodity value chains even if this was most often considered as an important challenge (*see also EQ2 and 3*). Except in Ghana (where several relevant indicators were included as general budget support triggers), policy discussions did generally not cover macroeconomic constraints to agricultural commodity exports.
- More generally, in ACP countries and regions under review, the Commission supported areas essential to agricultural commodities including private sector development, trade, macroeconomic reforms and public finance management as well as infrastructure and transport (*see also EQ7*). In a majority of visited countries, this was not done to specifically stimulate agricultural commodity chains and major constraints such as land ownership and land titling, taxes on agricultural commodities exports (Vanuatu) or weak decentralisation (Tanzania) remained unaddressed (I.4.1.2).
- In banana producing countries the situation was more nuanced as the Commission focused on the whole value chain including the sector environment. The support to bananas through product-specific budget lines thus also focused on the business environment (e.g. limiting export taxes on the products). Support through the sugar budget line did not focus on such aspects.

Another essential ingredient to the success of agricultural commodities competitiveness is the access to international markets, including the EU market. Free access to markets (0% tariffs) was generally provided (see EQ7) and the support to build capacity in trade negotiations was an important area of support;

but progress remained slow. Support to improve the ability of ACP producers to compete in these markets mainly concerned SPS.

- During the period, the Commission intensified its efforts to support CDDCs in the compliance with WTO requirements and EPA commitments, notably through the development and the strengthening of sanitary and phytosanitary (SPS) measures, capacity building in trade-related matters and support to ACP attendance to negotiations. Reviewed available documents and field visits showed that EPA and WTO negotiations related to agricultural commodities made little progress (I.4.1.3). This was particularly difficult for countries of middle-income status (such as Ghana and Cameroon) that do not benefit from the Everything But Arms Initiative (*see also EQ7*). In their case, intermediate agreements were made to maintain preferences, but their trade prospects remain uncertain.
- As a follow-up to the Communication a helpdesk was launched by the Commission to facilitate access to data on tariffs, rules of origin and trade statistics but its use by CDDCs was very limited: the total of average numbers of daily unique visitors (DUV) to the helpdesk website over 2006-2010 was of 108 for ACP countries⁴³ compared to 332 for Asian countries and 1086 for Latin American countries (I.4.1.4).
- In over half the surveyed EUDs in commodity exporting ACPs, the Commission gave support to comply with existing tariff and non-tariff barriers applicable to agricultural commodity imports into the EU (I.4.1.5). This support mainly focused on efforts to respect sanitary and phytosanitary (SPS) requirements, such as through the *PIP*⁴⁴.

JC 4.2 - Increased agricultural commodity production and decreased production and processing costs

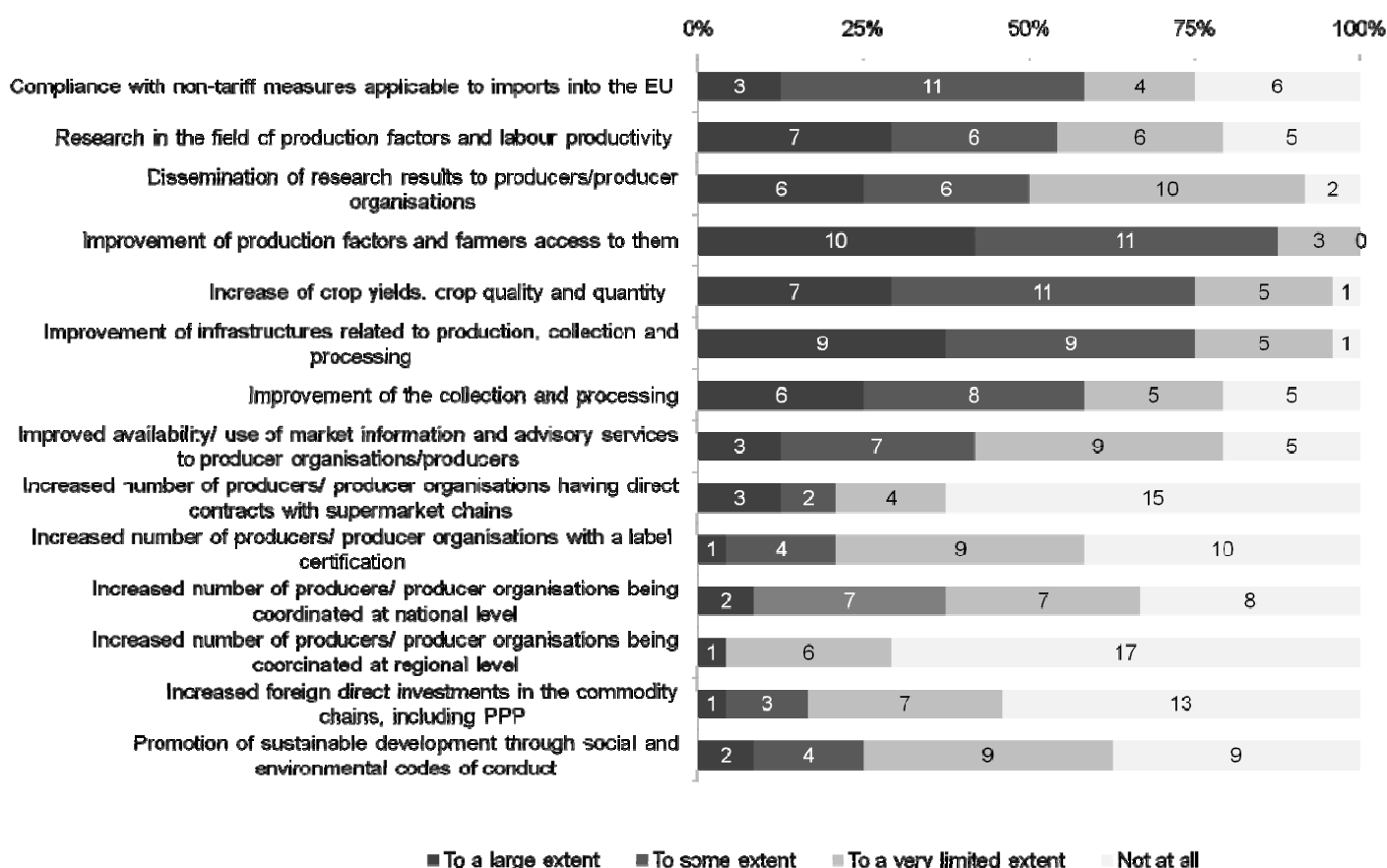
The core issues to be tackled for increased competitiveness concern the quality and the yield of the product, the quantity produced and the production cost of the product; hence issues of labour productivity, the use and access to inputs, marketing and processing infrastructures and the response capacity of producers to market requirements are important.

The graph below shows the results from the survey regarding EUDs' opinion (in the 24 countries where the Commission has provided support to competitiveness) on the extent to which Commission support contributed to various areas affecting the competitiveness of agricultural value chains. It shows that Commission support was found to be most supportive of (i) production factors and farmers access to them and (ii) infrastructures, including for collection and processing; the Commission was found least supportive of (i) organising producers and producers associations at regional level, (ii) facilitating contacts of producers with supermarket chains and (iii) foreign direct investments in commodity chains (PPP). This finding corroborates the results of the inventory (*see EQ1*) except that research was found in the inventory to be more prominent than in the countries surveyed which is explained by the regional nature of much of the Commission support to research.

⁴³ South Africa visited the most amongst ACP countries with an average of 11 daily visits; eleven countries didn't visit at all: Burundi, Cook Islands, Guinea, Maldives, Solomon Islands, Cape Verde, Chad, Djibouti, Guinea Bissau, Liberia and Niue Island.

⁴⁴ The *Pesticides Initiative Programme* aims at supporting ACP operators to conform and meet EU requirements, improving the operating environment of ACP companies, and creating a competent ACP expertise in food safety and sustainability, as well as improving conditions for market access.

Figure 9: Opinion of 24 surveyed representatives of EU Delegations in ACP countries on the extent to which the Commission contributed to specific areas affecting the competitiveness of agricultural value chains



Source: Online survey by ADE, 2011

At bilateral level, the inventory shows that Commission support stimulated research in the field of agricultural commodities in at least 16 ACP countries, probably many more if Stabex support is included. In visited countries, research efforts allowed developing disease-resistant varieties and adapted cultural techniques (in cocoa, tea, and coffee sectors) but did little to increase the quality, production or yields of these crops as efforts were delivered at local level, dissemination of research results was generally weak and research sustainability was not ensured (I.4.2.1 & I.4.2.3)

- The inventory of Commission interventions contracted between 2000 and 2009 shows that almost 11% of the total Commission support to agricultural commodities (around €230 m) was devoted to the Consultative Group on International Agricultural Research (CGIAR). An additional 5% (around €108 m) supported other research and studies in 16 ACP countries but hardly any new funding was received after 2005 (see also EQ1) except possibly from Stabex which, based on field visits, sometimes offered considerable support to research (such as in the tea and coffee sectors in Tanzania). The graph above showed that roughly half the surveyed EUDs in countries where support was offered to the competitiveness of value chains (13 out of 24 cases) claimed that the Commission support did contribute – to a large or to some extent – to stimulate research in the field of production factors and labour productivity, whilst 12 EUDs confirmed that the Commission contributed to disseminate research results to producers and producer organisations.

- Fields visits confirmed Commission involvement in research in coffee (Cameroon, Tanzania, Uganda), tea (Tanzania), cocoa (Cameroon, Ghana), plantains (Cameroon), sugar (Tanzania), cotton (Côte d'Ivoire) and palm oil (Côte d'Ivoire). Research efforts were concentrated on the development of disease-resistant varieties and of adapted cultural techniques, and multiplication of seedlings. Generally, research results were disseminated only to a limited number of producers most often in areas located around research institutes. Visited Commission-supported research institutes were confronted with sustainability issues, including lack of financing and poor manpower qualifications, such as in the Tanzanian coffee and tea research institutes and remained dependent upon renewed Commission support for the continuation of their operations.
- Support to the rice sector in the Caribbean also included an important research component, although it resulted only in small improvements and did not manage to achieve one of its objectives, i.e. the set-up of a sustainable seed production industry.

Almost all countries and interventions reviewed included support to improve inputs and farmers access to them (such as seeds and seedlings production and dissemination, access to fertilizers, extension services, development and dissemination of agricultural techniques) (I.4.4.2). However, this support rarely contributed to significantly increase agricultural commodities quality, quantity and yields or lower production costs in visited countries; positive results remained localised (I.4.2.3).

- Although the inventory showed that direct support to farmers' organisations, producers and value chains represented no more than 16% of total funding to agricultural commodities during the period, the survey and field visits showed that support in these areas was very common. According to the survey results (*see graph above*), the Commission contributed to a large or to some extent to improve production factors and access to them (21 out of 24 cases): opinions on the impact of this support on crop yields, quantity and/or quality was more muted (with 18 out of 24 cases).
- This was verified in visited countries, where the Commission supported improved production factors (such as seedlings, fertiliser, equipment, farmers' training) for diverse agricultural products such as cotton (in Côte d'Ivoire and Burkina Faso), cashew nuts (Côte d'Ivoire and Burkina Faso), vanilla (in Vanuatu), coffee (in Uganda, Cameroon and Tanzania) and cocoa (Ghana and Cameroon). In Madagascar and Uganda, the Commission supported general extension services.
- In visited countries support most often led to small scale outputs with little overall impact upon the quality, quantity and yields of agricultural products at sector or country level. Even when support was important at sector wide level such as in the cotton sectors of Burkina Faso and Cote d'Ivoire, the effects upon sector wide incomes were difficult to attribute solely to the Commission, and in this particular case, cotton production actually decreased as the sector suffered from crisis.
- Analysed documents and field visits allowed nevertheless the identification of some positive results, such as:
 - Increased production and productivity of visited smallholders and progress made towards improved crop quality in for tea and coffee in Tanzania and for coffee in Uganda.

- Increased banana yields and reduced costs in Belize, Cameroon, Côte d'Ivoire, and Suriname⁴⁵. Fruit quality has also been improved in most cases, such as in Cameroon where support facilitated compliance with Global Gap certification.
- Support to the rice sector of the Caribbean (through water management projects, extension services and producer organisation) had positive but small-scale effects, as the programme was considered too ambitious compared to available means.
- Support to organise producers and improve quality showed very significant and positive results in the rum sector of the Caribbean in terms of quality.

In ACP countries, the bulk of Commission support to infrastructures was used to rehabilitate or build roads. Commission contribution to improved roads was not systematically related to agricultural commodity production, collection and processing. In some visited countries and to a limited extent, other infrastructures related to agricultural commodity production such as storage buildings or warehouse facilities were subsidized. Despite these efforts there are still important needs to make value chains more competitive (I.4.2.4).

- According to survey results of EUDs (*see graph above*), in three quarters of the cases where the Commission supported competitiveness of agricultural commodities it also contributed to improve infrastructures related to agricultural commodity production, collection and processing.
- The Commission supported the building or the rehabilitation of (feeder) roads in all the visited countries, such as in the cocoa sector (Ghana, Vanuatu, Côte d'Ivoire), in the coffee sector (Tanzania, Côte d'Ivoire, Cameroon, Vanuatu), in the cotton sector (Burkina Faso, Côte d'Ivoire), and in the sugar sector (Tanzania). In certain cases, such as in Cameroon, transnational roads were also rehabilitated or built while there were urgent needs to improve feeder roads in the agricultural commodity areas.
- In visited countries, limited efforts were made to provide producers with storage buildings for inputs (Burkina Faso in the cotton sector) or warehouse facilities (Uganda). The support was appreciated by interviewed stakeholders whom underlined that available buildings and facilities were still not yet sufficient to cover needs.

Overall, less effort was made to improve the agricultural commodity collection and processing, compared to other Commission support to agricultural commodities. However, interesting outputs were delivered, but rather at small scale level and with no significant impact in terms of beneficiaries' collection and processing capacities. Notable exceptions were in the support to bananas, and Caribbean rum (I.4.2.5)

- According to survey results of EUDs (*see graph above*), in just over half the cases (14 out of 24) where the Commission supported competitiveness of agricultural commodities, it also contributed to a large or to some extent to improve agricultural commodity collection and processing.
- In visited countries, initiatives to support agricultural commodity collection and processing concerned a very limited number of producers such as in Uganda (for coffee) and Burkina Faso (for cashew nuts).

⁴⁵ From 472 boxes/acre in 2001 to 760 boxes/acre in 2004 in Belize; from 39.6 tonnes/ha in 1999 to 41.7 tonnes/ha in 2004 in Ivory coast; 13.9% yield increase between 1994-98 and 2002-2004 in Cameroon; an yield increase from 14.5 tonnes/ha in 2001 to 34.8 tonnes/ha in 2005 in Suriname. In Belize, Suriname and Cameroon, the improvement of yields was linked to the recovery of production after a hurricane.

- Such support also took place in the banana budget lines. It was in these cases more feasible and effective since production takes place on a small number of large plantations. This was however rarely the case for sugar support, where the only such projects concerned feeder roads rehabilitation (mostly in Belize).
- Support to the rice sector of the Caribbean also included the improvement of rice milling in Guyana and Surinam. The results however proved to be localised.
- Support to rum processing in the Caribbean led to a region-wide improvement of product quality, passing from low-quality and bulk to a branded production.
- Recent initiatives under the AAACP include coffee and cassava processing in Cameroon (implemented through the World Bank): for coffee, compact eco-pulping technology equipment was installed and was functioning in four testing sites, for cassava the equipment had not yet been installed.

JC 4.3 - Improved response capacity of producers to market requirements

In at least 10 ACP countries, Commission support has contributed to improve availability and use of market information and advisory services to producers and producer organisations. Results of this contribution are mixed and have been most often obtained at small scale, thus with limited impact on the capacity of producers of a country or a region to respond to commodity market requirements. One example of advisory services to producers and producer organisations was the Commission support to the Tanzanian Bureau of Standards, acting progressively as a reference for cotton quality assessment at regional level (I.4.3.1).

- According to survey results of EUDs (*see graph above*), out of the 24 cases where the Commission supported competitiveness of agricultural commodities, 10 benefited to a large or to some extent from Commission contribution to improve availability and use of market information and advisory services to producers and producer organisations at national and regional level.
- Analysed documents and visited countries show that the results obtained from this type of support were mixed and remained at a small-scale level.
 - Within its efforts to improve competitiveness, the AAACP has carried out several activities to improve market information systems at national and regional levels for crops such as coffee, cocoa and cotton.
 - In almost all visited countries, the Commission supported initiatives to improve producers' access to information about market requirements as components of wider projects with with commensurate limited but useful impacts for project beneficiaries during the life of the project. More rarely where a sector approach was taken such as for export crops in Madagascar, sector wide services were developed with wider benefits to producers. The importance of including market information and advisory services to producers and producer organisations in project design was illustrated for tea in Tanzania where research was supported but smallholder prices were the major constraint to smallholder production expansion thus greatly reducing the effectiveness of Commission support to the sector.

The Commission's assistance in bringing together producers and supermarket chains and/or in obtaining certified/labelled production has been important for rum and bananas. Other cases of such support have been rare (I.4.3.2).

- According to the survey only 20% of EUDs (in countries where competitiveness was supported) reported that the Commission had contributed to increase the number of producers or producer organisations having direct contracts with supermarket chains and/or having been certified with a label.
- Field visits confirmed this with label certification supported in only very few cases such as the 8,000 producers involved in organic and fair-trade cotton production in Burkina Faso. No occurrence of supermarket chains contracts was encountered in the field.
- Support through the banana budget line however contributed to obtaining EUREPGAP/GLOBALGAP or ISO certification.
- The most important contribution of the Commission's support to the Caribbean rum sector was to organise producers and help them improve marketing through branding and the development of labels.

According to findings from the survey and field visits, whilst the Commission contributed to increased numbers of producer organisations being coordinated at national levels this did not extend to coordination of producer organisations at regional level (except for Caribbean rum). In some cases, the sustainability of the producers' organisations depended on Commission support (I.4.3.3).

- Surveyed EUDs (*see graph above*) declared that the Commission support allowed increasing numbers of producer organisations (POs) to be coordinated at national level to a large or to some extent in 9 out of 24 cases, while only one EUD reported that this occurred for the regional coordination of producers' organisations.
- Field visits confirmed this (such as the 35,000 farmers established in POs and coordinated at national level in the coffee sector in Uganda) but showed that PO initiatives were sometimes short lived (such as those established in Madagascar, under the Stabex funded AIM project where 66% disappeared at the end of the Commission support or in Vanuatu where the same happened at the end of the POP2 project).
- The major exception to this was the Caribbean rum support which led to a reinforcement of the organisations of producers throughout the region.

Based on analysed documents and field visits, there is no evidence that the Commission support has contributed to increased foreign direct investments in the commodity chains, including public-private partnerships. In rare cases the Commission contributed to the promotion of sustainable development through social and environmental codes of conduct within the confines of a project (I.4.3.4)

- According to the survey (*see graph above*), only 4 out of 24 countries benefited to a large or to some extent from increased foreign direct investments in the commodity chains, including public-private partnerships, whilst 6 benefited from the promotion of sustainable development through social and environmental codes of conduct.
- Environmental and/or social codes of conduct were respected in projects in Burkina Faso (e.g. 8,000 producers involved in organic and fair-trade cotton production) and Madagascar (essential oils sector) or such as the PIP programme which promoted the controlled use of pesticides with a view to respect sanitary and phytosanitary requirements.

In the field, except in a limited number of cases such as in Uganda for coffee and the *Plan of Modernization of Agriculture* or in Burkina Faso through the cotton producers' organisation (UNPCB), coordination and complementarities of Commission supported interventions with interventions initiated by other donors towards improved competitiveness were rare (I.4.3.5)(see also EQ3).

In visited countries and selected interventions, the sustainability prospects of obtained results in terms of increased agricultural production and producers' capacity to respond to commodity market requirements are mixed. The private sector was often involved in the cases where sustainability was ensured (I.4.3.6).

- In Tanzania, the Commission supported the coffee and tea research centres since 2001 due to the unsustainable set-up of these two institutes (even though for coffee some growers' participation had recently been introduced); in contrast, the Sugar Board had independent sources of income to sustain its operations.
- In Burkina Faso and in Côte d'Ivoire, the sustainability of cotton sectors without external support was still at risk due to limited access to inputs and low cotton prices.
- In Madagascar, private sector involvement in the production of essential oils was thought to ensure some sustainability of producers' activities.
- Although support through the banana budget line allowed the sector to survive and compete more effectively, the sustainability of the sector also depends on the effects of new international agreements and on the sector's further development potential.
- In other interventions, sustainability was often questioned (such as for Commission interventions in the Caribbean region in bananas, sugar, rice, rum, in the cocoa sector in Ghana, cashew nuts and sesame in Senegal).

JC 4.4 - Impact on incomes of producers, sector and countries

Overall there has been no assessment of the impact of Commission support to the competitiveness of agricultural commodity chains on incomes of producers, agricultural commodity sectors and ACP countries; impact on exports of agricultural commodities to regional and international markets, including to the EU was mixed.

