



POLICY BRIEF

Strengthening Agricultural Value Chains & AfCFTA Linkages in South Sudan: Opportunities and Challenges



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Once South Sudan develops its agricultural value chain resources to an exportable quality, the the EAC countries offer a huge market, where these resources are in demand.

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ACRONYMS

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| AfCFTA | African Continental Free Trade Area |
| AVCs | Agricultural Value Chains |
| CET | Common External Tariff |
| CU | Custom Union |
| EAC | East African Community |
| FTA | Free Trade Area |
| GDP | Gross Domestic Product |
| GMP | Good Manufacturing Practice |
| GRSS | Government of the Republic of South Sudan |
| IGAD | Inter-Governmental Authority on Development |
| MSME | Micro, small, and medium sized enterprise(s) |
| NEIS | National Export and Investment Strategy |
| NTB | Non-Tariff Barriers |
| PAPSS | Pan-African Payment and Settlement System |
| QMS | Quality Management System |
| R-ARCSS | Revitalised Agreement on the Resolution of Conflict in South Sudan |
| REC | Regional Economic Community |
| R-NDS | Revised National Development Strategy |
| RoO | Rules of Origin |
| R-TGoNU | Revitalized Transitional Government of National Unity of South Sudan |
| SPS | Sanitary and Phytosanitary Standards |
| SSAM | South Sudan Association of Manufacturers |
| SSCCIA | South Sudan Chamber of Commerce, Industry and Agriculture |
| SSNBS | South Sudan National Bureau of Statistics |
| UNDP | United Nations Development Programme |

SUMMARY

The Revised National Development Strategy (R-NDS) for the period 2021-2024 identifies diversification from petroleum to agriculture as vital for sustainable economic growth. This provides a way to attain broad-based economic growth and food security in the short to medium-term. Soils and ecological characteristics make South Sudan suitable for the supply of a range of agricultural products. By adding value to agricultural raw materials into final food products for domestic and export markets, South Sudan can create decent jobs, increase earnings and broaden government's revenue generation base. Agricultural value chains (AVCs) with greatest potential include natural honey, gum arabic, shea nut, sesame, groundnut, soya bean, and fish

The Africa Continental Free Trade Area (AfCFTA) provides market opportunities and a supportive business environment for trading 'Made in South Sudan' products. However, there are policy related constraints that affect the development of agriculture products and linking these to the AfCFTA. These include delayed ratification of the AfCFTA Agreement; non-tariff barriers (NTBs) to trade within the country and across its borders; slow adoption of standards and certifications; lack of harmonization of national tariffs with the East Africa Community Common External Tariff (EAC CET); lack of institutional structures to implement the rules of origin; and lack of economic incentives for private sector micro, small and medium size enterprises (MSMEs) led by women and youth to develop products for the AfCFTA. This policy brief recommends a combination of policy interventions required to strengthen agricultural value chain linkages to the AfCFTA.

By providing a large and attractive market, the AfCFTA offers incentives to private companies to invest in small, fragmented, and uncompetitive national markets like South Sudan. The immediate benefits of the AfCFTA include a reduction in tariffs and NTBs and the establishment of a continental framework for trade in goods and services. This is expected to drive structural transformation in South Sudan through increased investment in seven AVCs where the country has comparative advantage.

In order to understand the potential contribution of the AfCFTA in spreading the benefits of trade to all actors in the economy, an assessment was conducted to determine the potential opportunities and challenges of AfCFTA to strengthen the AVCs and build stronger AfCFTA linkages in South Sudan. The expectation is to foster participation of the private sector, especially for women and youth-led MSMEs, on AfCFTA and AVCs.



South Sudan needs to implement the EAC CET protocols in order to take advantage of the market opportunities available in the EAC and in the AfCFTA.

BACKGROUND

South Sudan has an estimated population of 13.3 million (2020 estimate) in an area of 644,000 square kilometres. More than 75 percent of the country's land area is suitable for agriculture and about half of the total land space, is estimated to be suitable for cultivation. Population growth rate is exceedingly high at 3.1 percent (2010-2019), with 40 percent of the population younger than 15 years old. About 80 percent of the population lives in rural areas (as compared to 60 percent in overall sub-Saharan African in 2018) with limited access to services, support, and markets.

