



Challenges and Opportunities for African Agro-Food Trade

**Standards and Trade:
Challenges and Opportunities for African Agro-Food Trade**

May 14- June 15, 2007

Final Report

Course organized by:
The World Bank Institute in collaboration with
The Agricultural and Rural Development Department
The World Bank

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Standards and Trade: Challenges and Opportunities for African Agro-Food Trade

1- Background

In recent years, governments and development agencies have sought to promote the diversification of African agro-food exports in order to accelerate economic growth, expand employment opportunities, and reduce rural poverty. Particular attention has been given to facilitating the exports of higher value foods—including fruits and vegetables, fish, spices, meat, and natural products—these being categories of products for which international trade has exhibited considerable growth in recent decades. A number of African countries have had some notable success in such export diversification. However, for African producers, processors, and exporters the challenges of international competitiveness in higher value food trade has become increasingly linked to the development of capacity to manage food safety, plant health, and or animal health risks. In Africa's main destination markets, especially, in the European Union, official food safety and agricultural health requirements are becoming more stringent, while new standards are being applied to address previously unknown or unregulated hazards. In parallel with changes in official standards and public oversight have been accelerated moves by the private sector to address food safety risks and otherwise address the (environmental and social) concerns and preferences of consumers and civil society organizations.

This proliferation and enhanced stringency of food safety and related standards represent potential barriers to African farmers and firms seeking to expand their trade in higher value foods. Yet, they may also represent a catalyst for the upgrading of production and manufacturing operations, and for improved collaboration between the public and private sectors. In this regulatory and competitive context, it is essential to understand the current status and likely trajectory of agro-food standards, the feasible range of commercial, administrative and technical options available to African farmers, firms, and governments, and the underlying economics of such responses.

As part of its capacity-building efforts in the field of food safety and agricultural health management, the World Bank has engaged in capacity-building activities aim to raising awareness and facilitating dialogue among key stakeholders in developing countries. On-line Standards and Trade courses, delivered in 2005 and 2006 have provided one platform to facilitate this dialogue and the exchange of experiences among stakeholders from different regions. In 2007, the Standards and Trade course was delivered with regional basis, with participants being predominantly from sub-Saharan Africa. The course took place from May 14 to June 15, 2007; and was a partnership between the World Bank's Agriculture and Rural Development, the World Bank Institute and an array of external colleagues who served as expert facilitators.

This report is an attempt to summarize the main themes and direction of the discussions that took place during the course, identify the ways in which this learning experience contributed to shaping participant perspectives on the major issues discussed, as well as to use this experience for improving the design/implementation of future courses in this topical area.

2- Course objective

The on-line learning program aimed to strengthen regional and local platforms for dialogue and consensus-building on standards and trade-related issues. Specifically, the course intended to raise awareness and dialogue among policy makers, regulatory agencies, NGOs, private companies and other

stakeholders pertaining to the challenges and opportunities, costs and benefits, strategies and institutional arrangements needed in applying internationally recognized food safety, quality and related standards.

3- Topics covered and course materials

The course contents provided a framework for better understanding critical issues related with the emergency of standards and regulations and the challenges that they represent to African countries. With this objective the contents were organized in four (4) modules, covering the following topics (the complete course contents are presented in [Annex 1](#)):

Module 1	General Principles: Economics and Institutions of Standards and Trade
Module 2	Dynamics and Implications of Emerging Food Safety, Quality and Related Regulations and Standards.
Module 3	Strategic Options and Experiences in Responding to Emerging Regulations and Standards.
Module 4	Costs, Benefits and Distributional Issues

The course materials included thematic papers, presentations, case studies and other selected documents, which supported different views on the emergence of standards and their implications for developing countries. The first two-weeks of the course were dedicated to participants viewing and reading of course materials. The following three weeks were dedicated to online discussions facilitated by a broad range of experts on each module topic – from the World Bank and other international organizations, the private sector, academia, and NGOs. The course benefited from the contributions of 15 expert facilitators (see [Annex 2](#)).

4- Participants

The course was open to participants from throughout sub-Saharan Africa. A total of 150 people registered and took part in the course, although only 103 participants were involved sufficiently to be certified.¹ Participants from a broad set of backgrounds took part in the course, including policy-makers and technical specialists from pertinent Ministries and agencies of government; representatives from private industry; farmers' organizations; academia; representatives from NGOs active in this field; research institutions; donors; regional organizations; and students carrying out post-graduate programs. Twenty-one countries were represented: Angola, Burkina Faso, Cameroon, Côte d'Ivoire, Gambia, Ghana, Ethiopia, Eritrea, Kenya, Madagascar, Mali, Malawi, Mozambique, Mauritius, Nigeria, Uganda, Tanzania, Senegal, South Africa, Sudan, and Zambia. The distribution of participants per country, sector and gender is presented in Figure 1.²

5- Influencing the paradigm of thinking

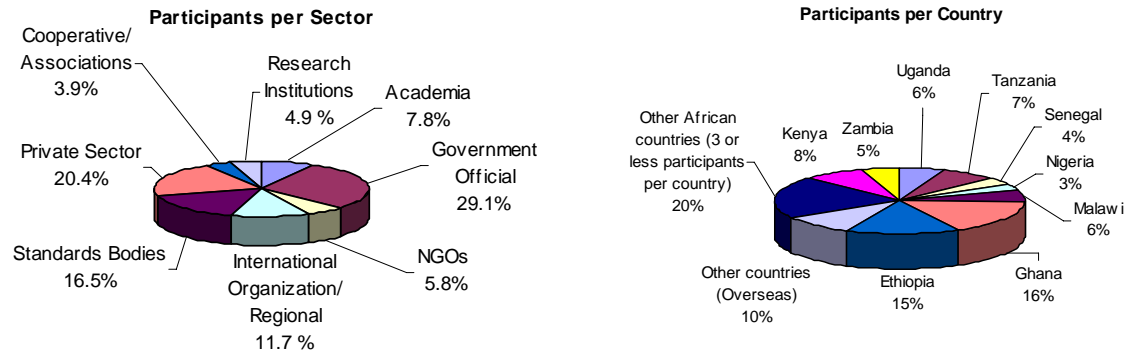
The course contents highly support the notion of 'strategic option' as a way to capture the potential benefits of evolving standards and regulations. Thus, it was expected that the discussions and experience-sharing would influence the paradigm of thinking, moving from an emphasis on 'standards as barriers', to

¹ There were an additional 48 people who registered for the course yet never logged on to the course platform.

² Of the 103 certified participants, eighty were men and twenty-three were women.

consideration of both challenges and opportunities; and the catalytic role of standards in opening opportunities for the modernization of supply chains and for improving collaboration between the public and private sectors. The perspective that African countries would benefit from adopting a strategic perspective on standards, identifying the emerging set of requirements and opportunities, weighing the available options to address them, and effectively managing the chosen processes of adjustment, was highlighted during the course contents and discussions.

Figure 1. Participants' Profile



Thus, in order to assess the ways the dialogue and experience-sharing could influence the participants' views and perceptions, the following exercise was developed. The participants were asked at the beginning of the course to express their agreement or disagreement with a set of relevant issues, aimed at bringing out their views and perspectives on the dynamics of emerging food safety, quality and related regulations and standards; the implications of these on African agro-food trade; the challenges and opportunities that represent for African countries, etc.. At the end of the course, the participants were asked to re-evaluate these issues and indicate whether the course materials and discussions helped to reshape their views. Selective results from this exercise are highlighted below.

5.1. The starting point—participants' initial perceptions on relevant issues

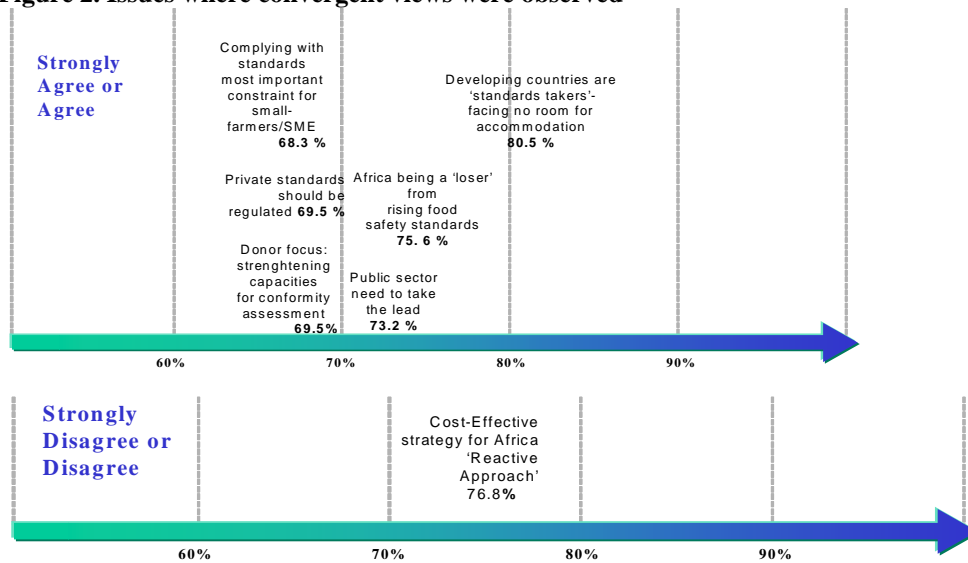
A total of 82 participants completed the pre-course questionnaire (found in [Annex 3](#) in this document). Over 60 percent of the respondents 'strongly agreed' or 'agreed' with the following statements:

- i) Developing countries have very few possibilities to maneuver, as standards are imposed externally.
- ii) For the most part, African countries have been 'losers' from the process of rising food safety standards in developed countries.
- iii) Because they can affect trade, the food safety and other standards adopted by private companies or industry organizations in developed countries should be regulated (or restricted) by their national governments.
- iv) In developing countries, the public sector has to take the lead in determining/implementing strategies to respond to emerging international food safety requirements.
- v) Donor programs should focus on strengthening public sector capacities to perform conformity assessment services in Africa.

- vi) Difficulties in complying with international standards have emerged as the single most important constraint on African small-farmer and small-enterprise participation in export supply chains for higher value products.
- vii) Important ‘spillover’ benefits can arise from being in compliance with standards.

