

# ENHANCING SANITARY AND PHYTOSANITARY CAPACITY TO PROMOTE TRADE FOR DEVELOPMENT IN LEAST DEVELOPED COUNTRIES

In recent decades, several Least Developed Countries (LDCs) have benefited from integration into the global economy with an emerging virtuous circle of investment, innovation and job creation. The agricultural sector is key to translating trade into pro-poor development. Agriculture employs up to 70% of the labour force in LDCs. Growth in agriculture delivers more poverty reduction than growth in other sectors in low-income economies (WTO, 2014).<sup>1</sup> The value of global agricultural trade nearly tripled between 2000 and 2012, accompanied by high prices in international food markets and an increased demand for high-value products (FAO, 2015).<sup>2</sup> Despite this strong growth, and with the notable exception of fresh fruits and vegetables, the LDCs' market share of global agricultural exports declined over the same period (WTO, 2014). As tariffs have fallen, non-tariff measures have become the most significant hurdle to unlocking the agricultural export potential of the LDCs, with constraints related to sanitary and phytosanitary (SPS) measures being prominent.

This briefing note summarizes the findings of a study commissioned jointly by the Enhanced Integrated Framework (EIF) and the Standards and Trade Development Facility (STDF). The study analyzed the coverage of SPS needs in a large number of Diagnostic Trade Integration Study (DTIS) reports and wider EIF processes. It identified some good practices and lessons and developed recommendations to improve the analysis on SPS issues in the DTIS process, enhance capacity to implement SPS-related recommendations and promote synergies between EIF- and SPS-related processes.

## The EIF: Promoting trade for development

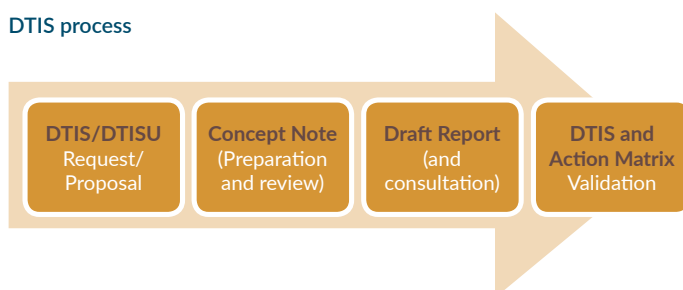
As a country-driven initiative, the EIF seeks to: (i) integrate trade policy into national development strategies; (ii) establish and strengthen institutional mechanisms to coordinate trade-related technical assistance and a multi-stakeholder dialogue; (iii) trigger policy reforms; and (iv) mobilize additional financial and technical resources to build capacity to trade and address priority trade needs. The EIF lays the framework and provides initial project resources for institutional, policy and project coordination related to trade in the world's 51 poorest countries, in partnership with 24 bilateral donors and 8 international agencies. The DTIS, a cornerstone of the EIF, identifies constraints and opportunities to integrate the LDCs into global trading systems. The DTIS report is

the end-product of a process that starts at the initiation of a request from the EIF Country and culminates with the report's validation by national stakeholders and its integration into country programming. DTIS reports are periodically updated (every few years).

### The EIF/STDF study included:

- Preliminary review of 43 DTIS Reports and 12 DTIS updates;
- Detailed review of the DTIS process in 20 countries;
- Country-level interviews and three country case studies (Cambodia, Senegal and Tanzania); and
- Interviews with eight international organizations.

### DTIS process



## The STDF: Building SPS capacity to facilitate safe trade

Food and agricultural exports (primarily in unprocessed form) often trigger SPS compliance challenges. Adequate capacity to control SPS risks is crucial for the LDCs to gain and maintain access to foreign markets. Repeated rejections of shipments for non-compliance with SPS requirements result in stricter scrutiny by importing countries, increased transaction costs, damaged reputation and a loss of confidence in the exporting country's competent authority. A strong SPS control system is also an essential asset to protect a country's productive capacity, biodiversity and ecosystem services from the entry, spread and establishment of invasive alien species. Increased incidences of pests and diseases negatively impact agricultural production, the effects of which can sometimes be long-lasting on the country's ability to export.