South Sudan remains highly dependent on oil, which accounts for about 90 percent of government revenue, 95 percent of total exports, and more than half of the country's Gross Domestic Product (GDP). Outside the oil sector, livelihoods are concentrated in low productivity, unpaid agriculture, and pastoralist work. The agriculture sector accounts for 15 percent of GDP and employs 80 percent of the population. However, low agricultural production means the country is heavily dependent on food imports, despite the abundance of arable land. Food imports as a percent of merchandise imports have consistently increased throughout the last decade.

South Sudan has the potential to benefit from seven agricultural value chains (AVCs) that have high export potential including shea nut, gum arabic, natural honey, sesame, groundnut, soya bean, and fish. The challenge remains in investment to scale up production, value addition, and in taking advantage of emerging regional markets like the African Continental Free Trade Area (AfCFTA) to support the National Economic Diversification Agenda as envisaged in the R-NDS 2021-2024.

The AfCFTA aims to connect 1.3 billion people across 55 countries; thus providing market access opportunities for products made in South Sudan and inputs to support structural transformation through value addition. The AfCFTA is expected to provide the impetus for reforms that boost productivity and job creation, further reducing poverty. The immediate benefits of the AfCFTA are expected to emerge from the reduction in tariffs and non-tariff barriers (NTBs), and the establishment of a continental framework for trade in goods and services. By promoting intra-African trade and fostering regional value chains and production networks, the AfCFTA is expected to drive South Sudan's structural transformation through increased investment in key AVCs where the country has comparative advantage. Developing national value chains to leverage on improved market access requires an evidence-based approach to identify opportunities in key AVCs in relation to the AfCFTA.

THE SEVEN SOUTH SUDAN AGRICULTURE VALUE CHAINS



FOSTERING AVC AND AfCFTA LINKAGES: OPPORTUNITIES AND CHALLENGES

OPPORTUNITIES FOR LINKING VALUE CHAINS TO THE AfCFTA

The NEIS and the R-NDS identified seven AVCs that have the greatest export potential. These include shea nut, gum arabic, natural honey, sesame, groundnut, soya bean, and fish. These are aligned with the Inter-Governmental Authority on Development (IGAD) and the EAC priority commodities for export development. Many smallholder farmers in South Sudan are involved in production of the seven value chains along with maize and sorghum. Private companies are already sourcing some of these raw materials from producers and transforming them into finished products for domestic and export markets.

The AfCFTA Agreement provides comprehensive avenues through which women and youth entrepreneurs can formalize and upgrade their trade. AfCFTA provisions under the Protocol on Rules of Origin permit access to cheaper raw materials and intermediate inputs. Women participating in value chains would be able to produce goods and services with significant African content in terms of raw materials and value addition in line with the preferential trade regime of the AfCFTA. Countries will be able to build on the productive capacities of their trade sector producers with greater comparative advantage before fully opening to trade. This gradual liberalization enables small-scale producers (the majority of whom are women) to enhance their competitiveness in intra-regional trade. As to policy space, the AfCFTA takes into account safeguards, standards, and transition periods on tariff progression.

Once the AfCFTA Agreement is ratified, South Sudan will be able to create temporary exclusion lists that limit imports during sudden import surges. If properly harnessed, these trade measures will allow South Sudan to protect their small-scale producers against competition from import surges and counterfeit products. The AfCFTA's criteria for designating sensitive products and exclusion lists take into consideration restrictive trade liberalization measures on specific products deemed essential for women's needs such as reproductive health products and agro-processing. The AfCFTA adopts preferential trade regimes facilitating small-scale cross border traders and smallholder farmers through measures that promote their integration into larger value chains. For example, the provisions of the AfCFTA Annex on Standards and Phytosanitary (SPS) Measures entails mutual recognition of standards, licensing, and certification of service suppliers across the continent, making it easier to meet export standards and satisfy regulatory requirements for niche markets.

By leveraging on the three digital based instruments, the African Trade Observatory, the AfCFTA Digital Trading Hub, and the AfCFTA Digital Payment Hub, countries and traders can take advantage of the AfCFTA Protocol on Digital Trade and E-commerce. With increased supply capacity and with improved compliance with the rules of origin and product standards, women and youth can favourably compete in the male dominated export market created by the AfCFTA.



