

Prospects in Implementing Automated Systems for Cross-Border Agri-food Trade

Francis Lopez
InterCommerce

Premises in Automated Systems for Cross Border Agri Food Trade

- Multilateral, Regional and Bilateral Agreements on Trade Facilitation
- Conventions and Agreements on the Legal Framework and Protocols on the Exchange of Electronic Documents
- Availability and accessibility of IT Solutions, Data Standards and Networking Infrastructure
- Addressing Food Security, given the increasing demand resulting from population growth and diminishing supply resulting from urbanization, climate change, natural calamities, over fishing, etc.
- Reducing costs of doing business, cross border trade with reliable, transparent and predictable processes

Automation in the Context of the WTO Trade Facilitation Agreement

- Speed up the movement, clearance and release of goods across borders, including goods in transit
- Electronic systems to cut red tape, support cooperation among border agencies
- Broaden participation in global value chains

Systems with Direct Impact on Agri-Food Trade

- Sanitary and Phytosanitary Certification Systems
- Traceability Systems
- Rapid Alert System
- CITES Certification Systems
- Others

WTO SPS AGREEMENT

- Agreement on the Application of Sanitary and Phytosanitary Measures, entered into force on 1 January 1995
- Defines the basic rules for food safety and animal and plant health standards. All countries maintain measures to ensure that food is safe for consumers, and to prevent the spread of diseases or pests among animals and plants
- SPS Committee developed recommended procedures and a standardized format for governments to use for the required advance notification of new regulations; monitor the use of international standards; and, work on guidelines to ensure consistency in risk management decisions, in order to reduce possible arbitrariness in the actions taken by governments

SPS Measures

- **SPS Measures based on -**
 - Recognized international standards, particularly those of the “three sisters” – FAO/WHO Codex Alimentarius Commission (CODEX), the World Organization for Animal Health (OIE) and the International Plant Protection Convention (IPPC)
 - Science, including scientific assessment of risk
 - Temporary precautionary principle in the absence of international standards or scientific evidence
- **SPS Information Management System (SPS IMS) provides access to documents and records relevant under the SPS Agreement. SPS IMS allows users to track information on SPS measures that**
 - Member governments have notified to the WTO
 - Specific trade concerns raised in the SPS Committee
 - SPS-related documents circulated at the WTO
 - Member governments' SPS Enquiry Points and Notification Authorities

Sanitary and PhytoSanitary Certificates

- **Phyto Certificate:** International Plant Protection Convention
 - International Standard for Phytosanitary Measures (ISPM) No 12 and Appendix 1, provides the format and contents of e-Phyto Certificate, the mechanism for exchange, guidance on harmonized codes and schema.
 - Bilateral exchange between National Plant Protection Organizations
 - On-going development of the e-Phyto Hub and Generic System
- **Veterinary Health Certificate:** World Organization for Animal Health (OIE)
 - Provided the standards for electronic certification and exchange of Veterinary Health Cert data directly from the *Veterinary Authority* of the *exporting country* to the *Veterinary Authority* of the *importing country*.
- **Health Certificate:** Codex Alimentarius - Committee on Food Import and Export Inspection and Certification Systems (CCFICS)
 - Issued CAC/GL 38 2001: Guideline for design, production, issuance and use of generic official certificates, either in paper or electronic format and compliant with the requirements of the importing country.
 - In 2016, CCFICS Working Group to assess the review existing Codex guidance with regard to the implementation of electronic certification and to identify the outstanding gaps and the way forward.

Benefits of Paperless, Electronic Certificates

- An APEC Study analysed the benefits of its Electronic Certificate of Origin (e-CO) Pathfinder Project exchanged between exporters in Korea and importers in Chinese Taipei and estimated that on average -
 - Exporters: Reduction of two days in processing time and cost savings of USD 274 per container
 - Importers: Reduction of three days in processing time and cost savings of USD 397 per container
- The 2014 UNESCAP report “*Estimating the Benefits of Cross-Border Paperless Trade*” estimates -
 - Partial implementation of cross-border paperless trade measures would be associated with an export increase of \$36bn annually; Full region-wide implementation of cross-border paperless trade, the export gain would be of the order of \$257bn annually.
 - Reduction in cycle time reduced between 24% and 44%; Reduction in costs between 17% and 31%,
 - Total direct cost savings across all trade would be approximately \$1bn annually for partial reform, and \$7bn annually for full implementation.
- **Electronic cross-border exchange of SPS certificates**
 - Authenticity and integrity of SPS Certificates
 - Improved efficiency, reduced administrative costs and reduced clearance times; opportunities for pre-arrival clearance