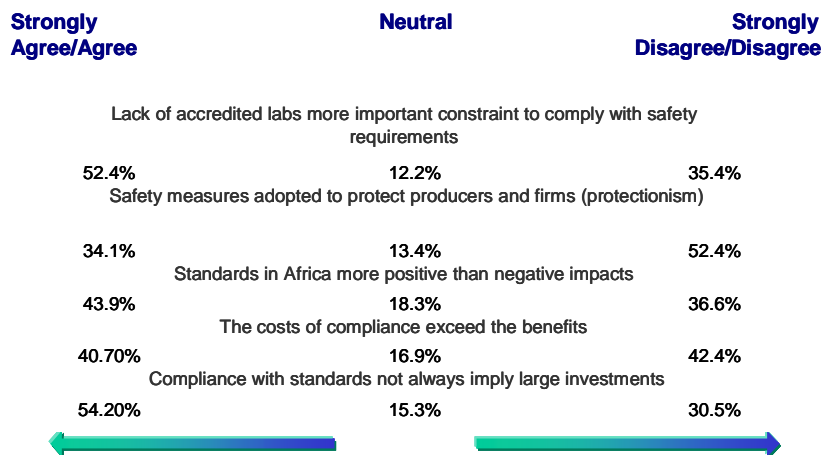
In contrast, some 77 percent of the respondents ‘disagreed’ or ‘strongly disagreed’ with the statement: ‘The most cost-effective strategy for African countries to comply with ever-changing standards is to wait until the newer standards are determined and then quickly implement measures to respond to these requirements.’ Figure 2 highlights the relatively high degree of convergence of participant views at the beginning of the course.

Figure 2. Issues where convergent views were observed



Much more divergent views were found in relation to such issues as (i) the protectionist objectives of standards; (ii) the positive and negative impacts of standards; (iii) the leading constraint(s) to standards compliance faced by African countries; and iv) the costs and benefits of compliance (see Figure 3).

Figure 3. Issues where divergent views were observed



In an attempt to assess the ways in which the course readings and dialogue helped to re-shape participant views, the participants were asked at the end of the course to answer the same set of statements presented in the pre-course questionnaire. A total of 103 participants completed either the pre- or post-course questionnaire, yet only 60 participants completed both. Thus, the assessment of changed views was only possible within this subset of participants. The whole set of questions included in the pre and post-questionnaires are presented in [Annex 3](#).

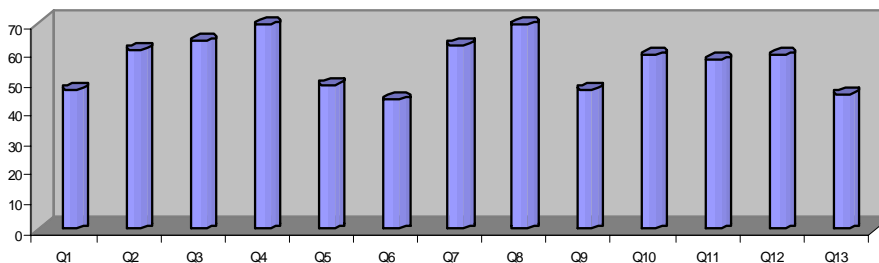
5.2. How did the learning experience help to shape the participants’ perceptions of the issues covered?

The discussions took place during three consecutive weeks, and covered a set of themes. Different views were expressed by participants and facilitators on the issues discussed, and several examples, case studies and individual experiences were illustrated. Some of the views expressed by participants and facilitators during the discussion are summarized in [Annex 4](#).

The review of the answers given by the participants to the pre and post-questionnaires suggest an apparent shift in participant’s perceptions with regard to all the relevant issues presented in the questionnaire, with over 40 percent of the respondents shifting perceptions (Figure 4).

The highest percentage of changes in perceptions involved questions 3, 4, 8 & 12 (over 60 percent) and the lowest involved questions 1, 6 and 9.

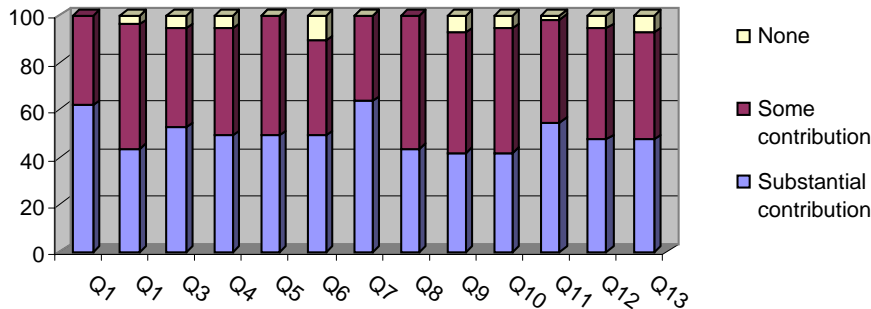
Figure 4. Percentage of participants shifting their perception with regard to each relevant issue presented



1. African countries have no room for maneuvering
2. Protectionist objectives of safety measures
3. ‘Winners’ and ‘losers’ from the process of rising (food safety) regulatory requirements
4. Positive and negative impacts of standards
5. Private standards should be regulated by national authorities.
6. Reactive approaches to ever-changing standards
7. Lead role of the public sector
8. The single most important constraint: lack of internationally accredited labs
9. Donor programs focus on strengthening public sector capacities for conformity assessment
10. ‘Costs of compliance’ exceed the benefits
11. Difficulties complying with international standards single most important constraint on African small farmer and small enterprise
12. Investments or sophisticated technical or administrative capacities.
13. Strong ‘spillover’ benefits

Course participants were specifically asked whether the course materials and discussions contributed to the shifts in their views. Thus, a review of the participants responses indicate that substantial contribution (over 60 percent of the respondents) is observed in topics related to the leading role of the government (question 7) and ‘room for maneuver’ (question 1); with less contribution in issues related to accredited labs, donors programs supporting public capacities for conformity assessment and the cost and benefits of compliance (Figure 5).

Figure 5. Contribution of the discussions to the participants' shifts in perception



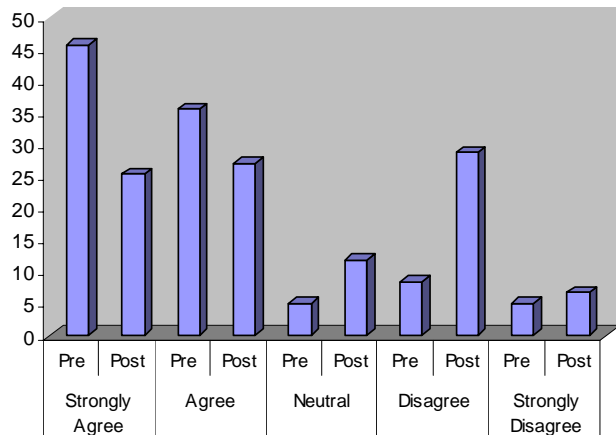
Thus, from the perspective of the course's contribution to shaping the participants' perspectives, the learning experience was certainly highly successful; yet, the question that remains is if the apparent shift in perceptions on each relevant topic was made in the 'right direction'.

- Topics where a positive shift in views was observed

- *There is not room for maneuver*

Developing country firms, farmers, and governments are 'standards takers', facing all-or-nothing decisions about compliance with externally imposed requirements and having little or no room for accommodation.

The move in participants' perceptions was quite positive; over 60 percent of the respondents indicated that the discussions substantially contributed to shape their perception on this issue. During the discussion, the importance of 'pro-activeness' was often highlighted; and several strategic approaches available to African producers/firms/industries were illustrated. Thus more participants come to understand the need and scope for a more strategic orientation and consideration of alternative response measures.

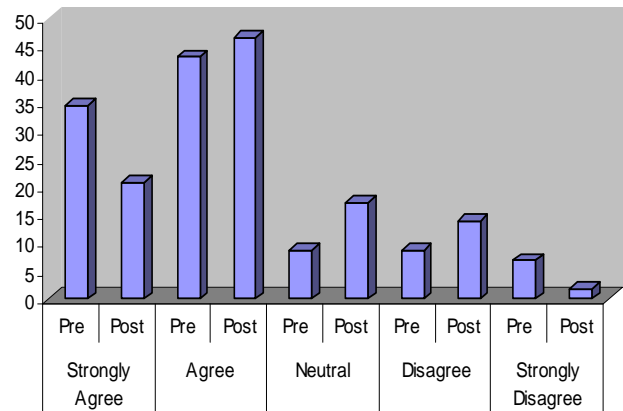


Initially, 81.5 percent of the respondents strongly agreed or agreed with the statement; by the end of the course the corresponding figure was 52 percent.

- *African countries as losers*

There are said to be 'winners' and 'losers' from the process of rising (food safety) regulatory requirements in developed countries. For the most part, African countries have been 'losers' from this process.

61 percent of the respondents shifted their perception. Overall, the move was positive with a significant number of respondents moving toward a neutral position. During the discussions several examples of sectors that have been able to use compliance with standards as a way to gain competitive advantage were illustrated. Improved collaboration among public and private sectors was also highlighted as an important result of this process.

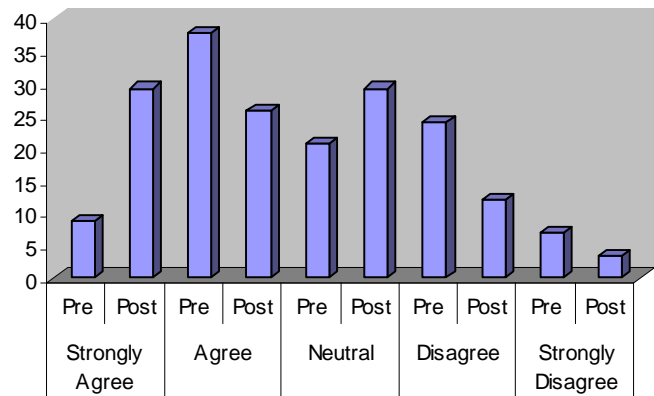


76.3 percent of the respondents initially agreed or strongly agreed with this statement; by the end of the course the corresponding figure was 66.1

▪ **Impacts of private standards**

The growing importance of private standards for food safety and environmental management is having more of a positive than a negative impact on the international market access and competitive of African products and suppliers.

63.8 percent of the participants shifted their view. Many participants either shifted from a negative to a neutral position or from agree to strongly agree. The positive and negative impacts of standards were analyzed during the discussions, with illustration of industries where the positive impacts have been evident, including high adoption of ‘good’ agricultural and manufacturing practices, improving record keeping and product traceability, improving workers safety, etc.