In spite of the opportunities for greater market integration with the AfCFTA, there are constraints that may prevent South Sudan, especially women entrepreneurs who play a significant role in intra-regional trade, from taking advantage of the AfCFTA trade opportunities. The following concerns are highlighted in this section.



1. DOMESTIC TAXES, LEVIES AND INFRASTRUCTURE CONSTRAINING MOVEMENT OF GOODS AND RAW MATERIALS IN SOUTH SUDAN

State governments and local authorities have imposed multiple and arbitrary levies and taxes on goods transiting from rural areas to the markets and factories. Combined with poor road infrastructure, traders incur heavy costs on transportation of goods within South Sudan. Analysis of stakeholder feedback depicts that it is cheaper to buy and transport 40 tonnes of maize from Masindi in Western Uganda to the city of Juba in South Sudan than it is to move the same amount from Rumbek State to the city of Juba. To compensate for costs associated with taxes, levies, and poor road infrastructure traders offer lower farm gate prices to producers or import the commodities from neighbouring countries. The net effect is loss of foreign currency and low farm-gate price for locally grown farm produce. The low farm-gate prices discourages farmers from investing in production leading to low output, reduced income, food insecurity, and increased poverty. When combined with a high population growth rate and a bulging youth population, the potential for armed conflict and insecurity in rural areas increases; adversely affecting women and youth whose livelihood depends on agriculture.

While elimination of levies and taxes on agricultural produce will lead to revenue loss by state governments and local authorities in the short term, such strategy will encourage traders to buy more farm produce leading to increased demand and consequently higher farm-gate prices. This motivates producers to invest more in production, leading to increased supply of agricultural produce which is then processed into finished products competitively traded in the AfCFTA. The integration of production, processing, and marketing will increase demand for farm inputs, labour, and post-harvest activities, which then create employment opportunities, especially among women and youth in the agriculture sector. In the medium term, the state governments and local authorities will increase their revenue collection from licensing of businesses established along these AVCs in both rural and urban areas. Therefore, elimination of levies and taxes on commodities moving within the country and improving road infrastructure has the potential to increase the revenue collection base, reduce import dependence, and create decent employment.

2. SLOW ADOPTION OF STANDARDS AND WEAK CERTIFICATION SYSTEM FOR PRODUCTS MADE IN SOUTH SUDAN



The Codex Alimentarius (Codex or Food Code) is a collection of international standards, guidelines, and codes of practice to protect the health of consumers and ensure fair practices in the food trade. Codex standards are used worldwide to harmonize national food safety regulations and are recognized in the WTO Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures as the international reference point for food safety. When food producers and traders comply with Codex standards, consumers can trust the safety and quality of the products they buy and importers can have confidence that the food they order will meet the specifications.

The South Sudan National Bureau of Standards (SSNBS) is mandated to develop standards, assess the conformity with international standards, and determine the metrology of products. However, in South Sudan these mandates are not adequately fulfilled due to inadequate technical capacity and equipment. As a result, local producers are yet to acquire national and regional standards to assist them in achieving market certification requirements. Due to limited technical guidance these producers have not established Good Manufacturing Practices (GMP) with a sound code of practice, or with Quality Management Systems (QMS), which guarantees safe production of goods that meet international standards.

At SSNBS there is a need to upgrade facilities and equipment, improve staff capacity, launch and promote a South Sudan Quality Mark, and create public awareness. Obtaining international recognition of SSNBS Quality Mark will enable products labelled 'Made in South Sudan' to enter continental and international markets. Capacity building and mentorship for producers and processors is also needed to ensure they are able to meet SPS and international commercial standards.

Due to arbitrary taxes, it is cheaper to buy and ship maize from Masindi, Uganda to the city of Juba than it is to buy and ship maize from Rumbek State in South Sudan to the city of Juba.