<sup>1</sup> WTO, World Trade Report, 2014. See: [www.wto.org/english/res\\_e/publications\\_e/wtr14\\_e.htm](http://www.wto.org/english/res_e/publications_e/wtr14_e.htm).

<sup>2</sup> FAO, The State of Agricultural Commodity Markets, 2015-16. See: [www.fao.org/3/a-i5090e.pdf](http://www.fao.org/3/a-i5090e.pdf).

The STDF supports developing countries in building SPS capacity and gain and maintain market access. By bringing together the SPS expertise and skills of its founding partners<sup>3</sup> and other organizations, the Facility provides a unique platform for information exchange, identification of good practice and strengthening of collaboration in SPS capacity building. The STDF also provides support for project development and implementation, based on an appropriate assessment of SPS-related capacity-building needs. Applications are particularly encouraged from the LDCs. As a coordinating entity, the STDF has contributed to the review of DTIS reports and EIF-funded projects with SPS components.

## Findings and recommendations

### SPS capacity: a public good

**Building the capacity of veterinary services, plant health services and food safety agencies normally requires substantial investments. In addition to facilitating trade and boosting economic growth, enhancing SPS capacity is likely to have a number of other positive domestic spin-offs, including on agricultural productivity, environmental health, public health and food security. For instance, the consequence of disease can be difficult to bear, especially in developing countries, not only in terms of social impacts, but also in terms of the economic burden resulting from straining health care systems and lost working days. The starting point for capacity-building efforts should be to enable SPS authorities to effectively implement international standards. Making use of international standards increases the cost-effectiveness of SPS measures by reducing the need for costly risk assessments. Enhancing SPS capacity is also a global public good, since food safety and animal and plant health risks, as well as the benefits of risk control are increasingly interconnected across national boundaries.**

While SPS compliance issues are referenced to some degree across almost all of the DTIS reports and updates reviewed, the study highlighted the need to address them in a more comprehensive and systematic manner. In particular, the study identified opportunities to strengthen the analysis on SPS compliance issues in the DTIS reports, to enhance the LDCs' capacity to implement SPS-related recommendations and to benefit from synergies between EIF- and SPS-related processes. It concluded that efforts to ensure adequate attention to SPS issues throughout the entire DTIS process would have far-reaching benefits for the country concerned.

Building on the lessons learned from the current practice in DTIS elaboration and the good practice identified in the study, key recommendations focus on the following aspects:

### The cost of non-compliance

**From 2002 to 2010, export losses associated with U.S. rejections of agri-food shipments across four sub-sectors (i.e. fisheries, fruits and vegetables, herbs and spices and nuts and edible seeds) were estimated at US\$715 million, averaging almost US\$80 million per year (UNIDO, 2015).<sup>4</sup>**

### Strengthen the analysis on SPS compliance issues in the DTIS report

**Make use of relevant SPS-related evaluations and explicitly refer to them in the DTIS report.** Prior evaluations of the country's SPS system, notably using the Phytosanitary Capacity Evaluation (PCE) tool of the International Plant Protection Convention (IPPC) and the Performance of Veterinary Services (PVS) pathway of the World Organisation for Animal Health (OIE), should be used to inform the DTIS analysis. Other SPS-related reports and studies may also be available (including via the STDF Virtual Library<sup>5</sup>) and should be consulted.

**Combine the horizontal and vertical analyses of SPS issues.** It is good practice to ensure that DTIS reports include a separate SPS chapter or section containing an in-depth analysis of issues related to SPS policy and institutional and regulatory frameworks, as well as critical gaps in capacity that may act as limiting factors to achieving policy objectives. It is also useful to address SPS constraints, wherever relevant, in other chapters, for instance focused on specific commodities, trade facilitation or private sector development. In some cases, using a value-chain approach can help to design concrete and targeted actions. The DTIS team can tap into existing knowledge on priority export sectors by reviewing relevant value-chain assessments, starting with the question: "does the product present an SPS risk?"

