Report Overview
• Linking standards, trade & development in Africa
  – The Africa Trade Standards Project (ATSP)
    • Complements the IF, and related WTO and other work
  – Focus on 5 sub-Saharan African countries
    • Kenya, Mozambique, Nigeria, South Africa & Uganda
  – Includes analysis of sector-specific capacity constraints
    • Analysis covers 5 industry sub-sectors in each country
  – Funded by United States Agency for International Development
Report Overview

• Objectives
  – Build awareness on the importance and impact of standards on trade in Africa
    • Increase public and private sector awareness about the importance of standards and trade to economic development in Africa
  – Provide concrete evidence & data on capacity building
    • The report documents challenges and opportunities facing African firms and farmers in complying with standards
  – Identify areas of priority attention and modalities for public and private sector intervention
    • The report includes recommendations and projects for improving institutional & private compliance capacity
Report Overview

- **Scope and Methodology:**
  - Team-based case-by-case analysis done by African scholars and professionals
  - Combines various research methods including
    - Surveys, workshops & focused group sessions, interviews etc
  - Focus on the role of standards in areas of high export potential in each country
    - Analysis covers 30 industry sub-sectors across countries, including fishery and fishery products, flowers and horticulture, etc
  - Primary attention to laws, rules, and practices related to health and safety
    - Environmental and labor standards are not emphasized
  - Analysis includes estimates of cost of compliance
Standards and Trade in Africa
Standards and Trade in Africa

• The African Trade Context
  – Africa is marginalized from world trade
    • Share of world exports has dropped by nearly 60% from 3.5% in 1970 to 1.5% by end of the 1990s
      – Equivalent to income loss of $70b annually (21% of GDP or five times its annual aid flows of $13b)
      – Improving trade and access to markets is therefore a very important component of Africa’s development strategy
  – Trade related issues facing the region include:
    • Reduction in tariffs and subsidies on agricultural goods
    • Preferential market access for the regions exports, anchored on a good investment climate
    • Improving supply chain management capacity and competitiveness of its products
    • Effective participation and compliance with global standards and regulatory architecture for ensure long term competitiveness
Standards and Trade in Africa

• Why Standards Matter?
  – prerequisites for access to regional and global markets
  – determinants of competitive advantage
  – instruments of commercial policy
  – implications for domestic health and quality of consumption

• Data Points
  – Approximately US$5.9 billion of OECD imports faced pre-Uruguay Round non-tariff barriers
    • Amjadi and Yeats 1995
  – By participating and complying with international standards Africa could gain US$1 billion annually from higher exports
  – Adopting a uniform international standards on aflatoxin would increase global cereals and nuts trade by US$38.8 billion
    • Wilson, J.S. and Otsuki, T. (Various Papers)
Understanding the Impact of Standards on Global Trade
Understanding the Impact of Standards on Global Trade

The World Bank TBT Database:

- First comprehensive attempt to investigate the importance and impact of technical requirements at the firm level
  - Examines in detail the importance and costs of various types of standards and technical regulations confronting firms in developing countries
- Data covers 689 firms in 24 industries in 17 developing countries
  - Including 183 firms from South Africa, Nigeria, Senegal, Kenya, Uganda, and Mozambique
- Related Survey Data
  - World Bank Environment Survey (WBES)
  - Investment Climate Assessments (ICAs)
  - OECD Survey of 55 firms in 3 sectors in US, Japan, UK, and Germany
Understanding the Impact of Standards on Global Trade

- **World Bank TBT Database – Preliminary Results**
  - Important Factors for Export Success
    - **Product quality** and **freight charges** appear to be the most important factors for African firms to expand exports. *(see next chart)*
      - In Kenya, freight charges, product quality, taxes and tariffs in export markets, and low demand are the 4 most important constraints to exports. In Nigeria, freight charges and product quality are also ranked highest
    - **Performance standards** and **testing certification** requirements are also widely perceived to be important by almost an equal share of firms
      - Over 70% of Africa firms say compliance to technical regulation is important for exports
      - On average, export sales is slightly higher for those who confront foreign technical regulations
Factors Important for Export Success

- Low Demand
- Skilled Labor
- Access to Credit
- Import Tariffs and Charges
- Product Quality
- Freight Charges

Regions:
- East Europe
- Lat.Amer.&Caribbean
- Middle East
- South Asia
- Sub-Sah.Africa

Values (%)

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Factors Important for Export Success

Values (%)

African Countries

- Low Demand
- Skilled Labor
- Access to Credit
- Import Tariffs and Charges
- Product Quality
- Freight Charges
Standards and Global Trade: A Voice for Africa

Summary of Report Findings
Common Challenges and Opportunities

- **Public Sector**
  - Weak participation in global standards setting - “Standard takers”
  - Weak monitoring and enforcement capacity, and proliferation of regulatory roles exists
  - Gaps still exist in metrology systems, quality laws, and codes of practices
  - Lack of human and technological capacity to provide support services
  - Lack of well functioning information management infrastructure
    - e.g. at notification points
  - Systematic collection and storage of record is lacking, and research capacity is weak
    - In particular, capacity for risk assessment, management, and control is weak
Common Challenges and Opportunities for Intervention

