AID-FOR-TRADE CASE STORY

UNITED STATES

CAFTA-DR Sanitary and Phytosanitary Trade Capacity Building Program

Date of Submission:	March 2011
Region:	Central America
Country:	Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and the Dominican Republic
Type:	Export Facilitation
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EXECUTIVE SUMMARY

The US Department of Agriculture's Foreign Agricultural Service (FAS), with funding from the US Agency for International Development (USAID), has worked closely with host government officials and private sector representatives of Honduras, Nicaragua, El Salvador, Guatemala, Costa Rica and the Dominican Republic since the signing of CAFTA-DR in 2005. Through the CAFTA-DR Sanitary and Phytosanitary Trade Capacity Building Program, USDA provides prioritized technical assistance to public sector and private industry officials and representatives conducive to increased country and regional competitiveness in agricultural trade in the international marketplace. FTA SPS original priorities, as established by Central America and the Dominican Republic, included the following:

- ✓ Integrated SPS regulatory information systems
- ✓ Upgraded laboratory infrastructure and analytical methods capability
- ✓ Strengthened national WTO/SPS enquiry points
- ✓ Development of animal health, inspection and sanitary standards for animal products
- ✓ Development of risk assessment methodologies and risk mitigation methods
- ✓ Traceability
- ✓ Increased coordination with and participation in the activities of international standard-setting organizations

Program priorities implemented through the USAID/USDA program included the following:

- ❖ **Laboratory capacities**
  - Increase the diagnostic capabilities of official laboratories
  - Ensure labs can meet international standards and US regulations
  - Increase lab certification and accreditation
  - Improve pesticide residue and microbiological diagnostic capabilities

- ❖ **Food Safety**
  - Assist countries in writing inspection legislation
  - Help create an inspection system that meets USDA Food Safety and Inspection Service (FSIS) regulations
  - Reach equivalence for beef, pork, and poultry
  - Improve dairy processing

- Develop pesticide regulations and tolerances and reduce pesticide residues in fresh produce
- Expand processed products

❖ **Animal Health**
- Declare regions free of specific trade constraining diseases through inspections
- Ensure ability to meet World Animal Health Organization (OIE) standards and USDA Animal and Plant Health Inspection Service (APHIS) regulations for exported animal origin products
- Increased risk assessment capabilities

❖ **Plant Health**
- Assist countries in meeting international plant protection commission (IPPC) requirements
- Help countries meet APHIS regulations in order to achieve market access for new, fresh products
- Maintain admissibility for those products currently being exported
- Increased risk assessment capabilities
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With USAID funding of roughly $6.5 million over five years (2005-2011), SPS capacity building activities have generated over $100 million in exports to the US since 2006. As of October 2010, the program had trained 4,300 people from both the public and private sectors, and over 1,000 firms have benefited from demand-driven technical assistance.

According to an independent evaluation of the program carried out in April 2008, key indicators of success include increased 2007 trade above export levels in 2005 for the following products:

	Value Increase	Percent Increase
▪ Costa Rica: tomatoes	$196,000	456%
▪ El Salvador: cheese	$710,000	307%
▪ El Salvador: peppers	$2,084,000	from zero
▪ Guatemala: tomatoes	$283,000	from zero
▪ Guatemala: peppers	$505,000	from zero
▪ Honduras: peppers	$2,436,000	from zero
▪ Nicaragua: cheese	$3,305,000	106%
▪ Nicaragua: beef	$23,452,000	42%
▪ Nicaragua: peppers	$3,427,000	from zero

Key contributing factors to expanded country and regional trade and investment are the program's attention to improving country laws and regulations, some of which were required for CAFTA-DR implementation, and to increasing national laboratory capacities (services and certification of national laboratories).

ISSUES ADDRESSED

This paper addresses the critical importance of TCB to enhancing country trade capacities in the agricultural sector, in this particular instance through the USAID financed and USDA implemented CAFTA-DR Sanitary and Phytosanitary Trade Capacity Building Program.

OBJECTIVES PURSUED

The stated purpose of this collaborative effort by FAS and USAID is to provide prioritized technical assistance supportive of public sector and private industry efforts in Honduras, Nicaragua, Guatemala, El Salvador, Costa Rica, and the DR to expand agricultural and related trade.