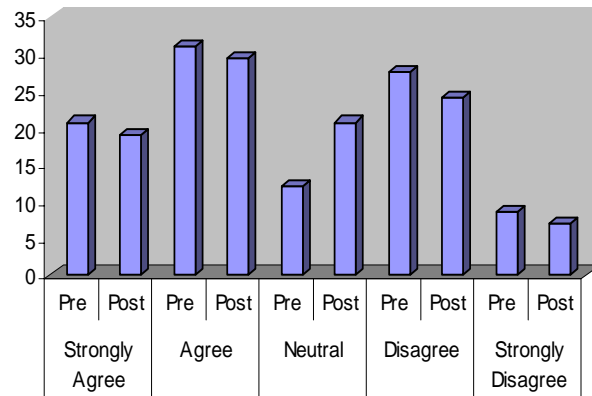


32.2 percent of the participants initially disagreed or strongly disagreed with the statement; by the end of the course the corresponding percent was 16.9.

▪ **Single constraint, lack of certified labs**

The single most important constraint facing African countries in meeting stringent overseas food safety requirements is the lack of internationally accredited laboratory testing facilities.

69.5 percent of the participants shifted their views. The overall move is positive, with significant movement to a neutral position. Laboratory testing provides confirmation that product do indeed conform to specific requirements. Yet, there may be fundamental constraints, at farm or firm levels to achieve those results. The discussions also clearly illustrated that, in the context of scarce resources and low demand for these services, alternatives to the establishment of local accredited labs might be more cost-effective.

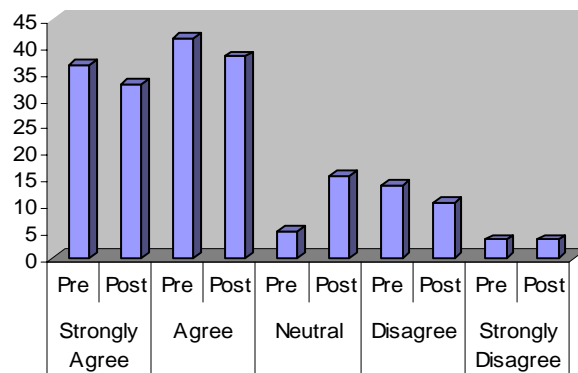


By the end of the course 47.5 percent of the respondents agreed or strongly agreed with this statement, from an initial 52.5 percent.

- **Donor support to public sector capacities for conformity assessment**

Public sector entities generally charge less for conformity assessment services (testing, certification, etc). Therefore, donor programs should focus on strengthening public sector capacities to perform such services in Africa.

47.5 percent of the respondents changed their views. Overall the move in views was positive, although not very substantial. During the discussions the capabilities of the private sector to perform inspection and certification services was highlighted. The matter of competition between public and private service providers, although mentioned, was not discussed in-depth. Frequently, the reasons why public sector labs charge lower fees is that they are not fully recovering their costs, including the depreciation of their equipment. Hence, the lower fees generally do not result in a sustainable service.

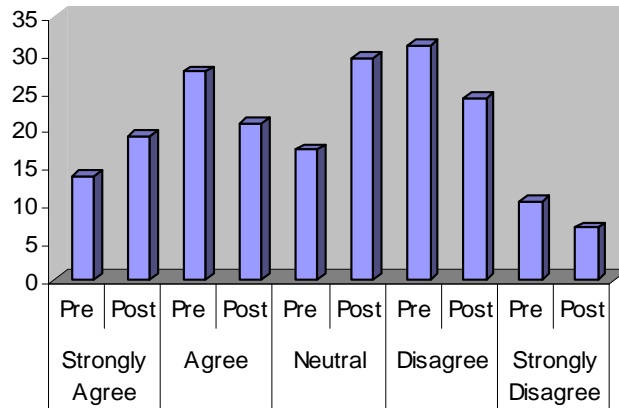


By the end of the course a 69.5 percent of the respondents agreed or strongly agreed with this statement, from an initial 76.3 percent

- **Cost of compliance exceed benefits**

In most cases, the 'costs of compliance' with international or trade partner standards exceed the benefits that accrue to the African producer, firm, or country that has made the necessary changes—69.3 percent of the respondents changed their views.

69.3 percent of the respondents changed their views. Overall, the shift in perceptions is very positive. The discussions highlighted clearly that there are not unique costs of compliance; they will depend on several factors, including the firm/farmer starting point. The importance of considering short-term versus long-term cost-benefits was often underlined during the dialogue. Participants articulated seemed types of concrete benefits associated with standards compliance, related to increased competitiveness, improved product quality and safety, improved working conditions, less adverse environmental impact, etc.

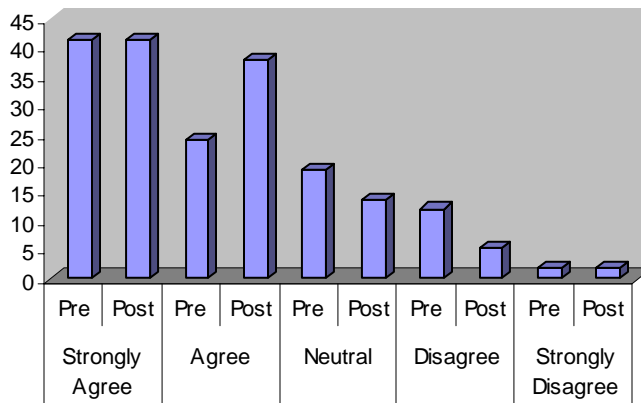


By the end of the course a 32.2 percent of the respondents disagreed or strongly disagreed with the statement from an initial 42.2 percent. An interesting move toward a neutral position was observed.

- **Spillover effects**

Measures taken to meet export market requirements for food safety usually have strong ‘spillover’ benefits for other (non-export oriented) local producers or for domestic consumers.

45.8 percent of the participants changed their views. Several examples of spillover benefits of standards were underlined during the discussions. The majority of the participants agree or strongly agree with the associated benefits of standards.



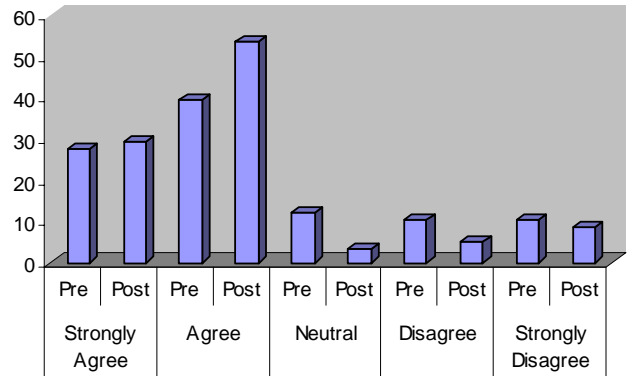
Overall, 79.1 percent of the respondents agreed/strongly agreed with this statement, from an initial 66.1 percent.

- Statements where a less positive shift in views was observed

- **Regulation of private standards**

Because they can affect trade, the food safety and other standards adopted by private companies or industry organizations in developed countries should be regulated (or restricted) by their national governments.

49.2 percent of the participants changed their view. Although the discussions concentrated very much on the issue of public and private roles; further dialogue on the public and private interface is desirable, in order to better understand the contexts where government and private intervention is necessary and desirable. Intensive discussions on the topic are ongoing, specially in the context of EureGAP (now called GlobalGAP)

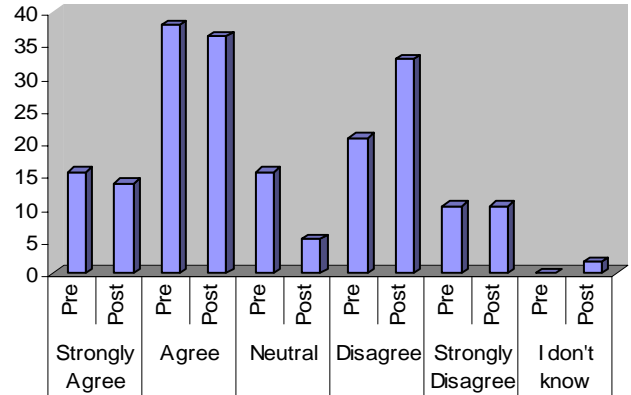


67.8 percent of the respondents initially agreed/strongly agreed with this statement, by the end of the course the corresponding figure was 81.4 percent.

- **Costs of compliance**

Many aspects of (food safety) standards compliance do not require large investments or sophisticated technical or administrative capacities.

59.3 percent of the respondents changed views. Examples provided during the discussions focused very much on compliance with EurepGAP requirements; few cases of low costs associated with compliance with less strict market requirements were illustrated; creating perhaps a perception that compliance almost always implies high costs.

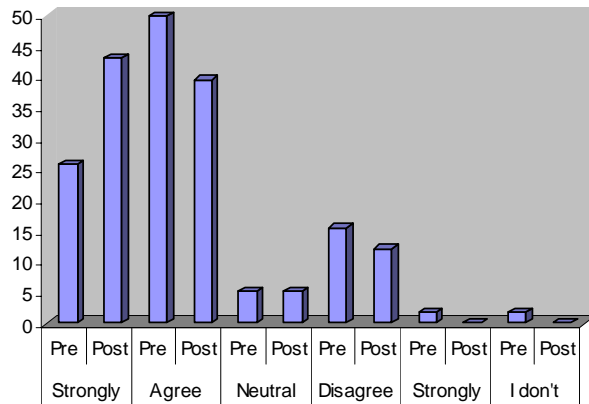


30.5 percent of respondents initially agreed with this statement, versus a 42.4 percent by the end of the course.

- **Compliance with standards and small farmers**

Difficulties complying with international standards have emerged as the single most important constraint on African small farmer and small enterprise participation in export supply chains for higher value products.

47.6 percent of the respondents shifted views. Once again the focus of the discussion was very much the cost associated with EurepGAP compliance, and therefore the difficulties faced by smallholders to supply these higher value-added horticultural markets, over-emphasizing the effect of compliance costs over other factors that might be equal or more relevant in undermining small farmers and SMEs competitiveness to supply export markets.