- **Private Sector**
  - Low involvement in local or international standards development
  - Low awareness about the role and impact of standards
  - Inadequate financing for investment in compliance
    - Especially for SMMEs
    - Dwindling FDI is affecting large local firms
  - Access to information about global best practices is limited especially for SMMEs
  - Standards are raising the bar for market entry
    - Cost implications can be prohibitive for SMMEs in Africa
  - The lack of rural infrastructure, high supply management costs and insufficient support services
  - Many industries are still not well organized to facilitate cost effective delivery of support services
Selected Examples of Country Capacity Constraints
### Kenya: Selected Country Examples

#### Fish Industry
- Needs better implementation of hygiene and standards
  - especially at the production level (landing beaches).
- Capacity building in testing and quality assurance
  - to ensure continuous quality fish produce
- Private sector investment upgrades in fishing equipment and fishing practices
- Strengthen capacity for monitoring fish exports

#### Fruits and Vegetables
- Small growers and some large farms lack the expertise and finance to:
  - Respond to the changing demands of standards in the industry
  - adopt sophisticated farming practices
- Increasing concerns about capacity to meet EU’s analytical zero MRL requirement in fruits
- Need for increased capacity for Pest Risk Analysis (PRA) and Control.
South Africa: Selected Country Examples

- **Forestry**
  - Proliferation of regulatory responsibility
  - Reliance on foreign certification bodies
    - This has cost implications on SMMEs,
    - Recent initiatives underway to promote local certification through SGS and SABS Timber Department
  - Cost of compliance appears to be prohibitive for SMEs.
    - South Africa is promoting group certification schemes

- **Meat and Livestock**
  - Slow process of amending legislation frustrates industry
    - e.g. modern abattoirs employ horizontal slaughtering systems which are not permitted in South Africa, though they are more efficient
  - Need for a uniform national traceability system for locally consumed and exported beef
  - Industry is generally unaware of the activities of the OIE
    - Industry is not involved in the preparations of submissions

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Suggested Areas for Priority Intervention

- **Private Sector**
  - Expand direct financial and technical support to integrate African SMMEs with larger export firms
    - Group certification schemes have worked in South Africa
  - Create better infrastructure for transportation, and other shared facilities to reduce compliance and other supply management costs
  - Develop high impact awareness campaigns to increase private-public sector awareness about the impact, costs and benefits of standards
  - Strengthen public private partnerships in designing and implementing standards
    - Cooperation of public health officials and agricultural quarantine bureaus with domestic and foreign private companies has proven to be sustainable


Suggested Areas for Priority Intervention

- **Public Sector**
  - Investments in human capital (training) and technology to strengthen local enforcement of standards
  - Strengthen local capacity for risk assessment, analysis, and management
  - Streamline roles, responsibilities, and competencies of relevant standards organizations and support groups in each country
  - Strengthen legal framework and harmonization process of national quality laws consistent with international norms
  - Develop better information sharing and management tools
    - Standards Access Africa network
  - Support projects that target more cost-effective certification, accreditation schemes, and enhance enforcement capacity
World Bank Involvement in Africa

- **Bank Involvement in Trade and Development in Africa**
  - The Bank has provided $612 million in trade-related assistance to African countries in the last 5 years
    - Bank programs range from standards compliance to better customs and ports administration and so on
    - Private sector development operations have been the second important instrument for supporting trade expansion. For example, Gateway Projects in Ghana and Gambia have focused on institutional changes and physical Bank employs a range of trade-related analytical, advisory, and operational instruments to promote trade-performance in Africa
    - Analytical and Advisory Activities (IF, ATSP, ESW, and TA)
      - This underpins the design of the Bank’s region’s operational programs.
    - Strategy Work (PRSPs, HIPC, CAS, Regional Integration Assistance Strategy, Africa Assistance Strategy)
      - operationalizing the trade agenda
  - The IFC just recently launched a new US$250m financing facility to support SME business development and export in Africa
The World Bank in Africa

• Examples of Bank-related Trade Projects
  – recent trade-related adjustment operations in the past few years focused on trade facilitation:
    • Cameroon SAC 3: trade facilitation and competitiveness
    • Chad SAC 4: reinforcement of customs revenue administration.
    • Uganda SAC 3: trade liberalization component under which Uganda simplified its tariff structure and reduced its tariff protection.
    • In Ethiopia, two budget support operations contain trade and investment climate provisions such as the establishment of duty-exemption schemes for exporters, implementation of an export credit guarantee scheme, simplification of export procedures, and revisions in investment codes.
  – Private sector development operations have been the second important instrument for supporting trade expansion.
    • Gateway Projects in Ghana and Gambia have focused on institutional changes promote trade-performance in Africa
The World Bank in Africa

- An Example of Private Sector Bank Project on Standards and Technical Regulations in Africa
  - South African Trade Competitiveness Project
    - About US$43m project
    - Consists of 2 funds
      - Competitiveness Fund which offers a comprehensive support for conformity assessment activities
      - Sector Partnership Fund which supports partnerships of 5 or more firms in the development of collaborative projects. Required project outcomes includes improved product quality, uniformity, and reliability
    - It also includes an export marketing incentive assistance to exporters for product registration
      - It covers 50% of costs of product registration for exports in foreign markets

- The Standards and Trade Development Facility
Standards and Trade Development Facility

- World Bank Development Grant Facility funding
- WTO (administrative agency) WHO, FAO, and standards organizations members.
- Goal – strengthened coordination and small demonstration grants.
Thank You

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