PROBLEMS ENCOUNTERED

Issues of attribution and quantifying results achieved proved statistically difficult given the preponderance of other causal factors. Nevertheless, public and private investment and the significant results achieved strongly suggest that the program has been valued. In addition, the following constraints to reaching SPS goals were identified:

- Level of resources available to address systemic issues
- Lack of trained staff and high staff turnover[1]
- National priorities were not always in-sync
- Trade assistance aid is often bundled into general program assistance and not targeted SPS capacity building

FACTORS FOR SUCCESS/FAILURE

Program successes appear largely attributable to public and private interest in and commitment to the program, as demonstrated by the adoption of critical legal and regulatory reforms, notable improvements in national laboratory capacities, and increased public and private sector investments in participating countries' agriculture sector.

RESULTS ACHIEVED

Regional

- All CAFTA-DR countries passed a "Harmonized Regulation on Microbiological Residue Standards for Food." The new regulation standardizes maximum residue levels for over 95 per cent of microbiological pathogens and provides a regulatory framework that allows individual country food exports to meet international standards.
- All CAFTA-DR countries formed working groups to harmonize laboratory procedures and standardize testing methods. With help from US experts, over 15 diagnostic protocols that meet internationally accepted standards have been harmonized.
- As a pre-condition for implementation of CAFTA-DR, with the exception of Costa Rica **(confirm),** all countries passed laws which recognize the US meat and poultry inspection system as "Equivalent".
- Labeling detentions have decreased from 68% regionally to less than 10%.
- The number of dairy plants exporting to the US increased from 4 to 26.

Dominican Republic

- The DR's Ministry of Health has signed an agreement with a local laboratory to serve as the reference laboratory for all residues testing for meats as part of the equivalence process. This is an important step toward meat equivalency with the US.
- With the help of US technical assistance in such areas as container inspection, maximum residue levels training, and laboratory diagnostics, detentions of fresh produce imported into the US have decreased from over 4000 in 2007 to fewer than 500 in 2010. Consequently, DR exports of fresh

[1] The absence of a civil service in these countries impacts their ability to provide high quality and sustained oversight of SPS systems vital to sustaining and expanding exports of agricultural products to the U.S.

produce to the US have grown from $24.5 million in 2007 to $32 million in 2010.

- Technical assistance focused on U.S. labelling requirements contributed to a decrease in the number of refusals due to labelling of agricultural exports from 170 in 2005 to 0 in 2009.

- Capacity building directed at dairy processing contributed to an increase in U.S. imports of dairy products from the DR, from $269,000 in 2006 to $747,000 in 2009.

El Salvador

- SPS capacity building has helped El Salvadoran organizations meet APHIS mitigating measures required for exporting to the US, contributing to exports of over $8.2 million in fresh peppers to the US since 2007.

- Capacity building directed at dairy processing contributed to an increase in the number of processing plants approved for export to the U.S. from 0 to 4. U.S. imports of dairy products from El Salvador have increased by over 200% since 2005.

- Technical assistance focusing on U.S. labelling requirements contributed to a decrease in the number of refusals due to labelling of agricultural exports from 68% in 2006 to less than 1.5% in 2009.

- Good laboratory practices and diagnostic methodology training have helped El Salvador's National Laboratory achieve ISO 17025 accreditation for some tests.

Guatemala

- Technical assistance targeting quarantine pests in fresh produce contributed to a decrease in US port detentions. APHIS estimates that at least one container a month has been saved, with an estimated economic impact of approximately $600,000.

- SPS capacity building has helped Guatemalan organizations meet APHIS mitigating measures required for exporting peppers and tomatoes to the US. As a result, imports by the US have grown to over $3.8 million in fresh peppers and $10.3 million in tomatoes since 2006.

- According to the Guatemalan Green House Producers Association, 45,000 jobs throughout the value chain have been created in Guatemala since the US market was opened for Guatemala peppers and tomatoes.

- With US technical assistance in pesticide registration and maximum residue levels, illegal traces of the insecticide methamidophos decreased, reducing the amount of containers of fresh vegetables detained from over 1000 in 2008 to less than 500 in 2009. Guatemala has since passed a law banning the use of this toxic substance.

- Good laboratory practices and diagnostic methodology training have helped Guatemala's National Laboratory achieve ISO 17025 accreditation.

- A law consistent with OIE and APHIS standards that regulates "Poultry Plants Regionalization and Declarations of Free of Diseases" was passed in July 2010, thereby meeting a requirement for future Guatemalan market access into the US.