- The ACP-PIP evaluation reports note that the ACP fruit and vegetable exports (excluding South Africa) towards the EU-15 increased by 3% in volume and by 5% in value between 2001 and 2006, while the final evaluation of the "Support to the competitiveness to the rice sector in the Caribbean" programme, noted that rice trade increased by 30% in the Cariforum countries by 2009 and rice trade out of the Caribbean region increased by 20% by 2009.
- The banana evaluation stated that support contributed to maintaining competitiveness of the sectors so far. The sugar evaluation had more nuanced results: in Southern African countries (which showed strong competitiveness potential), it supported investment in the sector; in others results are mixed: competitiveness was improved, but probably not sufficiently to outlast support and compete on a liberalised market.
- The evaluation of support to Caribbean rum stated that it had a major impact on the long term competitiveness of the sector. There was however no evidence of changes in price or exports (except in Trinidad & Tobago).

- In visited countries, cotton exports of Côte d'Ivoire and Burkina Faso decreased due to the cotton crisis in these countries during the period under review while the vanilla sector in Madagascar also met serious issues in the year 2009 with a loss of US\$ 77m compared to 2006-2008 (-47%). In Uganda, coffee production has not moved for 50 years (currently around 2.6 million bags against 2.7 million bags in 1964) and coffee exports in Madagascar decreased until its lowest historic level to less than US\$3m. A counterexample is found in Ghana's cocoa sector where volumes and value of cocoa exports increased between 2000 and 2010 (volumes increased by 172% between 1998 and 2008) as a result of the Commission's support to combat swollen shoot disease and to develop and replant cocoa seedlings at the end of the 1990s but trade with the EU has been declining from 2000 to 2010.

In visited countries, there is little evidence that foreign exchange earnings at country level stabilised and increased due to improved performance of agricultural commodity related products in regional and international markets (I.4.4.2) while collected testimonies showed that income at producer level increased at project level (I.4.4.3). When increased foreign exchange revenues materialised at sub-sector level such as cocoa and coffee, this was often linked to world price movements. The impact of Commission support upon sector (and wider export) performance was most noted, amongst visited countries, in Ghana (where, as stated above, Commission support allowed a long term recovery of the cocoa production) and in Côte d'Ivoire and in Burkina Faso where Commission intervention allowed the survival of the cotton sectors and limited the negative social impacts of the cotton crises on rural populations.

- In Cameroon, foreign exchange earnings for cocoa and coffee have increased in recent years due to higher prices on the world market and have brought financial resources for the recovery of corresponding subsectors and increased revenues for cocoa and coffee producers. In Uganda, coffee farmers participating in the Commission funded project enjoyed a large increase of their cash income (multiplied by 2.9 and potentially by 6) thanks to higher yields, better quality and higher selling prices.
- In the sugar sector, the less competitive ACP countries, which sold all of their sugar exports to the EU market, incurred foreign exchange losses as a consequence of the 36% reduction of the EU sugar price. Banana exports in absolute and relative terms have decreased in some ACP countries, such as Jamaica and Windward Islands while they slightly increased in Belize between 2002 and 2004 (+7.2% in quantity, mostly balanced by price decrease).
- Export earnings in cotton producing countries, Côte d'Ivoire and Burkina Faso, decreased during the period under review as a result of deep crises. Cotton production being a kind of "safety net" for a large part of the rural population in these countries, Commission support could be seen as having allowed the survival of these sectors and limited the negative social impacts of the cotton crises on the rural population.

Taking into consideration that positive results for producers have most often been restricted to the immediate proximity of the projects, interviewed producer organisations and producers in visited countries were globally satisfied of Commission supported interventions. However agricultural commodity value chains continued to face major constraints (I.4.4.4).

- In the coffee sector, both in Cameroon and in Uganda, Commission supported interventions were considered useful and satisfactory. In Tanzania and Uganda, interviewed stakeholders were satisfied with the Commission support to coffee research; positive opinions collected highlighted the strong producer demand for disease-resistant seedlings, the satisfaction with cultural techniques learned and the interest of small groups in nurseries. Nevertheless it was reported that major constraints continued to hamper an improved competitiveness of the coffee sector in these countries.

EQ 5 on the Commission's support to risk management

To what extent has the Commission's support contributed to protect agricultural commodity producers from income variability through risk management and/or social safety nets?

Support to the management of commodity risks and access to finance was included in the Communication as the third policy priority (P3) and was implemented through interventions totalling only 1,3% of the total support to agricultural commodities over the period 2000-2009⁴⁶. It aims to reduce producer exposure to market risks and to protect producer, sector and country incomes from agricultural commodities price volatility. The proposed activities for this include the development and implementation of hedging and compensatory instruments and the development of hedging institutions; the Communication also proposes to support CDDCs in establishing safety nets for people suffering from the commodity shocks. This EQ proposes to look firstly at the provision of these supports and their results (J.5.1 & J.5.2) and secondly at their impact upon the variability of incomes at producer, sector and country levels (J.5.3).

Summary answer box

In the past (1975-2000) the Stabex instrument provided automatically triggered funds to ACP countries suffering from price instability of agricultural commodities. The results of an audit undertaken in the early 2000's, confirmed by the findings of field visits undertaken in eight countries as well as the results from the questionnaire, showed that Stabex funds have been extremely important in funding the Commission's support to the agricultural sectors, probably outstripping EDF funding during 2000-2009.

Although Stabex funds were rarely used as risk management or compensatory tools for farmers, their use, as that of other financing instruments, for supporting crop research (in particular on drought and disease resistant varieties), improved transparency of crop prices and more generally implementing projects aiming for improved competitiveness, all aimed indirectly to reduce farmers' risks.

With the Communication, the Commission chose to support – in close coordination with other donors and IOs - the development of specific risk management tools under the umbrella of the AAACP and the GIIF project. Activities under these two initiatives had only just started at the end of the period under review and had thus not yet delivered any results.

Field visits showed that on-farm diversification present in most farming systems and in some cases risk adverse crop pricing and/or marketing systems provided farmers with some degree of protection from market risks. Risk management tools supported by the Commission tended to be used mostly by well performing farmers. No evidence was found that the Commission, in its support to agricultural commodities, focused its support to the poorest and most vulnerable farmers.

⁴⁶ Stabex funds not included since they were mostly not used directly for risk management initiatives.

JC5.1 - Commission support to the development and implementation of risk management and compensatory tools

Over the period, Stabex was the single most important tool available to the Commission to intervene in the area of agricultural commodities risk management. Even though it was not (or extremely rarely) used to compensate farmers in a timely fashion for risks realised, it provided major funding for Commission interventions in the agricultural sector over the period under review.

- The Stabex instrument was a stabilisation scheme of export receipts from agricultural products introduced under Lomé in 1975 (see JC 1.3). The use of the funds was subject to a formal agreement between the recipient ACP country and the Commission in the form of a Framework of Mutual Obligations: whilst at first only the sector which sustained the losses could be supported, this was later extended also to diversification.
- Stabex has remained the only instrument the Commission designed specifically to help CDDCs in systematically and automatically coping with the effects of price variability of agricultural commodities at macroeconomic level (see also EQ1, JC1.3 and I.5.1.1). The instrument was stopped in 2000 after 25 years and was not replaced. Its successor, the FLEX, was set up to offer assistance to countries facing sudden losses of export revenues⁴⁷ but was neither automatic nor linked specifically to agricultural commodities.
- Although the last Stabex transfers took place in 2000, they have continued to play a major role in the Commission support to agricultural commodities during the period:
 - The inventory (see EQ1, JC1.3) shows that Stabex transfers represented 22% of total funding to the agricultural commodities sectors over 2000-2009 (or €471 million)⁴⁸.
 - In addition, funds from past Stabex transfers often still remained available at country level for use during 2000-2009. An independent audit of Stabex funds realized among all Delegations and finalized in 2004⁴⁹ showed Stabex available funds as of 31/12/2002 to amount to just over €793 m. This included all funds still available (not utilised) from previous transfers and their cumulated interests⁵⁰.
 - If this audited amount of Stabex funds were to replace the amount identified through CRIS in the inventory, then total amounts of Commission funds contracted in support to agricultural commodities over the period 2000-2009 would amount to €2.47 billion (instead of €2.14 billion) and, without the Food

⁴⁷ The sugar and banana lines are also compensatory instruments but for potential losses incurred through the loss of preferential trade regimes. As explained under EQ1, Stabex compensated for realised losses in foreign exchange originating from agricultural commodities export shortfalls compared to an average of previous years' exports. Flex was initially extended to countries experiencing a 10% drop in total export revenues (2% for least developed countries) and a 10% worsening of their budget deficit compared to the planned level. Only 6 countries benefited from Flex during 2000-2002 based on these criteria.

⁴⁸ CRIS reports only on Stabex transfers, not on the use of Stabex funds. As a result, the inventory based on CRIS shows the latest Stabex transfers (made in 2000) and not the contracted amounts, which are not recorded in CRIS and are not centrally monitored (see Inception Report and Desk Report). Indicative amounts of Stabex funds used over 2000-2010 were therefore estimated in visited countries based on available documentation in Delegations.

⁴⁹ European Commission, Europeaid Cooperation Office, Final report Inventorisation of the utilisation of the 7th and 8th EDF Stabex transfers (Period covered: 1 January 1990 - 31 December 2003), London 30 September 2004.

⁵⁰ One of the particularities of the Stabex funds is the fact that they were held in commercial bank accounts and thus accumulated interests.

budget line to €2.14 billion (instead of €1.82 billion). Stabex would thus have outstripped EDF in importance over the period (€793 m for Stabex, €739m for EDF).

- The importance of these past - but still available - Stabex funds was further illustrated during field visits where the use of Stabex funds over 2000-2010 was estimated at €475.5 million, more than double the amounts indicated in the inventory of €183.4 million (I.5.1.2). In six out of eight of these countries, Stabex was the main source of funding of support to the agricultural sector (Stabex funding was outstripped by EDF funding only in Vanuatu and Burkina Faso). The box below illustrates the findings from the field visits.
- By end 2010, Stabex funds were still being used in all countries visited but one (Vanuatu) and by 10 out of the remaining 12 countries that declared having used Stabex funds since 2004 in the questionnaire.

Box on Stabex funds in visited countries

In countries visited, based on the available documentation in Delegations, Stabex resources used over the period 2000-2010 were found to be more than twice as important as those identified through CRIS. They also exceeded disbursements from other funding sources to the agricultural sector except in Burkina Faso and Vanuatu where EDF funding was found to be more important. In the other six countries, accumulated funds from Stabex transfers made as early as '92-'93 and from interests generated by these and earlier transfers represented the major and almost exclusive source for support to agricultural commodities. The following table illustrates these indicative field findings:

Countries visited	Contracted amounts (in million Euros)				Discrepancy	Stabex as % of total contracts
	Total all sources		Stabex only			
	CRIS	Field	CRIS	Field		
Burkina Faso	36.6	39.5	0.9	3.7	2.8	9%
Cameroon	52.4	95.0	17.4	60.0	42.6	63%
Ghana	32.6	69.8	-	37.2	37.2	53%
Côte d'Ivoire	118.9	167.4	82.0	130.5	48.5	78%
Madagascar	39.3	91.3	16.0	68.0	52.0	74%
Tanzania	36.3	50.9	31.8	46.4	14.6	91%
Uganda	59.5	154.1	35.1	129.7	94.6	84%
Vanuatu	1.9	1.9	0.2	0.2	-	8%
Total 8 countries	377.6	669.9	183.4	475.7	292.3	71%

Source: ADE inventory and Data Collection Grid EQ5.

The use of Stabex for preventing, managing or compensating the macroeconomic, sector or producer risks linked to price or income decline and variability has been extremely limited; however, the use of Stabex, EDF and other funding for agricultural commodities research and for projects aiming at improved competitiveness contributed to decrease risks at farm level.

- In countries visited Stabex funds were not used as compensatory instruments at micro or even meso levels (except direct compensations to farmers in Cameroon and Tanzania before 2000 and one occurrence of indirect compensation of farmers through the provision of subsidised inputs in Côte d'Ivoire) and their potential role in doing this was undermined by the very slow disbursement of funds (I.5.1.2).
- Instead, Stabex funds have been used for a wide range of projects⁵¹, most commonly to improve the competitiveness of agricultural commodities sectors; if effective, this would indirectly help countries, sectors and producers to better cope with the risks associated with price decline and variations. Support to programmes and projects aiming for yield protection or improvement (development of varieties resistant to drought, pests and diseases) and improved access to price information systems have been particularly relevant for risk management (I.5.1.2).

The Communication did not aim to develop any other compensatory mechanisms or funds specifically linked to agricultural commodities to replace Stabex; rather it led to support the development of and access to shock management tools through two specific projects, which had only just started at the end of the period under review.

- The COM2004(89) led the Commission to devote just over €33 million to two risk management initiatives:
 - The support to the Commodity Risk Management Group of the WB (CRMG⁵²) was a component (€8.7 million) of the AAACP. It focused on the development of country and product specific instruments, awareness raising, capacity building and provision of supportive infrastructure (legislation, weather stations, etc.).
 - The Global Index Insurance Facility (GIIF of €24.5 million) focused on developing and offering (via local financial intermediaries) risk insurance for governments and farmers associations. Managed by the IFC, the GIIF also contributed to some limited capacity building initiatives by the World Bank's CRMG (I.5.1.1).
- The AAACP made its first contributions to the CRMG in 2007, the second in 2008 and the GIIF only just started offering its products on a pilot basis at the end of 2010. Amongst the initiatives launched before mid 2011 under the AAACP were the following (I.5.1.4):
 - Preliminary work by UNCTAD to support commodity supply chain finance in the Pacific region and in the Central African region, the development of commodity

⁵¹ Amongst the countries reviewed during the desk and field studies, Stabex funds have been used for the most diverse purposes in Kenya (governance, institutional capacity building, health service decentralization, tourism, trade negotiations).

⁵² The CRMG is now called the Agricultural Risk Management Team.

- exchanges in the Caribbean region, Cameroon, Ghana, Tanzania (for cashew nuts specifically) and the Comesa region.
- A number of risk management assessments in various countries, some pre-feasibility studies for developing weather risk management strategies (Jamaica, Guyana, Burkina Faso, Ghana) and training related to risk management (in African countries only), all implemented by the World Bank with some studies/surveys being undertaken by the FAO.
 - The development of warehouse receipt systems by the CFC in Tanzania, Malawi and Ethiopia.
- Much of the risk-related work undertaken under the All ACP programme was still at preliminary stages so that the results of this work could not yet be assessed (I.5.1.3). The same difficulty arose with the results of the GIIF, where work was still in the research/product development and testing phases. It is early days yet to assess whether the products proposed will be adding value compared to the existing hedging and insurance instruments and thus whether they will be sustained beyond their current piloting phase (I.5.1.8).
 - In countries visited, price (and other) risk management issues were addressed by the World Bank, the French AFD or UNCTAD with the Commission providing indirect financial support (through the Common Fund for Commodities in Uganda or AAACP in Burkina Faso, Cameroon or Ghana for example). Activities in this area focused on the undertaking of risk management studies (for cotton in Burkina Faso and Uganda, coffee in Cameroon), the setting up of warehousing receipts systems and commodity exchanges (in Ghana, Tanzania, Uganda). No risk diminishing activities initiated under the ACP-GIIF programme were encountered in the field (I.5.1.6).
 - The survey confirmed that most activities related to risk management were at development rather than implementation stage. Amongst the 30 respondent countries that export agricultural commodities, 9 (almost one third) claimed that the Commission was involved in developing, piloting or applying risk management tools in their country mostly related to weather and price risks (respectively 7 and 5 out of 9 countries) but these tools were not systematically implemented with Commission financial support (a total of 5 respondents benefited from financial support for the implementation of (weather and/or price) risk management tools).

In line with its general policy to limit interventions in the area of micro-finance, focusing on capacity building instead, the Commission has only marginally been involved in facilitating farmers' access to finance.

- Even though credit is often mentioned in national strategies and diagnostics as an important constraint in the sectors, no specific findings were made in projects reviewed regarding support to farmers' access to credit other than sometimes through NGO projects (rural credit schemes, micro-credit schemes or revolving funds have been supported as components of wider-scoped projects) and indirectly through the support to form farmers associations in many analysed countries (I.5.1.5).
- This finding was corroborated by the questionnaire results: amongst the 14 respondents having benefitted from some form of Commission support to ease credit access, 10 took place in the context of larger agricultural projects, 6 concerned a wider financial sector support and 5 concerned multi-donor initiatives. However, no support for specific financing for agricultural commodities producers was identified.

- Some of the work undertaken under the risk management component of the AAACP has been focused on farmers access to finance, including in particular the initiatives to set up warehousing receipt systems (where farmers receive a voucher against the warehoused crop which they can use as collateral to obtain a bank loan), the World Bank's studies on supply chain risk assessment in several countries (I.5.1.2) and e.g. UNCTAD's workshops on nutmeg financing in Grenada: these recent initiatives have not yet led to the implementation of projects supporting access to finance (I.5.1.5-6).

Where the Commission has supported risk management, this has been done in coordination - and often in complementarity - with other donors and international organisations (rather than just with MS)

- Most direct Commission's support in this area was channelled through the AAACP and GIIF programmes which are coordinated with other donors and implemented by participating IOs.
- Where projects offering indirect support were concerned, i.e. those focusing on agricultural commodities research and improving agricultural commodities competitiveness, they were found to be mostly well coordinated with other donors and often complementary to the initiatives of other donors (I.5.1.7).

The sustainability of the actions in the area of risk management is difficult to ascertain regarding the just started activities for the global (AAACP and GIIF) programmes whilst evaluations consulted for country-specific projects have shown bleak prospects of sustainability of action and/or results.

- When available, mid-term or final evaluations of projects and programmes (in Côte d'Ivoire, the Caribbean region, Madagascar and Uganda) have expressed concerns over their viability after Commission funding (I.5.1.8).

Field observations showed that farmers cope with price and other risks differently depending on crop and country. Encountered risk management schemes addressed for smallholders were: diversified production, low investment in cash crops, pricing and marketing systems and partnerships with processors. Warehouse receipt systems were only encountered for one crop in one country and insurance schemes were not operated in countries visited.

- The capacity of farmers to absorb shocks from price (and/or weather) variations and the related consequences upon income variability differed greatly according to the crop and the country (and even region) visited. The need to protect farmers from risks incurred through price variations and natural causes is greater if farmers cultivate a single crop. In the eight countries visited, most cash crop farmers were first and foremost food crop farmers who cultivated some cash crops to earn cash income when prices were good. This was the case for all countries and all crops seen except cotton (in Burkina Faso) and to a much lesser extent tea (in Tanzania where farmers visited had only recently started growing the crop). Thus, in most instances farmers had a diversified production system and managed risks by deciding whether or not to devote some of their resources to the cash crop.
- In addition the national pricing and/or marketing system provided a protection for small, typically poor farmers. In some of the countries visited farmers were protected from price variations by existing pricing mechanisms (fixed price of cocoa in Ghana,

two-tier payments for tea in Tanzania or de facto minimum prices for some crops such as cotton in Burkina Faso or Côte d'Ivoire). Commission involvement in price stabilisation schemes was found as part of its support to reform in the cotton sectors of Mali and Burkina Faso where price regulation mechanisms for cotton are in operation (*Fonds de lissage* du coton in Burkina Faso and *Fonds de Soutien des prix* in Mali) (see I.5.1.6).

- For some crops in some countries smallholder farmers were reducing risks by entering into contract farming or linking up with a specific processing agent that would provide inputs against delivery of output (tea in Tanzania, sugar in Ghana); in some cases the Commission indirectly supported such approaches in particular when supporting farmers' associations or groupings.

JC5.2 - Commission's support to safety net issues in complement to commodity chain issues

No evidence was found that the Commission addressed safety net issues in complement to commodity chain issues; rather field visits showed poor farmers to be rarely the ones taking initiative to participate in projects which as a result mostly benefited the already better performing farmers.

- Parallel to developing the use of market based insurance tools at the macro-level the Communication proposed that the Commission should support CDDCs to establish safety net programs to channel resources to those affected by commodity shocks (Communication p.13). **For none of the 12 countries reviewed, safety net programmes were established.** Mention of safety programmes was found in Ethiopia where the Commission provided indirect support to the Productive Safety Nets Programme (PSNP) and in the Caribbean (St Lucia) but they were not specifically aimed to agricultural commodities producers.
- The concern of the Communication with the effect of price shocks on the most vulnerable and product dependent farmers has been noted in none of the interventions reviewed: although all Commission support to agricultural commodities eventually aims to eradicate or diminish (rural) poverty (I.5.2.1 & I.5.2.2), no explicit reference was made in project documents to specific support having been provided to the most vulnerable of these farmers or to specific attention having been paid to those farmers who might have been affected negatively by project support. The monitoring report of one project (in Mali) mentioned that the project contributed to keep cotton producing farmers within a poverty trap (I.5.2.3). In contrast, the Mauritius Government used some of the AMSP funds to pay lay-off allowances to people made redundant in the sugar industry (and gave them a piece of land and some cash): this instance is clearly corresponding to the approach favoured in the Communication.
- Finally, it was found during field visits that Commission funding was foremost directed towards farmers willing to take up new husbandry practices, inputs and even crops, thus typically better 'performing' farmers. As such Commission projects were not designed for nor aimed for assisting the poorest, most vulnerable farmers.

