



OVERVIEW OF SPS NEEDS AND ASSISTANCE IN MOZAMBIQUE

Background paper
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A. OVERVIEW OF SPS SITUATION

1. Agriculture is the main source of income for more than 65% of the population, contributes significantly to GDP (21.8% in 2005) and, along with fisheries, is one of the main export earners. Less than 15 % of Mozambique's arable land is under cultivation and the agriculture sector is dominated by smallholders, predominantly subsistence-oriented. Basic food crops include maize, rice, cassava, sorghum, sweet potatoes and horticultural products. Major cash crops, mainly tobacco, cashew, cotton and sugar, account for 6% of the cultivated land. Several initiatives are currently taking place with regard to biofuel, with future investments planned in bio-ethanol from sugarcane and bio-diesel from copra and oilseeds.

2. The DTIS identifies a range of factors holding back growth in Mozambique's agriculture sector: poor access to finance, the absence of tradable land use rights, low productivity, the absence of SPS control, weak agro-processing, costly logistics (including transport), the absence of effective producer organizations, scant export development services, and obstructive red tape. To confront these constraints, the DTIS recommends *inter alia* to: (1) intensify production by promoting commercial farming among smallholders and larger operations; and (2) diversify into higher value product lines, such as horticultural and cut flower exports to Europe, but also mangoes to the Middle East and the Indian subcontinent during these countries' off-seasons, as well as exports of ginger and honey to South Africa. Market opportunities also exist for value-added and agro-processed products (coconut products, fruit, beans, maize, oilseeds, cashew, pulses and pigeon pea) and for some traditional crops (tobacco, cassava, rice).

3. Fruit exports, notably citrus and, more recently, bananas and mangoes, in particular show considerable potential and are growing rapidly, although from a low base. Further export opportunities also exist for a host of other tropical fruit (melons, papaya, pineapples, litchi, etc.), vegetables (baby corn, bell peppers, paprika, etc.) and cut flowers. Fruit exports are primarily focused on the South African market, although there are some exports to Asia and Europe. SPS-related constraints in the trade of fruit and vegetables are mainly related to traceability, hygiene requirements, private standards in certain markets, appropriate use of pesticides and presence of residues in fresh produce. In this trade, and that of cut flowers, there are also concerns over international transmissions of plant pests (notably fruit fly).

4. At present, Mozambique's phytosanitary control system is weak, causing major annual losses to pest damage and restricting further access to foreign markets, including South Africa. In order to maintain access to existing markets and further develop horticulture over time, Mozambique must strengthen its plant health services, develop capacity to undertake pest risk analysis, update its national pest list, develop national surveillance programmes and establish and/or maintain pest free areas in accordance with international (IPPC) requirements. The results of the IPPC PCE tool provide a good starting point. Over and above compliance with official food safety and plant health requirements, entering higher value markets in Europe (supermarkets, retailers) may require producers and processors to be certified for GlobalGAP and/or to follow other private standard schemes.

5. SPS-related constraints also play a role in the trade of other agricultural commodities. Cashew nuts are currently exported unprocessed to India or processed in Mozambique and exported, mainly to Europe. Opportunities exist to further expand small-scale cashew processing, which in turn would require farmers and processors to comply with internationally recognized systems, such as Good Agricultural Practice (GAP) and Hazard Analysis Critical Control Point (HACCP), and to respect limits on mycotoxin and pesticide residues. Similar requirements also apply to the trade in "diversification crops" (beans, pulses, oilseeds and groundnuts), i.e. annual crops that smallholders cultivate, partly for cash and partly to complement their own food supply. Pigeon peas (lentils), for instance, are currently exported to Malawi for processing and re-export to India but could be processed in-country and exported directly. Limited opportunities also exist to increase regional

exports of maize to Malawi. The coconut industry (fresh, dried, copra, oil) is severely affected by Lethal Yellowing Disease (LYD) and South Africa has reportedly closed its market to coconut products from Mozambique. Controlling LYD will require *inter alia* implementation of a national surveillance programme and establishment and/or maintenance of pest free areas.

6. Livestock production is modest with a total national herd of cattle of about 1.5 million heads, with goats accounting for 4.4 million units and pigs for a further 1.3 million units. Livestock, goat and poultry production, predominantly used for supporting rural households, is increasing. Mozambique's animal health status is of major concern. Information on OIE's website reveals the presence of various endemic OIE notifiable diseases in the country, which limits the scope to increase farmers' incomes and access to regional and international markets. Disease concerns also play a role in Mozambique's exports of raw hides and skins. Although no information is available, potential shortcomings may exist in sanitary controls at slaughterhouses, handling and processing facilities for meat, dairy and poultry products, and in the availability of animal feed. It is recommended that the results of the OIE PVS tool be used to design actions to strengthen the performance of veterinary services, establish animal disease surveillance programmes, etc.

7. Limited information is available about Mozambique's food safety control system, which typically involves a wide range of actors. Standard-setting is the responsibility of the National Institute for Normalization and Quality under the Ministry of Industry and Trade. The Ministry of Health is responsible for establishing and enforcing food legislation and cooperates with other ministries such as agriculture (animal products) and fisheries (export of fish and fishery products). Among the food safety and quality problems encountered by the country are a high percentage of small-scale importation by small traders and lack of or limited food inspection and control at the border.

