

## Terms of Reference

### I. Background and overall objective

1. These ToRs are prepared to implement the Project Preparation Grant (PPG) approved by the STDF Working Group at its meeting of 12 October 2015 entitled: "*Spillover Effects of Export-Oriented SPS Technical Assistance on the Domestic Food Safety Situation*" (STDF/PPG/535). The main objective of the PPG is to formulate a project proposal that aims to carry out a study (referred to herein as the Study) to identify the spill over effects of export-oriented technical assistance on the domestic food safety situation. The ultimate goal of the resulting Study would be to draw key lessons to improve the framework, design and delivery of future trade-related technical assistance programmes.

2. In general terms, regardless of the specific area of intervention (agriculture, food production, industry, enterprise development, etc.), export-oriented capacity building programmes, be it nationally or donor-funded claim to generate unintended or side benefits (spillovers) on the domestic situation. These claims are not usually supported by a rigorous assessment of the extent of these benefits. Indeed, no evidence can be found in literature of any ex-post evaluation of domestic spillover benefits of export promotion initiatives, not even when these had been identified ex-ante.

3. Conversely, regardless of the type of products (food, manufactured products, or consumer durables), it is also often debated that the focus on promoting exports leads to a segmentation of the market, whereby high quality products are exported and low quality products are sold on the local market. There seems to be no literature that carries evidence that commercialization of sub-standard products on the local market is a direct consequence of export-promoting initiatives. One can argue that low quality products may have been already commercialized domestically prior to these export-oriented capacity building initiatives and would continue to exist in their absence. However, ex-ante (baseline) and ex-post studies would be required to posit such argument. Even when available on the local market, the higher price of safer and superior quality products makes them inaccessible for the poor. The only pattern that seems to emerge from some consumer's willingness-to-pay based studies indicate that in developing countries, consumers from higher socio-economic background are willing to pay premium for quality products. Price premium is a key driver for producers and manufacturers to implement higher quality and safety standards. Economic intuition may suggest that segmentation of the domestic market is a natural evolution, not necessarily triggered by export-promotion initiatives.

4. This study stems from the observation that the same applies to export-oriented technical assistance in the area of sanitary and phytosanitary (SPS) measures. Although the implementation of international standards proves challenging for developing countries, standards play a catalytic role in development by stimulating new investments and enhancing productivity and sustainability of production systems, as well as improving worker and consumer protection and welfare. Yet, in practice, because of the cost of compliance with international standards and the elasticity of demand in the local market (low income makes demand for higher price safer products very limited), in most instances only those businesses with a critical-size production and a sizeable export market find it cost-efficient to implement international standards for the price premium fetched in export markets. There are many other aspects which need to be considered including the reality in many countries of the lack of, or weak food safety controls being applied to foods sold on local markets, compared to importing country requirements with which food producers and industry have to comply in order to access, and maintain export markets. A concern is sometimes expressed that the focus of policy makers on export-based economic growth would allegedly divert the already-stretched SPS public institutions' attention towards controlling the quality and safety of export directed products to the detriment of locally consumed products. This is the main argument on which is built the claim that export-oriented SPS technical assistance is likely to lead to or exacerbate the existence of a two-tier SPS system in developing countries.

5. Conversely, SPS capacity building initiatives aiming to enhance market access of agri-food products claim domestic spillover benefits that encompass the improvement of environmental conditions, occupational health, the domestic food safety situation, etc.

6. In this context of scarce literature, it appears important to identify the possible positive or negative spillover impact of export-oriented SPS capacity-building initiatives on the domestic situation, to enable future initiatives to seek it or maximize it, when positive and to avoid it or minimize it, when negative. As the study proceeds, it will be important to consider a range of literature (including grey literature) and evidence from those experienced in implementing technical assistance programmes, and working directly in Ministries and value chains in selected countries and cases to be examined further.