However, taking a wider perspective, the Commission's support to the survival of some sectors such as the cotton sectors in Burkina Faso and Côte d'Ivoire or the cocoa sector in Ghana in the 1990s can be considered as an overwhelmingly social intervention: without

the Commission's support these sectors might have totally collapsed, thus throwing smallholder farmers back in subsistence agriculture without any sources of cash income (see also EQ4, JC4.4).

JC5.3 - Income variability and vulnerability to price fluctuations of producers, sector and countries as a result of improved risk management

As seen in JC 5.1 above, the Commission's direct support to the implementation of risk management tools has so far been very limited and is mostly at the stage of studies or at best initiatives just launched under the AAACP and GIIF. Any impact on income variability and vulnerability to price fluctuations would thus have to be considered from a wider perspective, taking into account support to activities that have improved overall sector competitiveness and thus resilience to shocks and those that have diversified the traditional agricultural commodities producers' income. These questions are treated respectively in EQ4 and EQ6. One can however note that the collection and monitoring of income statistics for beneficiaries (at producer, sector and country level) has not been systematically foreseen and undertaken by projects.

EQ 6 on the Commission's support to diversification

To what extent has Commission support helped producers, the agricultural sector and commodity dependent ACP countries to successfully diversify around traditional products?

In Communication COM(2004)89, the Commission has identified diversification around traditional products as one of the six challenges to be tackled to increase the income levels of agricultural commodity producers and reduce the vulnerability of producers, sector and country to income fluctuations. The COM proposes EU action on three fronts: (i) informing government choices, (ii) supporting rural growth, and (iii) strengthening private sector support. The thrust of the Commission's efforts announced in the COM is thus more on supporting a favourable environment conducive to general (but diversified) economic growth than on any specific aspects or sectors for diversification. Accordingly the EQ aims at assessing the efforts made in the three areas mentioned and investigating the potential impact of the results obtained upon the diversification of CDDCs around traditional commodities and upon the vulnerability of producer, sector and country incomes. According to the inventory, a total of €121 million were dedicated specifically to support diversification over the period 2000-2009.

Summary Answer Box

When addressed in the development strategies of ACP countries, diversification of the agricultural production is promoted, even in CDDCs, as a means of increasing farmers' income rather than for its contribution to reducing the country's dependence on exports of a limited number of agricultural commodities.

Most Commission interventions in the field of agricultural commodities have been consistent with this approach. They aimed at diversifying farmers' livelihoods through the introduction of new cash crops in their production system, at increasing the value-added generated by the commodity production chains and at improving the capacity of commodity exporters to meet the requirements of international markets.

Other interventions have effectively contributed to increase the income of the farmers involved in the relevant projects and to reduce its sensitiveness to price fluctuations. But because these interventions at local level have not been replicated nor given rise to countrywide strategies, their impact at sector or country level has remained extremely limited.

In the banana and sugar producing countries the Commission's support through the dedicated budget lines has been different: here support to diversification out of the sector was the alternative when competitiveness was considered unachievable. In sugar producing countries, diversification within the sector was sometimes envisaged but rarely implemented due to heavy investment requirements. In the banana budget line, support helped to build capacity for economic diversification in the Windward Islands. Reducing dependence became a part of the countries' priorities but impacts of support could not be quantified.

The Commission contributions to the diversification of CDDCs' exports were generally undertaken in the context of the Commission's support to private sector development and the implementation of its Aid for Trade strategy rather than in the context of diversification around agricultural commodities. In its latest country strategies the Commission has actively supported Private Sector Development mostly targeting the institutional and regulatory environments whilst direct support to productive sector actors has been provided by the EIB.

JC6.1 - The Commission's support to the analysis of Government's policy choices aiming for diversification and growth

During the period covered by this evaluation, agricultural development has been addressed in numerous ACP countries as a component of the overall development strategy and/or in specific sectoral policy/strategy documents.

- Second generation PRSPs, while maintaining a high priority on the development of social sectors, have devoted more attention to creating conditions for sustainable growth. Significantly these documents are commonly titled Growth and Poverty Reduction Strategy Papers (GPRSPs).
- Out of 30 EU Delegations in CDDCs who have responded to the survey carried out for this evaluation, 21 (70%) said that competitiveness and diversification of export value chains have been a priority of the partner government during the 2004-2009 period. Agricultural development strategies have been developed in such countries as for instance Benin (as part of the PRSP), Ethiopia (National Strategy for Accelerated and Sustainable Development); Jamaica (reform of commodity boards); Madagascar (Madagascar Action Programme); Mali (Cotton sector strategic framework) ; Mauritius (Sugar Sector Adaptation Strategy); Mozambique (Strategic plans for cotton, sugar, cashew nuts); Senegal (PRSP and Loi d'Orientation Agro-Sylvo-Pastorale); Tanzania (Agriculture Sector Development Strategy); and Uganda (Programme for the Modernisation of Agriculture).

Diversification of agricultural production is frequently mentioned in these documents. But with very few exceptions, such as for instance Chad (diversification around cotton), diversifying agricultural production is **primarily considered as a means of increasing the farmers' income** and of improving food security in rural areas rather than as a response to the country's GDP and export dependence on a limited number of agricultural products.

The Commission's CSPs and NIPs for CDDCs do not mention diversification around the main traditional products as a priority of the Commission cooperation strategy with partner countries. But in several of these countries (e.g. Cameroon, Côte d'Ivoire, Ghana and Tanzania), assisting the partner government in preparing for the signature and implementation of an EPA ranks high on the agenda of the Commission. Although not explicitly related to agricultural diversification, the Commission support in the framework of EPAs to the formulation by partner governments of strategies aimed at promoting trade and economic integration at regional and international levels may be considered as an indirect support to the formulation of export diversification strategies.

Furthermore according to the Delegation responses to the survey **in half the CDDCs (16 out of 30) competitiveness and diversification of the agricultural commodity sectors have been part of the policy dialogue between the Commission and the Government.**

- In Ghana, for instance, discussions on the issue of diversification around cocoa have taken place between the Government and the Commission within the framework of the EPA negotiations.

In the ACP countries eligible to the Banana Special Framework of Assistance (Banana SFA) and to the Accompanying Measures for Sugar Protocol Countries (AMSP) governments were requested to develop adaptation strategies for these sectors.

- These strategies had to consider diversification as an option, in particular in the countries where the sector could not achieve competitiveness in the new market conditions.
- The Commission supported the formulation of these strategies through the provision of technical assistance and contributed to finance their implementation.
- These adaptation strategies gave rise to a policy dialogue with the Commission in which all stakeholders (government, producers, exporters and processing industry) took part.
- In Tanzania and still more in Madagascar, where the sugar sector can hardly be made competitive at the international or regional level, the Commission nevertheless endorsed government strategies that excluded any diversification. In Barbados, Belize or Jamaica, on the contrary, the Commission decided unilaterally to concentrate its support on the sole diversification component of the adaptation strategy.
- After 2004, diversification out of banana production was supported in the Windward Islands of the Caribbean (which was a redirection of support, previously targeting competitiveness).

In several ACP countries the Commission financed analyses of commodity production chains (e.g. sesame and cashew nuts in Burkina-Faso; banana in Cameroon; palm oil and rubber in Côte d'Ivoire; cocoa in Ghana; cotton in Mali and Côte d'Ivoire; coffee in Ethiopia), which aimed at assessing how far the overall production-collection-marketing chain for these products was competitive and what were its strengths and weaknesses.

- Some of these studies gave rise – with the support of Commission-funded technical assistance – to the formulation of sectoral development strategies.
- It has for instance been the case for the coffee sector in Ethiopia or for the recovery strategy of the cotton sector in Côte d'Ivoire.

But there are almost no examples of commodity chain analyses having led to the formulation of strategies aimed at diversification out of the relevant sector.

- There are furthermore examples of countries/regions (e.g. the Caribbean, Madagascar, Uganda) where the Commission implemented projects in support of agricultural commodities without having previously carried out an analysis of the given sector (see also EQ2).
- The analyses undertaken in the sugar budget line led to the development of strategies of exit from the sector for a few Caribbean countries (Barbados, St Kitts & Nevis).
- In the banana sector, commodity chain analyses had first led all beneficiaries to aim for competitiveness. Only after revision did the Windward Islands reorient support to diversifying the economy.

JC6.2 – Diversification of sources of livelihoods of traditional agricultural commodity producers through the adoption and implementation of rural growth strategies

Commission interventions dealing with agricultural commodities primarily aimed at increasing the economic performance of these productions rather than encouraging commodity producers to diversify around these crops in the context of a rural growth strategy.

- Indeed diversification, if considered desirable, may not be best addressed through support to the sector from which diversification is sought.
- In many CDDCs, such as for instance Cameroon, Madagascar, Tanzania or Uganda, agricultural commodities, while they make a large share of the country exports, are at farm level secondary crops which complement production systems mainly devoted to staple crops. At farm level diversification around agricultural commodities is therefore not an issue.
- Banana and sugar were the two sectors where diversification was considered as a strategy out of the sector.

Many Commission interventions in support of agricultural development aimed at diversifying producers' livelihoods.

- Two thirds of the EU Delegations in CDDCs – 19 out of 30 – who responded to the survey carried out for this evaluation stated that during the 2004-2009 period the Commission has provided technical assistance to diversification around traditional agricultural commodities.
- One may mention for instance the Commission support to the development of cashew nuts, pineapple and rice in Côte d'Ivoire, of sesame and cashew nuts in Burkina-Faso and Senegal, of fruit trees and spices in Madagascar. In Ghana, the Commission support to the cocoa sector promoted the combination of cassava and plantain with cocoa growing. The research and extension component of the Programme of Modernisation of Agriculture supported by the Commission in Uganda resulted in a significant percentage of farmers starting to grow new crops. In Cameroon, Madagascar and the Caribbean, the Banana SFA addressed the issue of diversification of producers' livelihood as a response to the reduction of banana export prices. In Fiji, where the Commission cooperation has however been suspended following the 2006 coup, the AMSP programme had undertaken to support diversification of the sugarcane grower crop patterns. Under the AAACP, the FAO supported the integrated management of production and pests (for cotton) where the improvement of the whole farm is considered, including with the introduction of new varietal species into the farm rotation.

Other interventions aimed at increasing the value-added generated by the agricultural commodity production chains.

- In particular in the Sugar Protocol countries which had decided to continue sugar production, National Adaptation Strategies frequently envisaged diversification within the production chain through the development of ethanol production and/or power generation using by-products of sugarcane processing. These diversification measures,

which would have required from sugar mills that they finance heavy investments from their own resources, were however seldom implemented.

- The development of organic cotton in Mali may also be considered as a form of diversification within a production chain.
- Projects aiming at establishing producer organisations or strengthening existing ones, such as for instance the support to the Coffee Farmers Alliance in Uganda, increase the bargaining power of small farmers and allow them to receive a larger share of the final value of their products.

JC 6.3 - Knowledge of and access to support for instruments for private sector development

The Commission support to PSD is not specifically linked to agricultural commodities but is rather meant as a contribution of the Commission to the overall development of the export capacity of partner countries.

- In many ACP countries and regions (e.g. Cameroon, Côte d'Ivoire, ESAIO, Ghana, Mali, Pacific region, Vanuatu, West Africa) the Commission supported Private Sector Development (PSD) or is planning to provide such support (Uganda). In many cases this field of activity has been introduced in the 2008-2013 CSPs in the context of the EPA negotiations.
- The support is closely linked to the Commission activities in the field of Trade Related Assistance.
- In October 2006 the EU adopted a joint Aid for Trade Strategy, aimed at supporting all developing countries, particularly Least Developed Countries (LDCs), to better integrate into the world trading system and to use trade more effectively in promoting the overarching objective of eradicating poverty in the context of sustainable development. This document commits the Community and the EU Member States to step up their contribution to the wider Aid for Trade agenda identified by the WTO Task Force, which includes Trade Policy and Regulation (TPR); Trade Related Infrastructure (TRI); and Building Productive Capacity (BPC). The Aid for Trade Strategy points out that this broad approach “is reflected in the 2004 EU Commodity Action Plan.”
- Besides its direct interventions in the field of Aid for Trade, the Commission is a major contributor to the Integrated Framework⁵³ Trust Fund, a multi-donor programme, which supports LDCs to be more active players in the global trading system by helping them to tackle supply-side constraints to trade.

PSD is a focal sector of the Commission's country strategy for the period 2008-2013 in most CDDCs.

- Commission support to the private sector is justified by the major role that private enterprises should have in the success of regional integration and EPAs.
- In a limited number of cases (Burkina Faso – cashew nuts; Burkina Faso and Mali – cotton; Madagascar – fruits and horticulture) the enterprises processing and marketing agricultural commodities were directly targeted. Quality control and certification of

⁵³ Since 2005 Enhanced Integrated Framework

exports was also mentioned (e.g. in Cameroon and Côte d'Ivoire) as an area in which private enterprises have an important role to play and whose development was accordingly supported. In Madagascar and Uganda the Commission supported the development of private operators providing services to farmers.

- But in most cases, Commission support to PSD was not explicitly linked to the Commission commodity-related interventions even though mention was frequently made of the country agricultural export capacity, which implies modernisation and development of the enterprises that process and market agricultural products.

Commission interventions in support to PSD most frequently targeted the institutional and regulatory environment.

- Rather than directly intervening on the productive sector they aimed at contributing to the establishment of an environment supportive to the development of private enterprises.
- This was considered by some stakeholders as a limitation of the Commission's cooperation approach. In Côte d'Ivoire and the Caribbean, for instance, representatives of the private sector expressed the view that the Commission, while it closely cooperated with the government, did not manage to develop working relations with the private sector. A similar critic was raised by the review of the AMSP programme, which pointed out the difficulty for the Commission to effectively intervene in a sector in which private companies, and furthermore in that case very large ones, are the driving force whereas the role of the government is quite limited.
- It may be noted in this respect that in Uganda the Commission contributed to a Trust Fund established by Danida to guarantee bank loans to small and medium enterprises in the agro-business sector, and was considering the establishment of an Equity Fund which would invest in such enterprises. This involvement of the Commission in the financing of enterprises might however duplicate interventions which the Commission has up to now entrusted to the EIB.

Besides loans for the development of infrastructure (notably in the areas of transport, electricity and water supply), the EIB had a significant contribution to PSD in ACP countries.

- It intervened through three main mechanisms: (i) direct funding of large industrial projects; (ii) support to local financial intermediaries in the form of quasi-equity or guarantees to strengthen and deepen the domestic financial and capital market; (iii) allocation to local financial institutions of credit lines intended for the provision of credit to medium and small enterprises, or for the development of micro-credit systems.
- These interventions may benefit to the agro-business sector, as for instance in Burkina Faso (cotton), Cameroun (bananas, palm oil, rubber, sugar) or Kenya (horticulture), but to other sectors as well.
- Although the Commission's CSPs mention the EIB as an actor of the EU cooperation system and list the bank's past interventions in the country, Delegations were generally badly informed of the EIB on-going interventions and negotiations. This puts a serious limit to the potential complementarity between the Commission and the EIB activities.

The Commission interventions on the institutional and regulatory environment of economic activity were likely to have a lasting impact. It was less obvious of its direct interventions on PSD and, in particular, of its interventions aimed at organising producers of agricultural commodities.

- Several stakeholders of such projects and the Delegations themselves underlined that the duration of the Stabex projects, most frequently mobilised for this purpose, was much too short to establish sustainable organisations. In some cases (e.g. Madagascar, Mali, Uganda) sustainability of Commission-funded projects was secured by a follow-up by other donors or private operators, which however had not been planned nor initiated by the Commission.

JC 6.4 - The income vulnerability of producers, sector and countries and diversification strategies

During the period covered by the evaluation there has been a clear trend towards diversification of CDDCs exports.

- In 10 CDDCs out of a sample of 16, the weight of traditional agricultural commodity exports in total exports has diminished between 2001-03 and 2008-10. In Ethiopia and Burkina this resulted in a diversification of agricultural commodity exports. In the eight other countries the weight of traditional agricultural commodity exports diminished as a consequence of increasing exports of mineral fuels (Benin, Mali), of ores (Gambia, Tanzania) or of manufactures (Madagascar, Sao Tome, Saint Vincent and Grenadines, Uganda). The share of agricultural commodity exports has remained high in Cameroon and Kenya but they are in these two countries relatively diversified. In only four countries (Côte d'Ivoire, Ghana, Malawi, Solomon Islands) have exports remained strongly concentrated on a small number of agricultural commodities.

Commission projects aimed at diversifying the production of agricultural commodities at farm level, at improving yields and at enhancing the efficiency of marketing chains have positively impacted on the income of the farmers involved in these projects.

- As noted above, cash crops with the exception of cotton are most frequently for farmers secondary crops complementing the production of staple food in production systems focussing on self-subsistence. They are cultivated on a small scale and are given care when the selling price is considered high enough. They provide farmers with some cash income to cover expenses that have to be paid in cash and to buy food when this is necessary to bridge the gap between two seasons of the main crop.
- Diversification of these crops is a way to minimise the impact of price fluctuations or adverse weather conditions (evidence in Cameroon or Madagascar) on the farmers' income. Improving the yields of these crops and rationalizing the marketing chain, as was done for instance in Uganda through the Coffee Farmers Alliance project, impacted positively on the income of the farmers who benefited of such projects (see also EQ4).

The diversification of CDDCs' exports can hardly be attributed to the Commission's interventions on agricultural commodities, nor have these interventions had a significant impact at sector or country level on the income of agricultural commodity producers.

- Commission interventions in the field of agricultural commodities, most frequently financed from Stabex resources, have been implemented at local level. There is no evidence that they have been duplicated elsewhere, whatever their results and even if some of them were characterised as “pilot projects”.
- Nor is there evidence that the Commission succeeded at persuading partner governments to design and implement diversification strategies addressing these crops.
- The support to diversification through the banana budget line led to “prerequisites” for economic diversification (support to infrastructure, education, private sector development, tourism and social support). At the time of the evaluation, diversification programme impacts could not be quantified.

EQ 7 on Commission support in the wider context of EC policies

To what extent did the implementation of other relevant European Community policies strengthen or weaken the pursuit of the COM's objectives ?

This question relates to the coherence between the Commission's support to agricultural commodities and other Community policies. It aims at verifying to what extent other Community policies affected the pursuit of the COM objectives. Under priority 5 of the COM(2004)89 relating to the CDDCs integration into the international trading system, the Communication highlights the need for the Commission to monitor the external impact of agricultural policies; in particular the COM shows the EU's commitment to pursue the reforms of its agricultural policies whilst monitoring the impact of domestic support policies and increasing the policy coherence between domestic concerns and development policies. These elements can be found in the first two judgment criteria and their indicators.

Similarly, the attention being paid by Community policies to such issues as democracy, gender, environment, are particularly relevant in the context of the support to agricultural commodities where the respect of sustainable corporate responsibility principles are potentially an important factor for product marketability (Priority 6 of the COM). These elements are addressed by the third judgement criterion.

Summary Answer Box

The major contextual element to be pointed out is the mutual trade liberalisation in the framework of WTO negotiations. In order to comply with WTO rulings, the EU has reformed its agricultural and trade policies over the past decade, leading to the erosion of historic non-reciprocal trade preferences between the EU and ACP countries.

CMO reforms and WTO ruling had an impact on the agricultural sector of some producer countries and measures have been implemented to mitigate negative effects (SFA, AMSP and the support to the rice and rum sectors of the Caribbean). However, according to stakeholders, some interventions funded from the banana budget line suffered from timeliness issues that reduced their relevance and effectiveness (market rulings taking effect much faster than interventions).

A recent political framework about Policy Coherence for Development is implemented at Commission headquarters level, which should improve coherence between other EU policies and the cooperation policy.

In the field, synergies between Commission support to other areas and Commission support to agricultural commodities were found, mainly concerning trade (where the Aid for Trade initiatives and the EBA initiative were particularly relevant), transport infrastructure, research and market access – especially through respect of EU standards and support on SPS regulations.

Cross-cutting issues, mainly the environment and gender, but also corporate responsibility and HIV were included in strategy and programming documents but also in several interventions financed by the Commission in the visited countries. The relative importance of these interventions or aspects (in financial terms) has not been determined.

JC7.1 – Other European Community policies and their potential impact upon agricultural commodities

Other Community policies in fields potentially relevant to the Commissions support to agricultural commodities in CDDCs concern especially trade and agriculture.

- The erosion of historical ACP trade preferences through WTO rulings and Doha Development Agenda (DDA) negotiations are major elements with regard to which the CAP reform and Trade issues have to be analysed.

According to the recent political framework about Policy Coherence for Development (PCD) initiated by the EU in 2005, European Policies should increasingly be designed taking their potential impact on development into account.

- Initially twelve policy areas of commitments were targeted⁵⁴, including trade and agriculture which are particularly relevant to the area of agricultural commodities. Mechanisms to promote PCD were in particular - impact assessment, - inter service consultation, and - establishment of a PCD work programme (biennial EU reports on PCDs (2007, 2009)).
- Although PCD commitments seem to have provided a first useful framework, new developments - in particular the growing impact of internal policies - required a review of the approach, as stated by COM (2009) 458 final.
 - This COM underlines the need for additional efforts to further operationalise PCD. The 2010-2013 PCD work programme tries to establish a « Whole-of-the-Union » Approach.
 - Political focus is put on a few key priorities⁵⁵, of which global food security, which is potentially a complementary and/or conflicting due to the potential competition between commodities and food crops.
 - The EU should also strengthen its dialogue with developing countries on PCD issues⁵⁶. This young and evolving policy framework on PCD demonstrates the determination of the Commission to improve the coherence between its various policies with concrete actions. From the survey and field visits, there is some policy dialogue but no concrete monitoring of effects (see hereafter).

