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Managing Sanitary and Phytosanitary Measures (SPS) in SPECA Countries: Completing the Transition



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Standards and Trade Development Facility

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Presented at

***UNSPECA – Aid for Trade Ministerial Meeting
SPS side event organized by STDF and UNIDO
1-2 December 2010, Baku, Azerbaijan***



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- Agriculture in CIS and SPECA
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* This presentation makes extensive use of World Bank (2007). Food Safety and Agricultural Health Management in CIS Countries: Completing the Transition.

English version

<http://siteresources.worldbank.org/INTARD/825826-1111134598204/21422839/FoodSafetyCIS.pdf>

Russian version

http://siteresources.worldbank.org/INTARD/Resources/335807-1194987153844/Food_Safety_Russian_web.pdf

** GOST stands for *Gosudartvennyy standart*, or state standard



Economic conditions SPECA

- Most SPECA countries: Small population base
- Land locked
 - But efforts to improve connectivity infrastructure and services
- Limited exposure to market economic institutions
- Dominant importance Russian (+ CIS) market
 - But increasing opportunities in China, Turkey, EU
- Limited donor support available
- For energy exporters: risk of income disparities and Dutch disease
- Afghanistan also land locked, similar ecosystem and products, but no GOST-based standards system



Agriculture, markets, competitiveness in SPECA

- Impressive recovery of production, exports from post-independence shock
 - But further growth depends increasingly on product quality and diversification
- Major commodities not demanding on SPS: Grains, cotton
 - But increasing role fruit and vegetables, livestock products
- Present GOST-based systems constrain competitiveness
- Food safety, animal and plant health outcomes unsatisfactory



CIS country groups and SPECA

	Group I <i>Belarus, Kazakhstan, Russia, Ukraine</i>	Group II <i>Armenia, Azerbaijan, Georgia, Moldova</i>	Group III <i>Kyrgyz Rep., Tajikistan, Turkmenistan, Uzbekistan</i>
Economic development	Moderate – high	Low – moderate	Low
Food safety situation*	Good–Moderate DALY rate: 38-880	Good–Moderate DALY rate: 79-1166	Moderate–Poor DALY rate: 905-1944
Animal health situation	Perceived increase in zoonotic diseases from smallholder farms although official databases give strong decline in tuberculosis and brucellosis in Moldova, Russia and Ukraine. Emergence of HPAI.		Rise in Echinococcosis and other zoonotic diseases
Plant health situation	Threat of introduction of pests due to weakened border control		
	Good or moderate capacity to detect mycotoxin and pesticide residues, to deal with disease and pest outbreaks; moderate plant quarantine	Weak capacity to detect mycotoxin and pesticide residues, to deal with disease and pest outbreaks; weak plant quarantine	Very weak capacity to detect mycotoxin and pesticide residues, to deal with disease and pest outbreaks. Very weak plant quarantine
* DALY = Disability adjusted life year; 2004, age-adjusted			



WTO accession

- Potential benefits from SPS harmonization, but also obligations to comply with WTO principles, including the SPS Agreement
- Benefits will be affected by
 - trade mix; and
 - public and private capacities to manage SPS
- Present CIS standard systems not consistent with WTO SPS/TBT principles
- Experiences Armenia, Georgia, Kyrgyz, Moldova show difficulty of harmonization



GOST vs International standards

	GOST	International standard
Responsibility for food safety	Public sector	Private sector
Focus of control	Product 'End-of-pipe'	Process 'Chain'
Nature of requirements	Highly prescriptive and mandatory	Safety is mandatory Quality is voluntary
<ul style="list-style-type: none"><input type="checkbox"/> Inconsistent procedures, methodologies, criteria<input type="checkbox"/> Incompatible laboratory facilities, equipment and tests		



GOST standards: main problems

- Too many standards: over 20,000
- Prescriptive and mandatory nature stifles innovation
- Inflexible to respond to consumer demand and new health risks
- Overlapping institutional mandates
- Weak rule of law
- Continued interdependence on CIS markets
- System becomes obsolete with WTO accession



Laboratories and GOST

- Extensive/excessive laboratory networks under the Soviet system
- High loads of testing
- Designed for GOST – planned economy; not for international standards
- Poor post-independence maintenance



Why not simply replace GOST by international standards?