**Link SPS investments to economic and development impacts.** Investing in SPS capacity contributes to a range of benefits, including for agricultural productivity, trade and economic growth and poverty reduction. Putting quantifiable monetary figures on the expected impact of investments in SPS capacity is useful to benchmark SPS investments vis-à-vis other competing trade requirements. Similarly, estimating the financial costs of failing to implement international standards and meet SPS import requirements, for instance in terms of reduced trade due to export rejections or bans linked to SPS concerns, can serve to highlight the urgency and necessity of investing in SPS

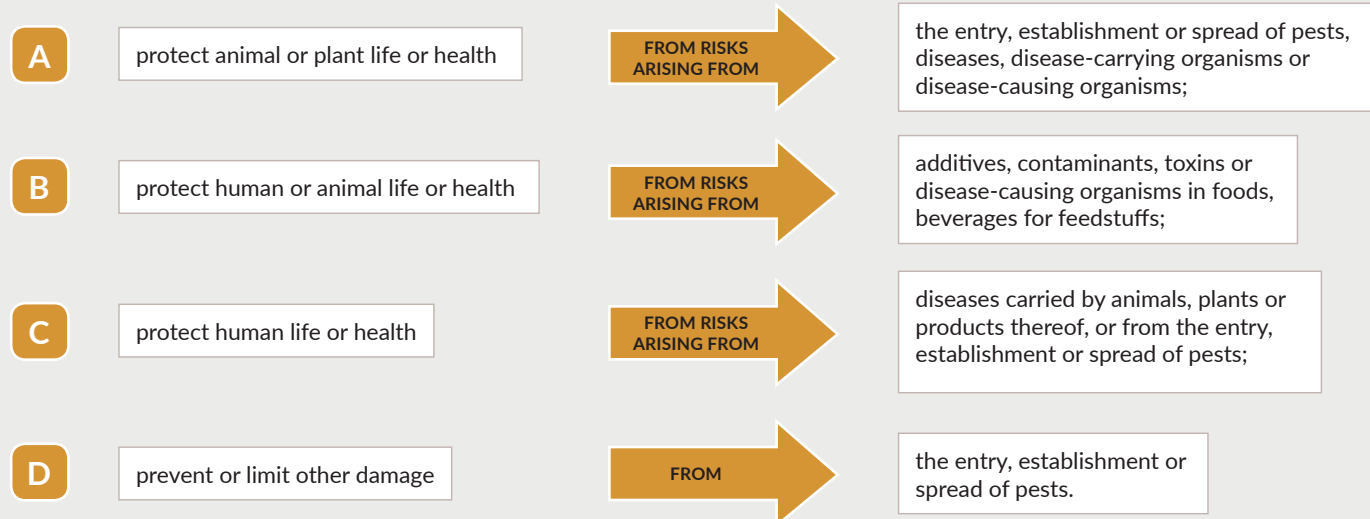
<sup>3</sup> The STDF's core founding partners are the Food and Agriculture Organization of the United Nations (FAO), the World Bank, the World Health Organization (WHO), the World Organisation for Animal Health (OIE) and the World Trade Organization (WTO).

<sup>4</sup> UNIDO, Trade Standards Compliance, 2015. See: [www.unido.org/fileadmin/user\\_media\\_upgrade/Resources/Publications/TCB\\_Resource\\_Guide/TSCR\\_2015\\_final.pdf](http://www.unido.org/fileadmin/user_media_upgrade/Resources/Publications/TCB_Resource_Guide/TSCR_2015_final.pdf)

<sup>5</sup> See: [www.standardsfacility.org/library](http://www.standardsfacility.org/library)

## What is an SPS measure?

Any measure applied, within the territory of the Member, to:



**SPS measures include** all relevant laws, decrees, regulations, requirements and procedures including, inter alia, end product criteria; processes and production methods; testing, inspection, certification and approval procedures; quarantine treatments, including relevant requirements associated with the transport of animals or plants, or with the materials necessary for their survival during transport; provisions on relevant statistical methods, sampling procedures and methods of risk assessment; and packaging and labelling requirements directly related to food safety.

