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BEHIND THE BORDERS: SANITARY AND PHYTOSANITARY STANDARDS, TRADE AGREEMENTS AND CHALLENGES TO ZAMBIA

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Behind The Borders: Sanitary and Phytosanitary Standards, Trade Agreements and Challenges to Zambia

Sanitary and Phytosanitary Standards (SPS) are in short, the hygiene standards for foods and agriculture produce. Thus, this Policy Brief sets out to interpret what SPS standards mean to Zambia, why they are important for development of the agriculture sector and why they are important for enabling the competitiveness and diversification of the agriculture sector.

Agriculture has long been recognised as the economic sector with the best growth potential in Zambia. However, development of this sector has been inconsistent and sporadic recorded by contraction of growth by -4% in 2008. This has been as a result of inconsistency in political will, vision and support of technical capacity to promote agriculture to its full potential. This is reflected in information such as 58% of land found in Zambia is suitable for arable use while only 14% is cultivated (Fifth National Development Plan).

The biggest employing sector in the Zambian economy is the agriculture, forestry and fisheries sector with 92% in the rural areas and 20% in the urban areas. In light of this, it is both disheartening and unfortunate that rural poverty is 80% and urban poverty is 34%. This makes it clear that there are latent issues that permeate through the macro system of employment, income inequality and the socio-economic impact of the agriculture sector.

Amidst the world food crisis there was a growing consensus that development of the agricultural sector in developing countries can significantly contribute to improving the prospects and ability of citizens to access economic opportunities for wealth creation. This is challenged by access to capital and stimulating policies but also the challenge to meet export standards required by meeting Sanitary and Phytosanitary Standards (SPS) which are particularly high in developed countries.

Unless there is increased investment in capital input facilities for agriculture, such as technical and research laboratories; production standards required for the export market will not be improved to stimulate the much needed increase in quality production. This would in turn generate employment and increase income levels from agriculture that will develop into increasing demand throughout the economy for both value added agriculture products and non-agricultural products.

Zambia would not be able to afford or handle the potential consequences from

underdeveloped management of SPS standards as trade liberalisation increases across the globe.

Thus, the purpose of this policy brief is to highlight aspects of the effect Sanitary and Phytosanitary (SPS) standards have on the agriculture sector, consumers, producers, and government.

Section 1 highlights the national and international bodies responsible for SPS standards touching on the advantages and disadvantages in each case. Section 2 illustrates the relationship between the SPS standards, the market and trade agreements. Lastly, Section 3 provides recommendations to overcome the challenges of SPS standards.

Part I

DEFINITION OF SANITARY AND PHYTOSANITARY STANDARDS

The World Trade Organisation considers SPS measures refer to any of the laws, rules, standards, and procedures that governments employ to protect humans, animals, and plants from diseases, pests, toxins, and contaminants. Examples of SPS measures are the inclusion of meat and poultry processing standards to reduce pathogens, residue limits for pesticides in foods, and regulation of agricultural biotechnology. The WTO further states that;

- **Sanitary Standards** refer to the required benchmarks set out by a country's statutory body responsible for **Animal Hygiene Standards** to meet SPS measures in order to protect humans and other animals from pests, toxins, disease, disease causing organisms and other contaminants derived from plants.
- **Phytosanitary Standards** refer to the required benchmarks set out by a country's statutory body for **Plant Hygiene Standards** to meet SPS measures in order to protect humans and plants from pests, toxins, disease causing organisms and contaminants derived from plants.
- **Sanitary and Phytosanitary Standards** are therefore the combined required benchmarks set out by WTO member country's statutory bodies of animal, plant and processed food needed to be met in accordance with measures to guarantee safety of humans, animals and plants from disease, pests, disease causing organisms, toxins and other contaminants.

Institutions and bodies responsible for setting SPS standards and measures

A. International

There are three major international scientific bodies designated by the WTO to deal with SPS standards and measures. They are responsible for providing the international benchmark through statutory guidelines:

1) *The Codex Alimentarius Commission for food safety*

The Codex Alimentarius was created in 1963 by the Food and Agriculture Organisation (FAO) and World Health Organisation (WHO) to develop food

standards, guidelines and related texts such as codes of practice.

2) *The Office of International Epizootics (OIE) for animal health*

The Office Internationale des Epizooties was created through an international agreement signed in 1924 to fight animal diseases at a global level. In May 2003 the office became the World Organisation for Animal Health but has kept its historical acronym OIE.

