

Background Paper

For the Proposed Regional Capacity Development Technical Assistance for Strengthening the Sanitary and Phytosanitary Measures in Food Safety Standards in the Central Asia Regional Economic Cooperation Countries

I. Key Development Issues

1. Increased globalization of trade, climate change, and intensification of agriculture have reduced resilience of agricultural production systems and increased their vulnerability to pests, diseases and hazardous substances. In the three decades, international trade in agricultural and food products increased from \$230 billion in 1980 to almost \$1,100 billion in 2010—an increase by more than four folds. With the expansion of trade, there have also been high profile food safety scares, like the Bovine Spongiform Encephalopathy (BSE or “mad cow disease”) problem in the European Union (EU), or the E. coli outbreak in the Western U.S, and in Asia. The World Health Organization estimates that 600 million (i.e., almost 1 in 10 people in the world) fall ill after eating contaminated food and 420,000 die every year. Children under 5 years of age carry 40% of the foodborne disease burden, with 125,000 deaths every year. A single event of foodborne disease outbreak can result in huge economic losses and cause a collapse of consumer confidence, loyalty and reputations of companies and countries. Impact of food safety scares on international trade can be devastating. An outbreak of E. coli O157:H7 in Japan is estimated to have resulted in a drop of US beef export by as much as 40%.

2. Such incidents have raised awareness of food safety with the public demanding safer food. Increasingly, food safety issues are playing a dominant role in domestic food production and consumption systems and in agro-food trade. The international trade in food products is regulated with ever stringent requirements. The Sanitary and Phytosanitary (SPS) Agreement of the World Trade Organization (WTO) sets the international standards for food safety, animal and plant health. The Codex Alimentarius (the Codex) is the reference international food standard in the WTO food safety measures. This international standard applies regardless of whether or not a country is a WTO member. A country is not allowed to impose higher standards for imported products than applied to domestic produce. Hence, it is important to ensure high standards of food safety for both domestic production and international trade.

II. International Food Safety Standards in the Central Asia Regional Economic Cooperation (CAREC) Countries

3. The United Nations estimate that the CAREC countries strategically located at crossroads in Asia and Europe have the potential to increase trade across the Central Asia economies substantially. Agro-food are highly perishable products that pose serious food safety risks if proper safety standards are not followed during production, processing, transportations—all the way to consumption. The movement of perishable produce through border crossing points in the CAREC countries is considerably delayed by a multiplicity of regulatory inspections and clearance procedures related to food safety. The logistic performance index for CAREC countries is low with the majority in the bottom third (Table).¹ These inefficiencies are costly and hamper international trade significantly. The International Finance Corporation states that a

¹ The World Bank created a Logistic Performance Index (LPI), an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance. The LPI 2014 allows for comparisons across 160 countries. In 2014, Germany was ranked first and Somalia ranked the last.

key hurdle for Central Asian countries to increase exports of primary and processed food products to the markets of the EU, Russia, and China is the slow adoption of internationally recognized food safety standards.

Table: Logistic Performance Index for CAREC Countries

CAREC Country	Country Ranking
People's Republic of China	28
Pakistan	72
Kazakhstan	88
Tajikistan	114
Azerbaijan	125
Uzbekistan	129
Mongolia	135
Turkmenistan	140
Kyrgyz Republic	149
Afghanistan	158

Source: <http://lpi.worldbank.org/>

4. Furthermore, different levels of food safety standards currently practiced among the CAREC countries are equivalent to non-tariff barriers that restrict trade. Harmonizing standards and regulations and expediting border-crossing procedures with other CAREC countries and global markets can yield significant benefits. Single window facilities for processing goods through both entry and exit customs formalities, automated customs information systems, and coordinated management of border clearance procedures can be effective in avoiding duplication and overlap of customs control responsibilities among various agencies. There is significant benefit to establishing these measures. The World Bank estimates that each day of delay from harvest to market corresponds to a 0.8% of tariff equivalent. There is a strong rationale to set up some form of regional working group for food safety. Such working group could be instrumental in regional cooperation to harmonize standards and regulations governing agro-food trade, expediting border-crossing procedures, and addressing trans-boundary contaminations, diseases and pests.

5. Establishing international food safety standards for domestic produce are important to ensure safety from imported sources and reducing agro-food imports. All CAREC countries engage in export and import in agro-food. On balance, they are net agro-food importers; their agro-food imports exceeded exports in most years of 2004–2012. Having the international food safety standards in domestic systems provide protection from import sources. As per WTO regulations, countries cannot impose arbitrary higher safety standards for imports than practiced at domestic produce. Establishing harmonized international standards for domestic produce can reduce imports. For example, in Kyrgyz Republic and Tajikistan, urban population prefer imported frozen and processed meat, dairy products, vegetable from countries perceived to have high safety standards.

6. Compliance with international standards requires investments in capacity development, institutionalization of regulations, upgrading of infrastructure facilities, coordination among government ministries (i.e., agriculture, environment, health, trade, customs and border crossing entities), and procedures and incentive structures to develop private sectors. For small holder farmers to benefit from international agro-food trade, investments in farm/producers level infrastructures, producer associations, third party quality control are also important. These high investment requirements are one of the contributing factors for slow progress in Codex compliance. Particularly for CAREC countries, investment requirements for international standards is higher as they are transitioning from Soviet era- State Standards (GOST) which

are not compatible with Codex international food safety standards. However, Russia's accession to WTO in 2012 obligates the country to replace its GOST standards with WTO-compliant standards. This in turn forces other former Soviet Union countries to adopt WTO-compliant standards to continue to trade with their traditional and new trading partners.