Source: Annex A, WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

capacity. Recent STDF work on the use of economic analysis methodologies to support SPS capacity building and prioritization of SPS investment needs provides useful guidance.<sup>6</sup>

**Improve policy coherence.** The study identified important opportunities to better link SPS capacity needs and priorities identified in the DTIS report to national and regional agricultural, trade, development and investment policies and strategies. Strengthening SPS capacity is a public good that amongst others contributes to agricultural productivity, economic development and poverty reduction. SPS capacity constraints and opportunities in the DTIS report should be considered in the context of broader alignment with agriculture, development and trade strategies. Ensuring policy coherence is especially important at a time when many LDCs are pursuing an ongoing process of structural transformation linked to economic development.

**Consider opportunities to strengthen SPS capacity at a regional level.** While DTIS reports pay increasing attention to market access opportunities offered by regional trade agreements, there could be more focus on options to strengthen SPS capacity at a regional level. Food safety, animal and plant health risks and the benefits of risk control are interconnected across national borders. Taking a

regional approach can help to identify cost-effective opportunities to pool resources and realize economies of scale (e.g. through a joint diagnosis, monitoring and control of risks related to food safety, animal and plant health or regional training facilities). It can further support policy coherence and strengthen linkages to other efforts to build SPS capacity, including those led by regional economic communities (e.g. Comprehensive Africa Agriculture Development Programme), as well as other issue-specific initiatives (e.g. Partnership for Aflatoxin Control in Africa).

**Actively engage SPS expertise during the DTIS process.** To fully understand SPS constraints and opportunities, it is essential to engage relevant public and private sector stakeholders with knowledge about SPS matters. This includes government authorities responsible for food safety, animal and plant health (including contact points for Codex, IPPC and OIE), as well as national standards bodies and SPS Enquiry Points. It is also important to consult representatives of the private sector to learn about their views on SPS constraints and opportunities (e.g. linked to particular value chains or export markets), as well as the feasibility and desirability of reforms. The study demonstrated a direct correlation between the presence of an SPS expert in the DTIS team and the robustness of the SPS analysis in the report.

<sup>6</sup> See: [www.standardsfacility.org/economic-analysis](http://www.standardsfacility.org/economic-analysis) and [www.standardsfacility.org/prioritizing-sps-investments-market-access-p-ima](http://www.standardsfacility.org/prioritizing-sps-investments-market-access-p-ima).

Ideally, an SPS expert should always be included in the DTIS team. In cases where this is not possible, it is even more essential that the DTIS team work closely with the relevant national SPS authorities.

## Enhance national capacity to implement SPS-related recommendations in the DTIS

### Use SPS Action Plans to complement the DTIS Action Matrix.

The DTIS Action Matrix identifies a wide range of capacity-building needs and investments to mainstream trade for development at the national level. SPS capacity-building needs compete for priority with numerous other trade-related needs in the Action Matrix. Where appropriate, to complement the Action Matrix, it may be useful to develop an SPS action plan that provides more in-depth analysis on SPS capacity-building needs, maps out and sequences strategic interventions and estimates their implementation costs. An SPS action plan can assist national SPS authorities to design projects and mobilize resources, based on priorities identified in the DTIS report. The STDF can play a key role in helping the LDCs to elaborate SPS action plans, drawing on the SPS expertise of its members and other related work (for instance on the prioritization of SPS capacity-building needs for market access).<sup>7</sup>

### Measure progress in addressing SPS capacity-building needs.

Tracking progress in the implementation of SPS capacity-building needs identified in the DTIS Action Matrix is recommended to improve implementation (e.g. through an early identification of challenges faced or options for improvements) and also to stimulate performance, promote accountability and enhance impact. The DTIS update process can serve as a useful stocktaking exercise to explore the degree to which recommendations arising from the previous DTIS report have been implemented and to use lessons learned to improve the pertinence of guidance provided in the DTIS update report.