7. This PPG was submitted by Michigan State University (MSU) as a Project Grant (PG) application (Appendix 1) for consideration by the Working Group at its meeting of 12 October 2015. The application built on an existing background note previously prepared by the STDF Secretariat and endorsed by the Working Group at an earlier meeting (September 2012) but failed to consider some of the outstanding questions put forward in the said note (Appendix 2). As a result, the Working Group concluded that the project application put forward by MSU was not yet sufficiently substantiated, nor did it have the necessary buy-in from partners to be approved as such. It decided to grant MSU a PPG to enable it to carry-out the required preparatory work and consultations and reformulate the project proposal based on the findings therefrom (see details below).

## II. Expected results

8. The following results are expected to be delivered at the end of the PPG:

- Key partners identified and a framework for ongoing consultation with them during the implementation of the resulting project is established
- Scope of the Study defined and materials expected to derive from it clearly defined
- Methodological framework for the Study elaborated and the tools required for its implementation identified
- Project proposal aiming to conduct the Study and implement any relevant follow-up agreed upon by the relevant partners.

## III. Role and responsibility of Michigan State University (MSU)

9. The PPG will be executed by MSU, through the department of Food Science and Human Nutrition. MSU will be responsible for the overall coordination of the activities required for the successful implementation of this PPG (including but not limited to, tasks described below) and for the submission to the STDF of the deliverables indicated below according to the time-frame specified. The tasks required are grouped in three components:

### **Component I: Pre-meeting preparatory work**

10. The Working Group recommended that a technical meeting be convened to further define the scope of the study and its methodology. To ensure maximum efficiency of the deliberation of the technical meeting, MSU will conduct preparatory work to collect the necessary background information to be considered by the participants. It will:

- *Conduct a desk research:* to review existing studies on impact assessment and the methodologies used therein. Literature review will encompass topics broader than food safety in order to analyse the relevance of the approaches and build on existing knowledge. MSU will consult with FAO, WHO, WB and the STDF Secretariat on possible topics for literature review and seek suggestions for existing research.
- *Identify possible experts/academia to invite to the technical meeting:* The STDF Working Group recommended that the technical meeting should seek to include expertise beyond MSU on topics related to evaluation and impact assessments, data collection, indicators and proxy definition. Expertise in food safety will be covered by FAO and WHO, and other independent experts, if deemed necessary. UNIDO will be invited to participate in the technical meeting. MSU will identify experts from the desk research and preliminary

consultation, and will seek suggestions and advice from FAO, WHO, WB and the STDF Secretariat.

- *Prepare a summary report of the desk research:* this report will serve as a working document for the technical meeting. It will be circulated to participants in advance of the meeting. It will contain the various options for a proposed methodology (if more than one is identified) as well as alternative responses to the outstanding questions related to the scope of the work together with any element of analysis (pros and cons) for each proposed option. These questions include but are not limited to:
  - What proxies and indicators should be used to assess the domestic food safety situation?
  - Should the study focus on analysing the spillover effects of donor-funded export oriented initiatives or should it also look into nationally-led and funded export promotion initiatives?
  - Should the analysis cover only initiatives for which the main objective was to improve the safety of export food products (i.e. food safety projects), or should other SPS-related technical assistance initiatives be considered?<sup>1</sup>
  - Should the analysis primarily have a country focus (i.e. select specific countries based on preliminary research and analyse all relevant initiatives identified in that country), or should it have a project focus (i.e. review a substantial number of initiatives and select few based on specific criteria to be identified for in-depth analysis in the beneficiary country)?
  - What are the criteria for the selection of initiatives for in-depth analysis among the first set of initiatives reviewed? These may include ease of collection of evidence (big exporting country vs. small niche export-oriented country), level and type of agricultural production (i.e. smallholders vs. big firms, animal vs. plant products, etc.), existence of public-health related data, etc.
  - What tools are needed for data collection, both for the preliminary research and for the in-depth analysis?
  - What outputs (report of the study findings, guidance documents, assessment and methodological framework, policy brief, etc.) can be expected from the project based on the findings of the study?