3) *The International Plant Protection Convention (IPPC) for plant health*

The International Plant Protection Convention was created through adoption by the Food and Agriculture Organisation (FAO) in 1951. The main objective was to prevent the spread and introduction of pests in plants and plant products while promoting appropriate measures for their control.

These bodies meet often to discuss threats to human and agricultural health, evaluate SPS-related disputes, and develop scientifically based SPS standards, which can provide guidance for countries formulating their own national SPS measures.

B. Zambia

The bodies in charge of regulating the SPS standards in accordance with the international statutory requirements in Zambia fall under the umbrella of SPS institutions with responsibilities divided as follows;

1. *Codex Alimentarius – Food Standards and Hygiene*

Ministry of Health, Food Safety and Cosmetics, Codex National Focal point Person, this SPS national institution has the responsibility to ensure that all food products imported into the country meet domestic standards. On the hand it also has the responsibility to ensure food products exported out of the country meet the destinations market standards.

2. *OIE – Animal Standards and Hygiene*

Department of Research and Specialist Services, Ministry of Agriculture and Cooperatives; this SPS national institution has the responsibility to ensure that all animal produce (dead/alive) imported into the country meet domestic standards while animal produce exported out of the country meets the destinations' market standards.

3. IPPC – Plant Standards and Hygiene

Ministry of Agriculture and Co-operatives, Zambia Agriculture Research Institute, Plant Quarantine and Phytosanitary Service , Mount Makulu Research Station; this SPS national institution has the responsibility to ensure that all plant products imported into the country meet domestic standards while plant products exported out of the country meet the destinations market standards.

The role of the national body is to ensure that all animal, plant and food stuffs both entering and exiting the country satisfy the SPS standards to the place of destination domestically and internationally.

All countries assigned to the WTO have national institutions that are referred to as *points of enquiry* to provide requesting countries or persons with the information of regulatory animal, plant and food sanitary standards. This information has to be justified on scientific basis as outlined by the guidelines of the regulatory international institutions.

The Advantages and Disadvantage to having a SPS international body

Advantages

1. Since export markets will be governed by common standards, the ability to trade is increased.
2. Legal actions taken as a result of different export standards between trading partners decrease because they are signed in accordance with international agreements and endorsed by the world trading governing body, the WTO.
3. There is a point of reference in the international export market to determine the required standards to be met by the producers who wish to export.

Disadvantages

1. Like Zambia, not all developing countries have the capacity to meet international standards due to capacity constraints and the existing framework to meet export requirements shows a bias against developing countries.
2. Countries which have a greater technical capacity in science and technology have a greater advantage to raise standards in their domestic market than countries which do not. This can lead to the rule clause of scientific proof being unjustly used as a Technical Barrier to Trade (TBT) in interest of protectionism.

3. The costs of inspection are borne by exporters and are based on the level of risk a country carries. The level of risk is directly linked to the presence and strength of a country's monitoring, evaluation and research labs. For countries which do not have adequate labs and technicians to monitor and regulate standards domestically the risk is inevitably higher thus placing a heavier burden on exporters.

The advantages and disadvantages to having a SPS national body are

Advantages

1. They ensure the guarantee of SPS standards and measures are adhered to by countries exporting into the domestic market.
2. They ensure the alignment of domestic producers to meet international standards to ensure export standards for the international market are met.
3. The national bodies enable persons to engage effectively in international trade.

Disadvantages

1. If they are under equipped they are ineffective and can result in consumers, producers and government being harmed by imports through exposure to dangerous and harmful products.
2. If the regulating bodies fail to be recognised as credible in the international community for a reason such as poor facilities to conduct SPS, Government and producer earnings decrease through the extra burden of payments for inspection costs in foreign markets.
3. National bodies in developing countries are passive subjects rather than active players in setting international statutory standards. Therefore they tend to have a peripheral role in the rule making bodies which reflects in their periphery participation in trade.

Part II

LINKAGE BETWEEN SPS STANDARDS, THE MARKET AND TRADE

Poor SPS standards in the domestic market are linked to poor SPS standards in the export market and subsequently have an undesirable effect on trade, producers, consumers, and government. Listed below are ways SPS standards impacts on the economy and translate to stakeholders in the market.