**Develop skills to design and leverage sound and bankable SPS projects to implement DTIS recommendations.** The study highlighted the critical lack of capacity of SPS authorities to formulate project proposals to address SPS needs identified in the DTIS. Support is needed to strengthen the project design and fundraising skills of SPS authorities. The EIF and the STDF can play a valuable role. Additional use should be made of the EIF/STDF Guide on Trade-related Project Identification, Formulation and Design.<sup>8</sup> STDF Project Preparation Grants (PPG) can be used to develop and mobilize resources for projects that address key SPS needs identified in the DTIS report. While such projects may leverage EIF Tier 2 funds, donors in the country should be encouraged to consider funding these projects directly, through their own bilateral programmes, to relieve the pressure on limited Tier 2 funds. The EIF Donor Facilitator can play a critical “matchmaking” role in this regard. Donors potentially interested in SPS investments should be engaged from the start of the analysis.

## Exploit synergies in EIF and SPS-related processes

**Enhance the effectiveness of SPS stakeholders' engagement in EIF processes at the country level.** Attention should be paid to ensuring the effective representation of SPS authorities in EIF consultative and decision-making processes at the national level. Examining whether EIF National Steering Committees and other mechanisms related to the DTIS process effectively involve the most appropriate SPS stakeholders is a useful starting point. Enabling SPS authorities to review and validate the draft findings of the DTIS analysis will strengthen the accuracy and pertinence of the recommendations and also facilitate implementation. Consideration should be given to identifying practical ways to link EIF processes at the country level with SPS-related coordination mechanisms, where they exist, to promote synergies, address cross-cutting needs in an integrated manner and avoid the persistence of institutional silos. The study highlighted the benefits of effectively engaging SPS stakeholders throughout the entire DTIS process, starting from the DTIS concept note.

**Provide more practical guidance on how to effectively address SPS issues in the DTIS process.** There is scope to develop more and better guidance, within the Compendium of EIF documents, on how to effectively address SPS issues in the DTIS process and report. This guidance should ensure clarity on important SPS-related concepts and definitions. Clarification of concepts (e.g. mandatory vs. voluntary standards) and the correct use of terminology (e.g. understanding the difference between “quality” and “safety” or SPS “standards” and “requirements”) is a necessary starting point. The study recommends that the EIF and the STDF develop a checklist that includes guiding questions to help the DTIS team identify the relevant SPS stakeholders for particular sectors in the country and fully analyze issues related to SPS capacity.

**Consider ways to engage other international organizations involved in SPS capacity-building in EIF processes.** EIF member and observer organizations are instrumental in providing inputs and advice in their respective areas of expertise during the DTIS process. To complement these inputs and ensure adequate consideration of SPS issues, the EIF should consider avenues for greater collaboration with other international organizations (notably FAO and WHO) that play a leading role in building food safety and animal and plant health capacity, as well as the standard-setting bodies referenced under the SPS Agreement (i.e. Codex, OIE and IPPC). A more systematic involvement of these organizations, either directly or through the STDF, would enhance the DTIS process and follow-up activities. These organizations should be engaged at the early stages of the DTIS process. They could also provide useful advice to ensure that guidance documents for the DTIS process adequately address SPS issues.

<sup>7</sup> See: [www.standardsfacility.org/prioritizing-sps-investments-market-access-p-ima](http://www.standardsfacility.org/prioritizing-sps-investments-market-access-p-ima).

<sup>8</sup> See: [www.standardsfacility.org/sites/default/files/EIF\\_HandbookProjectDesign\\_Feb-12.pdf](http://www.standardsfacility.org/sites/default/files/EIF_HandbookProjectDesign_Feb-12.pdf).