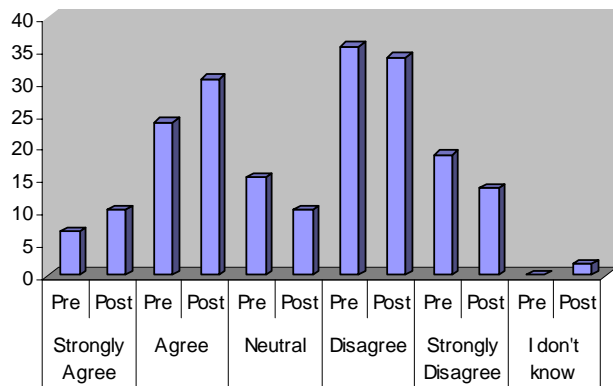


81.4 percent of the respondents strongly agreed/agreed with this statement, from an initial figure of 76.3 percent

▪ **Standards and protectionism**

Many official trade-related food safety measures are adopted primarily to protect local producers/firms from international competition (through imports).

61 percent of the participants shifted their view. Movements in both directions were observed, however the overall shift in perceptions was negative. During the discussion confusion was observed when analyzing protectionist objectives of SPS measures; the participants often mentioned ‘tariff escalation’ as an example of this, which is certainly not a SPS issue. Divergent views among the participants on this issue are clearly observed.



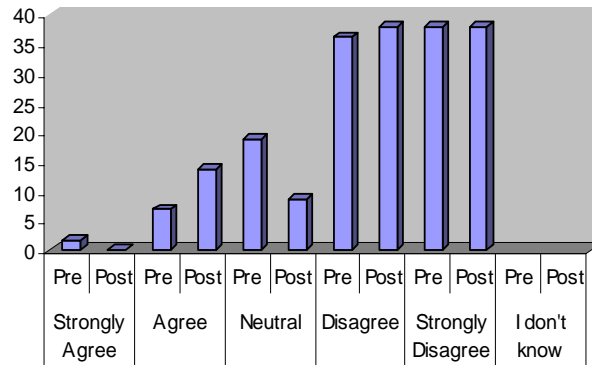
At the beginning of the course, 30.5 percent of the participants agreed/strongly agreed with the statement, at the end of the course corresponding figure was 40.7 percent

- Topics where a very slight shift in views was observed

- **Reactive strategies**

Given the ever-changing set of international and trade partner food safety requirements, the most cost-effective strategy for African producers, firms, and governments is to wait until the newer standards are determined and then quickly implement measures to respond to these requirements.

With regard to this issue, there was not a significant change in perceptions. The majority of the participants considered that African countries would benefit from adopting proactive approaches in response to emergent and evolving regulations and private sector standards.

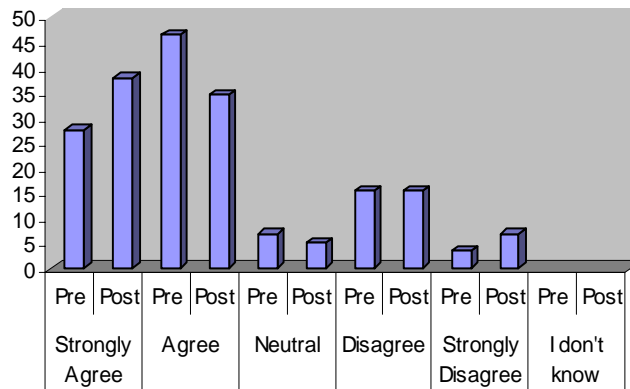


Overall, the percentage of participants that agreed with this statement moved from 6.8 to 13.6 percent.

▪ **Public sector leading the strategies**

In developing countries, the public sector needs to take the lead in determining/implementing strategies to respond to emerging international food safety requirements and thereby improving the competitiveness of high value food export industries.

62.7 percent of the participants changed views. The overall effect, although positive, is very slight. Interesting, however, is the shift in participants view within the categories “agree” and “strongly agree”. The discussions highlighted the key importance and role of the private sector in implementing measures to respond and even anticipate market requirements; the impact of this on the participants’ views was very minor, though. This seems to reflect a lack of confidence in the capacity of the private sector to lead the process of dialogue, prioritization and implementation of approaches to respond to emerging market requirements. Such an emphasis on public sector leadership would be unexpected in other regions.

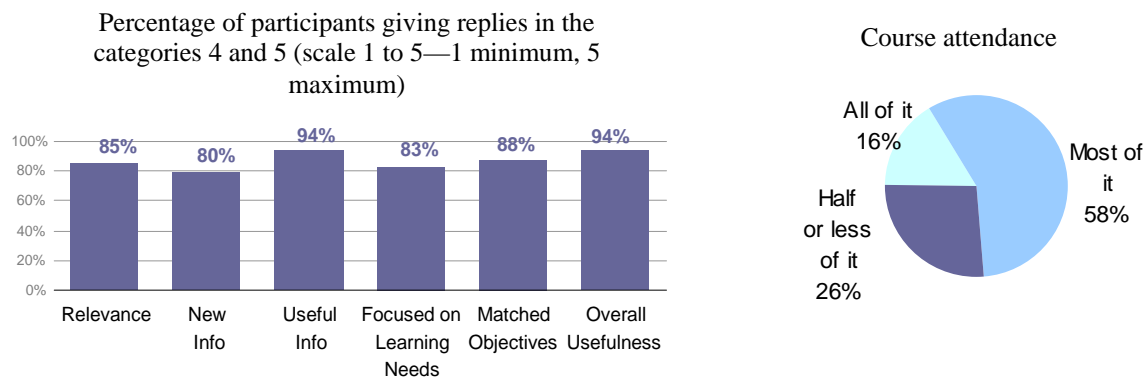


74.6 percent of participants initially agreed or strongly agreed with this statement, by the end of the course, the corresponding figure was 72.9 percent.

6. Participants' feedback

The participants were requested to provide feedback on the overall usefulness of the course. For doing so, an evaluation form was distributed—a total of 92 replies were received. The summary ratings are presented in Figure 6. For all topics evaluated, over 80 percent of the participants gave answers in the categories 4 and 5 (In a scale of 1 minimum and 5 maximum). The highest scores were found in topics related to the overall usefulness of the course and the applicability of the information provided (94 % of the respondents gave answers in the categories 4/5). In terms of the attendance, 58 percent of the respondents were able to attend most part of the course, but 26 percent attended half of the course or less. Participation was restricted by several factors, including: field work, low internet connectivity and availability, and very busy working agendas due to the start of the harvest period of some crops in Africa, etc.

Figure 6. Consolidated results of the course evaluation



Overall, comments on the way future courses can be improved included: extending the duration of the course and improving the structure of the internet platform for discussions. General comments also related to the importance of offering the course twice a year and provide it in languages other than English.

7. General comments and recommendations

- As the results of the pre and post-questionnaire indicated, the dialogue generated through this e-learning platform constitutes a powerful tool for creating awareness and consensus-building on standards and trade-related issues. Yet, this will depend very much on the potential for the participants to ‘attend’ most parts of the course. In this case, 58 percent of the respondents to the evaluation form were able to attend most part of the course; full participation was possible for only 16 percent of the respondents.³ Although, the course was very successful in reshaping the perceptions of the participants regarding relevant issues, the limited participation in some of the topics discussed could have limited the scope for achieving a more general consensus.

³ Ninety two (92) participants responded to the course evaluation form; representing 89 percent of the total participants to be certified (103 participants).

- The dialogue and reading materials provided examples and highlighted situations where proliferation and enhanced stringency of food safety and related standards represent potential barriers to participating in higher value foods trade; but also, situations where standards have acted as a catalyst for the upgrading of production and manufacturing operations, and for improved collaboration between the public and private sectors. Although the learning experience helped to shape the perceptions on relevant issues, a significant number of participants retain rather pessimistic or even cynical views, on the overall role of standards. More than half of the participants responding to the post-course questionnaire supported the view that African countries do not have much room for maneuver and also considered that, for the most part, African countries have been ‘losers’ from the process of raising standards in developed countries. This indicates that further dialogue and efforts to illustrate situations where standards have acted as a catalyst for improvements in development of supply chains (with clear identification of roles and factors of success) are required. Overall positive views were expressed —by over 70 percent of the respondents—regarding the spillovers effects of standards and the importance of being proactive rather than reactive to situations, as the most effective approach to respond to the challenges imposed by standards.

- Through the course, several situations where standards have had more positive than negative impacts were illustrated. Yet, the fact that attempts to analyze the impacts of standards have been based on short-term cost-benefit analysis— over-emphasizing the negative effects in terms of high costs—is contributing to the pessimistic view of the economic implications of standards in African countries, and in developing countries, in general.

- Clearly, the dialogue on this issues should continue and be re-enforced by, for example, in-depth analysis/dialogue on specific topics, including:

i) *the interface between government and the private sector* — There is a clear trend in the region to overestimate the role of the government in determining/implementing the strategies to comply with emerging standards and regulations, downplaying that compliance with market requirements must be a core part of any company/industry competitive strategy, in order to enhance participation in international markets; therefore, in many circumstances, there is a reason, and perhaps a need, for the private sector to play a leading role;

ii) *the understanding of the whole set of factors involved in successful participation in high value and differentiated markets*— Sometimes too much emphasis is given to compliance with standards as the single most important factor undermining farms/firms competitiveness, specially within the context of small farmers and SMEs, without taking into account that successful participation in international markets is the result of a subset of factors; compliance with market requirements being just one of them; and

iii) *Analysis of what works and what doesn’t in specific contexts*; the course contents should be complemented by in-depth analysis of successful and less successful cases from the region, in order to identify key factors defining success and failure; and in an attempt to define generalizable principles: What is working and what is not? Who is leading the process, the private, the public sector, or both? How is the process of compliance sustained?

- The feedback provided by the participants through the course evaluation indicated that due to the extent and relevance of the topics covered during the course, there is a clear need to expand the length of the course to allow the participants enough time for reading the course materials and actively contribute to the discussions. Other recommendations to improve future courses included: limit the length of the reading materials (not more than 20 pages); include more case studies, particularly from the region; and include improvements in the discussion board platform to facilitate the follow up on the discussions. Detailed results of the course evaluation are presented in [Annex 4](#).

- Time constraints, together with difficulties in Internet connectivity, certainly limited the possibilities of some participants to actively participate in the course. Thus, for further courses in Africa, to send the course materials in advance it is certainly a must to achieve successful participation and an effective learning experience.