3. SOUTH SUDAN TARIFFS NOT HARMONIZED WITH EAC CET

The EAC Tariff Order structure has four bands of 0%, 10%, 25% and 35%. South Sudan's current tariff structure has four bands of 0%, 5%, 10% and 20%. Despite being a member of the EAC, South Sudan has not implemented the EAC Common External Tariff (CET) protocols, which involves a revision of its tariffs to harmonise with that of EAC tariffs and have them approved by Parliament. By failing to implement the EAC CET protocols, goods from South Sudan are taxed to enter the other EAC member states. As a result, South Sudan products are less competitive in the EAC markets. Once South Sudan develops her value chains for AfCFTA including shea nut, natural honey, gum arabic, groundnut, edible oils, and fish to an exportable quality, the markets in neighbouring countries will open up. This is particularly true for food products, as the region is regularly affected by drought and food shortages. Moreover, the EAC is an important transit route for South Sudan because nearly all imports and non-oil exports are transported through the region. South Sudan, therefore, needs to implement the EAC CET protocols in order to take advantage of the market opportunities presented by the EAC and the AfCFTA.



4. DELAYED RATIFICATION AND IMPLEMENTATION OF THE AFCFTA AGREEMENT

As at February 2023, 46 of the 54 signatories (85.2 percent) had deposited their instruments of AfCFTA ratification. South Sudan is among the nine countries that have signed but have not ratified the AfCFTA Agreement. South Sudan has a young economy dominated by infant-industries, many of them new and in their early stages of development and thus not yet capable of competing against established industry competitors. Once South Sudan ratifies the AfCFTA Agreement, these emerging domestic industries will need protection against international competition until they become mature and stable. One possible measure is for South Sudan negotiators to request AfCFTA to collaborate with the Afrexim Bank to institute a US\$1 billion AfCFTA adjustment facility. This will ensure businesses in infant sectors in South Sudan secure funding for expanding capacity, promotion of export, and support to MSMEs (especially for women and youth) to increase competitiveness. This will also assist South Sudan to adjust in a systematic manner for any unexpected significant tariff revenue loss.

While there is likely the challenge of unfair competition associated with tariff reduction, AfCFTA has put in place extensive rules of origin that regulate the criteria needed to determine the national source of a product, which will ensure

Key export products are taken to Kenya and Uganda for quality testing, causing a direct increase in time and costs to MSMEs.

that goods traded with preferential rates are truly of AfCFTA origin. In addition, South Sudan has an opportunity to exclude some products from tariff liberalisation, and apply gradual tariff reduction as a least developed country (LDC), which provides flexibility to develop the infant industry.¹

South Sudan will also need to take advantage of ‘trade remedy and safeguard provisions’ in the AfCFTA Agreement to deal with emerging unfair trade practices and unforeseen consequences during the implementation of the AfCFTA. While there is high visibility and political momentum around the AfCFTA and good progress made in the negotiations at the continental level, the impact of AfCFTA on South Sudan will depend not only on what is agreed in the negotiations, but also on whether South Sudan ratifies, domesticates, implements, and complies with the obligations of the AfCFTA. The impact of the AfCFTA will depend on the effectiveness of various complementary policies and initiatives put in place to enable South Sudan businesses to take advantage of trade and investment opportunities under the AfCFTA. Therefore, South Sudan should develop and deposit instruments of ratification to the AfCFTA Secretariat. In addition, it should negotiate for funding to support continued growth of its infant agricultural production and manufacturing sectors.

5. LACK OF A FRAMEWORK FOR PUBLIC–PRIVATE DIALOGUE

Linking South Sudan value chains to the AfCFTA will face a number of challenges especially at the initial stages. These will range from internal policy and regulatory frameworks, institutional capacity issues, and external policies and structures upon which the AfCFTA is founded. It is imperative that South Sudan establish evidence based public-private policy dialogue towards the formulation and implementation of industrial policies to strengthen and support the country’s economic development. Through fact-based engagements, the South Sudan Association of Manufacturers (SSAM) and the South Sudan Chamber of Commerce, Industry and Agriculture (SSCCIA) should engage the government and its associated agencies in dialogue to ensure a dynamic and flourishing manufacturing sector in the country. For this to be effective, there is need to support institutional capacity development of the SSAM and SSCCIA to conduct fact based policy engagement.



