

WORLD TRADE ORGANIZATION

G/SPS/GEN/823

4 March 2008

(08-0965)

Committee on Sanitary and Phytosanitary Measures

Original: English

OVERVIEW OF RECENT WORLD BANK SPS ACTIVITIES AND PUBLICATIONS

Submission by the World Bank

Barrier, Catalyst, or Distraction? Standards, Competitiveness, and Africa's Groundnut Exports to Europe

1. This new [paper](#) from the World Bank examines the trade impacts of food safety standards -- in this case the impacts of EU aflatoxin standards on Africa's groundnut trade. In part due to some earlier World Bank research on this subject, the aflatoxin issue has been frequently cited as an illustration of how standards serve as "trade barriers" for developing countries. Trade economists and African policy-makers often refer to this case as an example of how requirements that exceed international standards have resulted in large losses of developing country exports. This paper draws upon trade and regulatory data, country experiences, and interviews with groundnut exporting and importing companies. The conclusions of this paper differ sharply from the "standards as barrier" hypothesis.

Specifically, the paper demonstrates that:

- Africa's groundnut trade was marginalized well before the EU's adoption and enforcement of more stringent standards;
- The aggregate effects of the EU regulation for the region, in terms of intercepted trade, are small and vastly overstated by prior research. For the companies involved in the notifications, however, the EU regulations have had more profound effects, as the economic implications of returned consignments or discounted product may be significant;
- there are sharp differences in response to the standards and overall competitiveness among countries, in large part due to differences in industry leadership and the efficacy of public-private collaborations;
- major competitors from Latin America and Asia have substantially upgraded their export-oriented groundnut supply chains, meeting market and regulatory requirements and taking market share and customer loyalty from earlier African suppliers. The EU standards have thus catalyzed regulatory, technological, administrative, and other changes in certain developing countries, although not in others;
- it is these competitors, rather than African suppliers, who would have benefited had the European Union adopted a less stringent harmonized standard (such as that of Codex). Most of the African groundnut trade that has been intercepted by the EU authorities since 2000 would have failed the Codex (or any other prevailing) standards; and

- African industries need to catch up with their competitors in terms of productivity, product quality, and supply reliability in order to effectively service any growing international market for groundnuts, let alone the more discerning EU (confectionary) market. There are ample examples of "good practice" that could be replicated to achieve this result that involve efforts of research, extension, seed supply and supply-chain coordination.

The paper can be downloaded using this hyperlink:
<http://siteresources.worldbank.org/INTARD/825826-1111055015956/21663468/ARDDiscussionPaper39.pdf>

Workshop on investment in laboratory infrastructure

2. Under the STDF umbrella, on 15-17 November 2007, UNIDO and the World Bank organized a workshop to examine issues related to investment in laboratory infrastructure in developing countries which provide services for food safety and agricultural health. A total of 40 participants attended the meeting - about a third of whom were resource persons from developing countries in Asia, Africa and the Americas. Their participation was funded by a Netherlands Trust fund (BNPP). The meeting was also attended by a number of delegates to the SPS Committee, officials from EU regulatory agencies, private lab operators, and donor agencies. The immediate purpose of the workshop was to provide input for the finalization of a guide being jointly developed by the World Bank and UNIDO to assist in assessing and making investment decisions in laboratory infrastructure.

3. The meeting addressed several key topics with respect to the role of laboratories providing food safety and agricultural health services, notably:

- the core functions of laboratories;
- the optimal balance between the public and private provision of laboratory services and the appropriate division of labour between the two;
- the economics of building new laboratory capacity versus the re-organization of existing services and how to ensure the sustainability of both, and
- the effect of the rise of private standards schemes on the demand for, and organization of, laboratory services in developing countries; and
- capacity-building challenges associated with diagnostic services.

4. An issue which was discussed was the respective roles of public and private laboratories. Fee structures used by public laboratories in developing countries are often below the actual cost of the provision of such services. In some cases, changing the fee structures of public laboratories requires government legislation. Unless otherwise obliged (e.g. by a buyer), producers typically use the cheapest provider (normally the government lab) which can lead to "crowding out" private laboratories from providing services.

5. A corollary of non-market based charging structures is that public laboratories typically face both investment capital and working capital constraints. By extension, this creates problems in seeking or maintaining international accreditation for services provided and thus confidence in results. Capital investment, budgetary and technical assistance designed to upgrade public laboratory networks to international standards often run into sustainability problems, commonly due to inadequate understanding of the underlying effective demand for such services.

6. There are divergent views regarding the most appropriate division of labour between private and public laboratory networks. One view is that the provision of laboratory services (e.g. for veterinary health) are a public good. Others believe that even with respect to the provision of basic

regulatory services, such as the surveillance of plant or animal pests and diseases, private laboratories have a role to play.

7. The issue of public versus private provision of services has an important bearing on the sustainability of existing or new investments. Demand for testing services arises from three main sources: (i) legal requirements (e.g. domestic food safety, animal or plant health legislation); (ii) market needs (e.g. a contractual obligation to test for a particular variable at a specific laboratory) or (iii) for research reasons (e.g. testing for the presence of certain animal diseases). WHO and FAO stress that laboratory services are needed to address various public policy objective that cannot be evaluated from a purely market perspective. WHO gave an overview of on-going work to judge the global burden of food-borne disease, notably through the concept of disability-adjusted life years which provides a measure of the impact of disease.

8. Another issue that was discussed was the influence of changing market requirements on the provision of laboratory services. Private standards are generating new demand for services, however, it was cautioned that buyer requirements may be undermining some of the assistance being provided by donors for the provision of laboratory standards. The "gold standard" here is accreditation of laboratories to ISO standard 17025. Yet even though a laboratory in a developing country may have achieved accreditation to ISO-17025, some international buyers determine the laboratories from which they will accept test results.

9. Investment in laboratory networks can be either on a grant or concessional basis through technical assistance, or on a commercial investment basis. Various initiatives were cited, including UNIDO's Labnet service which provides an electronic platform to link laboratories; twinning programmes offered by the Central Science Laboratory in the United Kingdom; and the EU's BEST programme. One participant succinctly summed up the discussion by stating that donors should not "build it, photograph it and leave it" - a longer-term engagement is needed which is adapted to the particularities of the local situation.

For more information, contact Mr John Lamb at the World Bank e-mail: jlamb@worldbank.org
