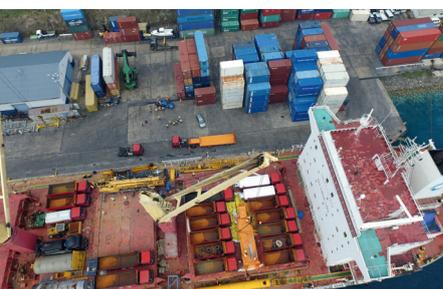


Facilitating safe trade: protecting health, reducing SPS trade costs

Safe Trade Solutions

Countries are making efforts for trade to flow more smoothly and quickly across borders. Solutions include streamlining SPS measures, improving coordination among SPS agencies and with customs, joint inspections, more transparency, and the integration of SPS controls in single windows. Public and private sector recognize the value of these reforms in reducing clearance times and the costs of meeting SPS measures. STDF's "Safe Trade Solutions" film shows what Chile, Colombia and Peru are doing to ensure health protection and cut transaction costs.



The trade facilitation opportunity

Building capacity to effectively put in place SPS controls, and adopt safe trade solutions, provides governments with a win-win opportunity to improve health protection and reduce trade costs. Each 1% saving in trade transaction costs is estimated to result in a worldwide benefit of US\$43 billion.¹ As customs have upgraded systems and improved performance, there is a closer focus on SPS transaction costs. Studies show that SPS procedural obstacles increase trade costs and time for the private sector, as well as uncertainty. Since the costs of SPS measures are generally fixed, small and medium-sized enterprises are affected the most.

SPS agencies play a key role in facilitating safe trade. The WTO Trade Facilitation Agreement provides a useful opportunity for SPS agencies – which have tended to receive less support – to modernize and improve operations. Putting in place safe trade solutions and building SPS capacity will help trade to flow more smoothly and quickly, so that countries can reap the economic benefits. Realizing this potential requires national governments to invest in SPS capacity as a global public good. It also depends on support from development partners and donors.

SPS transaction costs at a glance

Trade transaction costs occur every time a stakeholder in the supply chain needs to submit information to government agencies, including authorities responsible for SPS controls. These costs might be direct (such as submission of documents, charges and fees, inspection costs and informal payments) or indirect (such as border delays and uncertainty about procedures).

STDF's regional research work, and other studies including by the World Bank Group and ITC, show that the way in which SPS measures are put in place sometimes unnecessarily increases the cost and time of doing business. SPS procedural costs include:

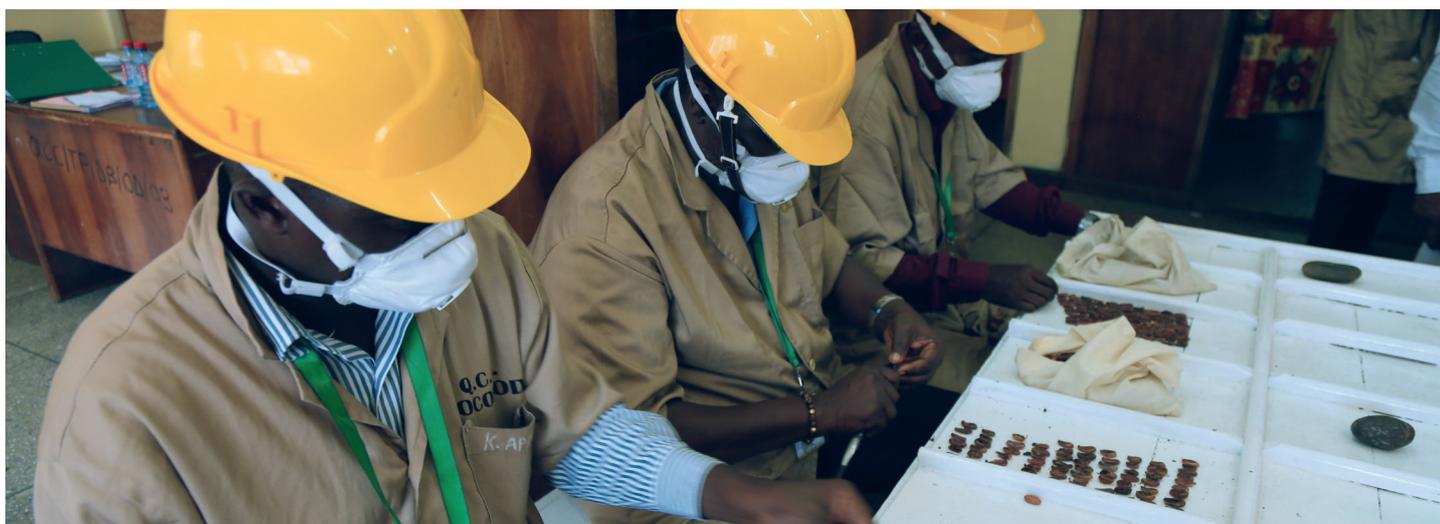
- More controls than necessary
- Limited transparency on requirements, forms and fees
- Overlapping documentary requirements
- Multiple inspections
- Longer than necessary waiting times
- Uncertainty, arbitrariness, unpredictability