¹ Member states have agreed to liberalise 90 percent of tariff lines. The agreed timeframe for achieving this level of ambition is 10 years for LDCs and 5 years for non-LDCs. Of the remaining 10 percent of tariff lines, 7 percent can be designated sensitive and 3 percent of tariff lines can be excluded from liberalisation.



6. LIMITED AWARENESS ABOUT OPPORTUNITIES PRESENTED BY THE AfCFTA

Generally, there is a lack of public awareness about the potential opportunities presented by the AfCFTA, which is more acute in the rural areas where over 80 percent of the population resides, with a large proportion being women and youth. Diversifying the economy of South Sudan through AVC development and linkage to AfCFTA will rely on increased supply of quality raw materials produced in the rural areas. Women and youth are significant actors in the diversification process not just as producers of raw materials, but also as processors and exporters of the finished products. Therefore, general public awareness and campaigns needs to be conducted to educate different stakeholders in both public and private sector, with special attention given to women and youth in urban and rural areas.



7. INADEQUATE CAPACITY AND AWARENESS TO FACILITATE COMPLIANCE AND EFFECTIVE IMPLEMENTATION OF AfCFTA RULES OF ORIGIN

Rules of origin are legal provisions used to determine the nationality of a product in the context of international trade. Article 13 of the *AfCFTA Protocol on Trade in Goods* provides that goods shall be eligible for preferential tariff treatment “if they originate in any of the State Parties in accordance with set criteria and conditions.” This means that all goods that meet the requirements of the AfCFTA rules of origin qualify for preferential tariff treatment when they are traded within the AfCFTA. In the AfCFTA context, the rules of origin specify the conditions under which a product traded between the parties to the Agreement can claim local economic origin status and thus benefit from preferences offered by the AfCFTA. Products that cannot demonstrate compliance must be traded on standard Most Favored Nation terms, which often means much higher tariffs. However, South Sudan policymakers and the private sector have limited capacity to interpret and apply the AfCFTA rules of origin. The policymakers and private sector should therefore have adequate capacity on AfCFTA in order to qualify for preferential market access under AfCFTA. Capacity of customs officials and producers, processors, traders, and exporters must be enhanced on AfCFTA rules of origin and preferential market access.