Overall, at policy level, all modifications of EU policies undergo inter service consultations and this provides the Commission with the opportunity to check the consistency of proposed changes with the cooperation policy objectives and the COM principles and objectives. Any inconsistencies would thus be noted and actions taken (such as with the sugar, banana, rum or rice producers to help cope with negative effects) if agreement is reached between the Commission and MS (I.7.1.1., I.7.1.3).

⁵⁴ Trade, Environment, Climate Change, Security, Agriculture, Fisheries, Social Dimension of Globalization, Employment and Decent Work, Migration, Research and Innovation, Information Society, Transport and Energy.

⁵⁵ Climate change, Global food security, Migration, Intellectual property rights for development, Security and Peace building.

⁵⁶ Policy Coherence for Development, COM (2009)458 final ; SEC(2010) 421 final.

At country and sector level, strategy and programming documents (CSP/NIP, RSP/RIS, project fiches), show little evidence of regular monitoring of impacts of EU policies (trade, agriculture) on agricultural commodities and CDDCs export performance.

- Some individual programming documents sometimes announce that efforts will be undertaken to monitor impacts of EU policies (Tanzania – 2001-2007 CSP & 2008-2013 CSP).
- From the on-line survey it appears that three quarters of the respondent EUDs monitor the country's export performance and half of them monitor prices of major agricultural commodities.
- EUDs do not further monitor the effects of EU policies on the countries' agricultural sector, but for half of the respondents (46%) the impact of other EU policies on the countries agricultural sector is included in the policy dialogue with the Government (I 7.1.1).

Positive or negative effects of the implementation of other EC policies in beneficiary countries are mentioned in some programming/strategy documents (CSP/NIP). They mainly concern the reform of CMO needed to implement WTO ruling that eroded benefits of specific trade protocols. The presence of EU subsidies on the cotton sector is also mentioned in programming documents. (I.7.1.2).

- The reform of some Common Market Organisations (CMO) needed to implement WTO ruling eroded the benefits of specific trade protocols in particular in the sugar, banana, rice and rum sectors. The reforms led to a decrease and future drop of EU tariffs for third countries.
 - E.g. regarding bananas, the removal of tariffs exposes ACP countries to the competitive Latin America bananas with a depressing effect on export prices for ACP bananas and increased competition with third countries on the EU market.
- The presence of EU subsidies on the cotton sector (through the CAP) is mentioned in the 2008-2013 CSP/NIP of Burkina Faso, with a potential impact on the export performances of Burkina Faso, although this impact is considered very limited.
- In the Caribbean Region, the CAP and Trade policies deeply affected segments of the region's productive sector. However, the response to these EU policy-generated shocks has been rather *ad hoc*, apparently due to the lack of impact assessment during the programming process.
- Sanitary and PhytoSanitary (SPS) regulations are also mentioned as export barriers in some programming documents (*see also EQ 4*) (I.7.1.2).

Several specific measures were taken by the Commission to mitigate potential effects upon agricultural commodities and include inter alia (I.7.1.3):

- **The 2008 reform of the support scheme to cotton (EC) N°637/2008:** the 2008 reform of the support scheme to cotton “decoupled” 65 % of aid, no longer linked to production but supporting income of producers. 35 % is linked to cotton production in the form of area payments. The EU is a minor actor producing less than 2% of the world production; the sector has however strong regional importance, especially in some Greek regions. The EU does not use export subsidies. In spite of the implementation of this reform the C4- African cotton producers (Benin, Burkina Faso,

Chad, Mali) considered in 2009 the reform not ambitious enough (the EU could have decoupled 90% of its support – rather than 65 – as it is the case for other products)⁵⁷;

- the AMSP programme for Sugar Protocol countries;
- Joint ACP – EU declaration on rum⁵⁸ which led to the Integrated Development Programme For Caribbean Rum Industry;
- The Joint ACP – EU declaration on rice⁵¹ which led to the programme of Support to the competitiveness of the rice sector in the Caribbean;
- The Special Framework of Assistance (SFA, 1998-2008), then the Banana Accompanying Measures for traditional ACP banana suppliers (BAM, 2010-2013); (BAM) (2010-2013) were set up to help ACP banana producers cope with the erosion of preferences to the EU market. However, due to disagreements between the EU Parliament and the Commission, no final agreement has yet been reached on BAM (mid-2011); beneficiaries have still not been able to benefit from funding, while the tariff preference erosion has already started. **Incoherence** in this respect was mentioned in Cameroon about the decrease of EU tariffs on third country bananas. Indeed, in spite of the existing multilateral agreement on decrease of tariffs to third country bananas on a time horizon up to 2017, **specific and immediate agreements were granted to two Andean States** (important producers of bananas – Colombia and Peru) **in the framework of current trade negotiations** (EU-Andean Negotiations). This fact was especially criticized in the context of the recent price collapse of bananas on the EU market (mid-2011) (I.7.1.2).
- Several programmes helping developing countries to adjust to SPS measures, technical regulations and standards (ACP- PIP, PAN-SPSO...) (*see also EQ 4*);
- The reform of the Common Fisheries Policy in 2002;
- The EU- Africa Partnership on Infrastructure (2007).

Economic Partnership Agreements (EPAs) are the new response to provide trade preferences that are compatible with WTO rulings. However their implementation encounters a lack of interest and contradictions if bilateral agreements are reached with regional integration of ACPs.

- Since the Lomé Convention, ACP countries benefitted from preferential access to the EU market. These trade preferences were bound to be eroded in the context of multilateral trade liberalisation (rules of the WTO) and the Cotonou Agreement decided to remove the non-reciprocal preferential system.
- Economic Partnership Agreements were designed in the Cotonou agreement to create free trade areas between the EU and ACP regions. ACP countries are encouraged to enter EPA in regional groupings.
- However, among ACP regions, there are several cases of mixed situations inside regional groupings with some countries from the Least Developed Countries (LDC) category benefitting from the “Everything but Arms” (EBA) initiative, providing

⁵⁷ Source: COS Cotton, Joint ACP-EU Cotton Steering Committee, May 2009

⁵⁸ The origins of these Declarations lie in the unilateral decision of the EU to liberalise access to the EU rum and rice markets under an EU/US agreements. Under these agreements, the trade preferences for traditional African, Caribbean and Pacific (ACP) were de facto eroded.

unilateral duty and quota free access to the EU market; and others which are not LDCs and therefore don't benefit from the EBA. LDCs therefore see little interest in EPAs whereas non-LDCs do. Such was the case for Cameroon and Ghana (non-LDCs located in regional grouping of mostly LDC regions), which therefore individually signed "interim bilateral EPA agreements" with the EU. This is however contradictory with one of the fundamental EPA objectives: regional integration.

JC7.2 – Synergies between Commission support in other areas and Commission support to agricultural commodities.

Some specific initiatives launched by the European Commission (in the context of PCD or before) were identified in other related policy areas (mostly trade), to support the objectives of the Communication related to agricultural commodities.

(I.7.2.1 and *see also EQ4*);

- Specific initiatives intended especially the integration of beneficiary countries into the international trading system (Objective 5)⁵⁹. Some of these initiatives were anterior to the COM.
- Most importantly (and not limited to agricultural commodities), the market access has been facilitated by unilateral trade preferences such as the General System of Preferences (GPS and GPS+) and the Everything but Arms (EBA) scheme (explained in JC7.1).

The EU is committed to provide developing countries with technical assistance to anticipate and reduce any negative impacts of new trade rules through its Aid for Trade Strategy; the EUDs considered that the Commission's overall support to trade negotiations currently provided mixed results.

- Through its Aid for Trade Strategy, the EU is committed to provide developing countries with technical assistance to anticipate and reduce any negative impacts of new trade rules or other measures affecting trade, and, more generally, to build capacity and address constraints that prevent developing countries from exporting effectively. The intended conclusion of the WTO Doha Development Agenda as well as the Economic Partnerships Agreements is also expected to improve market access and strengthen food security according to the PCD WP 2010-2013.
- The survey in EUDs included an appreciation of the Commission's overall support to trade negotiations, distinguishing EPA and WTO. Responses provided mixed results, with under half of the respondents considering the support to be appropriate or sufficient; and about the same proportion not knowing enough on the subject to provide an opinion, especially for WTO⁶⁰. The Commission also directly supported trade negotiation capacities in two of the eight visited countries (Cameroon, Ghana), through a specific support programme (Cameroon) or through missions of a support unit (Ghana). (I.7.2.4).

⁵⁹ Source: Policy Coherence for Development Work Programme 2010-2013

⁶⁰ 40% of survey respondents considered the EU support to EPA negotiations to be appropriate (or sufficiently covering agricultural commodity issues), whereas 23% of them considered it insufficient (or insufficiently covering agricultural commodity issues). 37% of respondents did not know. Responses regarding EU support to WTO negotiations showed a larger share of ignorance on the subject (49% did not know) but also a similar share of satisfied results (38% considering support appropriate or covering agricultural commodities sufficiently).

Among the initiatives launched in favour of regional integration and trade, the support to the Multilateral Trading System and Integrated Framework (MTS-IF) has a direct bearing on the performance of agricultural commodities and the attainment of the Communication's objectives.

- The **MTS project provides support for all ACPs to integrate the Multilateral Trading System**, to mainstream trade into their national development strategies and to translate trade needs into PRSPs. The MTS-IF is typically Trade Related Assistance funded from regional funds with a much wider scope than just agriculture. Over the period of project implementation, many activities undertaken would (if successful) directly contribute to ACP's insertion into the world economy and would indirectly contribute to improve the CDDC's negotiating capabilities in the trade rounds and their capacities to make the most of their agricultural commodities exports.
- Three activities stand out as being directly relevant to agricultural commodities: (1) Dominican Republic: build capacity in the negotiations on trade in Agriculture; (2) Seychelles: Laws and Regulations dealing with SPS measures are brought in conformity with international standards and the regulatory bodies dealing with SPS strengthened; (3) **ACP Group study on Geographical indication to economically significant African products**. In addition, the MTS-IF has funded participation of some country representatives to the cotton negotiations (in BF in 2010). The project complements the Trade.com project which supports the EPA negotiations.
- Field visits to the eight selected countries did not allow gathering additional information on the MTS-IF project.

The CAP reform is changing rules in order to be more market-oriented and less dependent on market support measures, in particular to be in line with the DDA process to phase out direct export subsidies by 2013. This triggered the specific supports to sugar, bananas, rum and beef to alleviate some of the negative effects for producing countries of these changes (I.7.2.3).

On the basis of strategy and programming documents, evidence of other initiatives that reinforced the success of agricultural commodity support can be found especially in transport and infrastructure; this finding is corroborated by field visits (I.7.2.2).

- With regard to the **transport infrastructure**, the Burkinabé CSP underlines that the support to transport infrastructure is meant to help de-isolate rural areas by facilitating agricultural commodity transport to and from rural areas. This is of particular importance for the cotton sector for which the competitiveness is highly dependent on transport costs to international harbours.
- In the same vein, the Uganda CSP underlines also the positive impact of the Commission's support in the area of transport infrastructure on the country's export potential. But as indicated in the Mali CSP, the issue of maintenance should not be underestimated and progress has still to be made to avoid a rapid degradation of the new roads especially which will increase transport costs and therefore decrease the cotton exports competitiveness. This is corroborated by field visits as mentioned *under EQ 4*.

A last category grouping different measures such as market access through SPS regulation support, adoption of EU standards and research & innovation also provide synergies for the success of agricultural commodities support.

- There are various programmes⁶¹ helping developing countries to adjust to SPS regulations which constitute important initiatives that should reinforce the success of the COM (2004)89.
- Trade related technical assistance in relation with SPS – for agricultural commodities and fish products were provided in Uganda.
- Overall, the SFA for traditional ACP banana suppliers helped the banana sector align to market requirements and EU environmental standards and policies. As an example from field visits, support to bananas in Cameroon included ISO 14000 and Globalgap labelling that included SPS.
- Activities are also being developed by the Commission to steer **research and innovation** towards development needs: on sustainable water management, on soil fertility conservation for food production in Africa or on the identification of research needs on malnutrition.
- Another important initiative in this area of research and innovation is the comprehensive study the Commission has launched to assess the impact of EU consumption and trade of food commodities on deforestation and forest degradation, which could be linked to the Objective 6: “Corporate responsibility for sustainable commodity production fostered”, about environmentally responsible behaviour.
- Other initiatives were identified such as the (1) Commission’s support the Office International des Epizooties (OIE) representation in Africa; (2) DG RESEARCH support of research programmes in the field of “Food Quality and Safety”, which provides vital information for standard-setting meetings; (3) according to the SFA impact evaluation report, the EIB’s credit programmes have also had a complementary activity in African countries.

JC7.3 - Transversal policies regarding gender, environment, protection of human rights, corporate responsibility (including child labour and other social rights) and HIV/AIDS in support to agricultural commodities in CDDCs

Most strategy and programming documents refer to cross-cutting issues, this was corroborated by specific interventions and field visits mainly regarding the environment and gender, to a lesser extend HIV and corporate responsibility.

- Reference to cross-cutting issues is often just mentioned in a “blanket paragraph” without further specification of measures taken to ensure that these issues are taken account of.
- This was not the case in the ESAIO region where the RIP includes a € 4.5m budget for the cross-cutting issues, or in Ethiopia or Ghana where working groups have been constituted to deal with these issues. More specific mention of cross-cutting issues was

⁶¹ The Pesticides Initiative Programme supports ACP countries in addressing Sanitary and Phytosanitary (SPS) issues; The Strengthening Fishery Products Health Conditions in ACP/OCT Countries programme which addresses SPS issues, but not agricultural products; The EC PARI II which supports work on industry standards in West Africa to reinforce SPS capacities, mainly through laboratory support; The DG TRADE support of African countries (among others) through the “Participation Trust Fund” which provides funding to the International Standard-setting Organisations (ISSOs) for SPS expert missions to and from developing countries.

also found in the programming documents of Kenya and Tanzania (with regards to child labour). (I.7.3.1)

- The programmes supporting rum in the Caribbean had an important environmental component, which resulted in an improvement of the rum industry's waste management and compliance with environmental standards.
- The documents related to specific interventions (FAs, MRs) show that the issues of environment and gender received a lot of attention in the agricultural commodities projects; while other transversal issues (human rights, child labour, HIV-AIDS or corporate responsibility) were more rarely mentioned.
- This is corroborated by field visits, as there was evidence from interventions supporting agricultural commodities that some cross-cutting issues were included, mainly the environment and gender but also corporate responsibility and HIV.
- In several visited countries, interventions included specific measures targeting cross-cutting issues (such as cotton in Burkina Faso (fair trade and organic target women, cashew nuts and sesame also included gender), bananas in Cameroon included workers rights, HIV prevention and the environment; cocoa in Ghana included gender, child labour, HIV and positive side effects on the environment). In Madagascar, gender and the environment were included in calls for proposals but the EUD had difficulties in monitoring these issues. Ugandan coffee programmes mainly included gender and climate change (I.7.3.2).

Where the Commission supported the design of agricultural commodity chain strategies, cross-cutting issues were integrated.

- The integration of corporate responsibility issues (including child labour and other social rights) to commodity chain strategies needs to be qualified by the fact that overall little support has been given to these strategies by the Commission in the eight visited countries.
- There were examples of integration of corporate responsibility (social rights of workers, child labour, occupational safety, etc.) especially in the cotton sector as far as organic and fair trade was concerned (BF, ML), the banana sector (CM), cocoa (GH) and sugar. Regarding sugar, the AMSP study showed the importance of sugar mills in several Sugar Protocol countries in providing social services to their employees and smallholders cultivating sugar cane (*see also EQ 2*) (I.7.3.3).

There is no evidence that the Commission promoted inclusion of these cross-cutting issues in the strategies of MS and other International Organisations (I.7.3.4).

EQ 8 on the use made of different financing instruments in support of agricultural commodities

To what extent were different financing instruments and implementation modalities used in a cost effective and timely manner in order to facilitate attainment of the COM's objectives?

This EQ focuses on the efficiency with which the Commission's interventions in agricultural commodities have been implemented. It analyses the mix of different financing instruments, the mix of different financing modalities and the mix of delivery mechanisms or implementation mechanisms used by the Commission in support of agricultural commodities.

The analysis is undertaken at three levels:

- *the overall level of cooperation: the appropriateness of the mix of financing instruments used with regards to the overall objectives of the two Communications taking account where relevant of their specificities in terms of the implementation processes (financing modalities and implementation mechanisms) linked to each financing instrument.*
- *sector level : the appropriateness of the mix of financing modalities and implementation mechanisms used within a sector to reach the expected results, and*
- *individual intervention level: the appropriateness of the financing modality and implementation mechanism used or of their mix within one intervention to produce the intended output and reach its expected results.*

Summary answer box

The documentary review, the information gathered from field visits and the results of the survey all concurred in showing that:

- **Generally a mix of instruments was used to support agricultural commodities: instruments were managed by Delegations in an effort to ensure complementarity (and the flexibility of Stabex was found particularly valuable in this regard) but synergies between instruments were rarely achieved. These difficulties in strategic planning also present an issue for countries supported.**
- **National and regional interventions were mutually supportive in the area of agricultural research. Complementarities between national and regional initiatives were otherwise rarely noted in analysed programming documents (country and region papers refer to each other but do not explicit how complementarity is assured) or visited countries.**
- **Implementation and financing modalities were chosen based on capacities of beneficiaries. They took account of the capacities of the Delegations and of the flexibility allowed by the financing instrument.**
- **Institutional strengthening has been an important component of support to agricultural commodities.**
- **A majority of interventions suffered from delays that affected their efficiency and effectiveness with regards to the outputs produced and results obtained: procedures and payments were most often cited as constraints to efficiency.**

JC8.1 – Extent to which the mix of financing instruments facilitated synergies between interventions so as to facilitate achievement of the COM's objectives

When supporting agricultural commodities, the Commission generally used a mix of three to five different financing instruments in complementarity to each other but synergies between instruments were rarely identified (I.8.1.1).

- The CSPs/RSPs analysis, data from the inventory, field level information and results from the survey show that three financing instruments have been used on average in all but four countries/regions reviewed; in some countries (Burkina Faso, Madagascar, Mozambique, Tanzania) five or more financing instruments were used. Amongst the survey respondents, 31 out of 34 had active programmes in the agricultural commodities sector during the period; EDF funding was used in two-thirds of these countries⁶² whilst the sugar and banana lines, the Flex funds and the Food Crisis Emergency Fund were rarely used (less than 5 respondents out of 34).
- In countries where the agricultural sector was either a minor or major focal sector for Commission cooperation, the EDF funding was always used in combination with at least one other financing instrument, most commonly with regional funds (programmes such as the AAACP, PIP, trade.com, EPA support), NGO budget lines, Stabex and the Food Facility.
- Even though justifications of the choices of financing instruments with regard to the effectiveness of support to agricultural commodities are scant in CSPs and RSPs, in countries visited (except in Vanuatu) different financing instruments were in practice mostly used in complementarity to each other by the Delegations who drew upon their relative strengths and advantages. The flexibility of Stabex resources was particularly appreciated to complement NIP resources (Côte d'Ivoire, Tanzania, Madagascar and Uganda). More widely, other respondents to the questionnaire (in non-visited agricultural commodities exporting countries) found activities funded by different instruments to be mostly complementary (53%) but not necessarily reinforcing each other (only 21%) or pursuing the same objectives (only 29%). Different instruments were thus used with a minimum of overlap (flagged by only 18% of survey respondents) but often co-existed with each other without providing synergies or being mutually supportive.

Complementarities between bilateral and regional Commission interventions in the field of agricultural commodities have rarely been noted in the programming documents and in countries visited except in the field of research (I.8.1.2).

- The CSPs/RSPs reviewed generally referred to support provided at regional/bilateral level but without giving details on specific programmes to be financed and on initiatives taken to ensure complementarities between bilateral and regional supports. CSPs/RSPs and country/programmes evaluation reports evidenced complementarities between bilateral and regional supports in some cases (East and Southern Africa and Indian Ocean and Ethiopia) but highlighted their absence in others (e.g. Ghana 2008-2013 CSP, Pacific Region, Caribbean RSP, ACP-PIP).

⁶² Countries where the agricultural sector was not supported with EDF funding include: the Caribbean region, Benin, Congo, Eritrea, Fiji, Jamaica, Lesotho, Mauritania, Namibia, Solomon Islands and Sudan.

- At intervention-specific level, bilateral interventions have generally been designed without ensuring synergies with regional ones and vice versa, except in the area of research (illustrated by Ugandan coffee sector research). In other areas complementarity was reported by Delegations to be constrained by the slower take-off of regional programmes and by their lack of detailed knowledge of regional programmes centrally managed by headquarters in Brussels.