- As one of the objectives of the course was to create awareness on the basis of participants' sharing experiences and knowledge, those participants representing sectors/countries that are actively involved in dynamic processes of compliance with standards are more able to participate in the discussion, as they come with a wider set of experiences. Therefore, in order to improve the perceptions of the less experienced participants, and actively involve them in the learning experience, further courses should consider the possibility of including 'practical activities' as a core component of the course. One possible way of doing this is to simulate situations involving different industries/countries, as the reference point to guide the dialogue/discussions and to draw conclusions.

- The results of the course evaluation indicated a high level of satisfaction from the participants regarding the overall usefulness of the course (94 percent of the responses evaluated the course in categories 4 and 5 in a scale 1 minimum to 5 maximum). Very positive comments from the participants were expressed in the evaluation, highlighting the relevance of the course materials and issues covered as well as the enjoyment of the overall learning experience.

ANNEXES

Annex 1. Course Contents

Module 1- General Principles: Economics and Institutions of Standards and Trade

- 1.1. Context: The Changing Composition of Developing Country Agro-Food Exports
- 1.2. The Economics of Standards and their Impact on Markets and Trade
- 1.3. Standard Setting Process at the International and National Levels
- 1.4. Food Safety and Trade Implications: An Overview

Module 2- Dynamics and Implications of Emerging Food Safety, Quality and Related Regulations and Standards

- 2.1. Emerging Food Safety Regulatory Trends
- 2.2. Private Sector Standards: Approaches and Implications for Supply Chain Management

Module 3-Strategic Options and Experiences in Responding to Emerging Regulations and Standards

- 3.1. Developing Country Strategic Options
 - 3.1.1. Conceptual Framework and Overview
 - 3.1.2. Case Studies
- 3.2. Conformity Assessment Needs and Approaches
 - 3.2.1. General Framework
 - 3.2.2. Regulation and Inspection
 - 3.2.3. Certification and Traceability

Module 4-Costs, Benefits and Distributional Issues

- 4.1. Costs and Benefits of Standards Compliance
- 4.2. Distributional Impacts
- 4.3. Building Capacities for Food Safety and Agricultural Health Management

Annex 2. List of expert facilitators contributing to the discussions

Name	Institution/Organization
Alan Randell	Independent Consultant
Linda Fulponi	OECD
Wolf-Martin	European Commission
Alan Legge	Independent Consultant
Tom Deeb	Michigan State University
Guy Stinglhamber	PIP Initiative
Kenza Lementec	Independent Consultant
Michael Friis Jensen	World Bank
Danielle Giovannucci	Independent Consultant
Cornelis L. J. Van Der Meer	World Bank
Anne-Sophie Poisot	FAO
John Lamb	World Bank
Spencer Henson	University of Guelph
Steven Jaffee	World Bank
Mustapha Magamu	European Commission
Luz Diaz Rios	World Bank

8. The single most important constraint facing African countries in meeting stringent overseas food safety requirements is the lack of internationally accredited laboratory testing facilities.											
9. Public sector entities generally charge less for conformity assessment services (testing, certification, etc). Therefore, donor programs should focus on strengthening public sector capacities to perform such services in Africa.											
10. In most cases, the 'costs of compliance' with international or trade partner standards exceed the benefits that accrue to the African producer, firm, or country that has made the necessary changes.											
11. Difficulties complying with international standards have emerged as the single most important constraint on African small farmer and small enterprise participation in export supply chains for higher value products.											
12. Many aspects of (food safety) standards compliance do not require large investments or sophisticated technical or administrative capacities.											
13. Measures taken to meet export market requirements for food safety usually have strong 'spillover' benefits for other (non-export oriented) local producers or for domestic consumers.											

Annex 4. Main themes and direction of the discussions

The discussions took place during three consecutive weeks, and covered a set of themes. Some of the views expressed by participants and facilitators during the discussion are summarized below.

Protectionism and stringency of food safety standards

There were divergent views among participants with regard to the protectionist objectives of official trade-related food safety measures adopted by many industrialized countries. At the start of the course more than one-third of participants had the view that protectionism is the primary objective of these measures. The discussions over this issue centered on the role of science, the concept of ‘risk’, and the limitations of the SPS agreement to accommodate consumer concerns and preferences.

The discussion started with several general views presented by some participants on ‘protectionism’ as a policy that most countries use for trade, even in food safety matters, and that is becoming a tool for some nations to manipulate their trade risk. In supporting or rejecting the idea that a specific food safety measure is indeed protectionist, attention should be given to the importance of analyzing whether the measure is based on economic concerns or legitimate concerns about food safety, animal and/or plant health risks. The participants noted that a combination of legitimate and non-legitimate concerns are at play, and involve not just North-South trade, but also South-South trade.

The discussion turned toward the issues of scientific approaches to regulations and the concept of risk. The following are some of the major points arising from this dialogue:

- **Risk aversion**—Societies in certain developed countries are becoming extremely risk averse when it comes to food. Stringent standards reflect consumers concerns in developed countries; thus, for the consumer the main worry is the quality and safety aspects of the food products on their table rather than the particular circumstances of production in the exporting countries that might be limiting compliance with these expectations.

- **Setting standards when scientific evidence is not possible**—The SPS Agreement of the WTO states that technical regulations should be minimally trade distorting and not imposed for protectionist purposes. To meet this obligation, countries should follow internationally agreed standards set by multilateral organizations—Codex, OEI, IPPC. Yet, given the fact that objective scientific measures for several issues are not yet possible, the agreement allows countries to set the appropriate level of protection ‘ALOP’ for their specific circumstances. Some participants’ showed concern over the way consumer preferences and concerns are taken into account during the process of setting international standards. The SPS Agreement does not cover issues related to consumer preferences and the ‘right to know’. Yet, the real world is not limited to risk and science, and the legitimacy of governments is undermined when other considerations are ignored.

- **Broader concepts of risk**—Private companies that set standards have been broadening the concept of risk by including unacceptable consequences that go far beyond SPS risks (food safety animal and plant health issues), covering environmental protection, corporate social responsibility (CSR) and also, loss of revenue, profit, market share, or image. Consequently, as developing countries try to tighten up their own standards, it is important for policy makers, donor agencies and direct stakeholders to be clear which risks they are trying to address and why. Is it a particular buyer's perception that matters, or their own domestic market, their own consumers, or their own farmers? Since in the short run, at least, tighter standards tend to restrict supply, any attempt to upgrade is likely to produce winners and losers, so this must be approached very carefully, with lots of stakeholder dialogue in the source area.

- ***Do standards actually lead to an improved outcome?*** — The legitimate "declared" objective of standardization is to achieve the appropriate level of protection to consumers; however, many public and private actors are more concerned about the procedures that the standard requires rather than the absolute level of safety, which might not be changing much. For example, lowering maximal residue levels may be less problematic than fulfilling the paper work and tracing and tracking that private standards are now requiring. Interestingly, on-going research by international institutions among EU importers in different countries suggests that a large share of European importers do not think that compliance with private voluntary standards actually improves safety and quality and they would rather rely on trustful relationships with well known suppliers; however, they are increasingly requiring EurepGAP, BRC or other compliance measures (even in organic markets now, in addition to the organic certification) because their retailer buyers require it from them.

- ***Technological improvements and stringency of standards***— Some participants expressed concerns over the effects of advancements in analytical/quantitative capabilities on the stringency of standards. As scientific progress allows measurement of ever-smaller traces of pathogens or chemicals, there is a risk that standards will be progressively tightened. The question that arises is whether or not there is a need to continue lowering the allowable limits when there is a negligible decrease in risk, but potentially significant increases in the cost of compliance.

Private Standards

The discussions on the issue of private standards covered several topics including: the relationship between private and public standards, the regulation of private standards by national authorities, the advantages and disadvantages of harmonization of private standards with national regulations, etc. A second part of the discussion analyzed the impacts and implications of private standards.

- Public versus Private Standards

- ***The importance of national official standards/protocols in the importing countries as a baseline for achieving compliance with more complex standards***— In the view of some participants, one of the reasons for the ascendance of private standards is the inability or unwillingness of national governments or regional associations of importing countries to put together their various regulations and requirements into a single protocol. For example, in the horticulture sector, if the EU would put together all of its requirements into a coherent protocol, against which an audit could be made, then farmers, countries and importers could adhere to a standard that offered compliance with the law of the importing country, but without having to cope with the costs of compliance with demands from multiple private protocols. Thus, compliance with this baseline national official standard/protocol will ensure market access to the importing country, while serving as a starting point to accessing more stringent and lucrative markets in the importing country, by complying with more complex private sector requirements.

- ***Confusion between official and private requirements***—The lack of single official protocols/standards encapsulating the official requirements has resulted in often reported confusion, between official and private standards among developing country government officials and growers/firms willing to export to the EU market. Private standard-setting bodies often claim that their standards have been set at the same level as governmental food safety, animal welfare, environmental protection, as well as worker health, safety and welfare standards. However, in some cases, such standards, for example in the area of food safety, go beyond the EU regulatory requirements. But, private standards are here to stay, so perhaps the question we need to answer is how, and in what ways, responsible use of private standards can be a valuable development tool.

- ***Private sector standards are beneficial but the importance of official measures is not in doubt***— National governments should be closely involved in setting and implementing standards; e.g. the export sector in Ghana has benefited from the process of setting standards for horticultural crops— pineapples, cashews, papaya, etc. These official standards promise to have a major impact at the smallholder level, as they take into account national considerations.

- ***Clearly, both public and private standards play a role***—The interesting issue is how public and private standards interact, the situations in which one or the other prevails and cross-referencing between them. The areas of interface between official regulatory frameworks and private governance, as well as, examples of good practice in public and private sector collaboration need to be better elaborated.

- ***Official and private standards should co-exist in the long term, exactly as they do now***— Legal, official standards protect the consumers. Private standards can provide additional guarantees for those who request them and are willing to pay for them. The problem starts when this simple deal is twisted, because the parties do not want to bear the cost involved: i) when suppliers demand public dollars to make the investments and undergo certification, ii) when certification firms are subsidized, and iii) when lobby groups demand that private standards become official ones, so that the taxpayer will enforce them and not the private sector. There is always a trend that public standards are becoming more and more protective. But we should carefully manage the pace and scope of this development.