How SPS standards relate to the market

- 1. Physical Infrastructure (cold storage, laboratories etc)** - The increased investment in physical infrastructure facilitates the development of an integrated system which provides consistency and predictability to stakeholders in the market for the development of the agriculture sector. Operating physical structures instills confidence in importing countries that services exist which specialize in regulating the monitoring evaluation and research of pests, toxins, disease, disease causing organisms and other contaminants derived from plants and animals. For example, the newly built Phytosanitary premises at the Lusaka International Airport have provided significant benefits to exporters of Phyto (plants) products. Since the introduction of the laboratory premises and cold storage facilities inspection on arrival in Europe has significantly reduced to an average of less than 10% compared to the previous level of 80% and above. Quality storage facilities can improve the long term profitability and stability of market prices. This is because surplus produce can be safely stored for both the domestic market and international market for export.
- 2. Technology** – The current system used to regulate the monitoring, evaluation and research of pest, toxin and livestock disease control nationwide is mostly manual and isolated. This coupled with inadequate research and test laboratories results in costly, slow, incoherent regulation. Thus, the work to monitor, evaluate and research for both imported and exported goods becomes less effective. Namibia on the other hand has recently implemented the Real Time Disease Reporting System for livestock disease. According to Wezi Tjaronda of the Namibian Publication, New Era, Namibia is the only country to have fully adopted the system as a nationwide policy although it has been tested in other Southern African countries including Zambia.
- 3. Funding** – Poor financial support provided to key institutions involved in research, education and training results in a deficit of capable personnel to

effectively regulate the monitoring, evaluation and research of pests, toxins, disease, disease causing organisms and other contaminants derived from plants and animals. The consequence of inadequate funding is the greater risk to exposure of pest and livestock disease outbreaks adversely affecting government revenue, consumer and producer; health, well being and incomes. This lack of expertise as documented in the Joint Assessment done by the World Bank and USAID on Zambia's SPS Management in July 2006, subsequently affects the national capacity and ability of a country to ably meet export standards. In evaluation of the twelve core functions in the capacity and performance of SPS, the tenth core function which is, *Research and investigation in the field of plant protection, Zambia scores 1 out of 5 which is classified as poor.*

- 4. Internal Institutional Organisation** (within the agriculture sector) – The current arrangement of sparsely scattered co-operatives which have diversified into a range of livestock and crop has placed the extra burden of coordinating scarce resources. Regulating the monitoring evaluation and research of pests, toxins, disease, disease causing organisms and other contaminants derived from plants and animals is hampered by the array of livestock kept and crops grown by farmers which are not always economically viable on a small scale. This undermines the standard of goods in the market which has a detrimental effect to local farmers in the event they are able to produce a surplus sufficient to export.
- 5. Information Sharing** – There is a lack of awareness in the domestic market for producers in agriculture and food manufacturing sectors on SPS standards. This filters through into the export market where producers are unable to enhance production and grow due to a lack of information on how SPS standards determine their ability to trade. As documented in the Joint Assessment done by the World Bank and USAID on Zambia's SPS Management in July 2006 this has the subsequent effect of reducing government revenue, negatively affecting producer income and perpetuating the cycle of substandard goods to the consumer. In evaluation of the twelve core functions in the capacity and performance of SPS, the ninth core function which is, *Information dissemination within Zambia on regulated pests, Zambia scores 1 out of 5 which is classified as poor.*
- 6. Existing National Policies** – Although the national policy for agriculture exists, the implementation of it has been short of delivering success. This is primarily because of poor allocation and distribution of funding within the sector and disjointed co-ordination of efforts among intergovernmental institutions. The FNDP lays out a desire to intensify diversification into agriculture so that Zambia can become an export driven economy. This is

countered by the impact of isolated actions by public institutions that do not support the national programmes in the broader context. For example, Zambia was a signatory to the Maputo Declaration which commits countries to allocate 10% of the total National budget to agriculture and rural development policy within 5yrs. Zambia has been erratic in support of these efforts with 2006 allocation being 5.7%, the 2007 allocation being 8.8% and 2008 allocation being 5.8% of the National budget.