Complementarities between interventions financed under programmable and non-programmable funds were not evidenced in programming documents but occurred in practice (I.8.1.3, I.8.1.4):

- The CSPs/RSPs reviewed and the selected interventions show that interventions financed under programmable and non-programmable funds have generally been designed in isolation from each other. The use of Stabex or specific budget lines (in particular banana and sugar) for the funding of interventions in the field of agricultural commodities is often mentioned in the strategy documents but without offering details.
- Country visits showed that non-programmable instruments were appreciated for their flexibility in offering scope for responding to immediate issues, which could not be done with the more rigid cooperation framework. Field visits showed that in many cases programmable and non-programmable funds (in particular EDF – Stabex/Flex) have been used alternately to offer continued support to a particular project or sub-sector thus reinforcing their achievements (Cameroon, Burkina Faso cotton, Ghana feeder roads or cocoa sub-sector; Tanzania tea and coffee projects). They were more rarely used at the same time in the same sector for the same product (Burkina Faso cotton is an exception).

The appropriateness of the mix of financing instruments with regards to the objectives of the Commission's support to agricultural commodities was found to be mixed (I.8.1.5).

- Amongst the interventions reviewed and countries visited, only the AAACP and support of agricultural commodities in Uganda showed signs that the choice and use of financing instruments was done with the Communications' objectives in mind (see also EQ9). The Commission's support to Burkina Faso's cotton sector also stood out as a good example of using a mix of very different instruments (Stabex, Flex, EDF, AAACP, regional funds, Food line) to help the sector out of a crisis.
- In the field, two Delegations underlined the complementarity of the instruments and the greater flexibility they offered in their use but four highlighted drawbacks from the simultaneous use of different instruments such as the inability to realise coherent medium term planning, the lack of Delegation/Government involvement in the use of budget lines (except Bananas), the lack of participation and concrete results at national level of regional programmes or the past inability of Commission instruments to participate in basket funding with other donors thus jeopardising harmonisation.
- The difficulties in strategic planning also represent an issue for supported countries.

JC8.2 – At country level, extent to which the mix of financing modalities and implementation mechanisms offered timely and cost-effective responses to identified challenges

CSPs, projects reviewed and countries visited show ample evidence that many different financing and implementation modalities have been used to support agricultural commodities but explanations or justifications in terms of timeliness and/or cost-effectiveness of the choices made have seldom been given in strategy and programming documents (I.8.2.1).

- Only 6 out of the 17 CSPs/RSPs⁶³ analysed mention the financing modalities or implementation mechanisms envisaged to support agricultural commodities and amongst them only two (Ethiopia and Mali 10th CSPs) provide justifications for the choice of financing modality.
- At intervention level, none of the programming documents reviewed provided justification of the financing modalities chosen whilst 14 out of 24 (over half) referred to the implementation mechanisms without justifying them and proposed a mixture (such as TA with training, equipment, financing facility and grant contracts).

The documentary review of interventions, the information gathered from field visits and the results of the survey illustrated that a majority of interventions suffered from delays that affected their efficiency and effectiveness with regards to the outputs produced and results obtained (I.8.2.2). It is to be noted that Stabex funded projects are not subject to the Commission's Result-Oriented Monitoring (ROM) process and monitoring information for Stabex funded projects (71% of the value of support to agricultural commodities in visited countries) thus had to rely on project reports or external mid-term or final projects reviews when available. This considerably limited the sources of available information. In addition, even when reported on, monitoring of most projects was limited to outputs rather than results so that the effect of delays could be measured only on the delivery of outputs unless an ex-post evaluation of the intervention had been undertaken.

- Delays in project implementation occurred for 14 out of the 24 interventions reviewed, were noted across interventions in six of the eight countries visited and 90% of the survey respondents reported cost-effectiveness and timeliness issues of implementation mechanisms and financing instruments. Delays occurring in the starting-phase of the programmes⁶⁴ were due to faulty design and lengthy preparations whilst delays during implementation were linked to a slow mobilization of resources and/or payment delays⁶⁵, institutional difficulties (such as a lack of expertise of project managers, an

⁶³ For Senegal and the Caribbean, CSPs/RSPs do not foresee support to agricultural commodities.

⁶⁴ Noted in the following interventions' monitoring reports: Implementation and coordination of agricultural research and training in the SADC region, Insertion favorable des organisations paysannes professionnelles de la région de Koldasur des marchés porteurs des filières sésame et noix de cajou (Senegal), Producers organisation project II (POP 2, Vanuatu), Support to the competitiveness of the rice sector in the Caribbean, and All ACP Agricultural Commodities Programme.

⁶⁵ Reported in the evaluation reports of the Accompanying measures for sugar protocol, Ghana Cocoa Sector Support Programme - Phase II and noted during field visits in Burkina Faso, Cameroon and Ghana.

inadequate organizational set-up or weak Government capacities⁶⁶) and procedures⁶⁷. Constraints affecting the cost effectiveness and timeliness of interventions were cited by Delegations as related to limited implementation time and/or funding, difficulties in measuring results, a fragmented approach to support and the limits of supporting the Government in what is a private sector undertaking.

- Out of the 24 interventions reviewed, only six were implemented as planned and four⁶⁸ were qualified as being cost-effective in monitoring or evaluation reports. In two instances project execution rates were hardly affected by existing delays as the beneficiary/implementing agency compensated for delays by using its own resources to enable activities to go ahead as planned (banana producers in Cameroon and the cocoa board in Ghana). This illustrates the importance of timely support when dealing with the production cycle of agricultural commodities; in all other cases, delays impacted on the cost-effectiveness through slower than planned output delivery.

Although views of stakeholders on the appropriateness of the financing modalities and implementation mechanisms used for the different financing instruments vis-à-vis their cost effectiveness and timeliness were mixed, the difficulties linked to procedures were found dominant (8.2.2.3 and 8.2.2.4).

- Issues commented upon by Delegations during the field visits included: the overall capacity to manage in a coherent manner the entire spread of financing instruments including its use in a medium-term horizon; the rigidity of existing instruments (except Stabex) and the incoherence of rules applied (complex EDF procedures required for relatively insignificant amounts of project support whilst the country is receiving budget support at macro level); and, the quality of programme design and the role of the QSG.
- From the point of view of beneficiaries and stakeholders, the main efficiency and effectiveness issues were linked to the procedures to be used that were found complex and/or lengthy and to the projects implementation period that was found to be too short to ensure sustainability.

JC8.3 – At sector level, extent to which financing modalities and implementation mechanisms were adapted to the capacities of beneficiaries

The institutional capacities of implementing agencies have generally not been the object of a formal diagnosis but elements of appreciation on their capacities were sometimes provided in programming documents (I.8.3.1); this appreciation, the capacity/willingness of the Delegation to be involved in project management and the flexibility allowed by the financing instrument guided the choice of financing modalities and implementation mechanisms used (I.8.3.2, I.8.3.3).

⁶⁶ Noted in the monitoring reports of Implementation and coordination of agricultural research and training in the SADC region, Coffee Improvement Programme IV (CIP IV, Ethiopia), Ghana Cocoa Sector Support Programme - Phase II, and noted during the field visit with regards to the Government capacities in Vanuatu.

⁶⁷ Procedures were reported as a major stumbling block by project managers/beneficiaries in Cote d'Ivoire, Cameroon and Ghana.

⁶⁸ ACP-PIP; in Burkina Faso 'Appui à la Valorisation des ressources agricoles locales' and 'Programme d'Appui financier à la filière coton'; in Uganda 'Establishing an export market for certified responsible coffee with smallholder groups'.

- A formal institutional diagnostic was undertaken in only one of the 24 interventions reviewed⁶⁹ while 10 interventions reported on elements of appreciation of the institutional capacity of the implementing agencies without formal analysis. In the remaining 13 interventions, no reference to institutional capacities for implementation was found. The survey confirmed this finding with 53% of respondents claiming that institutional capacity diagnostics were undertaken as a matter of routine at project design phase in order to identify potential absorption and/or implementation constraints. Sometimes these diagnostics were undertaken by other donors or were an output of the evaluation of a first phase of the project.
- During country visits it was noted that Delegations used mixes of different financing modalities (I.8.3.2) and implementation mechanisms (I.8.3.3) within the same sector and even within the same project as a function, not only of needs, absorption and implementation capacities of beneficiaries but also of their own capacities to accompany the project, of the flexibility allowed by each instrument and of the past track record of a project. For example, Stabex, AMSP and Banana funds have been found useful to support private sector initiatives and/or producers' associations; sector budget support was used in some instances instead of basket funding; grant contracts were used in some projects alongside annual Programme Estimates because they offered greater flexibility (and allowed less direct Delegation involvement).

Institutional strengthening has been an important component of support to agricultural commodities (I.8.3.4):

- In 14 interventions, institutional reinforcements were an explicit component of project design or were an indirect result of project implementation (such as the strengthening of the Ministry of Agriculture in Côte d'Ivoire, the setting up of agricultural service centres in Madagascar, the support given to the PMA Secretariat in Uganda, the strengthening of producers associations in Senegal, Mali, Tanzania, Uganda and Ghana). Sometimes this institutional strengthening directly concerned the implementing agencies themselves; sometimes the participation of stakeholders was promoted in the process as a means to improve institutional linkages.
- Out of the 17 interventions for which information from monitoring and evaluation reports was available on this issue, nine implementing agencies were considered to have good and/or sufficient institutional capacity and for two of the four instances where weaknesses were noted TA support had been envisaged to reinforce implementing agencies' capacities.

Stakeholders' views on the appropriateness of the implementation mechanisms used with regard to the management of project implementation, the organisational and managerial strength of the beneficiary agency and the objectives pursued pointed to shortcomings stemming from procedures, project duration and involvement of headquarters (I.8.3.5).

- Of the seven views collected, only two found that the implementation mechanisms were very well adapted to the needs.
- Three of the seven opinions collected concerned the delay engendered by procedures; one reported the close involvement of headquarters in projects at field level as a constraint to efficient project implementation; and one pointed out that short implementation periods, overcome by successive project financing, were not beneficial to the project.

⁶⁹ The information is not available for 4 interventions.

EQ 9 concluding on the relevance of the 2 Communications

To what extent has the Commission's support to agricultural commodities been:

- (i) responsive to the needs, problems and issues of commodity dependent ACP countries,
- (ii) aligned to and supportive of the policy objectives and priorities of recipient commodity dependent ACP countries and regions, and
- (iii) consistent with and supportive of the objectives of the two communications COM(2004)89 and COM(2004)87¹?

¹COM(2004)89: 'Agricultural Commodity Chains, Dependence and Poverty – A proposal for an EU Action Plan'; COM(2004)87: 'Proposal for an EU-Africa partnership in support of cotton sector development' and its associated Action Plan (Action plan for the implementation of the EU-Africa Partnership for cotton)

The Communications offered a policy response to the challenges facing CDDCs in the context of the time (2004) and translated this response into six priority issues to be supported through its cooperation. This conclusive question attempts to verify, at the most global level, the extent to which the design of the Commission's cooperation strategy vis-à-vis the support to agricultural commodities has been able to take into account practically the intent of the two Communications. In this regard the relevance of the choices of cooperation strategies and interventions against the country or regional contexts (JC 9.1) and policy priorities (JC 9.2) is looked at. It is then verified whether, at the most global level, the Commission's portfolio of interventions has espoused the priorities set out in the Communication (JC 9.3), thus linking the presentation made in EQ1 to a more critical analysis.

Summary answer box

Overall, the Communications were found to have had little influence on the cooperation programmes; the implementation of their approach has been focused on two all ACP programmes with limited budgets.

Project documents usually offered a broad analysis of the needs, issues and problems of the sector that they sought to support; project activities were also clearly defined with related outputs, and less systematically, related intended results. However, the manner in which these results were meant to contribute to relieve identified constraints was rarely clear; in practice the interventions did not always address priority needs. Interventions were rarely focused on sector priorities and objectives.

Overall the Communications' approach has been most closely applied to the supports funded in the framework of the sugar and banana lines, to the cotton sectors in the countries visited (Burkina Faso and Cote d'Ivoire) and to the two programmes implemented at ACP level (the All ACP Agricultural Commodities Programme and the Global Index Insurance Facility) that embodied the Communications' approach. The progress of the latter in achieving the Communications' objectives could not yet be measured but was promising; their sphere of activities remained however small and did not yet capitalise on EUD's involvement.

Overall and in countries visited, cooperation programmes were not shaped by the Communications and cooperation in the field of agricultural commodities was driven by other considerations than price decline or variability. Although interventions were mostly aligned with the Communications' priorities, they rarely embraced the sector-wide, value chain perspective favoured in the Communications except, as stated, when concerning support to the sugar, banana, rum and sometimes cotton sectors.

JC 9.1 – Design of interventions supported by the Commission in the field of agricultural commodities with regards to the country's needs, problems and issues

In countries reviewed and surveyed, the needs, problems and issues of partner countries' agricultural sectors have rarely shaped cooperation priorities but, once agriculture was to be supported (by programmable or non-programmable funding), needs, problems and issues were clearly identified in project documents. The latter generally offered a clear description of activities proposed and results expected without, however, offering explanations as to how the expected results were meant to fulfil needs and relieve sector constraints (I.9.1.1& I.9.1.2).

- Agricultural sector diagnostic studies have been only very rarely referred to in the country and regional strategy programming documents reviewed even though they appear to have been available in more than half the countries surveyed⁷⁰ (19 cases out of 34 or 56%). The analysis of CSPs/RSPs and the results of the survey confirmed that agricultural sector diagnostics had not been determinant in the choice of cooperation priorities except in some countries (Mauritius, Ethiopia, Madagascar and Uganda with the latter three having agriculture as a focal sector of cooperation during the period). Specific reasons sometimes explained the absence of analysis of agricultural sector needs such as the absence of agricultural policy in Vanuatu or Cameroon, the funding of Commission's activities in the agricultural sector exclusively from non-programmable instruments (Stabex and Sugar line in Tanzania for example), or claims that the Commission's involvement in agricultural commodities was simply dictated by existing regulations and agreements (SFAs and AMSP).
- Project documents (FAs, contracts, NASS) on the other hand systematically presented the sector's or sub-sector's detailed situation analysis and positioned the project's activities in this context: the problems, needs and challenges of the sector to be supported by the proposed project were either elaborated upon in sufficient detail to justify the proposed activities or a competitiveness analysis was part of the activities foreseen in the proposed project (such as for example in the AAACP, the ACP MTS-IF, the programmes funded under the SFA). Four product specific programmes (supporting cotton in Burkina Faso, cocoa in Ghana, coffee in Ethiopia and rice in the Caribbean) were designed on the basis of existing diagnostics of the competitiveness of agricultural commodity value chains (Domestic Resource Cost studies). A few projects were demand-driven or resulted from a highly participatory approach. In most cases, intervention documents presented a clear articulation between proposed activities and their expected results but failed to identify the manner in which the proposed support and its intended results were meant to contribute to fulfilling identified needs and relieving identified constraints. The risk so incurred was illustrated by Ghana's CSSP-I where the identification of constraints and needs had been undertaken in detail but the proposed project design did not address the issues identified and thus failed in attaining its objectives.
- In visited countries, the views of sector stakeholders on the appropriateness of needs identified and on priorities chosen with respect to these needs were mixed: support to

⁷⁰ In Ghana and Tanzania, which both benefit from Joint Assistance Strategies, sector analyses were available but were not explicitly referred to in programming documents. In Tanzania, many sectoral analytical reports are available in the context of the preparation of the ASDP in 2004; in addition regular PERs provide good indications of the constraints and challenges of the sector and of the main elements and priorities of the policy framework.

cotton in Burkina Faso stood out as being particularly well suited to priority needs; in Madagascar and Uganda beneficiaries of Stabex-funded projects, however a small number compared to the farmers' population, appreciated the project contribution to the diversification of their sources of income; in the other countries views reflected mixed or even negative opinions. As agriculture was not a focal sector of cooperation in Burkina Faso, it was proffered that the appropriateness of sector support was in this case a question of staff competence and interest at the time; it could also be linked to the fact that more than 90% of the support to the agricultural sector of Burkina Faso stemmed from NIP funding to which more stringent programming rules applied than for Stabex funding (which on average funded 75% of support to agriculture in 6 of the 8 countries visited).

JC 9.2 – Alignment of the choice of interventions with the policy objectives and priorities of the beneficiary country's national strategy

The analysis of CSPs and NIPs in selected countries, the results of the survey amongst EUDs and field visits in eight countries all concurred in pointing towards a general commitment of the Commission to national policy and strategy alignment coupled with a disinclination to situate the proposed cooperation and proposed interventions in the context of national priorities and objectives.

- Generally CSPs and NIPs contain broad statements on the beneficiary country's national strategy and ascertain that the cooperation strategy is aligned to it and sometimes that it is the result of wide consultations (I.9.2.1). This was confirmed by the survey results where 22 respondents out of 34 claimed that the needs and priorities of the national strategy document were most influential in determining the choice of focal sectors during programming, closely followed by Government requests (20 respondents).
- Although programming was done within the framework of overall national priorities, these did not drive the choices of support and the expected contribution of Commission support to sector policy objectives was not usually outlined in programming documents. Less than half the CSPs/RSPs reviewed (7 out of 17) described or made reference to the agricultural sector strategy and only 10 surveyed respondents out of 34 indicated that the needs and strategies of the agricultural sector had been the most influential factor in determining the choice of cooperation sectors. In countries reviewed, where agriculture was a pillar of national development policy, this did not necessarily lead the Commission to choose agriculture as a focal sector of support and vice versa⁷¹; no obvious links were found either between the focus of interventions and the national and sector priorities and objectives. It should however be noted that in the eight countries visited Stabex funded 71% of the support to the agricultural sector: any alignment to national priorities and policy objectives would thus only be identifiable in FMOs and other project documents. However, at intervention level too, documents did not systematically place interventions in the larger sector policy

⁷¹ See desk report Table 15, page 101: It shows that in countries such as Burkina Faso or Tanzania, which have both high dependency rates and where agriculture features as a main pillar in the national development strategy, the Commission did not retain agriculture as a main focal sector of cooperation in the 9th and 10th EDFs. On the other hand countries such as Cote d'Ivoire and Madagascar did not center their development policies around agriculture but agriculture was retained as a focal sector of cooperation by the Commission in the 9th or 10th EDFs.

context thus making it unclear how they would/could contribute to the attainment of the sector objectives (if these were stated) (I.9.2.2 and I.9.2.3).

- Stakeholders interviewed during field visits and/or views conveyed by existing project evaluation reports were mostly sceptical about the appropriateness of Commission support to their sector. Excepting one case (Madagascar), all other interventions were reported as not quite addressing sector priorities and objectives and/or not providing sufficient resources to address the needs (I.9.2.4).

The AAACP contrasted with the findings of bilateral programmes in that it systematically tried to focus its support on priority interventions for the countries. However limited funding constrained the extent to which these priorities could be addressed.

JC 9.3 – Extent to which, over the period 2004-2009, the choice of interventions supported in the field of agricultural commodities is aligned to the objectives of the two Communications and has helped their achievement

The support given in the context of the sugar and banana budget lines fully reflected the value chain perspective and considered the need to diversify when sectors could no longer be made competitive. The approach promoted by the Communications was also adopted in the two programmes directly stemming from the Communications (All ACP and GIIF) and by the EU-Africa Partnership. Otherwise and when considering the use of programmable and non-programmable funding (EDF and Stabex), the policy statements made in the Communications had little influence on the Commission’s choice and design of interventions in the agricultural sectors (I.9.3.1& I.9.3.2).

- The support given via the sugar and banana budget lines adopted the value chain approach promoted by the Communications: support was based on strategy design, which led to the allocation funds to achieve competitiveness or to diversify in case the gap was too big.
- However, looking at the EDF programming at country level the Communications hardly affected the allocation of funds amongst the different priorities identified (see EQ1 and inventory analysis); the main channel of their realisation passed through the AAACP (€45 million) and the GIIF (€25 million) and was thus at an all-ACP level. Earmarked EDF funds for rum and rice in the Caribbean however adopted a sector-wide approach. The support to rum did not adopt the same approach as for “agricultural commodities” (given it was focused on processors, not farmers) but it was considered highly relevant. Support to rice adopted a sector-wide approach based on the development of a sector strategy, but the project was too ambitious compared to its means.
- In countries visited the roll-out/demonstration effect of the AAACP and GIIF projects was, limited by the fact that they were largely implemented in isolation of Delegations who were unaware of what was being done under these two projects even in their own countries (see also EQ3 and EQ5). Efforts to disseminate AAACP achievements were beginning at the time of this evaluation.
- Efforts were made by headquarters to publicise the Communications at around the time of their publication (through the creation of an agricultural commodities website, the organisation of weekly lunch seminars, the undertaking of some country missions), to

provide programming guidance for the 10th EDF programming through programming fiches related to agriculture and commodities and to outreach and involve Delegations through regional workshops at the start and during implementation of the All ACP programme. Despite these efforts, knowledge of the two Communications was found to be limited both at HQ and in the field:

- within the Commission HQ, and apart from the desks who prepared the Communications, knowledge was limited to the thematic desks dealing with agricultural issues ; none of the country desks interviewed (whether on the programming or operational side) knew about the Communications; and
 - at field level: out of the survey's 30 agricultural commodity exporting countries only seven indicated that they knew the Communication(2004)89: they found that it provided to some extent a useful framework for taking part in policy dialogue (one respondent to a very limited extent) and for designing interventions (one very limited extent). The same finding for the cotton Communication was five countries of which only three found it to be a useful framework for policy dialogue and design of interventions.
- Possible explanations of the limited adoption of the Communications' approach include:
- The timing of the Communications vis-à-vis the programming cycle and the evaluation: published in 2004 the Communications could only have influenced the 2008-2013 programming and the evaluation's inventory covered 2000-2009, too early to see any changes from the latest programming exercise at the level of contracts.
 - If considering the CSPs mid-term reviews, the restricted scope for introducing the Communication's approach and concepts in cooperation programme and project design: cooperation is generally limited to only two focal sectors and these hardly change as a result of mid-term reviews.
 - The limited clout of the Commission's 'policy arm' (DEV) on cooperation priorities at country level: the Communications were prepared by DEV which did not initiate country cooperation strategies and had at best an advisory role in CSP/NIP and project reviews.
 - Statistically, EDF funds represented only 30% at the most of all funding identified as benefiting agricultural commodities over 2000-2009: according to the inventory, 38% of funding came from budget lines (mainly SAF, ASMP, Food) and from Stabex funds (31%) that had their own principles, rules and intervention logics.
 - As mentioned in EQ 1, there is a significant number of Communications on cooperation published each year. It is not expected for all Communications to have a broad impact on decision making. Furthermore, the focus of EDF funds was shifted towards trade and regional integration in the 10th EDF; commodities did not benefit from direct support but rather indirectly through an improvement of the trade environment.
 - Two opportunities of spreading the new approach were missed:
 - EUDs were insufficiently involved in the implementation of the AAACP (see above and EQ3 and EQ5) and
 - Stabex was not used as a vehicle for implementing the Communications' approach (see also EQ8).