8. Mozambique's fisheries sector is an important source of food, employment and revenue. An estimated 480,000 people are economically dependent on the sector, directly or indirectly. The marine fisheries sector has three broad segments: industrial fishing, semi-industrial fishing and artisanal fishing. Industrial fishing is conducted by foreign vessels outfitted with processing facilities that target shrimp and tuna. More than half of the Total Allowable Catch is taken by foreign vessels and sold directly to international markets. The semi-industrial fleet consists mostly of national vessels with onboard holding facilities for shrimp and fish, mostly for export. Approximately 70,000 artisanal fishermen sell their catch on the domestic market. Concerns exist over illegal, unreported and unregulated (IUU) fishing and depletion of the national shrimp resources. Mozambique's inland fisheries sector is well exploited and does not appear to have much potential for expansion. Freshwater fish is popular in the regional market.

9. The EU market is important and mostly imports shrimp. Since 2001, three notifications with regard to frozen shrimp imported from Mozambique were received from the Rapid Alert System for Food and Feed (RASFF). Two missions carried out by the European Commission's Food and Veterinary Office (FVO) in 2006 and 2007, respectively, concluded that the system of official controls and of export certification, although adequate in certain respects, cannot be considered in compliance with the requirements of Community legislation. Several deficiencies were found in relation to the implementation of the official procedures (auditing, approval, inspection, sampling and certification procedures), assessment of HACCP plans, official sampling for environmental contaminants, and analyses of potable water and ice. No major deficiencies were found in listed establishments and vessels authorized for export though several other fishing vessels (not listed but providing primary products to the listed establishments) did not present good structural and hygiene conditions. Efforts to assess and accredit all laboratories should also be continued.

10. Significant opportunities also exist to further increase fresh fish exports, notably involving the artisanal sector, but this would require fishermen and processing facilities to meet stringent quality and health standards. Depending on economic viability, increasing investment in cold storage and

transport capabilities (including the availability of ice) and upgrading shore processing facilities should be considered, accompanied by training in processing and handling techniques. Other related recommendations include research to identify potential new species for commercial exploitation, research to determine sustainable volumes of fisheries capture, improving regional cooperation for fishery stock monitoring and surveillance, and developing a strategy to combat IUU fishing. Finally, significant opportunities exist for non-traditional marine products such as seaweed farming (following Tanzania's example) and shrimp aquaculture. In particular aquaculture development would require development of a sound and sustainable strategy - given the stringent quality and health requirements attached, its potential adverse impacts on the environment, etc.

11. Typically, Mozambique's overall food safety and agricultural health system comprises multiple government institutions located over various ministries, including Agriculture, Health and Trade. Reportedly, efforts have been made to improve the coordination among the various institutions, in particular through the establishment of an SPS/TBT Working Group, though recent information on the status of this initiative is not available. Recommendations in the DTIS include further streamlining of the standard-setting process. No information is available on the current status and the need to update food safety, animal and plant health legislation. There is a general need to develop more diagnostic capacity across all SPS areas through the upgrading and accreditation of laboratories. Recent reports refer to the need to generally promote private sector development and improve the business environment. Specifically related to SPS, this might include establishing and/or strengthening trade associations to support SPS improvements, training programmes for farmers/entrepreneurs on good practices, HACCP, etc. Finally, support is needed to enhance Mozambique's capacity to participate more actively in the international standard-setting process (Codex, OIE, IPPC) and fully implement the SPS Agreement (i.e. functioning notification authorities and enquiry points).

B. OVERVIEW OF SPS-RELATED TECHNICAL COOPERATION

12. Under the IF, several Window II projects have been launched at national level focusing on fishery laboratory equipment, fish quality control and standards development. The implementation period and total value of these projects is not known. FAO supports and implements various small projects at national level related to the control of African Swine Fever (2006-08, total value US\$256,000), cassava production and processing (2008-09, total value US\$500,000), strengthening animal disease control (2006-08, total value US\$159,000), and prevention and disposal of obsolete pesticides (2005-08, total value US\$2.64m). FAO activities at regional level concentrate on control and prevention of avian influenza and fisheries management.

13. World Bank support to Mozambique is focused on *inter alia* agriculture, rural and private sector development. Studies have been carried out on value chain analysis and horticulture development.

14. Switzerland has funded a project (2005-07, US\$2.23m, implemented by UNIDO) to facilitate increased food-based exports through strengthening the national food safety system, upgrading of testing and metrology laboratories, improvement of national food legislation, and dissemination of standards and technical guidelines among food manufacturers and stakeholders.

15. In response to the FVO mission in 2005, the UK (DFID) provided grant funding to prepare and implement an action plan through its Regional Standards Programme (RSP) at ComMark. Similar grant funding was provided to implement a project on standards compliance in the horticulture sector developed by the STDF. The RSP runs from 2006-10 and its objective is to help SADC countries and firms to meet international food quality and safety standards for agri-business products.