## **Component II: Technical meeting**

11. The technical meeting will be attended by the relevant partners as well as other experts identified in consultation with FAO, WHO, WB and the STDF Secretariat. The aim of the meeting is to validate the scope and methodology of the study and to agree on the contours of the project proposal to be formulated after the meeting, including aspects related to the implementation structure (roles and responsibilities, governance, possible co-funding and consultation mechanism) and expected outputs. The technical meeting will be organized by MSU based on the findings of the preparatory work described in Component I above. The meeting should, to the extent possible, be organized back-to-back with an STDF Working Group meeting to facilitate attendance of the relevant partners and to reduce costs. To organize the meeting, MSU will:

- Prepare a draft agenda and relevant working documents for review and input from FAO, WHO, WB and the STDF Secretariat
- Carry-out the logistics for the technical meeting
- Facilitate the technical meeting, as required.
- Prepare a draft report of the technical meeting summarizing the discussions and outlining the decisions made on the methodological framework as well as other aspects of the project proposal mentioned above.
- Circulate a draft report for comments and finalize the report taking into account comments.

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<sup>1</sup> Projects which aim to address veterinary or phytosanitary issues for market access have had an indirect impact on food safety and could also be considered. Other system-wide SPS capacity building projects aiming for instance at improving SPS legislation or creating or strengthening a competent authority to enable a developing country to export animal products or fisheries indicate that strengthened SPS authorities will be better equipped to undertake domestic controls whether it be for imported or domestically produced foodstuffs.

### **Component III: Formulation of the project proposal**

12. Further to the recommendations of the technical meeting, MSU will prepare a project proposal that aims to carry out the Study as redefined by partners and experts. The project proposal should contain a detailed methodological approach for the study as well as a clear implementation framework for the project as a whole. Specifically, MSU will:

- Prepare a draft project proposal based on the methodology agreed upon during the technical meeting and circulate it to experts for input and comments (particular attention should be paid to recommendations made by the Working-Group mainly related to the Logical Framework).
- Depending on the redefined scope, seek additional collaboration and funding, e.g. exploring additional funding from WB's current programmes in Asia to expand the coverage of field work.
- Revise the project proposal based on input received and submit it to the STDF Secretariat for validation.
- Depending on the decision on the methodological approach, and in the case where specific countries have been identified for field work, seek supporting letters from the competent authorities.

### **IV. Role and responsibilities of the FAO, WB and WHO**

13. This PPG will be conducted under the close guidance of FAO, WHO and the WB to ensure full ownership of the project to be formulated and hence direct involvement in the Study to be carried out during the project. Therefore, FAO, WB and WHO will:

- Assign a working-level focal point for the study.
- Suggest literature or topics thereof to be reviewed during the desk research by MSU
- Propose experts to be invited to the technical meeting
- Provide input and review the draft agenda for the technical meeting
- Participate actively in the technical meeting
- Review the technical meeting summary and provide input for the design of the resulting project proposal
- Validate the project proposal. Validation of the proposal consists in looking into the technical accuracy of the proposed methodology and implementation plan. It will also assess the type of outputs that can reasonably be expected from the project and whether the proposed activities can achieve the outcomes and deliver the expected outputs. Validation will also consider the proposed management structure and whether it provides the necessary framework to accommodate technical advice from partners and other experts identified.

### **IV. Role and responsibilities of the STDF Secretariat**

- Ensure the respect of the proposed time-frame.
- Provide guidance to MSU and ensure that deliverables are produced as per the ToRs.
- Provide the necessary information on projects as required and facilitate the relevant contacts.
- Ensure that feedback is provided to the consultant within the agreed time-frame.

## **VI. Time Frame and calendar**

14. Project preparation activities will take place over a period of 12 months. The planned starting date for the PPG is scheduled for 1 March 2017. The tentative completion date for the PPG is 1 March 2018.

## **VII. Deliverables and Reporting**

15. The PPG will produce the following key outputs:

- A desk research outlining existing literature on impact assessment for SPS technical assistance projects and relevant methodologies.
- Working documents prepared for the technical meeting, as applicable.
- Report of the technical meeting
- A project proposal peer-reviewed by experts validated by the partners including FAO and WHO. The project should be formulated using STDF's template unless otherwise specified by the STDF Secretariat.