



Pro-Poor
Livestock
Policy
Initiative



Workshop on the Impact of SPS Constraints on Greater Market Access for Livestock Products by Developing Countries

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ABBREVIATIONS

ASEAN	Association of South East Asian Nations
AU-IBAR	African Union- Interafrican Bureau for Animal Resources
COMESA	Common Market for Eastern and Southern Africa
DEFRA	Department for Rural Affairs of the UK Government
ECOWAS	Economic Community Of West African States
ESC	Commodities and Trade Division
EU DG SANCO	European Union Directorate General Health and Consumer Protection
IDS	Institute for Development Studies, UK
IFPRI	International Food Policy Research Institute
IICA	Inter-American Institute for Cooperation on Agriculture
ITC	International Trade Centre
LDC	Least Developed Countries
OIE	World Organisation for Animal Health
SIDE	Servicios Internacionales para el Desarrollo Empresarial S.A.
TAHC	The Animal Health Code (OIE)
UCB	University of California at Berkeley
UEMOA	Union Economique et Monétaire Ouest Africaine
WB	World Bank

INTRODUCTION

The Food and Agriculture Organisation's Pro-Poor Livestock Policy Forum (FAO / PPLPF) has commissioned ILRI to carry out a scoping study on the impacts of WTO rules, SPS regulations and other non-tariff trade barriers on access to livestock markets by developing countries. An interim report¹ of the scoping study was written and circulated in early May 2005.

Workshop objectives

To enable the report's authors to benefit from a broad range of expertise and knowledge, a workshop was hosted by FAO and organised jointly by FAO and ILRI. The objectives of the workshop were to:

- discuss and synthesise the findings presented in the interim report of the scoping study
- identify and prioritise key issues: what has most impact on poor countries' and peoples' access to better markets to promote development and poverty reduction?
- propose entry points for the follow-up of key emerging issues in terms of policy and institutional implications and research and capacity building opportunities.

Workshop approach and process

Around 25 participants attended the workshop, which was held at FAO, Rome over a three day period from 4th to 6th May 2005. Participants included representatives of international organisations (FAO, EU, WTO, OIE, ILRI, AU-IBAR), national organisations (DEFRA, UK; Western Cape Veterinary Services, RSA), academic organisations (IDS, UCB), the private sector (Thai Broiler Processing Exporters Association) and independent consultants. (For full details of participants see page 8).

The workshop was designed to be output orientated and to combine a minimum of targeted, essential presentations with plenary discussions and group work. The latter focused on the four major output areas for the workshop, for each of which a 'champion' was appointed to track issues emerging during the workshop:

1. Policy
2. Institutions
3. Capacity building
4. Research

The workshop began with three contrasting 'success stories' - examples of developing countries which were exporting livestock or livestock products. These were:

- Farmers' Choice, a Kenyan company which primarily manufactures processed pork products, such as bacon, ham and sausages, and is currently exporting 30% of its output, mainly to Middle Eastern and South Asian countries.
- Thai Broiler Processing Exporters Association, an umbrella organization representing poultry exporters in Thailand. The presentation described the vertically integrated nature of large-scale poultry production in the country and the impact of avian influenza on the sector's export business. The producers

¹ B. D. Perry and A. Nin Pratt The impact of WTO rules, SPS regulations and other non-tariff trade barriers on access to livestock markets by developing countries, on consumers in developing countries, and on evolving domestic markets: Summary interim draft report on a scoping study

responded to the restrictions imposed by importing countries following the outbreak by shifting production to cooked products which could still be exported. This built on Thailand's competitive advantage of relatively cheap, highly skilled labour.

- Ethiopia, which has traditionally exported live cattle, sheep and goats to the Middle East. More recently Ethiopia has also developed an export trade based on air-freighting sheep and goat carcasses to the Middle East. There is also strong demand for beef and live cattle from Egypt and more recently from Jordan.

It was observed that, particularly with respect to Kenya and Ethiopia, export of livestock or livestock products was apparently achieved despite low capacity within the respective governments to negotiate on the basis of SPS issues. Success in all three cases was largely due to the strength of the private sector.

Presentations were also made dealing with:

Determinants of trade in a distorted world market (Chris Stevens, ODI): This focused on the underlying principles of competitiveness of different countries for different livestock products. It emphasised that the determinants of competitiveness (cost of production; protection and preferential treatment; and SPS requirements) were highly dynamic.

What's new in the use and interpretation of the SPS Agreement relevant to developing countries and livestock product trade? (Joann Young, WTO): The presentation covered issues of equivalence, regionalisation and the on-going review of the SPS agreement. It also described the Standards and Trade Development Facility (STDF), a joint FAO, OIE, WB, WHO and WTO initiative, launched in 2002, to strengthen capacity of developing countries to access markets.

The impact of EU sanitary and phytosanitary legislation on developing countries (Howard Batho, EU, DG SANCO; Peter Brattinga, EU, DG Trade): The presentation discussed the strengths and weaknesses of the EU's SPS legislation, concluding that these were not an obstacle to trade; indeed they were essential for trade. It was noted that, to meet them required effort on the part of the 'competent authority' in developing countries, and that compliance with the EU's SPS legislation opened the way to accessing premium markets and raising food safety standards for the benefit of the citizens of developing countries.