Challenges and pre-requisites for implementation of e-SPS Certification

- Unlike plant health, lack of standard certificate makes negotiation more complex
- Lack of standardized exchange protocols (considerable investment required to deal with non-standard data requirements)
- Lack of political goodwill (sometimes buy-in at top level, *BUT* resistance of mid-level management);
- Adequate legislative framework
- High costs of establishing a system (possible solutions turnkey systems payment on usage e.g. Philippines, development assistance?)
- Weak SPS systems: Paper-based system needs streamlining to start with!
- Lack of collaboration framework between relevant national agencies (Inter-agency competition)
- Weak ICT infrastructure in agencies in charge of SPS matters;
- Challenges of the system's sustainability

EXTRACTED FROM: SUMMARY STDF SEMINAR ON E-CERT, 28 JUNE 2016

Conclusions of the STDF Seminar

- E-SPS Certification can contribute significantly to facilitating safe trade
- E-SPS Certification: a driver for reform (streamlining import-export business process, promoting regulatory reform and inter-institutional collaboration)
- Start with Business Process Analysis (BPA), then cost-benefit analysis.
- Include a pilot phase, a transition phase and a fall-back plan
- Establish a sustainable cost recovery mechanism
- Stakeholder consultation (acceptance by smallholders, real gains vs. what may change)
- Guidance and support to developing countries (carry out BPA, map out business process reengineering needs, and undertake the necessary cost-benefit analysis to inform investment decision).

