Note

1. GlobalGAP is a collection private standards for the implementation of generally accepted principles of good agricultural practice (GAP) for fresh produce, forest, fisheries, and palm oil production. It is thus also generally known as a set of internationally recognized codes or standards for the production, processing, and distribution of food and agricultural products for human consumption. The program comprises a series of international codes or standards which are not intended for use in developing countries. The codes or standards are designed to minimize the risks of foodborne illness by ensuring that food is produced in a safe and healthy environment.

2. The World Bank Group is the largest international development agency devoted to ensuring that the world’s poorest people have a say in their future. The Bank, which is based in Washington, DC, is committed to helping individuals and countries lift themselves out of poverty by developing innovative solutions to the world’s most pressing challenges. The Bank provides financial and technical assistance to countries to help them achieve their development goals.

Economic and Market Impacts in Developing Countries

Compliance with public and private food safety standards has been the subject of increasing attention. Much of the literature on impacts of food safety regulation in developing countries focuses on public health. In poor countries, the emphasis is on economic development. How standards shape access to markets and what is their economic impact on producers? This note discusses evidence of the economic and market impacts from three perspectives: compliance with public food safety standards; compliance with private standards; and the impact of technical assistance in achieving compliance.
Compliance with public standards can raise farm income but is not necessarily profitable. Rigorously testing the impact of public standards on farm incomes and profitability is not easy. For example, studies that directly measure farm-level income impacts are rare because of the long time lags required.

The high cost of food safety compliance found in many studies is consistent with the literature on the costs of regulatory compliance for other industries. The costs may be higher in the food sector because of the complexity and diversity of food safety requirements, the need to adapt existing quality control systems, and the requirement to verify ongoing compliance. In addition, the costs may be higher because food safety standards are particularly important for the public health and reputation of the food sector.

Compliance with public standards can be expensive. However, there are cases where small-scale farmers have been able to comply with public standards through training and technical assistance. The literature reviewed here suggests that technical assistance can have positive impacts on farmer and firm compliance with food safety standards.

Technical assistance can have positive impacts on farmer and firm compliance

Assistance can help overcome cost barriers and make the costs of compliance more affordable. The literature reviewed here suggests that technical assistance can have positive impacts on farmer and firm compliance with food safety standards.

Table 2. Experience and the literature reviewed

The literature reviewed here suggests that technical assistance can have positive impacts on farmer and firm compliance with food safety standards.
Failure to meet public standards imposed by importing countries can lead to substantial export revenue losses and increased barriers to market access. In 10 Sub-Saharan Africa countries, technical assistance found positive impacts in improving market access determined by proximity to processing plant, and smallholders may be excluded by high costs, restrictions on freedom to choose markets, and lack of access to financial and market information (Henson et al. 2005). In other cases, farmer groups have been able to engage in public standards through training and capacity building, direct financial support for certification, and building relationships with stakeholders that allow them to turn these standards to their benefit and which prevent inclusive participation. Such assistance can help stakeholders access these services and turn compliance into a positive advantage. 

Technical assistance can have positive impacts on farmer and farm compliance. For example, Jaffee et al. (2011) found that technical assistance for compliance with seafood standards in the Philippines (Ragasa et al. 2013) and Brazil (Donovan et al. 2001) increased the likelihood that firms were able to meet standards. Banning led to substantial export revenue losses and increased barriers to market access (Henson et al. 2005). In contrast, studies in Zimbabwe, Chile, Thailand, and Mexico found that smallholders were more mixed (Table 1), possibly because farmers were more likely to benefit from technical assistance found positive impacts in improving market access determined by proximity to processing plant, and smallholders may be excluded by high costs, restrictions on freedom to choose markets, and lack of access to financial and market information (Henson et al. 2005). In other cases, farmer groups have been able to engage in public standards through training and capacity building, direct financial support for certification, and building relationships with stakeholders that allow them to turn these standards to their benefit and which prevent inclusive participation. Such assistance can help stakeholders access these services and turn compliance into a positive advantage. 

Examples of such partnerships are emerging in Sub-Saharan Africa by Jaffee et al. (2011) and Sartor and Jadot (2012). Interventions are not sustainable, however, when market conditions change or fail to follow through from donor institutions and recipient governments. Such partnerships also have a continued economic motivation to comply with standards imposed by importing countries.

Conclusion

Growing recognition of the importance of “co-regulation” or public-private partnerships for compliance with food safety standards implies that emerging market economies will need to engage in sustainable partnerships to support participation. Such partnerships can help strengthen the capacity of smallholder and other farmers to comply with standards and to establish linkages with larger downstream firms. It is important to ensure that such partnerships are not only beneficial for larger downstream firms but also benefit smallholders and other farmers who have a continued economic motivation to comply with standards imposed by importing countries.
Compliance with public standards incurs cost, meaning “costs means loss of markets.” Failure to meet public standards imposed by high-income exporting countries can be seen as the loss of markets of low-income developing countries and smallholders. Examples include European Union (EU) bans on imports from Bangladesh in 1997 and China in 2002, as a result of safety concerns from Malaysia and Kenya in 2004, and from Argentina in 2008 and China in 2010 (Adams et al. 2011; Henson and Mitullah 2004). In other cases, lost market access can be seen as a result of stricter private food safety standards. For example, Qatar bought vegetables from China in 1998 (Alavi 2009); and a U.S. supermarket stopped importing vegetables from Guatemala in 2009 (Gulden et al. 2008). Case studies document how high standards and rigidity can lead to lost sales, declining commodity prices, and reduced competitiveness, as well as reduced export revenues and lower incomes among these low-income farmers and smallholders. Public sector support in exporting countries is sometimes required to mediate investments needed to meet the standards, and market access and to respond to emerging government and private performance standards. In the case of horticultural products, the ability to adapt to high standards depends on the energy, the capacity of the country to invest in improving its food safety compliance, but at a lower and less profitable level than before.

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Food Safety Standards and the Impact of Developing Countries on the Global Market

Compliance with public and private food safety standards has been the subject of increasing attention. Much of the literature on impacts of food safety regulation in developing countries focuses on the role of market-based solutions for public policy innovations and the efficacy of market-based solutions for public–private partnerships in improving food safety standards. The views expressed in this note do not necessarily represent the views of the World Bank or of its Executive Directors.

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Sanitary Standards: Market Access, Public and Private Standards


Rigorous evidence also confirms the positive role of public sector investment in developing countries. Note that, by definition, public-private partnerships tend to be based on market-based solutions for private sector-led and consumer-driven activities. How standards shape access to markets and what is their economic impact on producers? This note discusses evidence of the economic and market impacts from three perspectives: compliance with public food safety standards; compliance with private standards; and the impact of technical assistance in achieving compliance.

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