Regulating private standards

- ***Should private food safety initiatives be regulated?*** — There were very divergent views with regard to this issue. Many participants expressed the view that it is especially important to restrict/regulate the use of private standards in specific areas, for instance, food safety. If private standards are regulated, there is a guarantee that a minimum level of food safety is ensured. The disadvantage of this process is that, since the private sector is in a better position to develop and apply their own criteria, by having government regulate the sector it might limit creativity and innovation in the food industry. Additionally, regulation could hamper the segmentation of the food supply chain, which is an important factor in the development and upgrading of the food supply chain. The transaction costs of regulating ever-evolving private standards would undoubtedly be high and would have to be borne from tax payers' money, whereas private standards do not necessarily affect all consumers.

- ***Private standards within the context of weak public institutions***—Sometimes private standards have also developed and evolved in a context of weak or missing public institutions and could serve to guarantee a desired level of food safety or act as precursors for establishing mandatory official standards. If the private standards are providing basic food safety requirements in the absence of official measures, the later should be aligned to the private standards. But if the private standards are being used to differentiate products (acting like a private good) and serving only a portion of the population, then there is no need for alignment.

The participants expressed divergent opinions with regard to the positive and negative impacts of private standards in terms of food safety outcomes, market access and competitiveness of African supply chains, as follows:

- Impacts of Private Standards

Negative impacts

- **Private standards are becoming ‘mandatory’ and therefore acting as a barrier to market access** — Private standards are promulgated by private entities and are by definition not mandatory, but have been packaged in such a way that they seem to respond to some consumer concerns. Even though they are voluntary, firms wanting to enter or even remain within a particular market have to comply. In such particular cases, private standards are considered as important as mandatory measures even though they may not explicitly pertain to food safety issues. It is definitely problematic as they can present barriers for entry into certain markets— mainly highly concentrated and competitive markets—if such private standards are not complied with; or in cases where private standards are complied with, this results in a reduction in revenue due to higher compliance costs. This can hamper the sustainability of a business.

- **Private standards have the potential to impede trade**—Private standards have a negative impact when their potential to impede trade overtakes the associated benefits in terms of enhanced food safety and quality management systems, sometimes going well beyond regulatory requirements and imposing significant costs of compliance on exporters. In turn, these costs are likely to be greater for exporters in countries where public and/or private food safety standards are less well-developed. Also, in some cases, private standards are more open to be influenced by trading partners than national regulatory requirements, as profit is the end goal.

Positive impacts

- **Enhancing competitive position and increasing revenue**—Private standards might be beneficial when producers and exporters can comply and at the same time see an increase in their revenue. Once an exporter has been certified to a dominant collective private standard, he/she is able to gain access to the supply chain of all buyers that accept this standard. Then, the investment in complying with private standards is warranted as a means of competitive positioning vis-à-vis those who do not comply. Conformity to an established private standard can also have a high signal value, even among customers that do not require the standard.

- **Market expansion**—With private standards for food safety developed and applied, there is a high possibility that markets could develop confidence in the source and thus guarantee demand. This could lead to expansion of market share in the target markets.

Strategic approaches to emerging quality and safety regulations and standards

A majority of the respondents to the pre-course questionnaire strongly agree or agree (about 80.5%) that developing countries’ firms, farmers, and governments are facing all-or-nothing decisions about compliance with externally imposed requirements and have little or no room for accommodation. In Module III, related to strategic options, the discussions centered on the options available for African countries/industries to respond to these emerging requirements. The opportunities and challenges faced by African countries to move from ‘reactive’ to ‘proactive’ approaches to emerging food safety, quality, and related standards, were also highlighted. Case studies of countries/industries adopting different strategic approaches were provided as part of the reading materials. Some of the points arising from the discussions are highlighted below.

Moving from reactive to proactive approaches

- **Traditional strategic approach is reactionary**—The experience has shown that the strategic approach of African countries to SPS-related matters has been basically to react to crises as they arise. In some participants’ views, this can be partially explained by the lack of proper coordination between public and private sectors to anticipate the changes in market requirements. Some participants also indicated that one

of the main reasons why African countries and developing countries in general are reactive is because they do not have the foresight to be proactive, as this requires confidence and awareness. However, the discussion also highlighted that even in countries where the predominant response is reactive, it is often possible to identify exporters, for example, that are proactive. Certainly there is a need to find ways of demonstrating the benefits of pro-activity more widely. In a world that is ever-changing, Africans, like others, have to be prepared to adapt.

- ***Pre-requisites for being proactive: ‘confidence and awareness’***— The public and private sectors should be aware of possible/future changes that could be made to mandatory standards and try to build capacity and gear institutions (at country level) and /or processes and practices (at industry level) to be able to comply once these changes become enacted. The administrative, technical, physical infrastructure and costs of such changes must also be worked out and budgeted in advance. If capacity is lacking, the country can also request for technical and financial assistance, so that there is no costly time lag, in terms of market loss and de-listing, when the changes are enacted or when moratorium ends. Pro-activeness would also allow for the upgrade of the National Food Control System, especially in cases where there are crossovers between local and export supply chains. Given that de facto private standards are becoming increasingly important and that some of them could even become mandatory, competent authorities should have the capacity and foresight to prepare for such change. Exporters (firms) must be aware of private standards and be able to predict their evolution, so that they can work out the costs and benefits of complying with specific standards in specific markets.

- ***Pre-requirements for being proactive: ‘Strong governance’***—The Uganda fish industry was presented as an example of the implications of poor/weak governance. In the late 1990s, the EU imposed repeated bans on fish imported from Uganda on the basis of food safety concerns. However, the EU did not provide scientific proof that the fish were actually “unsafe.” Rather, the poor performance of Uganda’s public regulatory and monitoring system was used as justification. Only by fixing “the system” (of regulations and inspections) and performing the ritual of laboratory testing for all consignments for export to the EU did the Ugandan industry regain its status as a “safe” source of fish.

- ***Developing, adapting, or adopting plenty of standards might not be the sole solution/strategy***—Many African countries are devoting significant efforts to the process of setting up standards; some concerns were expressed over the effectiveness of this strategic option within the frame of scarce resources. Is it really a good idea to use the scarce resources and time in setting up standards for which an internationally agreed equivalent exists, especially for those commodity standards set up by Codex? Would it not be more effective to “internalize” the international standard, e.g. adopt the international standard and refer to it in national regulation, as necessary, and dedicate resources to enhance developing country participation in Codex work? (Besides simply attending and commenting during the Commission and subsidiary body meetings, participation also means having the stakeholders in the country interact with each other and with regulatory officials to analyze the documents sent by the Codex Secretariat and prepare the country’s comments and positions.)

- ***Proactive approaches that consider the multidisciplinary nature of SPS measures***—Given the fact that the borders between animal health, plant protection and food safety are not clear-cut, there is a need for clear definition of roles and responsibilities between public institutions and for a good communication and coordination scheme. Although there are few examples where a single authority handles the three sectors of SPS, the integrated biosecurity approach might be a very interesting approach to SPS management.

- ***To ‘sit back and do nothing’ is certainly not the best strategic option***— To sit back and wait for the disaster to strike can be very expensive. Apart from the adverse impact on industry sales, regaining

market confidence could take an extended time. Lack of proactive approaches is clearly evident in, for example, the use of the comment/moratorium period prior to the enforcement of standards that is provided by developed countries. Often, nothing is done during this period in anticipation for the regulation to come into effect. This period should be used by the industry either for raising concerns about the specific measure to be implemented and/or for implementing changes, such as modification of physical infrastructure to meet hygienic requirements. A country can also make a timely request for technical/financial assistance to manage the trade-related SPS challenges. Pre-conditions are needed, however, for this proactive strategy to be effective: appropriate institutional arrangements, good governance, effective communication mechanisms between the government and industry, etc.

- *To be pro-active in managing trade related SPS challenges, industries and countries need to strengthen public and private capacities*— Both private companies and relevant public agencies need to have well qualified personnel who are able to anticipate future directions and who are well versed with food trade standards. The agencies must strive to be effectively involved in international standard-setting meetings and also have effective mechanisms for challenging standards that may not be scientifically justified and that may adversely affect their industries. It would be critical for such agencies to have access to relevant databases and to establish efficient network systems among stakeholders and markets. Moreover, the industries/countries are required to have financial capacity (or readily available external support) to enable compliance in a timely manner.

Leadership and strategic direction—public and private roles and partnerships

The discussions on strategic approaches moved to the topic of leadership and public and private sectors roles. A large majority (80%) of respondents of the pre-course questionnaire supported the view that the public sector needs to play a lead role in determining/implementing African country strategies to emerging international food safety requirements. During the dialogue on this issue, the importance of the Public and Private Partnerships (PPP) was very much emphasized. Some of the points highlighted during the discussions were the following:

- *Public and private sector roles*—The discussion centered on the importance of identifying and performing appropriate roles for the public and private sectors; the view that there is a clear need for them to act together to ensure reliable food safety systems and compliance with market requirements. In the view of many participants, the government's role is to provide an enabling environment by, for example, providing an appropriate regulatory framework, facilitating and coordinating dialogue among actors, and reducing the costs of collective action. Yet, too often the government approach is to direct rather than coordinate; in many cases governments have often been overly controlling of the private sector or assuming so many roles, some of which could perfectly be left to the private sector. In some participants' views, the government needs to give a lot more room to the private sector to drive and strive to achieve international food safety requirements—there are other more pressing and broader developmental needs that governments should focus on. Thus, the need to recognize that there are areas where the private sector should be left alone (and empowered) to take its own actions, was highlighted during the discussions.

- *Lead role of the government in setting the rules of the game*—Many participants supported the view that the government, in any country, should play a lead role and set the rules of the game for compliance/strategies; however, the difficulties faced by these institutions to effectively perform this role due to lack of funding for operations, lack of capacity, in terms of expertise, and sometimes the lack of governance was highlighted. There was broad agreement among the participants, that public-private collaboration is a "must" for a successful development and implementation of SPS measures. Public-private coordination mechanisms can bring major benefits, such as avoidance of duplication and

distribution of tasks, fostering of common understanding, defining agreed-upon strategies, and channeling donor funding more coherently. Examples of successful private-public partnerships were illustrated during the dialogue: the case of the Mauritius Seafood Hub sector; the coffee and horticultural sectors in Kenya, the horticultural sector in Ghana and the task forces implemented in several countries in Africa.