SPS Workflows

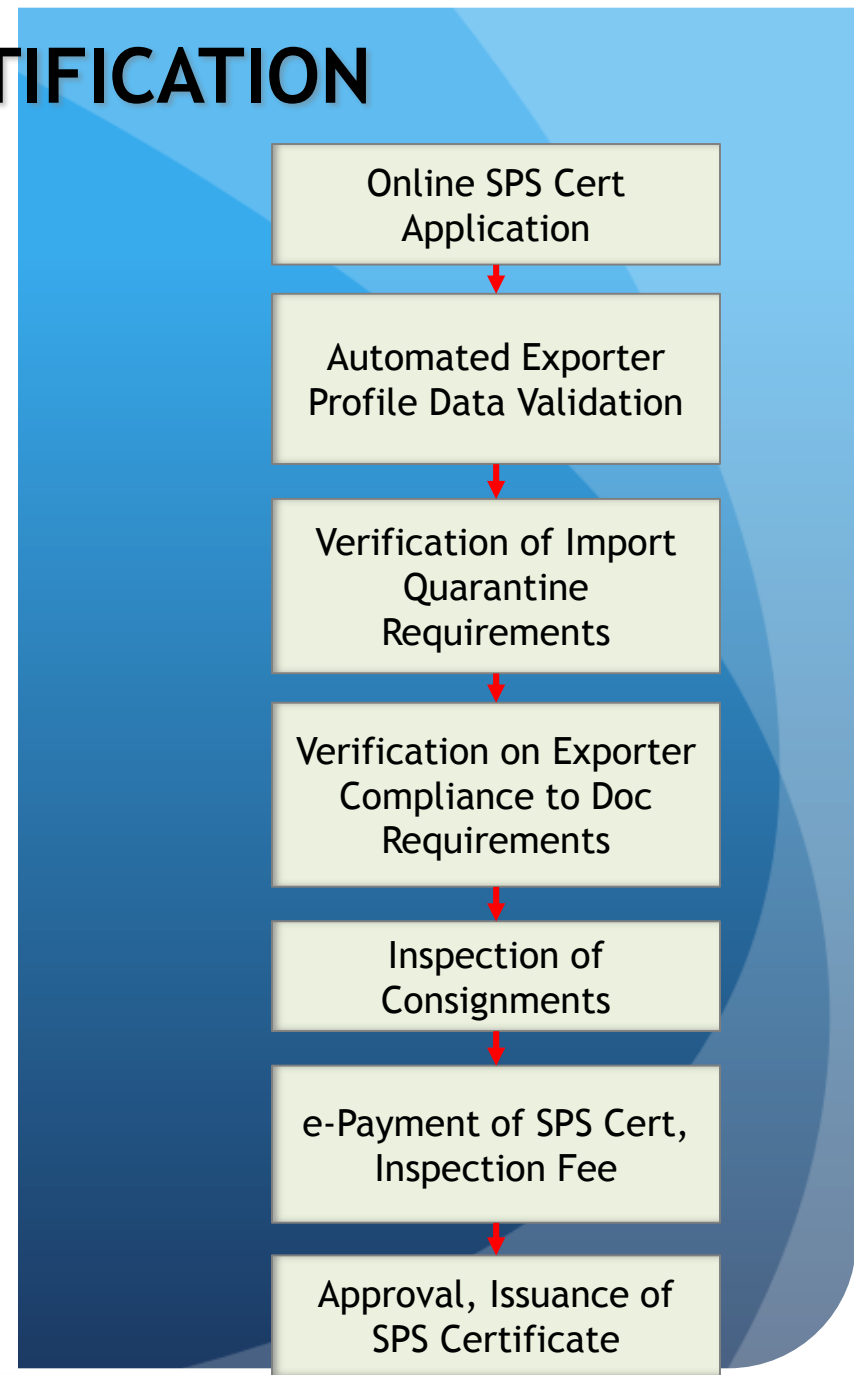
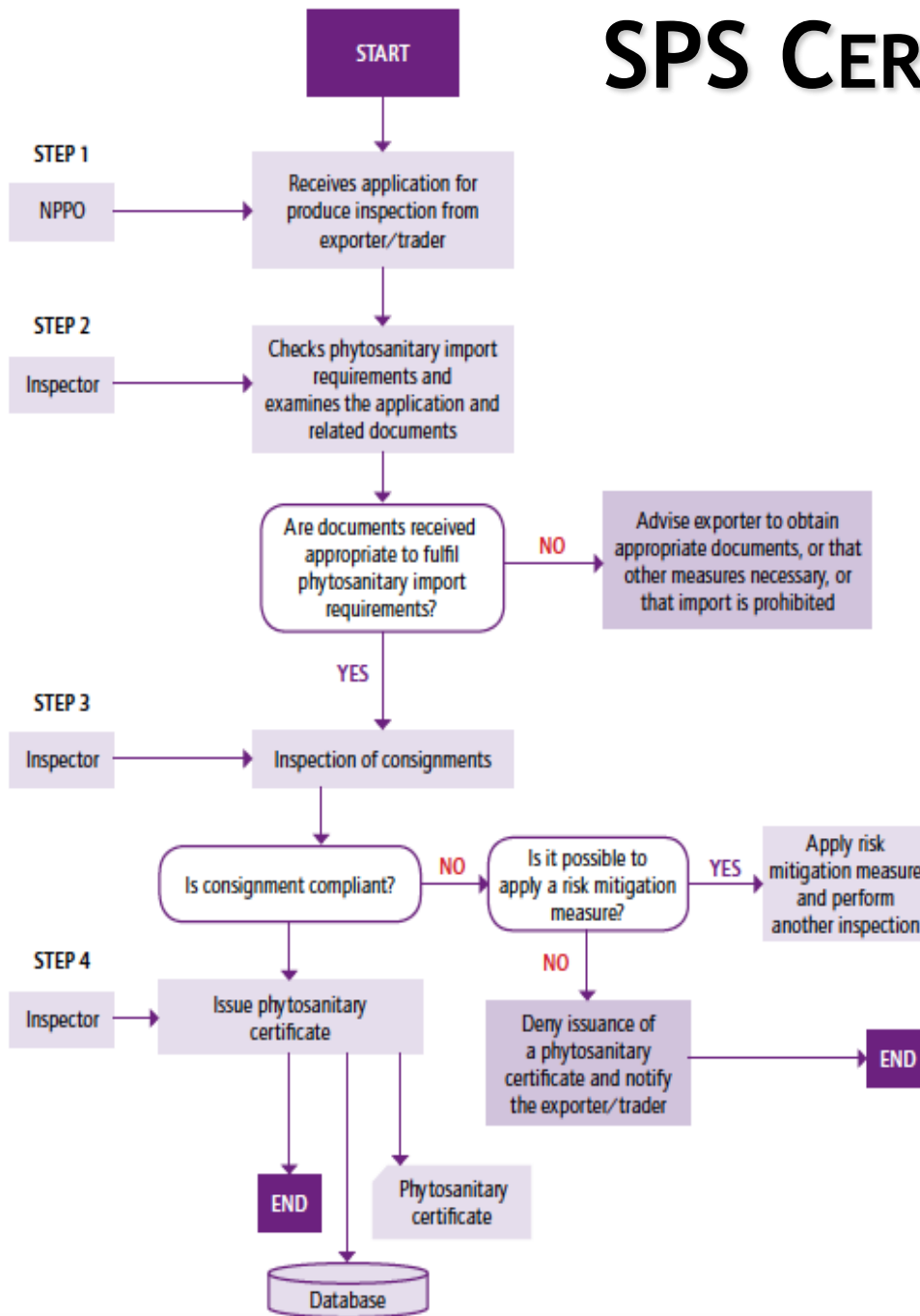
- SPS Certification, Issuance and Transmission (Export, Re-Export and Transit)
- SPS Certificate Receipt, Verification, Clearance and Release