- 7. *Transport*** – The impact of transport on SPS standards is significant because SPS standards of produce pose a greater risk of contamination the more they are handled. A recent World Bank research shows border crossings accounts for up to 40% of transport time in Sub-Sahara Africa affecting the quality of products. The World Economic Forum Global Enabling Trade report ranks Zambia 106 out of 118 countries in the world for availability and quality of transport infrastructure. The time it takes for goods to reach one destination from another adds up both in time and cost because of inadequate road networks. The transport study done by the World Bank further shows that both exporters and manufacturers suffer as exports become less competitive and imported components, which manufacturers frequently rely on, are more expensive by the time they arrive at their destination.
- 8. *Marketing*** – Zambia has a competitive advantage in the production of organic crops which have increased in demand in the international markets according to recent FAO reports. Potential is unfortunately undermined by the inability to meet SPS standards adequately by the majority producers of agriculture products. Thus, even in the event of the current world food crisis Zambia has been unable to capitalize on marketing surplus produce for the international markets due to poor SPS standards in the Agriculture sector. This can be correlated to the decline in the volume of non-traditional exports and in particular agricultural produce.
- 9. *Trade Agreements*** – Zambia has been unable to fully benefit from the trade agreements it appends it's signature to because of the prerequisites that importing countries expect from the exporting country. For example Africa Growth and Opportunity Act (AGOA),the World Trade Organisation (WTO) and Economic Partnership Agreements (EPA's) cease to mean anything worthwhile because they exist in markets where the risk of pests, toxins, disease, disease causing organisms and other contaminants derived from plants and animals cannot be compromised. Thus, SPS should be a high priority on the Agriculture agenda because the development of the sector through other markets depends on it so greatly.

Trade Agreements: The relationship between the Economic Partnership Agreement and SPS

By now it is clear that SPS standards are something that cannot be compromised on as it is a mutually beneficial tool regarding food and health safety. Regardless of what the outcome of the EPA negotiations are SPS standards will need to be adhered to even in the case of duty free and quota free market access to the EU under an EPA.

Below are highlights of important aspects of the EPA regarding SPS standards;

Sensitive list – The sensitive goods list is a list of goods drawn up by a country in view of what they consider to be sensitive goods for political reasons to the Country. The sensitive goods list allows a country to use trade instruments for protective measures on foreign imported goods that are on a country's sensitive goods list. The trade instruments that can be used as a protective measure include upward adjustments in tariffs. For example, the level of tariffs that can be placed on maize imported into Zambia from the EU allows tariffs of a higher level to be placed on Maize due to the sensitive political nature of maize in Zambia. Reasons why maize is a sensitive good and qualifies on political grounds is because it is Zambia's staple diet, accounts for a significant proportion of small and medium scale farmers incomes and has socio-economic implications of importance. On the other hand, for goods that are not on the sensitive list, Zambia would be restricted to make upward tariff adjustments as these goods would be considered to be produced on competitive grounds and are therefore subject to liberal policies.

European Development Fund (EDF) – If resources from the European Development Fund are not used to address the issue of SPS standards in the EPA's then they will not solve a pertinent underlying problem of agriculture produce entering the European Market and other developed countries' markets for that matter.

Liberalisation Process – The current market access offer by the EU that Zambia initialed, stipulates a liberalization process that requires 79.6% of the Zambian market to be liberalised within a period of 20 years. Although Zambia has been given full access to the EU market under the EPA market access agreement, Zambia was already experiencing duty free and quota free market access to the EU under the Everything But Arms (EBA) Agreement. Even with this in place Zambia's agriculture sector was overall experiencing declining exports of agriculture produce. The question that arises is whether a coherent policy framework is in place to address the persisting problems of market access by the Agriculture sector in Zambia? If no road map is in place to guarantee the development of sectors, Zambia will face increased competition and a problem

of displaced small scale and medium scale domestic producers at the expense of subsidized European producers. Thus, there is need to address supply-side and capacity constraints for Zambia to fairly compete under more liberalized market regulations with the EU before the time the EPA cycle is complete.

How the EPA can be used to improve SPS standards

Through the available use of trade instruments for goods on the sensitive goods list, tools such as upward tariff adjustments for goods which are both on Zambia's sensitive goods list and imported from the EU, shields the potential displacement of domestic producer's participation in the domestic economy from competition by EU Producers. The sector will survive at a domestic level because they are cheaper than imported EU goods that will be more expensive in the local market because of high tariffs. The incentive and necessity to improve the sectors standards remains cardinal. In the event EU goods that are on the sensitive goods list are imported into Zambia, Government will raise revenue through the tariffs on EU imports to help offset the initial high cost of investing in equipment and training to meet SPS standards.