Analysed documents and the findings from the field visits showed that, except in the sugar and banana frameworks, the Commission's interventions in agricultural commodity sectors have usually been aligned with one or the other priority of the Communications but the coherence with the Communications' objectives has remained very punctual and piecemeal: in general the Commission's support to agricultural commodities has very rarely been inspired by a sector-wide perspective thus foregoing the basic ideas of the value chain approach favoured in the Communications. Notable exceptions to this are the AAACP and GIIF as well as some country interventions (I.9.3.3 & I.9.3.4).

- Without referring to the Communications or agricultural commodities, CSPs/RSPs often cover similar priorities such as diversification, increased competitiveness and regional integration and trade and their proposed programmes aim to contribute to one or several of the Communication's intended results (I.9.3.3). At intervention level the same holds true but the manner in which the undertaken activities were meant to contribute to expected results was rarely explained (I.9.3.4).
- Interventions analysed during field visits were found to be punctually coherent with the objectives of the COM(2004)89 and COM (2004)87 but without necessarily taking their sector wide perspective (I.9.3.6). Indeed, in most interventions only some facets of the COMs had been taken on board – the worst case being Tanzania where it was found that supports to tea and coffee were not at all taking a sector perspective - rather only one portion of the value chain was being considered, ignoring other issues required to make the intervention a success. Apart from the already noted exceptions of interventions funded through the banana and sugar budget lines, three cases stood out as having adopted the Communication's approach: support to cotton in Burkina Faso, the very recently started coffee support in Cameroon and the support to cocoa in Ghana (due to the adoption by the country strategy of the value chain perspective).
- The AAACP and GIIF have been the prime instruments used by the Commission to embody the principles laid down in the Communications whilst the SFA and AMSP have systematically implemented the approach in the banana and sugar producing countries benefiting from these budget lines.
- Support to the Caribbean rice sector was designed in alignment with the Communications approach. However the limited budget resulted in rather punctual interventions.
- Support to Caribbean rum adopted a sector-wide approach focusing mainly on competitiveness through marketing & modernisation and improvement of environmental standards. The approach was different from other products as it is not an "agricultural commodity" per se.

From field visits and analysed documentation it has been difficult to gather whether interventions had contributed to the fulfilment of one or several intended results and objectives of the Communication (I.9.3.5).

- Usually project reporting focused on the monitoring of the projects' outputs and not on the results achieved. Even where results may have been assessed they were not couched in terms of contributions to COM-type wider objectives. It was thus difficult to determine the extent to which individual projects had contributed to overall intended outcomes. For the AAACP and GIIF programmes, alignment with the Communications' priorities and objectives was ensured but, due to the slow

implementation of these programmes, progress towards achievement of their objectives could not yet be measured. It was noted however, that these programmes had been undertaken without sufficient EUD involvement, thus missing the opportunity to spread the approach beyond the programme's remit (see also EQ4, EQ5 and EQ6).

- Support to the rum and banana sectors has proved to have had a significant impact on the sectors, in terms of competitiveness (through production costs and quality) and sustainable corporate practices. In sugar, the focus and impact were solely on production costs.
- As noted above (see in particular EQ4), in other interventions, where results have been obtained they remained localised, small-scaled and linked to the project's immediate sphere of influence (direct project beneficiaries, one particular geographical location). Contributions made by Commission support to improve producer incomes have been illustrated by field visits but remained at anecdotic level and their sustainability was not ensured.

4. Conclusions

Overall assessment

The Communications formalized a policy approach to supporting agricultural commodity chains, dependence and poverty for the Commission and Member States. It provided a clear framework for international discussions. The approach was implemented within the framework of the banana and sugar lines and, towards the end of the evaluation period, at all ACP level through two specific projects that provided interesting and positive results. Overall, implementation of the value chain approach promoted by the Communications did not extend to other products than sugar, banana and less systematically cotton in bilateral cooperation programmes.

The sustained decline of agricultural commodity prices over the 1990s prompted the Commission to formalize, in the form of two Communications, the approach to be promoted by the Commission and its Member States when supporting CDDCs. In particular, COM(2004)89 sets out the six priority areas which are considered essential when supporting agricultural commodity chains, dependence and poverty and COM(2004) 87 specifies this approach for cotton. The Communications provided the Commission with a clear formal reference framework for international discussions on agricultural commodities.

This formalized framework for support to CDDCs' agricultural commodity sectors was issued at a time, in 2004, when fundamentals were changing:

- Increasing agricultural commodity prices with high volatility around the trend replaced from 2002 onwards the long-term trend of declining prices of the 1990s;
- In international debates the role of trade rules in agricultural commodity price developments received increasing attention; subsequently development aid focused increasingly on Aid-for-Trade;
- With the focusing of country cooperation strategies on two or three areas only, agriculture was generally not retained as an important sector of cooperation in the 9th and 10th EDFs;
- From the mid-2000s, the Commission's financial support to agriculture was increasingly focused on some crops affected by changes in EU agricultural market reforms; and,
- The 2008 food crisis prompted Government and donor attention to focus on food crops rather than cash crops.

The circumstances were thus not particularly favourable for a spontaneous wider public interest in the questions raised by the Communications in the years following their publication. Efforts to publicise these new Communications amongst Commission staff (headquarters and Delegations) had no long lasting effects since the Communications were unknown by a vast majority of Commission staff (at the time of the evaluation). On the other hand, the approach promoted by the Communication specific to cotton is well known by sector actors through the work of the Cos-Coton under the EU-partnership on cotton.

The Communication's approach has not only been adopted for cotton but also for sugar and banana support. The special systems for assistance introduced for bananas in 1999 and for sugar in 2006 were largely inspired by the value chain perspective: Commission support targeted the improvement of sugar and/or banana value chains' competitiveness or the diversification of the country out of these two products if they were no longer competitive at international level. These lines represented a total of €562 m of contracted support over the period 2000-2009 and are budgeted for much larger amounts in the future.

The Commission's bilateral aid, mainly funded from EDF and Stabex (but thus representing 66% of the total Commission's contracted amounts over the period 2000-2009 and 72% if the Food budget line is excluded), has, however, not been used as a vehicle for conveying the Communications' approach as only a few projects adopted the value chain approach. At all ACP level, however, two projects directly inspired by the COM(2004)89 were launched (the AAACP and the GIIF) and the EU-Africa partnership on cotton was set-up to implement the COM(2004)87. The AAACP perfectly adapted the ideas of the COMs but its complexity led to a long preparation time, so that results were still limited by the end of the evaluation period. The AAACP and GIIF were designed, implemented and managed by the Commission's headquarters. EU Delegations in the countries where activities took place were informed of the projects but were so far not involved. The project is therefore not taking advantage of the opportunity of positive spill-over effects. The application of the Communication to cotton has booked positive and interesting results, albeit with slow progress: the emergence of the EU-Africa partnership has boosted coordination at country and regional levels between stakeholders and IOs active in the sector. A number of regional and national strategies have been elaborated and agreed upon.

Overall the Communications' influence has thus been felt mostly at all ACP level but did not yet shape the Commission's cooperation agenda and bilateral support at country level. Nevertheless, the Communications above all presented in a coherent and formalised framework an approach (the value chain approach) and priorities which, taken individually rather than as elements of a whole, had been 'around' for a long time. The evaluative assessment thus could still be applied to the overall Commission support to agricultural commodities.

Whereas the Commission applied the value chain approach to its support to sugar, banana and less systematically cotton, it rarely did so when supporting other crops, focusing rather on improving isolated elements of the value chain. In all cases the aim was to increase the competitiveness of these productions rather than to diversify around these crops.

In countries visited, the Commission's portfolio of interventions supporting agricultural commodities has been dominated by interventions aiming to improve the competitiveness of selected crops. For sugar, banana and cotton (in some, not all countries) for which support was framed by designated funding instruments (AMSP, SFA/BAM) or the EU-Africa Partnership on Cotton, the value chain approach was used by the Commission. In these cases (representing just one third of total amounts contracted in support of agricultural commodities over the period under review 2000-2009), it was also noted that

the Commission was usually the only donor involved in the sector: clearly without the Commission's support some of these sectors may have collapsed. For most other crops (two thirds of total amounts contracted over the period), the Commission's support appeared to have focused only on partial elements of the value chain (most often production factors and research on new crop varieties) and was often inspired by conjectural issues rather than long-term sector development perspectives; this support was also often limited in time and scope (only benefiting a small number of farmers). The sustainability of operations launched with Commission support was not always ensured, relying on continued external funding except in the few cases where private sector interests took over.

The results of support provided to agricultural commodities in CDDCs and its contributions to wider objectives have been difficult to identify and the findings that were available were not conclusive.

Based on the analysis of 24 interventions and the 8 country visits, project and programme results were difficult to identify through the Commission's own monitoring systems. Generally projects were designed as activity-based interventions and their monitoring was likewise based on outputs rather than on outcomes. Predominant amongst agricultural commodity support were interventions funded from Stabex transfers where external project monitoring was not formalised; for these projects no information was available except sometimes from ex-post evaluations. Some information was collected informally through discussions with focal groups during the evaluation.

Overall the support to agricultural commodities was thus implemented without assessing the effect it had on the competitiveness of the supported sectors. From field observations and the few available evaluation reports, it appears that tackling only a few limited issues without framing the support in a medium or long-term sector perspective and without designing it in complementarity to other supports or activities was often only moderately successful: immediate beneficiaries of the project perceived temporary benefits of project activities but these did not contribute to improving the overall competitiveness of the sector as specific issues, essential for the support to be effective, were not tackled by the project. This finding confirmed the importance of the approach promoted by the Communications.

Commission support to the sugar and banana sectors and to cotton in Burkina Faso and Côte d'Ivoire and, to a lesser extent cocoa in Ghana, was anchored in a sector wide approach and adopted the value chain perspective. However the extent to which this allowed a strategic contribution to the competitiveness of the supported sectors was still unclear: in Burkina Faso a social crisis was avoided but the sector remained uncompetitive, in Ghana deep-rooted issues linked to farmers' extension services remain to be solved. In none of the cases reviewed were the concepts of diversification, dependency and poverty explicitly stated in the design and/or implementation of the support.

In terms of the six priorities promoted by the Communications, the first priority of commodity chain strategy development has been nurtured with the AAACP project that made interesting progress in particular regarding the development of cotton strategies at regional level. The Commission's bilateral support to agricultural commodities (and in

particular that funded from EDF and Stabex) mostly focussed on different issues contributing towards improved competitiveness thus espousing the Communication's second priority (assisting CDDCs to cope with long-term price decline) without, however, adopting the sector wide perspective of the value chain approach except in some rare cases. In the areas of risk management (whether at farm, sector or macroeconomic levels), diversification and the adoption of sustainable corporate practices, nothing much was done at bilateral level to foster these priorities; at all ACP level the GIIF's progress towards setting up and implementing insurance and risk management tools was too recent to allow assessments to be made. As to providing assistance to the CDDCs to integrate into the international trading system, many initiatives have been implemented over the period, in particular in the context of the EPA negotiations, regional integration, Aid-for-Trade and WTO negotiations, but these were not specifically linked to agricultural commodities; specific support towards marketing of agricultural commodities, whether domestic or international, was very limited.

Conclusions

The conclusions may be grouped into the following clusters.

Table 4: Conclusion clusters

Clusters	Conclusions
<i>Institutional commitment to the Communications</i>	C1 : Communications implementation
	C2 : Value chain approach
	C3 : EU-Africa cotton partnership
<i>Means of implementation</i>	C4 : Coordination
	C5 : Instruments and procedures
	C6 : Information availability
<i>Outcomes and impacts</i>	C7 : Impact on beneficiaries and competitiveness
<i>Sustainability</i>	C8 : Project exit strategies
	C9 : Sector exit strategies
<i>Coherence</i>	C10 : EU policy coherence
<i>Strategy</i>	C11 : Policy level differentiation

The conclusions are ranked based on their importance and their relevance to agricultural commodities in the two figures below.

Figure 10: Conclusions ranked by specificity to agricultural commodities

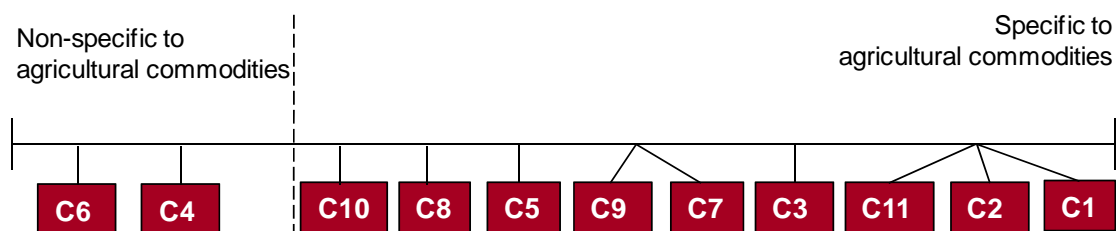
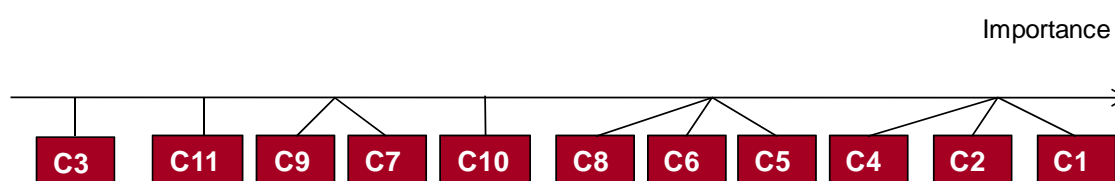


Figure 11: Conclusions ranked by importance



On institutional commitment to the Communications' approach and implementation

Conclusion 1: The Communications were implemented at international and all ACP levels and through the sugar and banana budget lines. However, the design and implementation of support to agricultural commodities funded by the EDF and Stabex resources remained unaffected by the Communications.

In the period after 2004, the major shift in the support of agricultural commodities in CDDCs came from the sugar and banana lines, which had been set up respectively in 1999 and 2006; they adopted the value chain approach promoted by the Communications. Over the period 2000-2009, interventions funded from traditional resources for support to agricultural commodities (EDF and even more importantly Stabex) did not adopt the Communication's approach even though their amount outstripped by far all other sources of funds.

The policy framework laid out by the Communications proved useful for discussions at international level and shaped the support to the sugar and banana sectors; it was also applied on a limited scale at the all ACP level but no provisions were made for the implementation at country level.

Based on: EQ1, EQ2, EQ3, EQ9.

Leading to recommendations: R1, R2, R4, R5 and R6

The Communications' approach and principles were implemented through the clarification and strengthening of the Commission's stand on agricultural commodities issues at international level, through the launch of two 'strategic and catalytic' projects at all ACP level and through the support to the banana and sugar sectors of countries benefiting from the special assistance frameworks.

At international level, the clarification of the Commission's position on agricultural commodities has enabled it to offer a coherent view on agricultural commodities issues in international fora. It has also enabled it to gain stature amongst MS and other international donors, illustrated for example by it being the voice of MS in discussions with ICBs. At the highest political level, the Communications have thus shaped the Commission's stand on agricultural commodities issues. Work still remains to be done, notably with the ICBs, which reform has proven a slow process with little progress over the seven-year period (2004-2011 (*EQ3*)).

At all ACP level, two projects were launched as a follow-up to the Communications and have remained their main channel of implementation within the EDF programmes: the All ACP Agricultural Commodities Programme (AAACP decided end of 2006, launched in September 2007) and the Global Index Insurance Facility (GIIF decided in 2007, launched November 2008). The starting phases of both projects have been long, with actual activities on the ground having commenced only in 2009 (for the AAACP) and 2010 (for GIIF). One of the major accomplishments of the AAACP has been the coordination achieved between five International Organisations now working together with a single purpose in the context of this project (*EQ2, EQ3, EQ4, EQ5, Project Fiches*). Beyond the outputs of the activities implemented, the results of the projects and their impact upon final beneficiaries could not yet be assessed; at end 2010, the AAACP had led to the design of 20 agricultural commodity strategies for 12 products/product groups, 13 different countries and 6 different regions, a few of which were just starting implementation (*EQ2*) and the GIIF had just started piloting a few insurance schemes (*EQ5*)⁷².

At regional level, a major achievement and realisation of the new approach to agricultural commodities issues has undeniably been the setting up of the EU-Africa Partnership on Cotton which enhanced the level of cooperation and coordination between IOs and Governments and set-up the "COS-Coton" to coordinate, monitor and orient programmes. In the partnership the central element of strategy development had only just started at the time of the evaluation (2010-2011) and could thus not yet be assessed.

Last but not least, the approach promoted by the Communications has shaped the support offered to the sugar and banana sectors funded under the sugar and banana special frameworks. Here the value chain perspective has been a sine qua non of Commission support: either beneficiary countries could choose to receive support to improve the competitiveness of their sugar and/or banana sectors or they could use the support for diversification of the country out of these two products if they were no longer competitive at international level. Results of these programmes are discussed in conclusion 7.

However, based on interventions analysed and on countries visited, at country level and where the bilateral cooperation programmes were concerned, the Communications remained unknown and the approach was not systematically adopted and implemented in existing or foreseen operations.

⁷² One example of an index insurance scheme which will be following up from an earlier scheme is available on <http://www.ilri.org/ilri/news/index.php?s=ibli&submit=>

The publication of the COM(2004)89 was not followed by any other operational plan except that developed for cotton: the Communications, despite efforts to publicise them and integrate their message into programming (both at mid-term reviews and the preparation of the 10th CSPs), did not influence allocation patterns of programmable aid (EDF funded) or shape EDF and Stabex funded project and programme designs.

Opportunities for using existing instruments to implement the Communications were not sufficiently used.

Following the Communications, the AAACP and GIIF were set up but there was no global redirection of EDF funding to agriculture, let alone agricultural commodities. The Commission's long-term geographical assistance was not used as a vehicle for implementation:

- allocations to agricultural commodities stemming from EDF funding decreased since the Communication was issued but actual fund disbursement has continued to rise thanks to funding decisions taken before 2004; and,
- at country level, agriculture has not featured high in the Commission's development cooperation agenda, even in countries with high dependency ratios (*EQ1, EQ9*).

The Communications were to be implemented with existing means (except the €45 million for the AAACP project and the €25 million for GIIF) but these remained untapped: the use of potentially relevant existing and new instruments or budget lines (e.g. Flex, Food⁷³) was not influenced by the new approach and neither was the use of accumulated Stabex funds which a priori would have been the most obvious target, being already dedicated to the support of agricultural commodities and having been identified in 2004 as representing still €793 million (*EQ5, EQ9*).

Finally, the policy dialogue at country level did not promote the Communications' first priority, that dependence be considered by CDDCs as a priority issue in national strategies and that agricultural sector development – and in particular commodity chain issues, be fully integrated in national development strategies. The Commission - partner Government policy dialogue in agriculture and about agricultural commodities in particular has been limited to the few countries where agriculture was retained as a focal sector of cooperation. In many countries it was found that agricultural commodities were not included in national policies or even in agricultural policy documents (*EQ2*).

⁷³ Flex and food are not intended to be used specifically for agricultural commodities but are in some cases used for interventions that do act upon them.

Conclusion 2: The Communications did not shape the Commission's bilateral support to agricultural commodities; nevertheless the value chain approach to support agricultural commodities was adopted in some sectors and countries. In others an approach focusing on punctual constraints was used.

The elaboration of national adaptation strategies for the banana and/or sugar sectors based on a value chain perspective was already a requirement for countries eligible to the Banana SFA, BAM and the AMSP. Following the Communications, the design of strategies adopting the value chain approach was boosted with the AAACP, especially in the cotton sectors; a few other interventions also adopted the approach.

However, in the interventions reviewed and countries visited, the use of the value chain perspective was far from being systematic; mostly Commission support used a more piecemeal approach, addressing punctual constraints without necessarily referring to the wider sector's context.

Based on: EQ2, EQ4, EQ6, EQ9

Leading to recommendations: R2 and R4.