SPS Certificate Issuance

1. Application for SPS Certification prior to exportation
2. Plant, Animal and Plant/Animal-Product inspection
3. Report on inspection
4. Approval of SPS Certification
5. Issuance of SPS Certificate to exporter
6. Exporter sends SPS Certificate to importer (together with consignment)

SPS CERTIFICATION



SPS Certificate for Re-Export

1. A consignment from the original source/origin country, imported to the country of re-export, would be exported to the final destination country
2. The SPS Certificate to be issued may be an SPS Certificate either (a) for export or (b) for re-export, depending on the
 - SPS certification on product is not required by re-export country, but required by destination country
 - SPS import requirements of the destination country is higher/equal/lower than re-export country
 - Consignment stored, re-packed or loaded into new container in re-export country
 - Consignment exposed to risks of infestation or infection in the re-export country
 - Need for inspection and additional certification to comply with SPS import requirements of destination country
3. SPS for re-export will be the same as original SPS Certificate, with additional certificate and reference to the original SPS Certificate



SPS Certificate for Transit

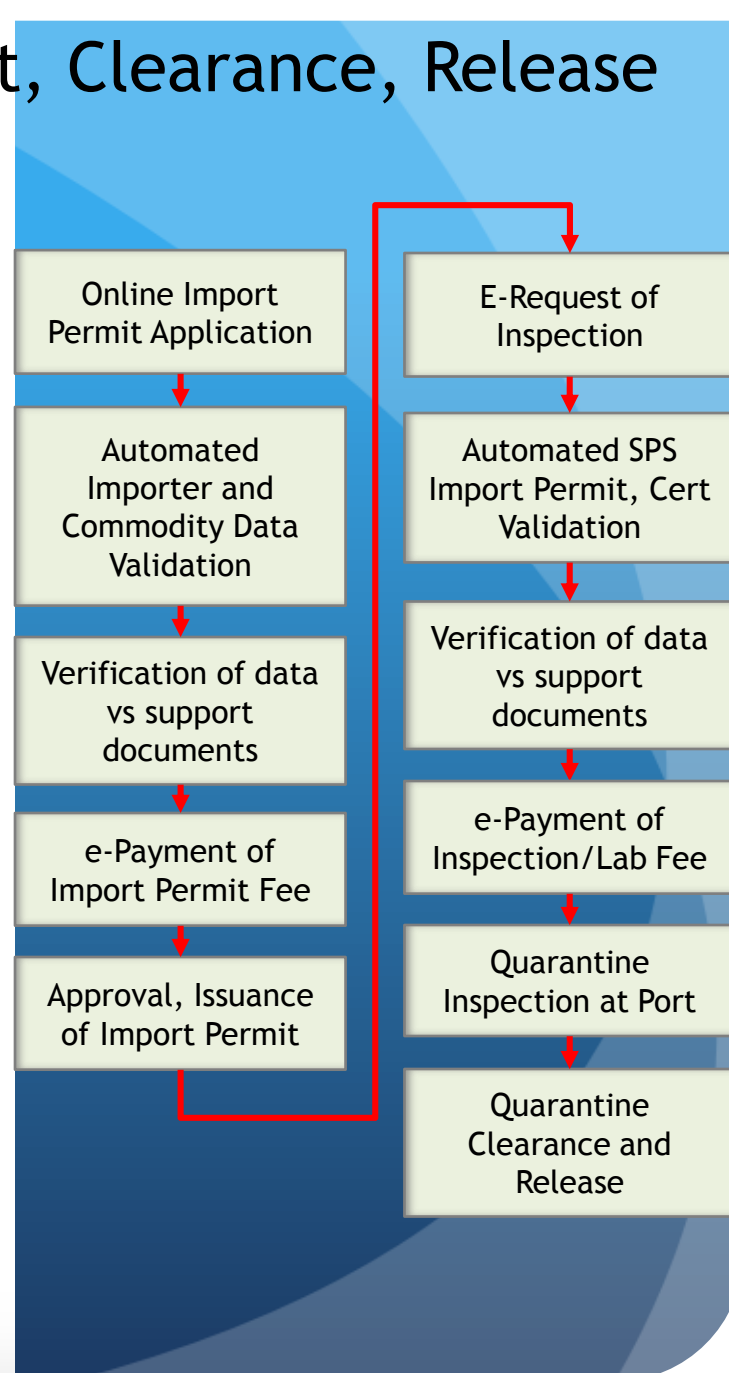
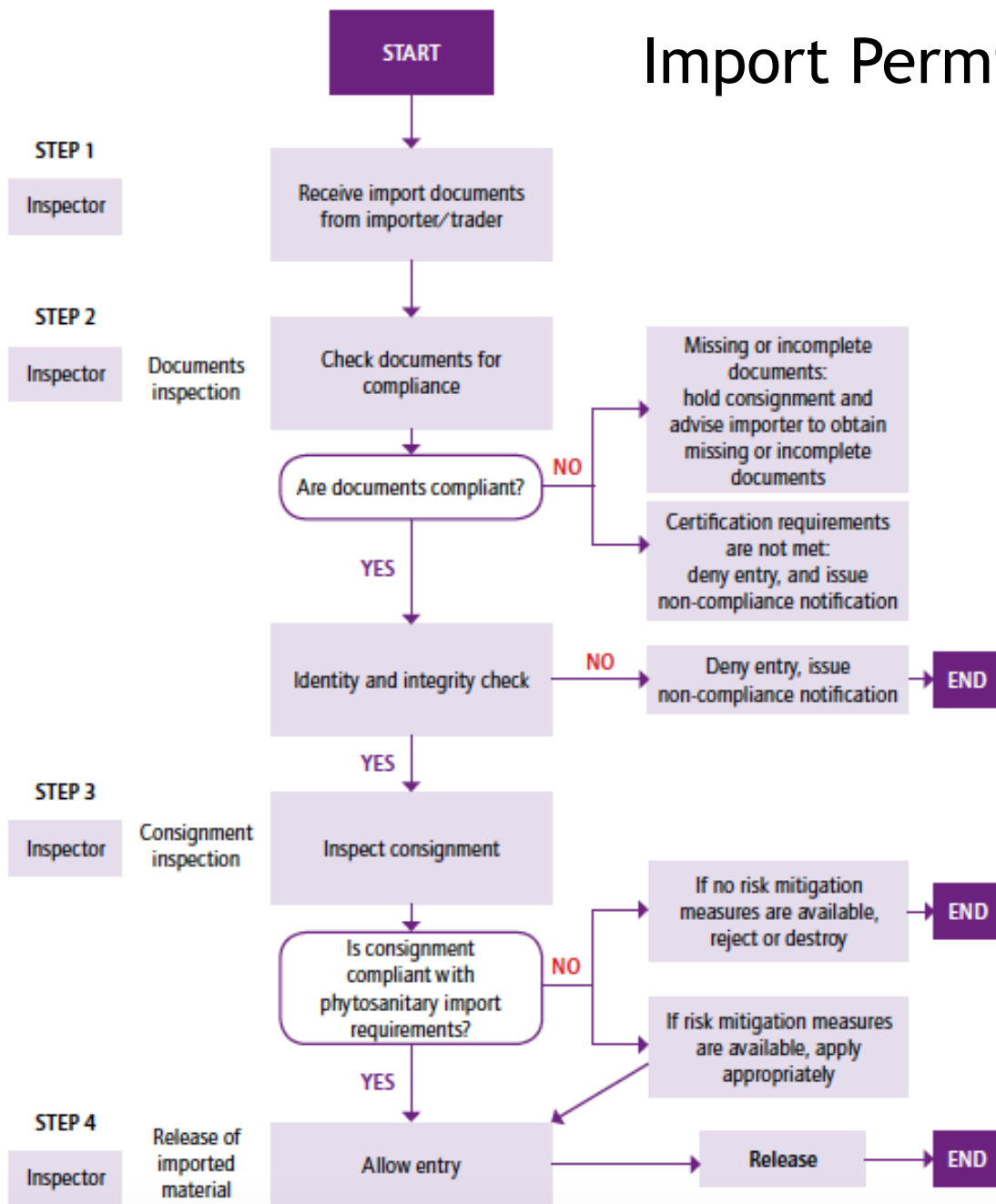
1. The SPS Certificate issued by the origin country CA shall accompany the consignment in transit, thru a third country or countries
2. If the consignment comprise regulated goods passing thru the transit country, the transit country may be exposed to SPS risks
3. In some instances, the transit country being a gateway to landlock countries, requires SPS certification and conducts inspection, clears the consignment for delivery to final destination