- PPPs help to boost development in the quality infrastructure sector in a country—Public and private sectors must cooperate and follow clearly defined goals, setting up a sustainable quality infrastructure and making economic stakeholders think in quality terms. The public sector needs to initiate and lead this development by setting up a comprehensive dialogue and creating a legislative and regulatory framework. But, there are significant challenges to developing a quality infrastructure: i) establishment of required institutions (for metrology, accreditation, standardization, certification and testing, inspection, technical/scientific advice, SPS and TBT compliance/follow-up, participation with international organizations—Codex, ISO, WTO, OIE, etc.); ii) implementation of very effective and very supportive political measures such as quality promotion policies, national quality awards, consumer associations, consumer protection legislation, national productivity awards, etc; iii) taking into account further aspects such as metrology parameters (scope, the capacity/range, traceability, international accreditation), more and more stringent private standards in importing countries, training facilities, participation in proficiency testing schemes, etc.

The questions that many governments face are: Where do we start? Where do we end this list? How much time, money and well-trained staff does a country need to implement all this? Certainly, everyone involved—the private sector and the government—needs to be aware that it is a long way to go and that it can only be successful if all pull together. Different strategies for different sectors are required, and for corresponding different national policy development goals. Clearly, a clear focus is needed on compliance with international requirements for exported products, in order to boost trade and development, and carry over effects on the whole economy. But one should not forget to strengthen the capacities of the large numbers of SMEs. Every country, with the full support of the international community, needs to define its own national approach in order to be successful in setting up such a sustainable quality infrastructure. In the end, it will be worth all the effort.

- Public-private partnerships (PPP) are not the solution to all of the challenges faced—An aspect that was emphasized during the discussions was the importance of not seeing public-private partnerships (PPP) as the solution to all problems. In some cases, there is a legitimate case for government to act alone; in others, there may be sufficient incentive for the private sector to organize itself and the government can not intervene. There is a trend to see PPP as a solution that applies to every situation, without recognition that, in some cases, the private sector is quite able to organize itself. Yet, there may not always be incentives for the private sector to organize themselves, indeed in many cases the transaction costs are prohibitive. Thus, a clear role for the government to facilitate and coordinate the dialogue among public and private actors seems to emerge.

- Public-Private collaborative efforts do not always succeed— This aspect was also highlighted during the discussions. Critical success factors include capacities and willingness from the government, and cohesion and dynamism of key stakeholders in the business sector; this is determinant in the quality of the dialogue.

Organized 'Fire-Fighting': Contingent Planning.

The discussions on strategic approaches moved towards organized and disorganized ways to react to adverse events and trade interruptions. The focus of the discussion was the importance of contingency planning as an organized strategy to move forward, once a crisis has occurred or to prevent or minimize

the impacts of adverse events. Below are some of the key points arising from the discussions on this issue.

- ***Contingency planning in the context of overwhelmed food safety agendas and priorities***—Many participants agree that contingency planning is a fundamental tool to deal with adverse events. However, in Africa, disorganization and fire-fighting is a result of low capacity, which leads to prioritization and therefore, implementation of only those activities that are absolutely necessary at any given time with the resources available. Some good contingent plans are shelved because there are no funds to implement them or because some other more important priorities emerge in the course of time. The sustainability of some of the initiatives put in place, for example in terms of surveillance systems, will be, in one way or the other, dependent on availability of resources and attraction of the goodwill of future policy makers in maintaining it as a priority for the allocation of funds.

- ***Organized and mature industries are more able to apply the process of contingency planning***— The participants highlighted some cases where contingency planning has proved to be quite effective; in the horticulture industry in Kenya for example, with KEPHIS and the private sector having relatively good capacity. This hasn't been the case with sanitary measures in that country's livestock sector, where there doesn't appear to be any effective contingency planning; this may be due to the fact that the private sector is not well developed and there is relatively weak support from public sector institutions.

- ***Contingency planning should be preventive and continuous***—Monitoring and surveillance, surveys, census, training, setting up of food safety, animal and plant health systems and clinics, immunization, control of random movement of animals and plants, building of quarantine capacity, etc. are all components of the systems that need to be in place to support effective contingency planning processes that are both preventive and continuous in time.

Strategic approach- 'Raising voice'

- Discussions on the issue of 'raising voice' as a strategic option for African countries to respond to emerging regulations, concentrated on the established rules in the WTO's Dispute Settlement Procedure (DSP) where countries can defend their rights. Concerns were expressed by the participants over the financial capabilities of African countries to go through the dispute settlement process; the compensatory measures in place, if any, for the country that has been aggrieved; the effectiveness of the dispute settlement panel of the WTO in forcing the country who has been violating the trading rules to implement its rulings accordingly; the potential retaliation measures, etc. Some concerns were expressed that WTO has a role in regulating trade and enforcing rules of the multilateral trading system, but has a weak role in creating a level playing field for its members. Some comments to this effect indicated that there have been, in fact, very few SPS cases that have gone through the DSP, since this is seen by most countries as the very last resort to resolve disputes; indeed, most disputes are settled on a bilateral basis. The resource costs are very high and would only be worth it if a large volume of exports (now or in the future) were threatened. So, in deciding whether or not to proceed with the DSP, a country should consider the cost of loss of market and decide accordingly.

There is room for maneuvering

- ***There is room for maneuvering in African countries***—At the end of the discussions, some general remarks highlighted the fact that there is room for maneuvering—as within a proactive approach to SPS management, in designing policies and strategies to ensure compliance with requirements in a bid to establish and maintain international market access and enhance competitiveness. African countries and

agri-food producers that approach standards compliance as part of an overall competitiveness strategy are likely to prosper, as they will position themselves in increasingly more remunerative markets.

Conformity assessment

The discussions on conformity assessment covered several issues including: certification systems, traceability requirements, and third party certification (TPC). Some of the participants' perceptions reflected the importance given to building public capacity for conformity assessment, as a fundamental component of the overall country strategic approach to sustainable compliance. In the pre-course questionnaire, divergent views were observed with regard to the lack of accredited laboratory testing facilities as the most important constraint facing African countries in meeting stringent overseas food safety requirements. Thus, the discussions on this issue concentrated on the establishment of national accredited labs as part of the overall SPS country strategy; although donor funds can support these initiatives, the commercial sustainability of these laboratories could be a real challenge for the country. Thus, the need for identifying suitable alternatives, in the context of scarce resources and low demand for these services, was highlighted during the discussions. Some key points arising during the discussion are presented below.

- ***Accredited labs are a key component of strategic approach to compliance***—Some participants supported the view that, although the availability of accredited laboratories by itself cannot ensure compliance with market requirements, the sector's comparative advantage can be reinforced by building up capacities of public and private agents, including installing nationally accredited labs. This is an important component of a strategic approach to compliance. Initiatives are underway (or donor support is being sought) to support the development of national accredited labs in some countries. However, the need to take into account the sustainability of these initiatives was highlighted during the discussions.

- ***The operating cost for accredited laboratories hinder sustainability***—In order to be sustainable, the laboratory needs to generate enough revenue to cover the investment costs as well as the reinvestment that is needed. In many cases donor programs support laboratories in achieving accreditation, but unfortunately, after all those efforts, there is not enough business/demand to cover the operating costs and, over time, the labs are unable to be self-sustaining and the programs collapse. Therefore, it is not sufficient that labs become accredited, they must have a business model that allows them to achieve self-funding without external intervention.

- ***Alternative options might be more suitable in a context of overwhelmed safety agendas, scarce resources, and not enough in-country demand for these services***— The industry/company may want to conserve resources by conducting only preliminary screening tests and for final analysis for exporting, use an accredited lab in the country of destination or in the region. This option is being used today in a cost effective and timely way. Also, many countries have adopted the policy of using rapid test strips and then if the tests are positive the samples are sent to a reference lab for confirmation. Cost-effective solutions that are sustainable need to be in place.

- ***Building regional cooperation***—Taking advantage of regional laboratory services is an option that needs to be explored before considering the establishment of local infrastructures. For example, three internationally accredited labs exist in Uganda—Two of these labs are private and one is official. The private labs are ISO-17025 accredited and the results are recognized in destination markets. Therefore, before undertaking the costs of construction, equipping, and more importantly maintaining a laboratory, other alternatives should be considered that might meet the needs of industry and the public sector in African countries.

The costs and benefits of compliance

On the costs of compliance

The discussions on costs and benefits of compliance were part of the topics covered in Module IV of the course. The discussions centered on the effects of the ‘costs of compliance’ with international or partner standards on the overall competitiveness and profitability of African supply chains, and on the role of donors, governments and supply actors in reducing these costs. An effort towards identifying the benefits of compliance was also made during the discussions. The following are some of the points that came out of the discussions.

- ***Compliance costs seem to be more controversial because they represent additional costs***—Costs of compliance are defined as the additional costs necessarily incurred by government or private enterprises in meeting requirements to comply with a given standard in an external or domestic market. Since they refer to the costs associated with compliance, per se, and all strategic responses to evolving standards, the costs are additional to those which would have otherwise been incurred by government and/or the private sector in the absence of the standard. Thus, compliance costs may seem to be more controversial because they represent additional and somehow ‘unnecessary’ costs. Some producers perceive them as being superfluous because compliance does not necessarily mean a ‘price premium’, but additional tangible and intangible costs. Compliance costs are also controversial because they are not static variables; the requirements vary from one destination country/market to another, from one standard to another, and therefore the costs vary.

- ***Costs of compliance are not unique, they vary for a number of reasons***—These reasons could be grouped in two categories: production-related reasons (e.g. required changes in production systems) and marketing-related reasons (e.g. extra monitoring time to assure proper farm practices or other type of costs with the ultimate aim of guaranteeing the compliance with standards). Marketing-related costs might be more problematic for African producers. While production-related cost are more traditional, and the need for financial outlays and investment might be somewhat higher than before having to comply with a standard, radical changes are not always needed. However, the costs to guarantee compliance with standards (rather than costs of producing to the standards) require new thinking, new resources, and are hampered by several factors common in African agriculture—reliance on small farm units, inexperience in dealing with information control, low level of institutional development, etc. Additionally, differences in compliance cost of firms in the same product/process standard arise due to: resource/capital base of concerned firm, unit size and therefore economies of scales, available technical know-how within the firm/farm enterprise, degree of integration along the supply chain, the ability to adapt to change, asymmetry of information and access to technical information, the starting point of the firm/farm. Those who apply proactive approaches and start complying earlier are likely to incur less compliance costs.