CONCLUSION

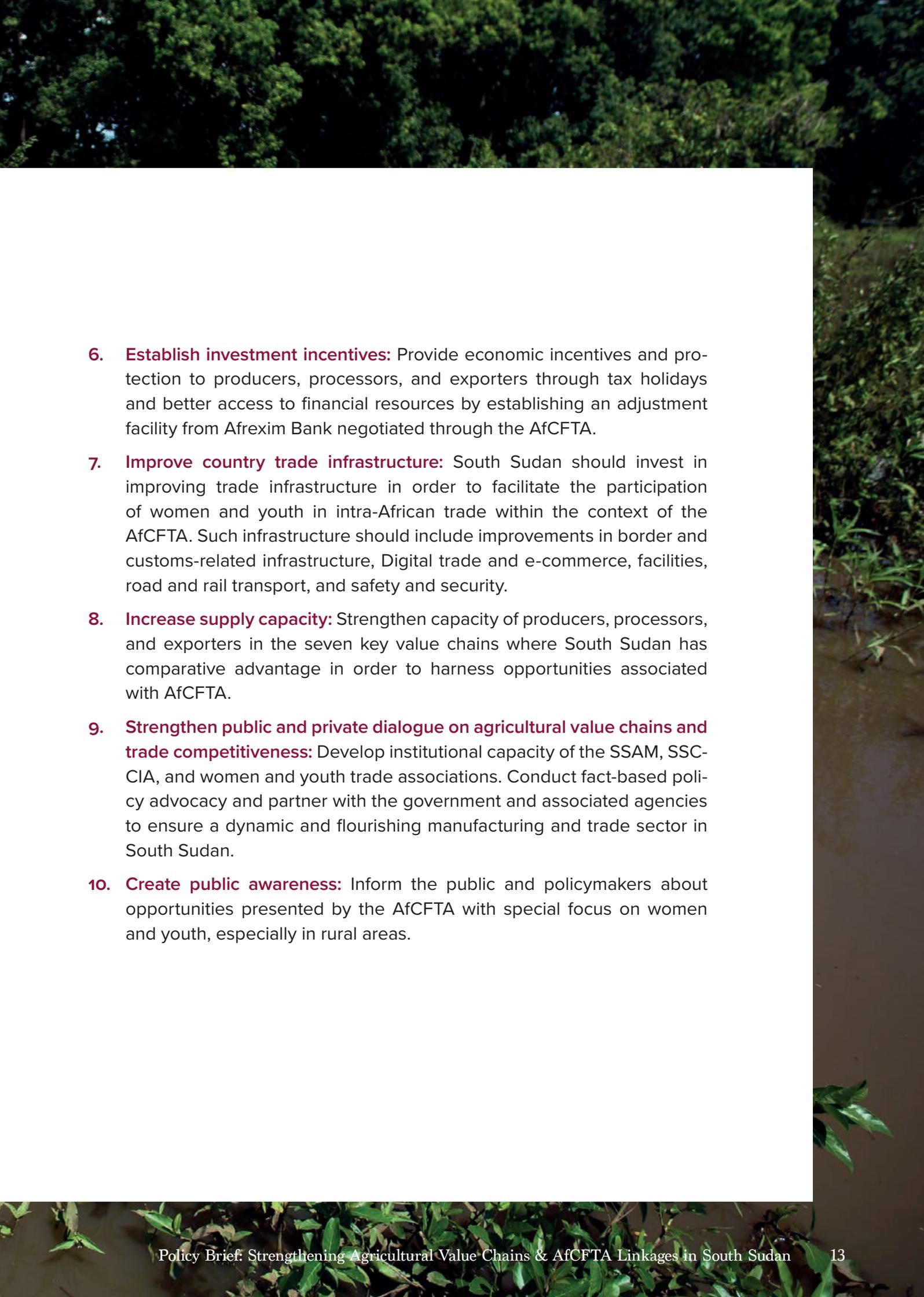
Agriculture Value chain development is a critical issue for consideration in terms of youth and women's economic empowerment – especially in the context of intra-regional trade. For example, the 2014 Malabo Declaration's review of the AU's Comprehensive African Agriculture Development Programme (CAADP) reiterated the need to support and facilitate the preferential entry and participation of women in various regional value chains as a means to boost intra-regional trade in Africa. Intra Africa trade through AfCFTA has the potential to unleash a virtuous circle where the opportunities of larger markets trigger increasing trade and investment, leading to export diversification, productivity gains, and thus greater value added and employment, thus improving incomes and further increasing the size of the market. The opportunities discussed above in agriculture and the digital market all also stem from successful AfCFTA agreement and implementation. But as also discussed, this potential depends on South Sudan ratifying and implementing the agreement. Beyond that, many of the potential benefits rely on complementary enabling policies to ensure that people and goods can indeed cross borders, that trade facilitation measures are in place, that the business environment does encourage investment, that the structures are in place to allow upgrading and greater value addition, and that this translates into increasing incomes and livelihoods for women and the youth. That is, the absence of these enablers, all of which depend on domestic measures, could also undermine the potential benefits of the AfCFTA. The following policy measures are recommended to maximize benefits from trade opportunities associated with AfCFTA and Agricultural Linkages