III. Scope of the Regional Capacity Development Technical Assistance (R-CDTA)

7. The objective of the R-CDTA is to support CAREC countries to improve institutional systems for operationalization of international food safety standards.

8. There are significant variations across the CAREC countries' compliance to the main principles and mechanisms requirements for food safety. Hence, it is proposed that the R-CDTA provide two tiers (i.e., Group I and II) support to CAREC countries based on their progress in aligning regulations and systems with WTO commitment to food safety standards. Five countries are included in Group 1:² Afghanistan, Azerbaijan, Pakistan, Kyrgyz Republic and Tajikistan. Their process to adopt international food safety measures have been slower compared to other countries. They do not have internationally accredited laboratories and criteria for the selection of food safety parameters. Their capacities to protect themselves from quarantine pests are limited.

9. All Group I countries are members of Codex. Kyrgyz Republic, Pakistan, and Tajikistan are WTO members, and Afghanistan, and Azerbaijan are progressing to WTO membership. Pakistan has the widest gaps in institutionalizing international food standard requirements for a WTO member country in the region. Currently, legislations are being reviewed to develop international food safety standards and to establish a National Food Safety Authority.

10. Group II counties include: The People's Republic of China, Kazakhstan, Mongolia and Uzbekistan. Except for Uzbekistan, the Group II countries are WTO members, and all are member of Codex. Among the CAREC countries, their regulations and infrastructure facilities are more advanced and aligned to international food safety standards. PRC has been a WTO member since 2001 and is relatively advanced in implementing standards in its regulatory framework and processes. The People's Republic of China and Kazakhstan have the recommended standard equipment and procedures and internationally accredited laboratories. In Mongolia, ADB approved a loan in 2015 to help modernize SPS standards.³ Although Uzbekistan is not a WTO member, the country has food safety standards aligned to international standards. Notable examples of progress include phasing out GOST standards and adoption of Codex standards, countries standardization agency takes hazard analysis and critical control points seriously, and private sector capacity to articulate needs of specialized markets—such as organic food and halal products.

11. Group I countries will be involved in producing all the four outputs listed below while Group II countries will focus mainly on Outputs 3 and 4.

12. The following four outputs are expected by completion of R-CDTA:

² Turkmenistan falls under Group I country category. The Asian Development Bank has a separate technical assistance for Turkmenistan on the topic (SSTP Indicate number), hence the country is not included in this support. However, the country will be included for Outputs 3 and 4 (along with Group II countries); this will ensure that all CAREC countries are represented for regional level outputs.

³ ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Regional Upgrades of Sanitary and Phytosanitary Measures for Trade Project*. Manila.

- (i) **Regulations for meeting international food safety standards are developed.** There are specific Codex guidelines for primary production and processing of products for domestic, import and export markets. Integrated national food safety strategy⁴ and key guidelines for implementing the standards will be developed for Group I countries that have not yet initiated the process. Some of the activities envisioned for this output are to develop: (i) national food safety strategy for Afghanistan, Azerbaijan, and Pakistan; and (ii) regulation and guidelines for Tajikistan and Kyrgyz Republic⁵ to operationalize national food safety strategies.
- (ii) **Laboratory rationalization and infrastructure requirements for international food safety standards identified.** Group I countries do not have the recommended standard laboratory equipment and other infrastructure. Output 2 will include the indicative estimate cost of infrastructure, laboratory equipment for each country and other logistic infrastructure systems to operationalize the international food safety standards including at border points. One central laboratory with internationally accredited ISO 17025:2005 will be identified to satisfy international food safety standards. Private sector value-chain actors are responsible to maintain safety standards as specified by food law and hence could play a fundamental role in ensuring safety. Possibilities of delegating to private sectors the responsibilities of quality certification will be explored.
- (iii) **Recently the CAREC countries have given higher priority to the food security issues.** Harmonizing internationally accredited food safety parameters across the countries for credibility and consistency of quality control is highly desirable. The economy of scale and similarity in agro-climate/ecosystems reinforces the need for regional level harmonization. Some of the activities under this output include establishing the CAREC Institute as a hub for training in food safety standards, developing national working groups, and harmonizing regional food safety standards in the CAREC countries.
- (iv) **Regional capacity for effective institutionalization of international food safety standards developed.** Institutional capacity constraints are major obstacles to institutionalizing international food safety standards in most CAREC countries. There are layers of market structure with different food safety management: international export market, emerging domestic market based on food supply chains and traditional market. Different strategies are required to develop international safety standards to improve the systems. Trainings will be conducted to equip participants with technical knowledge. The regional workshops will be important for discussions and networking for developing a regional working group for food safety. The regional workshops can also take the form of 'South-South Cooperation' to share experiences and best practices with those that are yet to make such progress.

13. At the completion of the R-CDTA, the CAREC countries would have progressed in institutional set up needed for establishing and implementing international food safety standards, identified key infrastructure requirements, developed capacity to operationalize laboratories and articulated approaches to address food safety standards on a regional basis.

⁴ Food safety, particularly along value chain measures, are interdependent to animal and plant health, hence these strategies functions effectively and efficiently when coherently and comprehensively structured.

⁵ TAJ and KGZ have developed National Food Safety Strategy and Law on Food Safety, respectively. These documents are at draft stage as agreement across ministries has not been reached.