Tackling SPS procedural costs is important to reduce trade costs for the private sector, and make sure that public resources are used optimally.

¹ OECD, 2013

WTO SPS Agreement

The WTO SPS Agreement facilitates safe trade in food and agricultural products. It recognizes that meeting science-based SPS measures may result in some trade transaction costs, but these costs should be no higher than necessary. Article 8 and Annex C of the SPS Agreement focus on control, inspection and approval procedures. For example, checking compliance with SPS measures should be done without undue delay, and not differentiate between imported or domestic products.



“STDF’s project has played an important part in raising knowledge and awareness on the concrete linkages between SPS capacity building and trade facilitation. This has demonstrated the win-win opportunities to be gained from more collaboration between border agencies, which is going to help boost intra-regional trade in COMESA.”

Martha Byanyima, COMESA Secretariat

Breaking barriers: facilitating safe trade²

Intra-regional trade accounts for just 10% of COMESA’s total trade. High trade costs are one of the major obstacles, pushing trade into informal channels that bypass SPS controls. This, in turn, limits the ability of regulatory agencies to protect human, animal and plant health.

STDF’s “Breaking barriers” project in Egypt, Kenya, Malawi, Sudan, Uganda, Zambia and Zimbabwe is working with SPS authorities, customs and other border management agencies. The project is helping to identify how to put in place SPS measures in a way that improves health protection, while reducing SPS procedural obstacles and transaction costs.

Led by COMESA, in collaboration with CABI, the project has piloted new tools to identify and analyze SPS trade transaction costs at, and behind, the border. This has included a focus on the impact on small-

scale traders and women. Through this collaboration, governments and the private sector have started to address key SPS challenges in areas such as multiple certificates, permits and licenses, overlapping documentary checks and controls by different agencies. In turn, this is going to help overcome the blockages to regional trade in products like maize, groundnuts, oranges, beef, milk and fish.

The project has laid the groundwork to simplify SPS regulations and operating procedures. SPS and other border agencies now have a better understanding about the need to work together to facilitate trade. Knowledge and skills have improved on how to meet science-based SPS measures that both protect health and minimize transaction costs. Moving forward, improving SPS compliance will help to increase intra-regional trade, which COMESA sees as vital to promote competitiveness and boost economic development in the region.

² www.standardsfacility.org/PG-346

WTO Trade Facilitation Agreement

Focused on reducing bureaucratic delays and red tape, the WTO Trade Facilitation Agreement is relevant for all border management agencies, including SPS authorities. The Agreement adds more detail to some of the provisions of the SPS Agreement. For example, it requires governments to set up pre-arrival processing, publish average release times, and post online information on import/export requirements and fees. It also calls on customs, SPS and other border authorities to work together to speed up the movement, release and clearance of goods.



