



# Technical Assistance Report

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Project Number: 46019-001  
Regional–Policy and Advisory Technical Assistance (R-PATA)  
June 2013

## Promoting Cooperation in Sanitary and Phytosanitary Measures for Central Asia Regional Economic Cooperation

(Financed by the People's Republic of China Regional Cooperation and Poverty Reduction Fund)

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
GOST	–	<i>gosudarstvennyy standart</i> (state standard)
ICT	–	information and communication technology
SPS	–	sanitary and phytosanitary
TA	–	technical assistance
TTFS	–	Transport and Trade Facilitation Strategy
WTO	–	World Trade Organization

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Type</b>	–	Regional–policy and advisory technical assistance (R-PATA)
<b>Targeting classification</b>	–	General intervention
<b>Sectors (subsectors)</b>	–	<b>Multi-sector</b> (Health systems), Transport and ICT (ICT), Industry and trade (Trade and services)
<b>Themes (subthemes)</b>	–	<b>Regional cooperation and integration</b> (cross-border infrastructure), economic growth (promoting macroeconomic stability), capacity development (institutional development)
<b>Location (impact)</b>	–	National (high), regional (high), rural (low), urban (low)
<b>Partnership</b>	–	People's Republic of China Regional Cooperation and Poverty Reduction Fund

## NOTE

In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. The 2011–2020 Strategic Framework for the Central Asia Regional Economic Cooperation (CAREC) Program (CAREC 2020)<sup>1</sup> has two objectives: trade expansion and improving industrial competitiveness. Trade facilitation is one of the CAREC's four priority sectors. Work in this area is guided by the Transport and Trade Facilitation Strategy (TTFS), approved in 2007 by the 6th CAREC Ministerial Conference, and the TTFS Implementation Action Plan, endorsed at the 7th CAREC Ministerial Conference on 21 November 2008 in Baku, Azerbaijan.<sup>2</sup> The TTFS adopts an integrated approach, focusing on the development of six CAREC corridors through infrastructure investments and trade facilitation initiatives to improve the movement of goods through these corridors and across borders. The TTFS stipulates that a midterm review is to be conducted during 2013–2014 to optimize and align implementation with CAREC 2020. Initially, the trade facilitation agenda for CAREC was focused on customs cooperation. However, the adoption of an integrated trade facilitation agenda requires addressing a wider spectrum of issues, including cooperative efforts from all agencies working at borders, such as those responsible for applying sanitary and phytosanitary (SPS) measures. In this regard, streamlining and simplifying SPS procedures in accordance with international standards will facilitate the movement of food and agricultural products along CAREC corridors. Transparency and clarity of SPS regulations will help companies to make efficient business decisions and comply with requirements, thereby enhancing their competitiveness.

2. In early 2012, the Asian Development Bank (ADB) conducted initial analyses of SPS measures of Kazakhstan, Kyrgyz Republic, Mongolia, the People's Republic of China, and Uzbekistan. Consultations were held with representatives of each country's customs authority; SPS enquiry points (for World Trade Organization [WTO] member countries); ministries of economy and trade, agriculture, and health; and national chambers of commerce and industry. The findings and recommendations of the analysis were discussed during a workshop held in Bangkok, Thailand on 25–26 July 2012. All CAREC countries participated, and countries that were not visited for the analysis made presentations on the SPS policies and practices prevailing in their countries. The workshop was also attended by representatives of the United Nations Food and Agricultural Organization, United Nations Economic and Social Commission for Asia and the Pacific, and the WTO's Standards and Trade Development Facility. Detailed minutes and next steps were discussed and endorsed by CAREC governments. An SPS development plan for CAREC suggests a series of regional actions to modernize SPS measures and their application.<sup>3</sup> This technical assistance (TA) project has been designed at the request of the CAREC countries to support SPS cooperation in the CAREC region.<sup>4</sup>

## II. ISSUES

3. All countries maintain sanitary (animal health) and phytosanitary (plant health) measures to ensure that food is safe for consumers, and to prevent the spread of pests or diseases among animals and plants. These SPS measures can take many forms, such as requiring that products come from a disease-free area, inspecting products, specific treatment or processing

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<sup>1</sup> ADB. 2012. *CAREC 2020: A Strategic Framework for the Central Asia Regional Economic Cooperation Program 2011–2020*. Manila.

<sup>2</sup> ADB. 2009. *CAREC Transport and Trade Facilitation: Partnership for Prosperity*. Manila.

<sup>3</sup> ADB. 2013. *Modernizing SPS Measures to Facilitate Trade in Agricultural and Food Products: Report on the Development of a Sanitary and Phytosanitary Plan for the CAREC Countries*. Manila.