OIE's implementation of the Doha declaration (Jean-Michel Bergès, OIE): This presentation described OIE's objectives and mandate before focussing on the establishment and implementation of the STDF. In addition it described other initiatives including capacity building of OIE's five regions, prioritising links between public and private veterinarians, and the partnership with the World Bank on the African Livestock (ALive) programme.

Animal welfare: how much can you afford? (David Pritchard, DEFRA): This presentation emphasised the need to base decisions of animal welfare on scientific evidence. It also introduced the idea that developing countries may have a competitive advantage as two of the main requirements for enhanced welfare of livestock - labour and land - were often more readily available compared to more developed countries.

Cattle, beef and dairy chains and the poor in Central America: The importance of SPS and other policies (Carlos Pomareda, SIDE): This presentation described the increasing divergence between poor and large-scale dairy and beef producers in terms of products, markets served, access to export markets and compliance with SPS requirements, concluding that it was important to seek alternative production and employment opportunities for poor producers.

Workshop outputs

After the presentations, a combination of plenary and group discussions focused on policy, institutional, capacity building and research issues. Participants considered the priorities relating to a number of livestock product-specific topics (traceability, surveillance, animal health service provision to the value chain, product certification, animal welfare) in relation to the main SPS instruments (harmonisation, equivalence, risk assessment, regionalisation, transparency, technical assistance, special and differential treatment, cost of compliance and dispute settlement). The groups first identified and prioritised the main issues and then attempted to identify entry points to address these. A summary of the key issues emerging are provided below.

Policy

Issues and entry points identified in the policy area included:

OIE General Session: Each year proposals are put forward by the different OIE regional commissions for plenary papers at the OIE General Session. A proposal for a future plenary paper could be 'The role of external bodies in contributing to certification and audit processes by Competent Authorities in developing countries, as a mechanism for enhancing their credibility with export market partners'.

Allocation of national budgets: Targeted at the AU and ASEAN (as regional bodies), urging countries within their regions to honour the proposed policy to allocate 10% of national budgets to agriculture, and in particular to livestock.

Traceability: This was originally identified as a policy issue, but the group felt it belongs in research.

Vertical integration: The pressure for vertical integration, combined with the current interpretations of compartmentalisation under the TAHC, may discriminate against the use of outgrowers and contract farmers. This may not promote pro-poor outcomes of external markets. The group considered the need to promote the acceptance and credibility of "zones" (either disease free, or areas of understood disease risk) from which livestock products derived from smallholder settings can enter value chains destined for export. This might include policies that promote the advantages of contract farming in vertically-integrated systems. Entry points might include tax incentives, influencing donor support to vertically-integrated organisations, or public/private partnerships that support the capacity of the private sector to maintain contract farming activities with smallholders.

Barriers to regional trade: The group felt that there were multiple examples of the mis-use of SPS issues within regions of the developing world. It is critical to balance measures being undertaken in the importing country with those of the exporting country on the basis of scientific evidence. However, this should not open the door to trade in sick animals or unsafe products.

Affirmative action: Consider the potential for an affirmative action policy for OIE to ensure participation of developing countries in standard setting committees.

Institutions

The overarching problem was considered to be that developing countries - and LDCs in particular - lack the institutional capacity to determine what their national priorities and strategies are with respect to SPS articles, trade and poverty. It was suggested that this lack of national capacity could be overcome by increasing the capacity of regional organisations, such as Regional Economic Communities, to understand and then to question and research whether current WTO standards and guidelines are

appropriate and in the interests of developing countries and regions. Once expertise was in place in the regional organisations it could be made available to member states.

In addition it was recommended that:

- Regional expertise should be represented at the meetings and committees of the WTO and its bodies through one of two mechanisms: either by incorporating regional expertise into national delegations or by giving regional organisations observer status.
- FAO's PPLPF should assess the institutional linkages between member states, regional and continental organizations and examine comparative advantages between member states, regional and continental organizations in their ability to address SPS articles and promote equitable trade so that FAO can put forward suggestions and plans to member states and to regional organisations on how they might firstly regionalize capacity and secondly harmonise positions with SPS articles, export trade and addressing poverty.

Transparency: Developing country exporters do not always receive the information they need about importers' regulations. There is therefore a need to develop SPS and Codex enquiry points/committees and facilitate coordination at national level among those responsible for Codex, OIE and WTO policies.

Risk assessment: Develop standards for livestock products. Relevant scientific research to be done on behalf of LDCs, other developing countries and their poor producers by the private sector, ILRI, IFPRI and others.

Equivalence: Flexibility in identifying equivalent food safety results from a wide variety of different institutional mechanisms that may be applied unevenly across products and intra-state zones and involve different types of public and private partnerships to support the competent veterinary authority. This is a 'pockets of excellence' approach which recognises that effective institutional change will occur incrementally and unevenly.

Capacity: Sustaining institutional representation of developing countries by developing a system whereby the capacity developed for WTO/OIE/SPS representatives is integrated into regional and continental institutions, i.e. national staff trained to represent their countries at WTO/OIE/SPS should automatically be the country's representatives at regional and continental institutions.