Honduras

- Good laboratory practices and diagnostic methodology training have helped Honduras' National Residue Laboratory (LANAR) achieve ISO 17025 Certification.
- Following Good Agricultural Practices (GAPs) training and expert recommendations, Honduras regained authorization to export melons to the US. Honduras exported $32.3 million worth of melons between October 2009 and June 2010.
- APHIS standards and regulations training helped Honduran meat processing plants recover equivalence in 2006 and 2010; two beef processing plants are now exporting to the US and one poultry processing plant is now exporting to Asia. U.S. imports of meat products from Honduras have increased by 44 percent since the beginning of 2008 in what is now a $5-10 million per annum industry.
- The number of dairy processing plants approved to export to the U.S. increased from 2 in 2005 to 8 in 2010. US imports of dairy products from Honduras have increased by over 60% since 2005.
- SPS capacity building has helped Honduran organizations meet APHIS mitigating measures required for exporting peppers and tomatoes to the US. US imports of fresh peppers have grown to over $10 million annually.
- The Honduran animal health laboratory has successfully diagnosed Exotic Newcastle Disease using Real Time Polymerase Chain Reaction (PCR) and is using that result as a reference for the entire region.

Nicaragua

- SPS capacity building has helped Nicaragua meet APHIS mitigating measures required to export to the U.S., generating over $14 million in fresh pepper exports to the US since 2007.
- Capacity building directed at dairy processing has contributed to an increased number of dairy plants approved to export to the U.S. from 3 in 2006 to 16 in 2010. U.S. imports of dairy products from Nicaragua increased by 61% between 2005 and 2009.
- Nicaraguan officials have revised poultry inspection laws and regulations to meet USDA requirements for exporting to the US.
- The Nicaraguan meat industry estimates that the meat cuts training contributed to an increase of approximately $3 million per annum since April 2006.

Costa Rica

- While a late participant in the program, Costa Rica has nonetheless benefited from program-supported capacity building activities. Costa Rican exports of tomatoes and peppers have grown by 456% and 63% respectively since 2006.

LESSONS LEARNED

- Institutional strengthening is fundamental to gaining and maintaining approvals for exports to foreign markets. Areas for institutional strengthening include quarantine, eradication, surveillance, diagnostics (including laboratory infrastructure and training), and risk analysis. Training in these areas enhances the ability of countries to export in the short term by expanding existing export activities through improved

systemic approaches, and in the long term by creating new opportunities for products previously ineligible for export.

- Discrete capacity building through targeted training and technical assistance can complement broader institutional strengthening projects. Particular areas of value include: 1) Agricultural and manufacturing practices to reduce product contamination and infestation, e.g. brucellosis and tuberculosis control to improve milk quality standards; 2) Development of laboratory capacity to certify specific tests needed for export, such as pesticide residues for shrimp and microbiological contamination; 3) Organization assistance to help bring producers into the formal processing chain, thereby helping them to raise product quality, particularly for meat and dairy products; and 4) Analysis and assessment of traceability systems to meet the requirements of EU and U.S. markets and regulators.

- Capacity building programs should take into account the following reflections: 1) Combining private and public sector participants in the classroom; 2) Complimenting general training in the first years of a program with more targeted training in priority areas; 3) Designing training programs with a view toward promoting regional harmonization and adopting U.S. standards as a means of facilitating regional trade and supporting U.S. exports; 4) Building tangible outcomes into capacity building, such as "to-do" lists to meet import standards; 5) Encouraging host government officials to share their capacity building experiences with their private sector counterparts, and 6) Include, and work in conjunction with, regional organizations such as OIRSA, IICA, Universities, export chambers, etc. to leave a more stable legacy of local knowledge given the high turnover of Governments' staff.

CONCLUSION

According to myriad sources, the USAID-USDA implemented CAFTA-DR Sanitary and Phytosanitary Trade Capacity Building Program is highly regarded by all relevant parties and has been linked to significantly expanded trade from the region and the creation of a more level playing field among countries in the region.

REFERENCES

1) Allen F. Johnson & Associates: Evaluation of USDA/USAID CAFTA-DR Sanitary and Phytosanitary Trade Capacity Building Program, May 2008.

2) USAID and USDA individual country updates on SPS Capacity Building, Central American-DR Free Trade Agreement for Nicaragua, Honduras, Guatemala, El Salvador, and DR dated October 2010.

3) Power Point presentation titled "CAFTA-DR Sanitary and Phytosanitary Trade Capacity Building" by Patricia Sheikh, FAS Office of Capacity Building and Development, October 20, 2010