Difficulties

- Complex legal and institutional change
- Requires much time and high budgetary cost
- Limited technical capacity, including language
- Need for double system till WTO accession (Russia and other CIS still require GOST)
- Potential impact on large informal sector



Vested interests in GOST

Issues

- By international perspective: Too many institutions, too many inspections, large numbers of staff employed
- Institutions (and staff) depend on income from inspections
- Many “GOST” skills no longer needed

Experience of consolidation of services and laboratories

Poland

- Ministry of Health labs fell from 248 to 66

Lithuania

- 3 former agencies for food control merged into the State Food and Veterinary Service (SFVS), reporting directly to the Prime Minister
- consolidation of SFVS labs: from 50 in 1994 to only 10 in 2001, and further consolidation anticipated (1 central and 4 regional)



Urgency to adopt international standards system

- Markets accepting GOST shrinking with low prices
- Diversification (products, markets) requires international standards
- Change is complex, costly, and requires much time
- Need to strategize and implement transition



Transition to international standards: Tasks ahead

- Create awareness on all levels throughout the process
- Assure political leadership for change
- Overhaul of legislation/regulation
- Streamline institutional mandates
- Redesign inspection, monitoring and surveillance programs
- Build technical and human capacities
- Consolidate and upgrade testing facilities
- Support adjustment in private sector



Countries have different options

	Group I <i>Belarus, Kazakhstan, Russia, Ukraine</i>	Group II <i>Armenia, Azerbaijan, Georgia, Moldova</i>	Group III <i>Kyrgyz Rep., Tajikistan, Turkmenistan, Uzbekistan (+Afghanistan)</i>
SPS capacities	Relatively strong	Weak	Very weak
Financial resources	Relatively rich	Little	Little
Main market	Internal market, Russia, EU	Russia, EU	Southern Siberia, China and South Asia
Faced SPS requirements	High-medium	High-medium	Relatively low
Reform options	Adopt international standards; all-round capacity in testing, risk assessment	Selectively adopt international standards; adopt EU standards only for products with good export potential	Reform standard system to be WTO-compliant; give priority to reducing public health risks



Experience reforming food safety and agricultural health management: Central and Eastern Europe (CEE) and CIS

Similarity:

- Common heritage of GOST standards and institutions

Common reform objective *CEE and CIS*:

- compliance with WTO regulations;
- compatibility with market economy;
- improved food safety and agricultural health;
- improved competitiveness of agro-food industry

CEE:

- Also full adoption of EU Acquis Communautaire (with high EU support)



Small-scale farmers

Small-scale farmers → high food safety/agricultural health risks??

- Not necessarily
- Adjust/improve extension/veterinary/plant protection services to support small producers
- Encourage farmer groups, supply chain coordination
- Evidence: if given the right support, small-scale farmers can produce safe products



Private sector

Condition of many food processing industries

- Out-of-date facilities
- Lack of knowledge of modern food safety/quality management (GMP, HACCP and ISO)
- Lack of experience with modern supply chain management

Government could facilitate by

- Improving **investment climate** and attracting Foreign Direct Investment
- Providing adequate **infrastructure**, especially water, sewage, power
- Promoting development of **business services** (cold chains, laboratories, certification, Business Development Services)
- Provide **incentives** (e.g. grants) for training and modernizing safety management



Regional cooperation SPS

Rationale

- Similarity in ecosystems
- Shared history and language
- Similar economic challenges

Issues to pursue

- Promote intraregional trade
 - Harmonization of SPS and TBT measures
 - Combatting cross border health hazards
- Explore options for sharing expertise and expensive facilities
- Include Afghanistan and involve main neighbors Russian Federation, Turkey, China



Recommendations external support

- Support for raising awareness, needs assessments, and food safety and agricultural health strategies
 - including support for analysis of risks, costs, benefits
- “Twinning” (proven effective for capacity building)
- Investment in redesigning hardware and institutions
- Donor coordination needed
- Sustainability issues of scattered short-term interventions in limited areas
- Sometimes comprehensive long-term capacity building projects probably better



Concluding remarks

- Present GOST systems form increasing constraints on
 - human and agricultural health outcomes;
 - market access and competitiveness;
 - agricultural growth and diversification
- Replacement of GOST is part of transition to market economy and integration into the international trade system
- Russia's WTO accession poses challenge to SPECA countries
- Reform goals and prioritization needed by country: to be based on geographic, economic, commercial, technical, political considerations
- Regional cooperation offers opportunities
- External support needed for planning, knowledge transfer, twinning, investment



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***Thank You
for your attention!***