Capacity building

The main question to answer is does the technical assistance asked for and given actually lead to increased trading opportunities? How, by whom and to which target groups should capacity building be directed?

Specific issues related to capacity building included:

- Need to create awareness about possibilities for trade
- Desirability of promoting advantage of having SPS national committees
- Better integration of different sectors (several ministries/public and private sectors)
- Need to strengthen communication between the producers and public sector
- Need to strengthen the national helpdesks and notification/enquiry points
- Need to build capacity both within and along the chain
- Lack of coordination between technical assistance projects

- Problem of redeployment of trained staff and attrition due to HIV/AIDS.

Capacity building at the national level should address:

- How to target the poor, e.g. through farmers groups and cooperatives?
- How could the poor benefit?
- What are the products they could produce?
- What services are needed?
- Need for governments to commit resources for institutional development and capacity building
- Need for better links from national to regional level.

Capacity building at the regional level should address:

- Support and capacity building for regional committees (OIE, CODEX, National level) and capacity building
- Creation of regional 'negotiation platforms'
- Support for regional harmonisation
- Trade information dissemination (e.g. ITC)
- Regional risk assessment bodies
- Possible role of regional laboratories (such as the UEMOA one for veterinary drugs)
- IICA funding participation in SPS committee meetings and workshops
- Need for better links from regional to national and international level

Capacity building at the international level should address:

- Need for improved coordination and streamlining of resources for capacity building
- STDF for countries to gain and maintain market access
- Effective participation in negotiation platforms
- Resources for participation (CODEX, OIE, EU, etc)
- Improving negotiation capacities in relation to SPS issues.

Research

Product identification and traceability: What are the most cost efficient solutions that can deliver in developing countries and do these need to be applied to the entire populations or just those animals destined for export? What is the impact of these measures on market participation of different strata of livestock producers?

Surveillance: How can different types of data from different sources, for defining disease status/ absence or disease risk, be consolidated into reliable and acceptable surveillance systems?

Regionalisation: Cost of compartmentalization vs. zone approach. What is best approach?

Technical assistance: Does the technical assistance asked for and given actually lead to increased trade / trading opportunities? How can the ability to respond effectively to changing market conditions / circumstances be best supported.

Poverty impacts: Poverty impacts of different value chain models (e.g. no contract rearing with employee and consumer benefits vs contract farming and smallholder producer benefits)

Harmonization: Would standards be different if developing countries participated? What would their actual influence be? How could developing countries be best facilitated to participate effectively?

Animal welfare: Are OIE animal welfare rules a non-tariff trade barrier or an opportunity?

Animal health service provision to the value chain: Who can best provide specific services; what combination of public, private and tertiary service providers? Does the public sector necessarily attain higher standards than the private sector?

Risks mitigation in relation to commodity trade: Defining mitigation for defined products and countries.

Way forward

The issues raised and recommendations made during the workshop will now be incorporated into the final version of the report on the scoping study. This final report will be submitted by ILRI to FAO by end May 2005.

The outputs from the scoping study will be:

- this summary workshop report
- the final report with annexes
- a series of policy briefs
- a Powerpoint presentation summarising the main findings of the report.

WORKSHOP PARTICIPANTS

PPLPF	FAO - other	ILRI	Other
J. Otte	J. Domenech (AGA)	B. Perry	Emmanuel Tambi (AU)
A. Costales	A. McLeod (AGA)	J. Dijkman	Chris Stevens (IDS)
K. De Balogh	L. Hagedoorn (ESN)		Joann Young (WTO)
P. Chilonda	N. Morgan (ESC)		Howard Batho, (EU, DG SANCO)
	S. Jutzi (AGA)		Peter Brattinga (EU, DG Trade)
	M. Robson (AGP)		David Leonard (UCB)
			Jean-Michel Bergès (OIE)
			Michael Nelson (UCB)
			David Pritchard (DEFRA)
			Carlos Pomareda (SIDE)
			Tony Forman (consultant)
			Gideon Bruckner (Director of Veterinary Services, Western Cape)
			Tim Leyland (consultant)
			Keith Sones (consultant)
			Pornsri Laurujisawat (Thai poultry exporters)



WORKSHOP EVALUATION

Questions were scored by participants on a scale of 1 to 5, where 1 = poor/not at all/no and 5 = excellent/completely/yes. 13 completed evaluation forms were returned and below the mean score (out of 5) is reported for each question:

- Were the workshop objectives clear and appropriate? Mean score = 4.6
- Were the workshop objectives achieved? 4.3
- Were the appropriate people present? 4.0
- How relevant was the workshop to you? 4.7
- Were the workshop activities and approach relevant and appropriate? 4.4
- Was the balance between presentations and discussions appropriate? 4.5
- How do you rate the workshop logistics and general organisation? 4.6
- How do you rate the workshop facilitation? 4.9

Four respondents made additional comments all relating to the desirability of additional parties being represented at the workshop, including: other big markets (USA, Japan); regional economic organisations, eg COMESA and ECOWAS; and CODEX.