16. Support provided by the Millennium Challenge Corporation (MCC) includes a project aiming at reducing the spread of Lethal Yellowing Disease (LYD), improving productivity of coconut products, and encouraging diversification into other cash-crop production (total value US\$17.4m). This project will be complemented by a second project developed with STDF support focusing on the establishment and/or maintenance of pest free areas.

17. Mozambique's National Indicative Programme for support under the 10th European Development Fund (EDF) indicates that €622m will be provided to the country over the next five years, with 46-50 % to be allocated in the form of general budget support. Agriculture, rural development and regional economic integration will benefit from 12-15 % of the total. Additional support for trade may be considered to complement the 10th EDF Regional Indicative Programme. International standards and certification, notably related to constraints in the fisheries sector, are explicitly mentioned as focal areas.

18. Mozambique also benefits from a number of programmes and initiatives at regional level. Generally, however, country-specific allocations and/or allocations to SPS issues within these regional programmes are not known. The EC, for instance, provides support to various regional programmes in the SADC region focusing on Foot and Mouth Disease (FMD, 2006-11, total value US\$15m), capacity building on MRLs (2006-10, total value, €7.5m), promotion of regional integration in the livestock sector (PRINT, 2004-09, total value US\$9.5m) and support for standards, quality assurance, accreditation and metrology (SQAM, 2006-11, total value US\$17m).

19. At COMESA level, the EC-funded Regional Integration Support Programme (RISP, 2005-12, total value €30m) includes a component of capacity building to develop standards and meet international SPS requirements. The Agricultural Marketing Promotion and Regional Integration Project (AMPRIP, implementation period and total value not known) supported by the African Development Bank (AfDB) focuses on capacity building, establishment of regional reference laboratories, institution of an SPS legal framework and establishment of a regional technical sub-committee on SPS measures.

20. At ACP level, various projects funded by the EC include major SPS components. The Programme Initiatives Pesticides (PIP-COLEACP, 2003-08, total value €29.1m) aims to enable ACP countries to comply with European food safety and traceability requirements and includes in-depth analysis of the impact on ACP countries of the new European SPS regulations on official feed and food controls. A second phase of PIP is being considered. Focus areas of the programme Strengthening Fishery Products Health Conditions in ACP countries (SFP, 2003-10, total value €46m) are competent authorities, test laboratories, the fish industry and small-scale fisheries. No specific project for Mozambique have been reported. The EC programme "Trade.com" (2004-09, total value €50m) focuses *inter alia* on implementation of WTO Agreements and preparation of pilot projects with special attention to SPS/TBT issues.

21. Upcoming ACP-wide programmes include Participation of African Nations in Sanitary and Phytosanitary Standard Setting Organizations (PAN-SPSO, 2008-10, total value €3.85m, implemented by AU-IBAR and AU-IAPSC) aiming to enhance effective participation of African countries in the activities of Codex, OIE and IPPC). The Support Programme to Integrated National Action Plans for Avian and Human Influenza (SPINAP-AHI, 2007-10, total value €22.5m, implemented by AU-IBAR) aims to strengthen capacity for early detection and rapid response to AHI. The programme Strengthening Food Safety Systems Through Sanitary and Phytosanitary (SPS) Measures (2008-2012, estimated value US\$32m) will aim to establish risk-based food and feed safety systems for export products in ACP countries in line with regional, international and EU standards.

22. USAID has provided support to the Eastern and Southern Africa region under its Regional Agriculture Trade Expansion Support programme (RATES, 2004-08, total value US\$26m). Among the deliverables are regional dairy and maize standards adopted by key countries involved in 80 % of

the regional trade and a COMESA dairy SPS protocol adopted by at least five dairy producing countries by September 2008. USAID/USDA also provide support to key SPS policy objectives under the African Global Competitiveness Initiative (AGCI, 2006-11, total value US\$11.5m) with the objective to build capacity of African countries to export plant, horticultural, and animal products internationally. Assistance is primarily implemented through USAID's regional trade hubs, including the Southern African Trade Hub in Gaborone, Botswana.

23. Reportedly, the EC, FAO, ITC, UNCTAD and the World Bank are currently considering an African wide support programme on agricultural commodities (including cotton). The aim would be to strengthen capacities to develop and implement sustainable commodity strategies that improve farmers' productivity and their rural livelihoods and reduce income vulnerability (including *inter alia* elaborating strategies covering critical parts of the commodities chain; supporting diversification; helping integrate commodities dependent countries in the international trading system). Total estimated value is US\$54m. Finally, the World Bank is planning to establish an Africa-wide Multi-Donor Trust Fund (MDTF) for Trade and Development. Pilot activities will take place in Madagascar, Tanzania and Senegal.

C. STDF ACTIVITIES IN MOZAMBIQUE

24. The STDF is currently funding a project preparation which aims at designing a project proposal for the implementation of a national surveillance programme for Lethal Yellowing Disease (LYD) in palms, including establishment and/or maintenance of pest free areas.

25. Another project under implementation concerns improving SPS compliance for horticulture exporters in regional and international markets. This project was developed with STDF funding, is funded by DFID and implemented by ComMark.