<sup>4</sup> The technical assistance (TA) first appeared in the business opportunities section of ADB's website on 11 June 2013.

of products, setting allowable maximum levels of pesticide residues, or limiting the permitted use of additives in food. SPS measures apply to domestically produced food or local animal and plant diseases, as well as to products coming from other countries. SPS measures help ensure that agricultural commodities are safe for consumers, and help prevent the spread of pests and diseases across borders.

4. SPS measures by their nature may restrict trade. Governments accept that some trade restrictions may be necessary to ensure food safety and animal and plant health protection. However, governments are sometimes pressured to go beyond what is needed for health protection and use SPS restrictions to shield domestic producers from economic competition. In the CAREC region, some SPS measures are imposed for legitimate purposes, while others have become an obstacle for importing and exporting firms, and thus act to constrain rather than facilitate trade. SPS measures that are poorly designed and adopted—with little private sector consultation—serve to harm competitiveness by constraining the ability of companies to outsource key inputs and placing them at a competitive disadvantage in international and regional markets.

5. The regulatory framework for SPS administration and application in post-Soviet Union CAREC countries has been essentially unchanged since the Soviet era, and is not fully consistent with international best practice. These countries continue to use the state standards (GOST) established by the former Soviet Union, which provide insufficient protection for human, plant and animal health; they are not recognized by most of the world's trading countries, forming an obstacle to market access beyond Soviet successor states. The WTO SPS Agreement, which applies to both WTO members and non-members, is widely considered international best practice and covers product criteria; quarantine measures; processing requirements; and certification, inspection, and testing. The GOST-based standards differ from those used in the WTO-based global trading system and are not WTO-compliant. The recent accession of Russia to the WTO will prompt Russia to modernize its SPS measures in line with international standards, requiring its CAREC (and other) trading partners to adopt international standards as well, or face the prospect of losing access to the Russian market.<sup>5</sup>

6. To increase access to other markets, CAREC countries must improve their competitiveness. One key challenge is to strengthen their SPS management capacities and to adopt standards and practices compatible with international norms. A strong policy base and regulatory infrastructure for risk-based controls able to complete the transition from the former Soviet system must be established. In this regard, it is essential to identify legislative, regulatory, and procedural gaps between regulations set out in the WTO SPS Agreement and the existing situation in each CAREC country.

7. At most CAREC borders, in addition to customs formalities, it is necessary to comply with a range of procedures—including animal quarantine and inspection of plants and other agricultural products—according to the SPS system in place. Simplification and harmonization of these procedures are at the core of trade facilitation in the CAREC region. SPS agencies should be actively engaged in initiatives designed to rationalize and improve the coordination of border management modernization efforts. It is important to identify key needs, opportunities, and good practices to enhance the effective engagement of SPS agencies in collaborative and coordinated border management. In a coordinated border management approach, it is necessary to address the relations among SPS agencies, other border agencies, and private

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<sup>5</sup> The Russian Federation joined the WTO on 22 August 2012.

stakeholders. In CAREC countries, customs and SPS agencies cooperate very little as duties are performed separately and guided by agency mandates.

8. Countries in the same region—with similar agro-ecosystems, products and agricultural practices—often experience similar animal and plant health and food safety problems. In fact, some countries may combat many of the same crop and livestock pests and diseases. In this regard, regional cooperation and coordination is important for effective food safety and agricultural health management. CAREC countries have an additional incentive to seek regional coordination: they share the legacy of the GOST system and currently face common reform-related challenges. They will benefit from a timely exchange of information and experiences. In addition, a regional focus is more efficient and brings economies of scale, through sharing of expertise and facilities.

9. The skills available in CAREC countries may be insufficient to manage and protect human and agricultural health in a way that meets requirements under the SPS Agreement. A lack of technical expertise may also compromise industry competitiveness. The long-term development and retention of skilled personnel in the areas of food safety and animal and plant health are essential for the improvement and maintenance of a higher-level SPS capacity.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Impact and Outcome**

10. The impact of the TA is to foster a 20% increase in inter- and intra-regional trade in agriculture and food products by 2017 (compared with 2012) through the streamlining of SPS measures. The TA outcome is that by 2015, CAREC governments will design and implement a coordinated SPS reform agenda consistent with international standards and identify critical investments in SPS for trade facilitation. Specifically, this TA will support collective and coordinated efforts to improve implementation of SPS measures throughout the CAREC region. The TA will (i) promote concerted reforms and modernization in the SPS area consistent with international standards; and (ii) identify and prioritize investment needs to modernize SPS measures and their application. To increase the knowledge and capabilities of CAREC countries to design, comply with, and implement SPS measures, CAREC Institute resources will be leveraged to support delivery of priority training. Collaboration with development partners active in modernizing SPS measures to facilitate trade (the WTO's Standards and Trade Development Facility and the United Nations Economic Commission for Europe) will be pursued to initiate a series of capacity-development programs.