The European Development Fund should firstly ensure that the amount that is allocated is actually disbursed. History has a poor track record of the EDF where for example the 8th EDF and the 9th EDF show significantly declining margins were disbursed as compared to allocated. According to information provided by the Economic Affairs Division of the Commonwealth Secretariat, the 8th EDF only saw 20% of the allocated funds disbursed and the 9th EDF only saw 28% of the allocated amount actually being disbursed. Secondly, the fund should be provide for additional resources aside from the adjustment costs to primarily address the underlying problems of education, infrastructure, capital investment, storage facilities and agro-processing equipment among other development issues.

Conclusion

Development of the agriculture sector greatly depends on the ability to meet SPS standards as it facilitates capacity to trade in this sector. This extends to the fact that international markets cannot compromise on pests, toxins, disease, disease causing organisms and other contaminants derived from plants and animals when it comes to human health, animal welfare and food security. In the case of Zambia this is a real issue which is highlighted by the fact that not even preferential trade agreements in the international economy can waiver on SPS standards for less developed countries. Thus, there is great need to view SPS standards as a serious instrument to develop the agriculture sector and more especially the ability to engage competitively in international trade. One

way or another SPS standards will continue to develop along more complex and stringent lines in the international economy.

Zambia primarily uses tariffs to ensure that domestic producers remain competitive in the domestic market against imported products which do meet SPS standards. The dual factors of not addressing SPS standards aggressively and the anticipated removal of restrictions on trade when the EPA completes the cycle raises concern. Agriculture, forestry and fisheries serves as the major employing sector and occupation where estimates reveal that it is 92% in the rural areas and 20% in the urban areas. A country like Zambia cannot afford to have the agriculture sector experience a potentially threatening shock that would occur in the event SPS standards are not dealt with and the EPA completes the cycle. Job losses, lowered standards of living and significant losses in income would only be some of the consequences.

Part III

RECOMMENDATIONS

SPS standards can be a tool to develop the agriculture sector. By recognising SPS standards as a means to develop agro-processing, fisheries and livestock trade, the agriculture sector could see significant strides in development through trade by meeting export standards.

1. Research

Scientific evidence is an essential premise that the SPS standards are designed on because neither SPS standards, nor SPS measures can be used without scientific justification. Research alone will not be able to overcome the challenges of SPS standards and there is still need to strengthen local institutions through increased funding and research undertaken. In the course of collaborating with renowned foreign research institutions a competitive edge will be added to the agriculture sector. Success in science, research and technology will increase productivity techniques, value added agro-processing, the quality and improve the ability to engage in international trade.

2. Infrastructure

Extend the supply of affordable energy such as hydro-electricity to areas with substantial agriculture development potential. Affordable energy will simultaneously enable the establishment of laboratories in remote areas and agro-processing equipment for value addition to produce.

Develop storage facilities in areas of high production and extend cold room facilities in order to enhance the availability of fresh fruits, vegetables, and dairy and meat products to enable trade through attaining SPS standards.

3. Funding

Increase and improve efficiency of funding to agriculture in core areas of the sector that will enhance trade through SPS standards.

4. Internal Organisation of the Agriculture Sector

Promote vertical integration by ensuring that the farmers own and control agro processing facilities. This will ensure that arising value added processing accrues to the farmers so that it can be re-invested into the agriculture sector while

providing consistency and ease of coordination in standards.

5. Capacity building and training

Utilise the assistance of traditional establishments to implement the improvement of SPS standards.

Introduce orchard management techniques through technology and training which should further extend to developing quality post-harvest handling.

6. Transport

Improve bulk transportation for example by rail and storage facilities so as to ensure timely deliveries and minimize wastage and contamination.

Increase efficiency for the movement of goods between borders by reducing the bottlenecks and procedural limitations on clearance.

7. Sensitisation

There needs to be nationwide sensitisation on SPS standards for all stakeholders to be better informed in decision making and actions from all sectors in the economy.

8. National Policies

Carry out a review of tax structures on agro-inputs and agro-exports with a view to making agriculture viable and profitable through trade. Identify this in view of understanding SPS standards as a critical component of agro-inputs and agro-exports.

Introduce breeding centres, genetic banks, agriculture nurseries and techniques to support the introduction of new farming practices to meet SPS standards.

Scale up construction of communal dip tanks on co-operative basis and make dipping compulsory to reduce the risk of livestock disease breakouts.

The harmonisation of domestic institutions responsible for SPS standards is needed for coherent and consistent development of the Agriculture sector through international trade. By clearly defining the role and expectations of the various bodies responsible for meeting SPS standards market access can be enhanced.

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