The adoption of a value chain perspective had already been implemented since 1999 to support funded from the banana budget line (SFA) and the same approach shaped the guidelines for the use of the sugar budget line AMSP set up in 2006. The wider promotion of the Communications' approach to commodity chains and dependence has been a recent initiative with the AAACP and EU-Africa partnership on cotton. The Commission promoted the use of the Communications' approach to commodity chains and dependence at international level through the All ACP Programme (AAACP) and the EU-Africa partnership on cotton (see conclusion 3). The AAACP, directly and indirectly by involving different International Organisations (IOs), also contributed to spread the approach to these IOs. However, so far, no mechanisms were set up to involve EU Delegations and to spread the approach to them (see also conclusion 7).

Even though the Communication's approach was not systematically promoted at field level and the Commission rarely promoted the importance of agricultural commodities chains (EQ2), the adoption of a value chain approach to support agricultural commodities has been found for some crops in some countries prior to the AAACP's recent work. Amongst visited countries, this was notably the case for cotton in Burkina Faso and coffee in Uganda, Madagascar and very recently in Cameroun. In these cases, the strategies were developed on the basis of diagnostics and addressed the identified needs and challenges taking also account of important transversal and cross-sectoral issues. They were more rarely embedded into national strategies and very rarely embedded in regional strategies. So far the only regional strategies have been those developed for cotton under the AAACP.

Apart from some cases for sugar and banana, all interventions reviewed and countries visited showed that all Commission support to agricultural commodities targeted improved competitiveness. However, the Commission often intervened on an ad hoc and piecemeal basis with Stabex funds, addressing one particular, well

defined, punctual constraint of the sector or sub-sector rather than viewing the whole sector in its entirety and thus jeopardizing the effectiveness of its support.

In countries analysed, the Commission very rarely built its programming on the basis of diagnostic studies of the agricultural sector (*EQ2 and EQ9*). When designing projects it also often failed to address the wider issues that required to be addressed for support to one particular link in the chain to be effective and carry an impact at sector level (*EQ9*). Indeed, in general, project documents clearly identify the sector context and analyse the sector needs and problems but then fail to justify the manner in which proposed activities will result in relieving sector constraints thus bypassing addressing the multiple, sometimes complex, issues affecting a sector's performance (*EQ2*). This translated in incomplete project design (with risk of other factors hampering project success), failure to include exit strategies and/or poor effectiveness and efficiency (*EQ9*). Projects remained often stand-alone, "pilot" projects were never replicated and the sustainability of their outcomes was highly questionable (*EQ6*).

Most interventions and programmes reviewed aimed for improved sector competitiveness by tackling only fragments (or one fragment) of the value chain:

- Support to production factors and research were the major focus of interventions. Support to a favourable environment for the private sector and provision of infrastructure were also offered in many cases but were not necessarily aimed at agricultural commodities. Therefore although they did help, they didn't necessarily address the most important constraints.
- Alternative ways to support competitiveness (support to processing, setting up producers organisations, contacts with supermarkets and labels) were less often chosen (respectively in 58%, 20% and 38% of delegations which supported competitiveness) and some provided disappointing results (e.g. producer organisations which didn't outlast support as was illustrated by field visits in Madagascar and Vanuatu) (*EQ4*).

The lack of a sector wide vision and a value chain perspective, as well as the fact that a majority⁷⁴ of interventions in the agricultural sector were funded by Stabex transfers, to which different rules applied and which could be used to respond to immediate concerns, addressing punctual problems that were weakly anchored to the sector's wider issues and longer-term strategy, may explain this piecemeal approach. (*EQ9*).

The sugar and banana interventions stand out as having been based on diagnoses, having focused in some cases on diversification and having a sector-wide approach.

⁷⁴ In visited countries, Stabex represented 71% of the value of support to agricultural commodities over 2000-2009.

Conclusion 3: The most notable value added and the showcase of the Communications is the achievement in establishing a functional EU-Africa Partnership on Cotton

Amongst the crops not benefitting from earmarked support, cotton has attracted the most attention from the Commission. Support has been provided in terms of policy and strategy development, and coordination has been enhanced.

Based on: EQ2, EQ3, EQ4 and Product Fiche Cotton

Leading to recommendation: R8

The cotton-specific Communication (COM(2004)87) led to the agreement on an EU-Africa Partnership on Cotton. This continent-wide Partnership with a long-term vision is a very big step forward in implementing the Commission's policy. Support to the sector is highly relevant as it is the one facing the biggest challenges and where farmers are considered the most commodity-dependent. The Partnership laid a basis to adopt a value chain approach of support and to coordinate efforts. Leading to the establishment of the COS-Coton steering group, it also allowed to monitor and orient support at a general level. Strategy development is underway as the AAACP has dedicated a third of its budget to the cotton sector. Regional strategies have been developed and validated for Western Africa, Eastern and Southern Africa and Central Africa (WAEMU, COMESA and ECCAS); a number of national cotton policies have also been elaborated. The progress at policy level being visible but very recent (2009, 2010), its in-country effects have yet to be seen.

On means of implementation

Conclusion 4: Coordination, especially at field level, remained a challenge and constrained the capitalization process

One of the major achievements of the Communications has been in the field of coordination amongst international organisations through the AAACP and the EU-Africa Partnership on Cotton. Although Delegations were informed at the beginning of the AAACP (participation in regional workshops), country visits showed that Delegations were not involved in implementation and had no more contacts with IOs than previously. In countries visited and from the survey results it was found that coordination at field level was insufficient to create opportunities for complementarities and synergies amongst supports.

Based on: EQ2, EQ3, EQ4, EQ5

Leading to recommendations: R8 and R9.

The Communication has boosted coordination with IOs at headquarter level but field visits showed that the implementation of activities on the ground did not involve Delegations even though they were the major players in the field. The AAACP in particular has yet to set an example in terms of coordination and its positive achievements have not yet been capitalised upon at field level (EQ3).

Coordination amongst the Commission and IOs has been a central feature of both projects launched at all ACP level as a follow-up to the Communications, the All ACP Programme

(AAACP) and the Global Index Insurance Facility (GIIF). The projects have involved several IOs in their design and implementation and have been the result of strong coordination efforts. However these coordination efforts remained at headquarter level, with no increased coordination between the Commission and IOs being evidenced in the countries visited.

The AAACP and the EU-Africa partnership on cotton have been the main vehicles for promoting coordination amongst IOs. Information collected from the AAACP shows that it has contributed to step up the level of coordination between IOs active in commodity chains. Furthermore, through its cotton component, it has also helped to boost coordination of the COS-Coton under the EU-Africa Partnership.

Finally, the EU has shown leadership in coordinating actions on the field in some countries or regions (Burkina Faso, Tanzania, Côte d'Ivoire, SADC).

This assessment should be tempered by the following observations:

- The AAACP is but a relatively small programme (€45 million) in comparison to the portfolio of support to agricultural commodities and its impact is both limited in time (started in September 2007, the project's field activities are foreseen to close at end 2011) and scope (number of sectors and countries covered).
- Complementarities/synergies have been developed both with the AAACP and EU-Africa partnership on cotton but they are either limited or still too recent to be effectively assessed.
- A dynamic for coordination has been developed at a central level but EU Delegations and national IOs representations active in providing bilateral supports to agricultural commodities have yet to be involved in the process. Information was sent at the start of the programme but it was found that most Delegations visited ignored the activities undertaken by the AAACP in their countries even though they might have been provided access to the required information. Work on the dissemination of AAACP activities was beginning as this evaluation came to a close.

At this stage, the coordination mechanisms developed through the AAACP could thus be considered as an innovative mechanism potentially able to generate synergies and complementarities but which so far still needed to implicate EU Delegations and grab the opportunity to capitalise upon its achievements at central level.

Under the aid harmonisation and effectiveness agendas, coordination and discussion fora have sometimes been set up specifically for agriculture (more rarely for agricultural commodities) but, in countries visited, limited coordination at intervention level with IOs, MS, other donors and/or non profit organisations has constrained opportunities for creating complementarities and synergies. Coordination bodies and efforts found at country level (thematic working/technical groups) were generally dedicated to agriculture/rural development or food security rather than to agricultural commodities per se. It was found that these groups were effective in coordinating the policy dialogue with the partner Government but coordination in the field was limited mostly to the few cases where the Commission supported the promotion of commodity chain strategies (*EQ2, JC2.2*) and the development of risk management tools

(EQ5, JC5.1). Coordination with other donors was found stronger for EDF financed interventions than for operations funded from Stabex transfers or from the banana and sugar lines. It was also noted that Commission support was sometimes not coordinated within the same country, especially if all ACP or regional interventions were concerned where Delegations had little knowledge of what was being done. Generally, in countries visited and for interventions reviewed, it was found that support to agricultural commodities rarely created synergies with existing efforts, whether from other donors or even from different instruments of the Commission (see EQ2, JC2.1; EQ3, JC3.1; EQ4, JC4.1; EQ8, JC8.1).

Conclusion 5: Whilst the rigidity of procedures often represented a constraint for projects, the flexibility of the Stabex instrument allowed Delegations to offer a flexible response to unforeseen demands for support

EU Delegations often faced a situation where a multitude of instruments were supporting the agricultural sector, with some not managed at country level: this situation had drawbacks in terms of trying to ensure coherence amongst these different instruments and few synergies were created between interventions funded with different instruments. The Delegations appreciated the flexible use of the Stabex funds.

To the contrary, operations on the ground were often plagued by procedural rigidities that slowed down project implementation and undermined project effectiveness due to the importance of timeliness of operations in the agricultural production, processing, marketing cycles.

Based on: EQ 8.

Leading to recommendations: R6 and R8.

Synergies and complementarities between interventions funded with different financing instruments were rarely achieved. In visited and surveyed countries, a mixture of different financing instruments was generally used to support agricultural commodities, usually with a mix between programmable and non-programmable aid and all ACP, regional and bilateral cooperation. Although EU Delegations did the best they could with what they were given, the different financing instruments were most often implemented without building synergies (EQ8).

Stabex funds were particularly appreciated as they fulfilled a need for Delegations to have access to a flexible financing instrument with which they could respond to immediate/urgent problems and/or use for activities/interventions omitted from the programming exercise (EQ8). However, the lack of monitoring of the activities funded with Stabex was found by the evaluators to be a major drawback of this flexibility (see conclusion 6).

The effectiveness of the support to agricultural commodities has often been jeopardized by issues affecting the timeliness of output delivery: beneficiaries often blamed Commission procedures (EQ8).

A majority of interventions were plagued by a series of problems that delayed output delivery and thus achievement of results (aggravated by the timeliness required by agricultural commodities operations) whilst only half the projects benefited from an institutional capacity diagnostic (EQ8). EDF budgeting, accounting and payment procedures, applicable to Stabex funds too, still presented a major stumbling block for project efficiency, even for long established projects. Where national budgetary, accounting and auditing procedures have been found sufficiently sound to allow the country to be eligible for budget support operations, it seemed inconsistent that EDF procedures still had to be applied at project level (EQ8). It seemed also ironic that whilst Stabex was particularly appreciated by Delegations for its flexibility, many of the operations funded with Stabex had to function under Programme Estimates which are particularly cumbersome for beneficiaries in terms of planning and implementation.

Conclusion 6: Availability of information on Commission support to agricultural commodities was a major constraint to (i) learning from experience, (ii) assessing results and (iii) accountability

Despite the culture of logical frameworks and results-based-management, the extent to which the Commission's interventions included monitoring activities and to which results were monitored off-site was very limited; the problem was exacerbated by the lack of ROM for Stabex funded operations.

This lack of information about project achievements other than project outputs severely limited the scope for learning from experience (one's own or that of others), for evaluating the impact of the Commission support and verifying whether value for money was obtained. More generally, it put at risk the accountability of project managers, EU Delegations and the Commission.

Based on: EQ2, EQ4, EQ5, EQ8, EQ9

Leading to recommendations: R6 and R10.

A common thread through most of the countries visited and interventions reviewed was the lack of available information on support to agricultural commodities. In many instances this concerned as much the activities and outputs of the projects as the results or the financial data.

It was generally found that project designs include adequate descriptions of activities and intended results but far less adequate analysis of how these results affect project objectives and how these should be measured and monitored (EQ2, EQ4, EQ9). Once implemented, the situation was mirrored with very little monitoring of results, even less of impacts. This is particularly regrettable when considering support to agricultural commodity value chains where the issue of interest is the extent to which any value added at the different levels of the chain is shared amongst producers and other actors within the chain (financial value added and its distribution) and, at the wider level, how value is added to the sector and the wider operators, in particular the state and consumers (economic value-added). Without adequate information, nothing much can be said about a project's effectiveness; interrogating project beneficiaries can provide some anecdotes but doesn't give a sector overview.

It was also found that Delegations were mostly unable to provide accurate and complete information (whether financial or on content) about the use of Stabex transfers over the period 2000-2009 (EQ5); no such information was available from Brussels since the Stabex funds were managed at country level without central oversight from Headquarters (Stabex funded projects were not subject to the QSG process, were not included under the ROM activities and were not reported on to headquarters). Overall Delegation knowledge of the past uses of Stabex funds in their countries was thus limited and not well documented: accountability for Stabex funds was found to be lacking (EQ8).

On outcomes and impacts

Conclusion 7: The Commission's sector-wide interventions have had significant effects on competitiveness when support was important. On the other hand, support to agricultural commodities through punctual interventions contributed to an improvement of beneficiaries' situation but this was often temporary, on a small scale and not capitalized upon; sector competitiveness was rarely improved.

Information on the impact of support to agricultural commodity sectors upon sector, macroeconomic or social performance was rarely available. It is thought to have been important in the cases where Commission funding of the sector was adapted to objectives (e.g. bananas, rum, and cotton). For punctual interventions, anecdotic evidence points towards localised benefits in terms of income improvements of the immediate project beneficiaries but sustainability of these gains is not ensured.

*Based on: EQ2, EQ4, EQ6 and EQ 9.
Product fiches (esp. cotton and coffee)*

Leading to recommendations: R4 and R10.

Interventions results are rarely monitored and assessed. Projects reviewed showed that although they were usually designed in full knowledge of the sector's specificities and constraints, they rarely showed the manner in which their proposed activities and intended results were meant to contribute to the achievement of sector objectives (EQ9). Most often, project implementation was focused on the production of outputs, not on the reaching of results or the contribution to the fulfilment of objectives. Consequently projects did not monitor results, even less impacts (EQ4, EQ6, EQ9 see also conclusion 9). As a result, assessing the effectiveness and the impact of interventions has had to rely on existing evaluations and field observations rather than on original data collection and analysis. Even though evidence lacks in both cases, the impacts should be distinguished by type of intervention.

In the cases where the Commission supported sectors as a whole (whether to avert impending crises in cotton or to accompany transition due to changes in trade regulations in bananas, sugar and rum), the achievement lay in improving these sectors' competitiveness or in the avoidance of (unmeasured) social costs. However the sustainability of the sectors remains uncertain. In most other interventions, support has had localised, small scale benefits to the populations involved in the projects but these initiatives have not been up-scaled or replicated.

The support to the banana and sugar sectors linked to the change of the EU trade regime adopted a sector-wide approach, based on the elaboration of strategies. Such support is considered to have had significant effects on the sectors' competitiveness (although sustainability of achievements cannot be confirmed) (*EQ 4*). The support to rum in the Caribbean, although different in nature (because it supports rum processing, not agricultural production) also had a global approach which had a significant impact on the whole region. Support to Caribbean rice could have had a similar impact if the resources had been adapted to the project's objectives.

In the cotton sectors of Burkina Faso or Côte d'Ivoire (*EQ2, EQ4 and Project Fiche Cotton*), the support included a wide array of areas, from the diagnostic study of the sector to the design of the strategy and its implementation (including the clearing of debts and the reform of the sector) but also including more indirect support such as the improvement of the feeder road network. This support enabled the maintenance of the cotton sectors that would otherwise have collapsed, and thus protected the rural populations from this potential negative socio-economic impact. However, in neither of these two cases did cotton producer incomes increase or even stabilise: cotton production and exports decreased over the period of review. The fact that the competitiveness of the cotton sectors did not improve begs the question as to whether the support provided more than temporary reprieve from the eventual collapse of the sectors (and thus a temporary safety net for the producers).

In most other interventions reviewed, the impact of Commission support to competitiveness has been small-scaled and sometimes short-lived (*see EQ4*):

- Projects punctually addressed a specific problem but sometimes missed addressing essential constraints to improved competitiveness without which support could not be effective;
- Projects never included exit strategies so that Commission funding was often either prolonged for a number of years to 'consolidate results' or achievements were lost;
- Projects were rarely complementary to other on-going projects and thus obtained mixed results in terms of synergies;
- Although direct beneficiaries were globally satisfied with the projects, the benefits remained at the scale of the project. No occurrences were found of projects being up-scaled or replicated in order to obtain impacts at a broader scale.
- Even in cases where beneficiaries were satisfied, they still faced important constraints.

Interesting initiatives have taken place under the AAACP but these are too recent to enable the assessment of their results (most activities started to be undertaken in 2009) and they are not monitored at country level (see also conclusions 3 and 4).

On sustainability

Conclusion 8: The Commission's support to the competitiveness of agricultural commodity sectors rarely considered project exit strategies

The Commission's support to agricultural commodities has mostly been focused on short-term needs and sustainability issues have seldom been taken into account.

Based on: EQ2, EQ4 and EQ8.

Leading to recommendations: R4 and R9.

Evidence shows that most projects were designed to support a sector in need based on identified problems or in times of crisis. While this support was highly relevant, its effectiveness on the long term was not sufficiently ensured. An important share of interventions provided positive results that were limited to the short term because exit strategies⁷⁵ were not sufficiently developed. In other cases Commission funding was extended over a second (or third) phase in order to 'consolidate achievements'.

Field findings showed that the involvement and investment of the private sector in projects was often considered as a condition ensuring sustainability of projects beyond donor support (EQ4, EQ8).

Conclusion 9: The Communications and the Commission's support to the competitiveness of agricultural commodity sectors considered exit strategies from the sector only for the support to the banana and sugar producing countries

Whereas the exit from a sector because of longer-term lack of competitiveness was envisaged systematically when providing support under the banana and sugar budget lines (which represented 26% of funding of agricultural commodities during the period), it was very rarely considered when offering support from EDF and Stabex (72% of the funding to agricultural commodities over the period).

Based on: EQ1, EQ2, EQ4, EQ6 and EQ9.

Leading to recommendations: R1 and R4.

Competitiveness assessments to establish the longer term potential for competitiveness of a whole sector were only rarely undertaken with the banana and sugar sectors being the notable exceptions: diversification as an alternative to supporting competitiveness improvement was rarely considered for Commission support from EDF and Stabex funding.

The Communications focus on the two issues of price decline and volatility. At the time of their preparation, commodity prices reached a historically low level. In this context, there was an international debate on direct action on prices. By publishing the working paper in

⁷⁵ Exit strategy refers to the strategy to ensure sustainability after the donor's support ; not to strategies to exit from the sector.

2003 the Commission wanted to communicate that action on prices was not a way forward and that the Commission could support CDDCs to design and implement strategies needed for coping with long term decline (*EQ1*).

Most often, Commission interventions supported competitiveness, considered as a way to cope with the long-term price decline. However, only with support funded from the Sugar and Banana budget line interventions was support provided based on a competitiveness analysis that determined whether the sector was to be supported or diversified. In those cases, the Commission support was linked to strategies based on the long-term vision of competitiveness or diversification. Similar cases were illustrated in Cameroon and in Uganda, where Stabex funds were used in various ways (rural development programmes, tourism, etc.) as a way to diversify out of the sector that generated the Stabex transfers. In other countries and sectors the Commission rarely considered exit strategies or supported their development and implementation (*EQ2, EQ4, EQ6, EQ9*).

On coherence of EU policies

Conclusion 10: At headquarter level efforts are made to ensure coherence between different EU policies including in the way they affect particular sectors. However timeliness and administrative issues have at times hampered their effectiveness at field level.

Efforts were made to ensure coherence between EU development, trade and agricultural policies and to support coping with potential negative effects of new policies on ACP agricultural commodity producers. However since policy/market decision effects were faster than those of agricultural commodity interventions, support was generally considered insufficient. Furthermore, the variety of instruments made global coherence difficult to ensure.

Based on: EQ1, EQ 7 and EQ 8

Leading to recommendation: R7.

The pursuit of ensuring coherence of EU policies with the objectives pursued by the Communications had important repercussions on the amounts and nature of Commission support to agricultural commodities during the period under review.

Illustrations of the Commission acting to ensure policy coherence were found in several sectors. Most importantly, for sugar and banana, the Commission set up budget lines to accompany ACPs in dealing with changes in market conditions or the erosion of trade preferences in its new policies. The amounts involved (€562 million) were very important in regard of programmable aid devoted to agricultural commodities (€739 million of EDF funding) and represented just over a quarter (26.7%) of total support to agricultural commodities during the period (*EQ1*). The banana and sugar lines were set up to support competitiveness (if the country had potential to remain competitive in the new market conditions) or diversification (if competitiveness was out of reach). Cases however illustrated the fact that administrative requirements or timing issues (e.g. due to misunderstandings on procedures or incompressible delays of implementation) prevented the funds from taking effect in due time, therefore limiting their effectiveness (*EQ4, EQ7*).