11. The impact and outcome of the TA will be achieved through delivery of the following outputs:

- (i) review of laws and regulations governing the oversight and application of SPS measures,
- (ii) establishment of an inventory of laboratory infrastructure in the region, and
- (iii) research to help expand ADB's support for regional improvement of border services to develop specialized border crossing points for priority handling of perishables and other goods and commodities subject to SPS measures.

#### **B. Methodology and Key Activities**

12. The following activities will be undertaken under the TA:

- (i) The laws and regulations governing the oversight and application of SPS measures in CAREC countries will be reviewed to identify priority reforms of SPS regulations and procedures that will make the largest contribution to the facilitation of trade and serve to regionally harmonize selected SPS regulations. SPS regulations and procedures that contribute most to trade facilitation will be identified. In this regard, private sector stakeholders (e.g., the CAREC Federation of Carrier and Forwarder Associations, growers and producers of goods and commodities subject to SPS measures, and privately owned and operated laboratories conducting SPS-related tests) will be consulted to identify opportunities for the private sector to help modernize and apply SPS measures. An analysis will be conducted to identify legislative, regulatory, and procedural gaps between regulations set out in the SPS Agreement (international standards) and the existing situation in each CAREC country. Based on the regulatory review, recommendations on harmonization of selected regulations will be provided for discussion and validation by various stakeholders.
- (ii) An inventory of laboratory infrastructure in the region will be conducted; based on the inventory findings, an investment program to upgrade and modernize laboratory infrastructure to serve regional demand along the CAREC corridors will be developed. The cargo movements of goods subject to SPS measures along CAREC corridors will be analyzed to assess SPS laboratory infrastructure serving these corridors better and rationalize and/or upgrade facilities serving regional demand.
- (iii) Studies will be conducted to identify how SPS agencies can enhance their engagement in coordinated border management, including by evaluating relations between SPS agencies and other border agencies. The use of technology for SPS control to link SPS agency systems with customs will be assessed, and ways to reduce duplication of SPS control tasks and exchange of information between SPS agencies in exporting and importing countries will be identified. Key border points for priority handling of goods subject to SPS controls will also be identified to help expand ADB's support for regional improvement of border services. A concluding conference reporting on the consultants' findings will be conducted together with SPS agencies and customs administrations.

### **C. Cost and Financing**

13. The TA is estimated to cost \$560,000, of which \$500,000 will be financed on a grant basis by the People's Republic of China Regional Cooperation and Poverty Reduction Fund and administered by ADB. The CAREC governments will provide counterpart support in the form of necessary office space, counterpart staff and other services to the consultants, assistance in arranging meetings with counterpart agencies, and other in-kind contributions.

### **D. Implementation Arrangements**

14. ADB will be the executing agency. The Public Management, Financial Sector and Regional Cooperation Division of ADB's East Asia Department will administer and implement the TA in close coordination with the CAREC Unit of the Central and West Asia Department, the concerned resident missions in CAREC countries, and the CAREC Institute (to coordinate its delivery of priority training). The implementation period is expected to cover 18 months, from 1 July 2013 to 31 December 2014. During the implementation period, specialized agencies such as the Food and Agricultural Organization and WTO's Standards and Trade Development Facility will be consulted and technical inputs from them will be collected.



15. A team of four international consultants (11 person-months) and two national consultants (10 person-months) will be required to provide advisory and technical services under the TA. Outline terms of reference are provided in Appendix 3.

16. The international consultants will be specialists in the areas of plant health, animal health, and food safety. They will be supervised by ADB's task managers. A lead expert will serve as team leader responsible for coordinating a small team of experts that will work primarily in the field. The reporting requirements will generally include inception, interim, and final reports. In addition to their professional contributions, all consultants and resource persons are to assist ADB in disseminating best practices and supporting high-level policy dialogues through knowledge products such as strategic publications, policy, and strategy papers.

17. National consultants will be recruited to assist the international consultants by researching and compiling relevant documents and information, translating documents, organizing the concluding conference, and providing administrative and logistical support. The national consultants will have extensive, in-depth regional and local knowledge and good contacts in the areas of SPS and trade facilitation. The national consultants will be supervised by the international consultants and the ADB task managers.