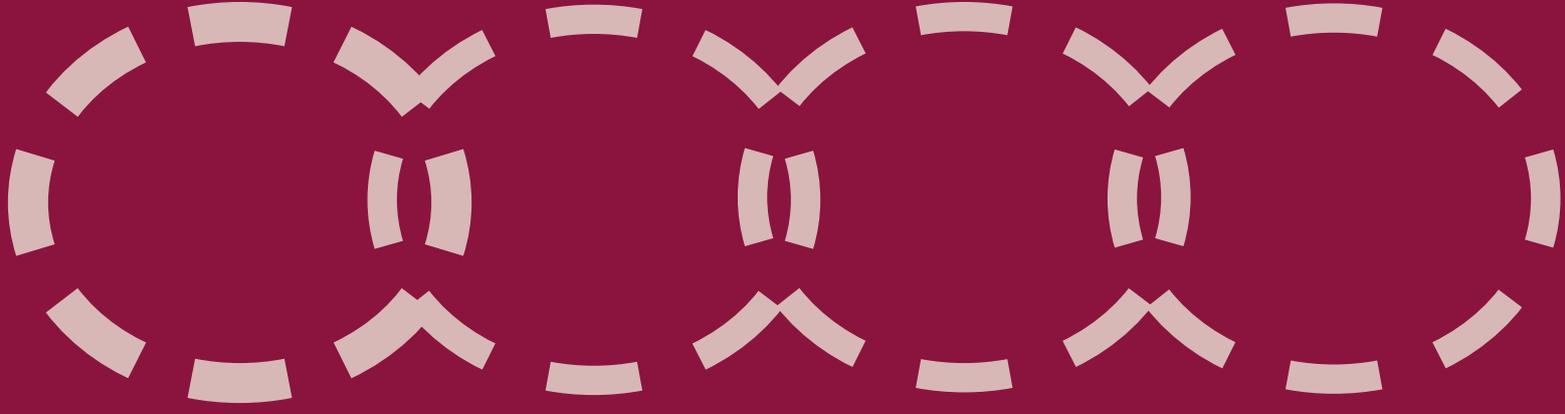


POLICY RECOMMENDATIONS

The following policy interventions are recommended to address the seven constraints identified.

- 1. Eliminate interstate trade barriers:** Removal of all arbitrary taxes and levies on goods transported within the country will increase demand for agricultural produce leading to increased production, higher incomes, better food security, and reduced poverty. Agriculture raw materials will be readily available for processing and marketing through AfCFTA. State governments and Administrative Area authorities can increase their revalue collection through licensing and service charges of agribusiness linked to AfCFTA.
- 2. Strengthen compliance with international and regional market standards:** Upgrade facilities, equipment, and staff capacity of the SSNBS and obtain international recognition of SSNBS Mark of Quality to ensure products labelled 'Made in South Sudan' can enter continental and international markets. This will enable goods made in South Sudan to meet the AfCFTA quality requirements.
- 3. Implement the EAC Common External Tariff:** Harmonise South Sudan Tariffs with those of the EAC to enable goods from South Sudan enter the EAC market at preferential rates and provide a gateway to the AfCFTA markets.
- 4. Strengthen the capacity of producers and policymakers on rules of origin and preferential market access:** Domesticating the EAC rules of origin through parliamentary approval and build capacity of customs officials and producers, processors, traders, and exporters of products to the AfCFTA. Capacity building areas to include but not limited to: interpretation of rules of origin, main steps in determining the origin of a product, information required, and paperwork for proof of origin.
- 5. Fast-track the ratification of AfCFTA Agreement:** South Sudan should ratify the AfCFTA Agreement by developing and depositing the relevant instruments with the AfCFTA Secretariat to facilitate implementation of the AfCFTA. This will allow 'Made in South Sudan' products to gain access to other African markets and obtain imports from the AfCFTA state parties at preferential rates. At the same time, ensuring sensitive and infant industries are protected.

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6. **Establish investment incentives:** Provide economic incentives and protection to producers, processors, and exporters through tax holidays and better access to financial resources by establishing an adjustment facility from Afrexim Bank negotiated through the AfCFTA.
 7. **Improve country trade infrastructure:** South Sudan should invest in improving trade infrastructure in order to facilitate the participation of women and youth in intra-African trade within the context of the AfCFTA. Such infrastructure should include improvements in border and customs-related infrastructure, Digital trade and e-commerce, facilities, road and rail transport, and safety and security.
 8. **Increase supply capacity:** Strengthen capacity of producers, processors, and exporters in the seven key value chains where South Sudan has comparative advantage in order to harness opportunities associated with AfCFTA.
 9. **Strengthen public and private dialogue on agricultural value chains and trade competitiveness:** Develop institutional capacity of the SSAM, SSC-CIA, and women and youth trade associations. Conduct fact-based policy advocacy and partner with the government and associated agencies to ensure a dynamic and flourishing manufacturing and trade sector in South Sudan.
 10. **Create public awareness:** Inform the public and policymakers about opportunities presented by the AfCFTA with special focus on women and youth, especially in rural areas.



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