Indeed, the changes of tariffs on EU imports had immediate effects whereas the effects of support to investments required a certain delay. In the cotton sector, EU reforms went in the direction of ACP requests, but were not considered sufficient by stakeholders.

Considerations of policy coherence were mostly dealt with at headquarters. At headquarter level, coherence was considered an essential issue and the PCD 2010-2013 work programme included a strengthened dialogue with developing countries on PCD issues. At country level, policy discussions between partner Government and Delegations rarely included these topics: field visits and survey results confirmed that partner Government and Delegations are not involved in decision-making with regards to other EU policies even when they directly affected the countries and cooperation programmes such as was for example the case with changing market access conditions (banana, sugar etc.).

On strategic issues

Conclusion 11: The Communication outlined a policy response triggered by a series of macro-economic challenges. However, the proposed interventions targeted producers who have different stakes and face different challenges linked to food, not cash crop, production..

The Communications focus on agricultural commodities. Although these do represent an issue at macroeconomic level, the farm level (especially for smallholders) can be quite different. Except for some crops, agricultural commodities are not the main concern of farmers; they have a diversified production and are rarely dependent.

Based on: EQ 1, EQ 6 and product fiches

Leading to recommendations: R3, R4 and R5.

The Communications focus on agricultural commodities which are traded on world markets. However, at smallholder farm level, these crops are rarely the main production. Except in cases of plantations (e.g. sugar and banana; which employ workers), cotton (more rarely) and sometimes tea, agricultural commodities are not the main source of livelihood even though they may represent an important share of cash income. In the countries visited agricultural commodities mostly provided an additional income.

Food crops are the main issue and concern at farm level as the production system primarily aims at self-subsistence. Producers therefore face other priorities and challenges which should be taken into account when designing interventions at farm level. Focusing only on agricultural commodities misses out on crucial factors. In the countries reviewed and visited, Governments addressed diversification issues mainly as a means of increasing farmers' income and not as a means of reducing dependence. Diversification at farm level was therefore an issue only for some crops.

5. Recommendations

The evaluation’s recommendations can be regrouped in the following clusters:

Table 5: Recommendation clusters

Clusters	Recommendations
<i>Specific to agricultural commodities</i>	R1: Support Competitiveness or exit from sector
	R2: Adopt the value chain approach in a comprehensive framework
	R3 : Diversify at macroeconomic level
	R4: Research on price volatility and its effects on the poorest
	R5: Focus on sectors with long term prospects
<i>Non-specific to agricultural commodities</i>	R6: Adapt resources to policy needs
	R7: Build synergies
	R8: Improve coordination
	R9: Align and adapt to capacities and systems
	R10: Monitoring of results

The classification of recommendations according to their specificity to agricultural commodities and their importance is below.

Figure 12: Recommendations ranked by specificity to agricultural commodities

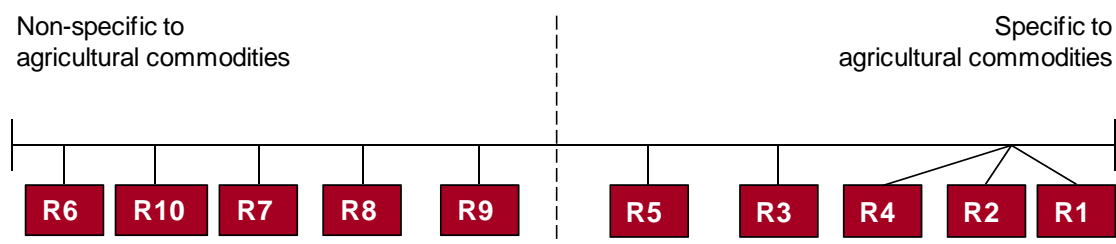
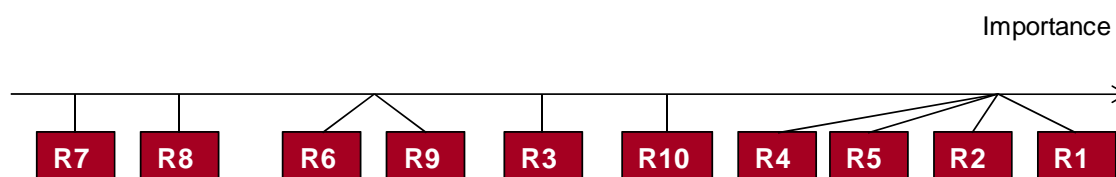


Figure 13: Recommendations ranked by importance



Specific to agricultural commodities

Recommendation 1: Based on analyses of competitiveness and livelihood possibilities, decide whether to support competitiveness or to exit from a sector and provide means to do so.

The decision to support one or several agricultural commodities should be based on a long term vision considering the country's potential competitiveness on world markets, such as it was done in the sugar and banana budget lines. Since support to increasing competitiveness involves higher investments and therefore higher exposure to world market trends, such choices should be based on the best possible evidence. If the competitiveness gap appears to be too big and better viable solutions are possible, the Commission should support the exit from the sector.

Based on Conclusions C1 and C9.

The design of interventions in the sugar and banana budget lines was based on strategies which relied on competitiveness assessments. Such longer-term assessments should be extended to other fields of agricultural commodity support for dependent countries/regions.

As support to competitiveness is only relevant if realistic levels of resources are deployed (in terms of the country's potential, of means and of time spent by interventions) and since investments in the sector increase exposure and vulnerability, interventions should be based on solid ex ante assessments to focus on regions with potential.

If the competitiveness potential is not considered to be sufficient and if other more viable possibilities exist, then the exit from the sector should be supported. Otherwise, donor support can be seen as a social but short-term intervention. It is sometimes the case, when no other better immediate options are found (e.g. support to cotton sectors in crisis).

Recommendation 2: Place the value chain approach in a comprehensive framework in line with an overall agricultural support policy

Just as Communications lead the way towards an integrated value chain approach, interventions as well should take account of the value chain rather than mostly focusing on punctual needs and activities. Furthermore, other key issues of high importance to ensure effective support, such as food crops, land tenure, rural credit, infrastructure, etc. should be taken into account.

Based on Conclusions C1, C2 and C7.

Historically, support has changed from the value chain approach to integrated rural development and now seems to be heading back to the value chain although many interventions only addressed punctual needs. The value chain approach is highly relevant, but it should be noted that both aspects of agricultural development must be addressed:

vertical value chain development as well as horizontal, encompassing all issues at farm level.

As stated in the Communications, to be effective, support should be based on strategies and action plans established by the beneficiary country, encompassing all the links of the value chain. If such strategies do not exist, support should be provided to ensure all aspects of the policy cycle are taken into account (support going from the development of the strategy, to the design of an action plan and to its implementation at country level).

Furthermore, support should not leave other issues influencing agriculture aside. Food crops are of highest importance at farm level and require support as well. The All-ACP Agricultural Commodities Programme goes in this direction, supporting both commodities and food crops, and basing interventions on strategies. Addressing other issues such as land tenure, rural credit, infrastructure, etc. is also mandatory to ensure effective support.

Recommendation 3: Address dependence through diversification at a macroeconomic level

Since diversification is at first an issue at macroeconomic level (dependence for export revenue is in most cases higher than farm income dependence) and that diversification goes beyond agricultural commodities, diversification strategies should be addressed through private sector development and trade policies.

Based on Conclusions C9, C11 and C12

In visited countries, in most sectors (except for cotton and in some cases tea), agricultural commodity production was not the main livelihood activity of smallholder farmers. Dependence was therefore higher at macroeconomic level, with some countries' export revenue being highly vulnerable to price fluctuations. Furthermore, diversification issues extend far beyond the agricultural sector. They involve the country's potential competitiveness in other sectors, which in turn refers to infrastructure or trade policies, etc. Therefore, diversification is more effectively addressed through interventions supporting private sector development or through Aid for Trade than through agricultural commodity interventions.

Recommendation 4: Implement the current Communication by focusing available resources on specific sectors that have long term prospects

The Commission's commodity policy as presented in the Communications needs some marginal revising although its main message, that a value chain perspective should be adopted in support to national agricultural commodities strategies, remains valid. Better account should be taken of the smallholder perspective in addition to the macro-economic considerations.

In terms of implementation, resources should be concentrated on supporting sectors which show longer term prospects of viability and where social benefits are commensurate with the support; the support should be directed towards the entire sector operations where needed (rather than supporting small links in the chain) and the balance between cash and food crops should be considered more carefully in designing the support.

Implementation of the approach will require deeper efforts to ensure adoption by Delegations and improved headquarters quality control of programming and project identification processes.

Based on Conclusions C1, C2, C7, C8, C9, C11.

The Communications have clarified an approach that remains globally relevant to the current context. Prices of agricultural commodities remain volatile and their long-term trends uncertain. Support to the improvement of competitiveness whilst adopting a value chain approach remains a valid approach that needs, however, to be put in perspective with the long-term economic and financial viability prospects of the sector and the social costs and benefits of status quo. The perspective of the smallholder farmer needs to be better captured in the approach, which needs to assess the importance of the crop to the smallholder.

If support is warranted, it needs to take a long-term approach, to be aligned to a clearly formulated and costed national sector strategy, to include all sector aspects as required by the sector assessment and to pay attention to the balance between food and cash crops in the smallholder farming system. A holistic approach (rather than punctual support) is essential to improve overall effectiveness and sustainability of support.

Finally, the value chain approach needs to be integrated into the modus operandi of the Commission by strong programming guidelines that are upheld by thorough quality control processes for programming, identification and formulation of cooperation in the agricultural sectors.

Recommendation 5: Deepen focus and research on possibilities to prevent the impact of agricultural commodity price volatility on farmers, including the poorest

Difficulties in addressing issues of price volatility and its impacts on smallholders and particularly on the poorest farmers are linked to the fact that no solutions have yet been found. A thorough analysis of existing *ex ante* price stabilisation mechanisms and other potential risk prevention tools is required to enhance support's effectiveness in that field.

Based on Conclusions C1, C11, C12

So far, the Commission's support to cope with price variability has acted *ex post* at macroeconomic level (through Stabex funds) or supported the development and implementation of crop insurance schemes at farmers' level (GIIF) neither of which addresses the poorest, most vulnerable farmers.

The Communications distinguish the two issues of price decline and volatility and argue that they require different responses. In the context of declining prices, there was an international debate on direct action on prices that was rejected by the Communications in favour of support to competitiveness. In the past, the Stabex instrument had been designed to cope with price variability as a compensating and revolving fund. It therefore did not address price decline or variability in a preventive way; ensuring CDDCs could cope with these issues sustainably. Rather, it compensated *ex post* for adverse effects with support usually provided to projects enhancing competitiveness. The Communications came in, well after Stabex had stopped, to offer approaches for coping in a sustainable way with price decline.

The issue of volatility calls for a preventive type of policy: the survival of the sector is determined by its capacity to absorb shocks. No evidence was found of the Commission having developed specific risk management tools to be used in a preventive way. New risk management tools are under development, namely through the All ACP Agricultural Commodities Programme and the GIIF. At smallholder farm level, no concepts of effective price risk management have been identified yet.

It is recommended that the issue of *ex ante* price stabilisation schemes be addressed. Research should be undertaken on what is currently done (e.g. in Ghana for cocoa, where prices are guaranteed through a national board which manages prices by acting on futures markets), what is under development (e.g. new buffer fund systems for cotton in Burkina Faso with the AFD) and what could still be done. Such an initiative could be undertaken in complementarity to the support to the WB's Agricultural Risk Management Team (ARMT, formerly the International Task Force on Commodity Risk Management or ITF-CRM, (already supported through the AAACP and the GIIF) and involve these and other international organisations and research institutes. Research results could help orient future policies to help the poor cope with price fluctuations.

Non-specific to agricultural commodities

Recommendation 6: Policy level Communications can't stand alone and need resources to be implemented

If and when policy level Communications are elaborated, they ought to be accompanied by a strategy ensuring their translation and implementation at practical level: both publicity, operational guidelines and a mobilisation of existing means are required in order to influence the cooperation programme and the design of individual interventions (as was done for sugar and bananas).

Based on: C1, C5 and C6.

The effect of the Communications remained mainly at headquarter level whereas the greatest mass of resources is directed directly towards beneficiary country level through bilateral cooperation programmes (Stabex and EDF represented 72% of contracted amounts during the period): the Communications would have been far more effective if they had been implemented through the cooperation strategy of the Commission with partner Governments.

In general, for a policy stance to be translated into the cooperation programme, it would at least require:

- to be widely publicised, divulged, or otherwise discussed by operational staff at the Commission (headquarters and field),
- to be followed promptly by the elaboration of operational guidelines which are then divulged through training and seminars,
- to be fully integrated in quality control processes, whether at programming of cooperation strategy phase or at project approval phase, and finally but most importantly
- to be accompanied by a clear implementation strategy detailing the means to be used for implementation.

Such principles of approach were chosen for sugar and bananas.

Recommendation 7: Build complementarities and synergies within EU support between projects, programmes and non financial support

The Commission should ensure that its operations of support to agricultural commodities engender increased value added by building complementarities and synergies within Commission support by:

- complementing existing operations
- building bridges between operations funded with different financial instruments
- improving coordination of and complementarity between regional, all ACP and bilateral operations
- improving the use of non financial support (such as policy dialogue, sharing of information and best practice, coordination and complementarities with other donor and NGO initiatives).

Based on: C5 and C10.

The intention of the Communications was to promote the value chain approach with existing means. As was shown in EQ1 and EQ9, the prospects for increased financial support to agricultural commodities over the period 2007-2013 (10th EDF) are very slim unless agriculture is a focal sector of cooperation in CDDCs. There is thus even more reason to exploit to the best the resources available; a systematic search for synergies within existing programmes (financial and non financial) would be called for. In particular, the Commission could envisage to:

- Scrutinise existing projects to identify potential complementarities and reinforcements: the value added of combining projects with sector budget support operations and/or general budget support operations that include agricultural performance or process indicators is especially relevant.
- Mix several financial instruments used by the Commission in support of agricultural commodities instead of operating them in isolation: this is notably the case for the sugar, banana and the Food Facility. Some of these instruments address the same issues and experience in one field could be considered for replication in another and lessons learned could be shared.
- Improve active coordination (not just information sharing) between different parts of the Commission: in particular, improved coordination between projects funded from regional and all ACP budgets at two levels, firstly between headquarters and EU Delegations and secondly between different desks of the Commission, is particularly important.
- Exploit important opportunities, notably through the policy dialogue at country level, which remained unused notably for promoting the Communications' first priority, that dependence be considered by CDDCs as a priority issue in national strategies and that agricultural sector development – and in particular commodity chain issues, be fully integrated in national development strategies; this could have been integrated in existing policy dialogues, possibly reinforced through inclusion of relevant indicators as disbursement triggers of budget support operations.

Outside the strict confines of operations funded by the Commission, improved complementarity with the support of other donors and non-profit organisations should also be aimed for. Many NGOs are active in agriculture and their work close to the producers can provide particularly useful complementarities with the Commission's work. Improved complementarity with other donors and sector stakeholders and improved synergies with their activities passes necessarily through improved coordination (see recommendation 7 below).

Recommendation 8: Improve and promote coordination with other institutions inside the country

Beyond improved coordination within the Commission, enhanced coordination with other donors, non-profit organisations and other sector stakeholders is required to achieve higher complementarities with ongoing efforts and thus achieve a better outcome of the Commission's support at sector level. Projects like the All ACP Programme could play a valuable role in this regard.

Based on: C3, C4 and C5.

To promote the approach to commodity chains and dependence on a broader scale, it will be necessary to step up from the current improved coordination at international level (*see conclusion 4, EQ2 and EQ3*) to a level of improved coordination involving the public and private stakeholders of agricultural basic commodity chains at the national, regional and even continental (e.g. CAADP for Africa) levels.

For this purpose, a major challenge for coordination will be to develop relevant, effective, efficient and sustainable mechanisms implying the public and private key actors. It will rather be a question of improving existing mechanisms than setting up new ones. Moreover, they will necessarily have to be in line with the harmonization and alignment processes in which the assistance to ACP agriculture and commodity chain is evolving.

In that way, the recent dynamics observed for the coordination of support to African cotton could provide interesting prospects, notably by considering (i) the development of regional strategies on cotton including each one a coordinating committee; (ii) the will of COS-Coton to work in coherence with the CAADP process; (iii) the enhanced level of cooperation and coordination between IOs, also including ICAC (cotton ICB) through CFC, in the framework of the AAACP cotton component; and, (iv) the COS-Coton decentralization process.

Similarly the dynamics of the All ACP Programme could be built upon to further coordination at country level within particular sectors and sub-sectors. Using the All ACP Programme (AAACP) as a stepping-stone to foster coordination between IOs, EU Delegations, MS and other donors or non-profit organisations supporting particular agricultural commodities would require effective and active involvement of the Delegations in the still on-going AAACP activities and in any new activities in similar minded programmes (current or future) and using to best advantage existing coordination mechanisms (such as technical working groups). The links between on the one hand the Commission and ACP countries at headquarter level (intra-ACP discussions) and on the other the Commission (through its Delegations) and the national Governments, should be strengthened.

Since the coordination mechanisms developed through the AAACP are new and innovative, they should first be assessed in terms of value added gained from the efforts invested in coordination (human resources, time and funds) and in terms of the scope for

replicating the approach at a much larger scale and over time. This could be an element of the future AAACP evaluation which could provide a detailed vision of strengths, weaknesses, opportunities and threats of the AAACP coordination mechanism.

It is also necessary to make the distinction between the coordination mechanism of an AAACP programme and coordination such as COS-Coton within the EU-Africa partnership. The first, although interesting to test, is related to a programme and thus limited in its duration whereas the second is ongoing in a long-term perspective, a priori without time-limitation.

Finally a last consideration on coordination concerns the ICBs which undergo a reform process that appears too slow to adapt adequately both to the new requirements of the agricultural commodity chains (value added distribution, environmental issues, position of small farmers, compliance with international standards, diversification...) and to the changing and volatile context. More flexible arrangements still need to be developed. In the future, a major challenge will be to strengthen the collaboration between reformed effective and efficient ICBs and IOs which are recently shifting from single-commodity work towards wider issues and more cross-commodity work.

Recommendation 9: Adapt implementation mechanisms and financing modalities to capacities and systems in place

For each intervention, the choice of implementation modality should be based on an institutional diagnostic; in addition, through the life time of the project, the institutional strengths and weaknesses of the chosen implementing agency should be monitored continuously so that implementation mechanisms can be adapted where/when necessary.

Similarly the financing mechanisms used for an intervention should be based on an assessment of the systems already used by the implementing agency: if found to be acceptable, then these, and not the parallel systems based on Commission procedures, should be used.

Based on: C4 and C8.

Choosing implementation modalities and financing mechanisms better adapted to the existing institutional set-ups and financial systems could both improve cost-effectiveness and timeliness of project implementation and reinforce existing institutions and managerial and financial processes and systems. For this the following could be done:

- At design phase:
 - Systematically undertake an assessment of the financial processes and systems of the beneficiary institution: if adequate (by the standards of the assessments made to establish eligibility for budget support operations for example) prefer using existing processes and systems and foresee temporary support for long-term strengthening where required.
 - Systematically undertake an institutional and organisational diagnostic and use this to choose the implementation mechanisms and confirm the financing modalities.

- Always prefer to use the host institution and its processes and foresee temporary support where required for its long term strengthening.
- Where budget support is in operation in the country, always align on national procedures: at project level use national procedures for procurement, budgeting, accounting and auditing.
 - During implementation:
 - Monitor on a continuous basis the institutional capacity of beneficiaries (update the initial diagnostic at least once a year) and the use of financial systems.
 - Allow flexibility in project design if circumstances/capacities evolve.

Recommendation 10: Ensure monitoring of results and their evaluation ex-post

Adequate monitoring not only of inputs and outputs but also of outcomes and the reporting on this monitoring should be essential features of any Commission supported intervention: the monitoring of interventions' results on a continuous basis is essential for adapting the intervention's design and inputs to changing contexts and consequently ensure better effectiveness of these interventions.

The monitoring and the public availability of the results of this monitoring (monitoring and evaluation reports) are also of paramount importance for ensuring accountability of use of resources and that adequate information is available for learning lessons.

Based on: C2, C6 and C7.

Each intervention should be designed with a logical framework detailing the inputs, corresponding outputs, expected outcomes and contributions to the reaching of intended impacts. All interventions should thus systematically be designed with an inclusive monitoring system including well designed, comparable outcome indicators (SMART indicators), based on well defined and realistic sources of quantitative and qualitative data and, finally, an associated regular reporting system. This internal monitoring should ideally be reinforced by an external monitoring system such as the ROM system currently used by the Commission for some, but not all, projects and programmes; this external monitoring system should mainly test the continued robustness of the project against its design and its effectiveness in reaching the intended outcomes and impact.

In the agricultural sector and when designing support to agricultural commodities using the value chain approach, one of the important factors to be monitored should be the distribution of the chain's value added, differentiating by gender. The continuous monitoring of results is especially important when considering that the context in which farmers operate is continuously changing and that the interventions might thus also have to be flexible and adapt to this changing environment.

These monitoring systems should be in place in all programmes, regardless of the financing instrument used for providing support. The monitoring reports would also help in keeping an institutional memory of past interventions, thus learning from past experiences and capitalising on past achievements.