18. ADB will endeavor to recruit a firm to assemble the consulting team. However, due to the specialized nature of the assignment, it may be necessary to recruit qualified individuals. For recruitment of a firm, the preferred selection method is quality- and cost-based selection, with a quality-cost ratio of 80:20. If no suitable firms can provide the required expertise, consultants may be hired individually. All consultants will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time). The proceeds of the TA will be disbursed in accordance with the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

19. The TA outputs, and particularly the findings and recommendations from assessments and studies, will be disseminated and discussed at the concluding conference, CAREC senior officials' meeting, and ministerial conference, and via the CAREC program website.

#### **IV. THE PRESIDENT'S DECISION**

20. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$500,000 to the CAREC program's Trade Facilitation priority area, to be financed on a grant basis by the People's Republic of China Regional Cooperation and Poverty Reduction Fund, for Promoting Cooperation in Sanitary and Phytosanitary Measures for Central Asia Regional Economic Cooperation, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<b>Impact</b> CAREC governments will increase inter- and intra-regional trade in agriculture and food products	By 2017, streamlined SPS measures foster a 20% increase in inter- and intra-regional trade in agriculture and food products compared to the 2012 baseline	National and regional trade statistics  UNCTAD trade data  CAREC corridors performance measurement and monitoring	<b>Assumption</b> Regional cooperation in SPS will remain a priority in the development agenda of the CAREC governments in the framework of trade facilitation  <b>Risk</b> Governments do not reach an agreement on priority reform areas
<b>Outcome</b> CAREC governments design and implement a coordinated SPS reform agenda consistent with international standards and identify critical investments in SPS for trade facilitation	By 2015, CAREC governments have coordinated SPS reform agendas in place and are implementing them	Progress reports to the CAREC senior officials' meeting and ministerial conferences	<b>Assumption</b> Appropriate enabling environment for policy and reform formulation in place within CAREC countries  <b>Risk</b> Insufficient coordination among key ministries and government agencies involved in trade facilitation to carry through with needed reforms
<b>Outputs</b> 1. Regulatory review of oversight and application of SPS measures in CAREC countries  2. Inventory of laboratory infrastructure in the region  3. Research to develop specialized border-crossing points for priority handling of	By 2013, regulatory gaps in each country identified (compared with international standards) and priority reforms selected based on their contribution to trade facilitation  By 2014, an inventory of laboratory infrastructure conducted  By 2014, research completed on how to address relations among SPS and other border agencies	Progress and final reports by consultants  Reports and feedback from development partners  Legislative and/or regulatory actions by CAREC countries	<b>Assumptions</b> CAREC countries agree on regulatory reforms  <b>Risks</b> Recommendations are not promoted by the government agencies responsible  Traffic volumes do not justify designation/development of specialized border crossing points

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
perishables	Priority border crossing points Identified for coordinated priority handling of perishables		
<b>Activities with Milestones</b> <b>1. Regulatory review of oversight and application of sanitary and phytosanitary measures in CAREC countries</b> 1.1 Identify SPS regulations and procedures that contribute most to trade facilitation (by November 2013) 1.2 Analyze gaps between SPS agreement (international standards) and the situation in each country (by November 2013) 1.3 Recommend harmonization of selected regulations (by November 2013) <b>2. Inventory of laboratory assets in the region</b> 2.1 Assess SPS laboratory infrastructure in CAREC (by March 2014) 2.2 Analyze cargo movements of goods subject to SPS measures along CAREC corridors (by March 2014) 2.3 Identify critical investments needed to modernize and upgrade laboratories to serve regional demand (by April 2014) <b>3. Research to develop specialized border crossing points for priority handling of perishables</b> 3.1 Evaluate the relations among SPS and other border agencies (by May 2014) 3.2 Identify key border points for priority handling of goods subject to SPS controls (by May 2014) 3.3 Evaluate the use of technology for SPS control to link SPS agency systems with customs, and ways to reduce duplication of SPS control tasks and exchange of information between SPS agencies in exporting and importing countries (by June 2014) 3.4 Make recommendations for pilot testing at priority border crossing points (by August 2014) 3.5 Conduct summary conference together with SPS and customs agencies (by September 2014)		<b>Inputs</b> <b>Grant (PRCF): \$500,000</b>  Note: Participating CAREC governments will provide in-kind counterpart support in the form of necessary office space, counterpart staff and other services to the consultants, assistance in arranging meetings with counterpart agencies, and other in-kind contributions.	

ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, PRCF = People's Republic of China Regional Cooperation and Poverty Reduction Fund; SPS = sanitary and phytosanitary, UNCTAD = United Nations Conference on Trade and Development.

Source: Asian Development Bank.