- ***Do the costs of compliance undermine/erode the capital bases of companies?*** —Several participants considered that the costs of compliance erode the capital bases of firms; however, some supported the view that this would depend on the financial starting point. If the capacity of an exporter to comply is very low so as to necessitate substantial financial investment to comply (e.g. if it is a high percentage of his turnover), compliance will definitely undermine its export competitiveness. But if the cost of compliance is not as high as a prospective competitor, compliance can be seen as an advantage. As far as compliance with private standards, this is a strategic choice for the exporter, in an attempt to increase the business’ competitiveness and profitability and to differentiate from competitors from the same country and even those from other countries. Large farmers (or first-movers) also have a greater ability to pay for high compliance costs, thus increasing their competitiveness vis-à-vis smaller exporters. Compliance with

export standards can also be controversial if it is at the detriment of the local food control system (especially when there is no cross-over between local and export supply chains).

- ***A negative view of standards compliance fails to recognize the indirect benefits of compliance beyond market access***—Compliance costs are associated with fixed investments in adjusting production and processing facilities and practices, recurrent personnel and management costs to implement food safety control systems and the public and private sector costs of conformity assessment. In developing countries, infrastructure associated with the supply chain and administrative and technical capacities are often underdeveloped. This means that adjustments to respond to new demands in food safety standards require huge investment costs. This scenario tends to undermine the competitiveness and profitability of agro-products from developing countries, at least in the short to medium terms. Yet compliance to food safety standards might be viewed as positive in that supplying countries will have continued access to markets and possibly use the same strength to enter new markets. Other direct and indirect benefits of compliance, beyond market access, may be considerable, for example, in terms of improved trade performance, operational efficiencies within firms and supply chains, better and safer working conditions, etc.; however, these benefits are often poorly recognized.

- ***Recognizing that compliance does not always mean high costs***— Too often the analysis of the costs of compliance with standards emphasizes the high investments required in infrastructure (e.g. storage of pesticides, collection centers, sanitary facilities, post-harvest rooms, etc.), sophisticated record keeping systems, and others investments needed to ensure compliance with a given standard. However, it is important to recognize that there are cost-effective alternatives/solutions already available to achieve quality and safety objectives, and therefore applicable in the context of small scale farmers.

- ***In spite of the pessimistic attitude about standards and the apparent high costs of compliance, African export performance in high-value markets has been quite positive***—If we look at the trade figures for products for which SPS standards are relatively important – animal products, fish, vegetables, fruits, flowers – we see high growth rates over the past 10 years of exports from Africa to OECD countries (from \$US 374 million in 1994 to 2.32 billion in 2004).

- On the benefits of compliance

- ***Long-term versus short-term benefits***— Some farmers are ready to assume the cost of compliance in the short-run in order to gain reputation and inspire buyer trust, which brings more long-term gains. Sometimes farmers think they ought to see short-run benefits with compliance and this is actually one of the reasons why many get frustrated when the quantifiable cost of strict safety standards is greater than the immediate benefits. Reputation and trustworthiness is one motivation, though intangible, which farmers can rely on for future benefits.

- ***Market learning***— With time, it is evident farmers get used to standards and learn to cut back on the compliance costs. In effect, there are multiple reasons to embrace standards despite increased short-run costs by farmers. Apparently, there are not many farmers willing or able to invest in the long-term reputation and consumer safety issues without some incentive or short-term economic benefits, yet an improved reputation can be used as a very effective marketing tool. Changing production practices may also result in higher yields and reduced unit costs.

- ***Examples of tangible and intangible benefits have been observed among specific industries in African countries***— Some participants illustrated examples of sectors/industries where the benefits of compliance have been evident.

- Exports of roses and summer flowers and fruits/vegetables in Zambia and Kenya: the benefits being reputation and trust in foreign markets.
- Fish industry in Kenya, Tanzania and Uganda: tangible benefits of standards included higher profit and turnover, improved infrastructure for production of fish fillets, which is also used for exports to other countries, workers' skills have been improved, more employment for professionals, improved testing infrastructure, etc. Accrued short-term intangible benefits include: improved health for all consumers, reputation of the industry in foreign markets, improved SPS working environment, better incomes for several actors and improved livelihoods. In Kenya, particularly, intangible benefits include spillover effects, as many smaller fish fillet industries catering for local consumption are trying to catch up to compete with the export industries surplus which is sold locally. Therefore, food safety and product hygiene domestically has improved. Environmental sanitation (treatment of industrial effluents) was one of the factors demanded and this is also an indirect benefit.
- In Malawi, compliance with aflatoxin levels in groundnuts to supply the fair trade market in the EU has brought better incomes to small-farmers associated with NASFAM.
- The flower industry in Uganda: application of Good Agricultural practice (GAP) by rose growers has led to European market acceptance/access and further penetration of better market segments in the United States. Indirectly, the compliance resulted in intangible benefits in terms of reputation and increased efficiency of production processes.
- The Fish industry in Mauritius' "Sea food hub", despite being a very young industry, has already enjoyed a high recognition in the international market—an intangible benefit. This has mainly been due to the massive investment by the private sector in quality assurance and standards.

Distributional impacts— Smallholders participation in export-oriented chains

- *The high costs of compliance have the potential to exclude small-scale actors from the lucrative export markets*— Some studies included in the course reading materials, as well as some documents presented by the participants, highlighted the difficulties faced by small farmers to pay for the investments and updated procedures that are required to achieve assured compliance. Some participants indicated that in Ethiopia and Gambia, for example, small horticultural producers have faced difficulties in participating in the European market because they are not able to meet the standards, and most of them are not even aware of the standards. Yet, some ways to link small-farmers to markets were illustrated. In Ghana for example, most of the small farmers engaged in growing horticultural crops for exports have been assisted by larger farms who use them as part of their out-growers systems, and help them with training and infrastructure to comply with these standards or requirements. Support from NGO's and donor organizations has also been provided to facilitate small farmer participation in high value chains.

- *On costs and benefits of complying with EurepGAP*— Studies carried out by several institutions in relation to the costs of compliance with EurepGAP strongly support the view that given the high costs of compliance, small farmers are facing difficulties complying with the standard and are therefore being marginalized from the benefits of participating in the highly differentiated EU market. One of the participants in the course presented a detailed explanation and figures of the results of a study that he has recently undertaken in the Kenya context. The results of the study suggested that the upgrading processes required at production and postharvest stages are imposing additional costs, thus restricting small-scale farmers' possibilities to carry out the required investments to upgrade their production operations. Large-scale farmers implement the required investments in six or seven months (a maximum of one year); in contrast, small-scale farmers, due to financial constraints, require longer times to achieve certification

(between two to three years) and are largely relying on loans and external support. Still, overtime both farmers and the exporters to whom they are linked are finding ways to reduce these costs.

- ***The costs are usually exhaustively pointed out while the benefits are not always quantified***—The discussions also highlighted that most of the studies carried out in this subject present a detailed quantification of the costs, but they fail to provide a estimation of the current and expected benefits. According to the study illustrated by one of the participants, beyond the costs, wider benefits from compliance with EurepGAP are perceived by the farmers. Smallholder growers who adopted the protocol greatly appreciated being part of a group while going through the EurepGAP compliance process. They were assured of markets with buyers who offered the best price as well as timely payment. Many also perceived that implementation of EurepGAP at the farm level increased quality of production and reduced the amount rejected by the buyer. Under EurepGAP, agrochemicals are stored and handled by trained individuals and many growers felt that their health is better protected. Likewise the installation of disposal pits for the waste generated on the farm, clean toilets, baths and hand-washing facilities had clearly brought better hygienic conditions to the farm. Yet, the complexities involved in the estimation of benefits and costs, especially when trying to estimate indirect less tangible costs and benefits, were highlighted during the discussions. However, these estimations are necessary in order to determine: i) what types and levels of support (i.e. policy, regulations, institutional, programmatic, infrastructure, etc.) and ii) appropriate targeting, so that limited resources are used effectively. Some participants/facilitators mentioned that some attempts are underway to estimate not only the costs, but also tangible and intangible benefits.

- ***Other factors are important constraints to small-holders' participation in export markets***—Some participants supported the view that the costs of compliance are not the most important factor preventing SMEs and small farmers from taking advantage of the growing export market opportunities. There are a set of constraints which are equally important. For example, underdeveloped or weak supply chains; low levels of value addition; dependence on seasonal rains; lack of appropriate technology (farm/production equipment) and know-how; etc. Additionally, there is the difficulty of changing mindsets, so that farmers can cope with the changing global environment—this is not always easy to achieve.

- ***Identifying markets and products where small farmers can compete***—The critical issues in small farmer participation in export-oriented chains is in the identification of the products and markets where they have the highest possibilities to compete, given their comparative advantages, and then providing support to help them overcome constraints. This will certainly help donor and institutional efforts and will ensure more sustainable results. It is also important to recognize that most small farmers will be unable to participate in export-oriented chains (e.g. the costs of upgrading their product supply might be too high, and the institutional efforts significant), thus the importance of looking for opportunities in regional and domestic markets.

- ***Standards, if adopted, can serve as a catalyst to change and improve the production systems of farmers in developing countries***—The empirical results, albeit anecdotal, support the notion that standards, can serve as a catalyst to change and improve the production systems of farmers in developing countries. Of course in this process there are both winners and losers, but the overall impact could be positive if the government, private sector and donor agencies can support the actors to comply in a sustainable manner.

- ***Once a country/sector has achieved compliance; it can use this to position itself in global markets and gain competitive advantage***—This requires anticipation and foresight and an understanding of the costs and benefits of compliance in the long-term. Short-term compliance can bring longer-term competitive gains. Some participants mentioned however, that the rapid evolution of standards (especially private

ones) means that short-term compliance can be continuous, and therefore, costs and benefits should be assessed with respect to short and medium-term benefits and not necessarily long-term benefits. Another important factor that would determine whether short-term compliance could bring competitive advantages is the response of major competitors to the same standards.

Several other relevant issues that were also discussed during the course, but that are not included in this summary report were: the interface between food security and food safety; food safety in export chains versus the domestic market; regional cooperation; participation in international standard-setting organizations; food safety capacity building, etc. A CD-Rom including the whole set of discussions that took place in the course will be made available to each participant.