“Being part of the STDF, and building on the STDF’s work on facilitating safe trade, has helped to increase the impact and awareness of the IPPC and its standards. Joint work has triggered collaboration with the World Bank Group, the World Trade Organization and the World Customs Organization.

Dr Jingyuan Xia, IPPC Secretary

Improved phytosanitary controls and inter-agency collaboration in Azerbaijan³

In Azerbaijan an STDF-funded project, led by FAO, is building capacity for phytosanitary import and export controls, and helping to integrate these controls into a single window system. The project’s approach has been to encourage and improve collaboration across government agencies responsible for phytosanitary controls and customs. This has included joint trainings on phytosanitary inspection procedures, rolling out inspection toolkits, as well as awareness-raising events.

Procedures for phytosanitary inspection at border points have been simplified, with customs officials trained alongside plant health inspectors to effectively carry out phytosanitary controls. In parallel, the project strengthened pest diagnostic services and improved pre-border inspection and export certification. It has also rolled out a computerized system for import permits to regulate the entry of

plants and plant products, which is supporting efforts to move towards electronic certificates.

The project created the technical expertise needed for phytosanitary import and export controls and automated systems, building strong inter-agency dialogue and cooperation. With further institutional changes planned across the entire SPS system in Azerbaijan, the project is laying the foundations to facilitate safe trade and support accession to the WTO.

³ www.standardsfacility.org/PG-316

Win-win opportunities to facilitate safe trade

STDF's regional research work⁴ identified good practices to apply SPS measures in a way that ensures health protection and minimizes transaction costs, based on the SPS Agreement. The analysis focused on how SPS measures are implemented for selected agricultural products in Southeast Asia and Southern Africa. Countries have used the findings to support SPS reforms and improve SPS operations.



International standards are the starting point

The SPS Agreement encourages WTO Members to apply SPS measures that are consistent with international standards, guidelines and recommendations developed by Codex, IPPC and OIE. Following international standards is one of the best ways to facilitate safe trade.

Transparency on SPS measures matters

To meet SPS measures, traders need to understand what they are. Improving clarity on control, inspection and approval procedures is a simple step that is likely to produce big benefits. Publishing SPS regulations, forms and fees online opens up access and supports good governance. Regular public-private dialogue lets businesses know what is required, including when SPS regulations or procedures change.

Streamlining SPS processes counts

It is good regulatory practice to regularly review, streamline and simplify SPS procedures. This includes cancelling outdated regulations, removing duplication in documents required by SPS and other border agencies, and/or reducing the number of documents for each consignment. Simplifying SPS procedures can encourage more small-scale traders to pass through formal channels, which will have added benefits for both health protection and the economy.

Risk-based approaches work

Focusing inspections on high- and medium-risk commodities and foods, with reduced controls on low-risk products, helps to avoid delays and ensure scarce resources are used more efficiently. A number of factors – commodity/food type, origin, trader's record of compliance – should be considered to categorize risk. Guidance developed by FAO, OIE and WHO supports putting in place risk-based controls.

Border agencies need to work together

Dialogue between SPS, customs and other agencies involved in trade at, or behind, the border helps to find new, collaborative and smarter ways to facilitate trade and improve results. Solutions include harmonizing information requirements or opening hours, setting up joint inspections, or finding new ways to put in place SPS controls. For example by relying on other border agencies to check SPS documents where SPS authorities are not physically present at all border points.

Moving towards SPS e-Cert

Automating SPS import and export release processes, and including SPS regulatory requirements in single windows, leads to transparency and provides a way to speed up trade and cut costs. Electronic SPS certification offers another opportunity to increase the integrity, efficiency and security of SPS certificates, and to reduce processing time.

⁴ www.standardsfacility.org/facilitating-safe-trade