SPS Certificate Utilization

1. Importer receives the SPS Certificate from the exporter
2. Importer submits SPS Certificate together with goods declaration and other documents for preparatory for quarantine inspection and clearance
3. Competent Officer (plant, veterinary quarantine) conducts documentary verification (risk assessment, and retro-verification/re-issuance of SPS Certificate, if necessary)
4. Competent Officer conducts plant/veterinary quarantine inspection
5. Competent Officer issues quarantine clearance and release

Import Permit, Clearance, Release

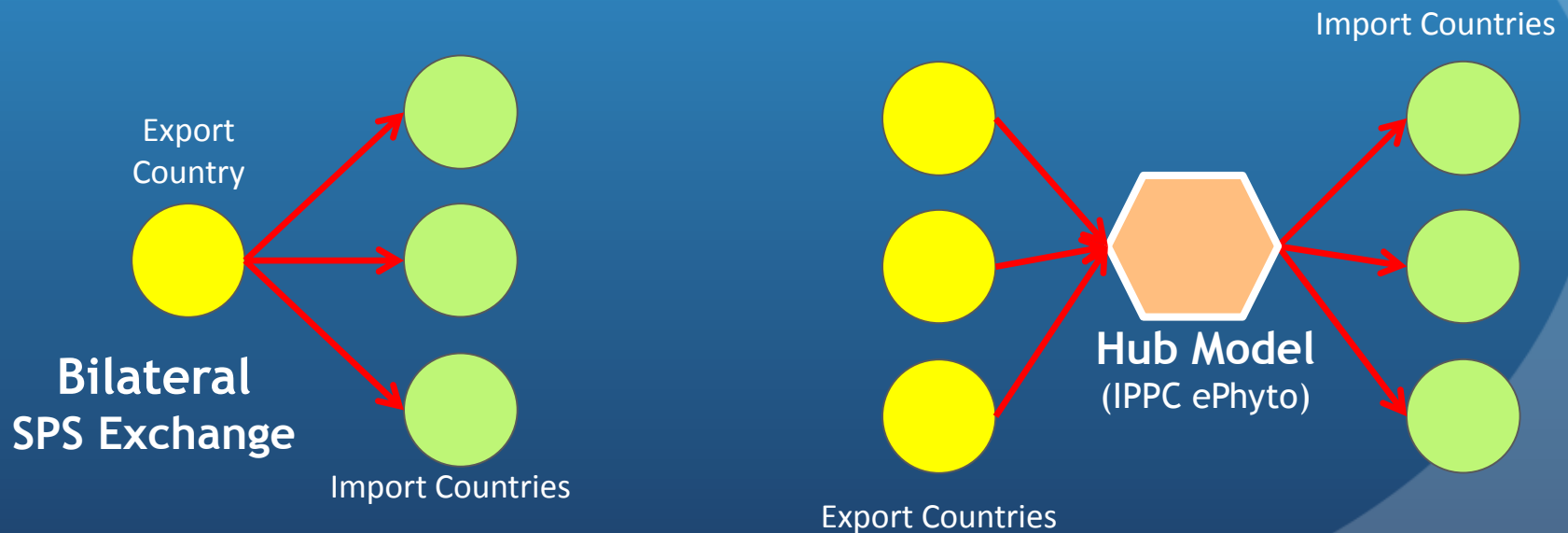


Current e-SPS Initiatives

- Bilateral SPS agreement on the exchange, for point-to-point exchange, i.e., from export issuing authority to import quarantine agency
- Point-to-Multipoint SPS Exchange, i.e., IPPC e-Phyto Hub
- Regional e-SPS Exchange, i.e., ASW e-SPS
- Collaborative e-SPS Exchange, i.e., PAA Model

E-SPS Certificate Exchange

- Issuance and Transmission of e-SPS Certificate
- Receipt of e-SPS Certificate and ensuring compliance to import requirements, thus facilitating quarantine clearance



IPPC e-Phyto Hub

- The IPPC ePhyto Hub will facilitate electronic exchange based upon a single communication protocol, eliminating the cost and complexity of bilateral exchange protocols.
- The IPPC project will also provide a simple generic web-based system (GeNS) to issue, send and receive electronic phytosanitary certificates, for those countries that do not have an existing national system today.
- The combination of these two systems will make it easier for countries - especially those with limited resources - to exchange electronic phytosanitary certificates.

Expected Benefits from the ePhyto Hub

- Globally harmonized approach for for electronic phytosanitary certification (ePhyto) in accordance with an adopted International Standard for Phytosanitary Measures (ISPM) 12 *Phytosanitary Certificates*
- Use of harmonized international e-business standards between governments (i.e., UN/CEFACT)
- Use of existing systems in facilitating e-certification reduces development costs;
- Reduced data entry and validation activities by national plant protection organizations (NPPO) improving efficiencies
- Reduced delays in receiving replacement e-Phyto Certificates when required
- Improved security in the transmission of Certificates vis-a-vis paper certificates
- Efficiencies in arrival and clearance of plants/plant products at the point of entry
- Avoids bilateral agreements required for direct NPPO to NPPO transfer of e-Phyto certificates
- Potential to link with the World Customs Organization “Single Window” initiative and to harmonize codes and processes

IPPC ePhyto Hub

Pilot NPPO Participants

National ePhyto System

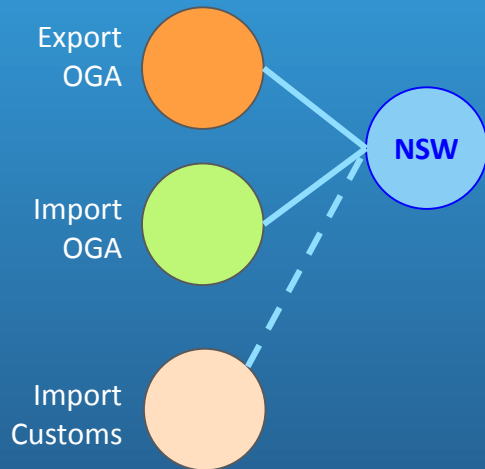
1. Australia
2. China
3. South Korea
4. The Netherlands
5. New Zealand
6. United States

Generic ePhyto System

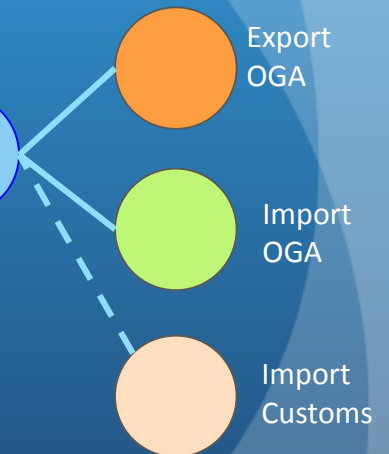
1. Chile
2. Ecuador
3. Egypt
4. Ghana
5. Guatemala
6. Kenya
7. Samoa
8. Sri Lanka

ASEAN Single Window E-SPS Exchange

ASEAN Member State



ASEAN Member State



Facilitating E-SPS Exchange via the ASEAN Single Window

- The ASW provides the legal framework (Protocol on the Legal Framework) and infrastructure (ASW Gateways)
- Harmonized data, message specifications, data security and and communication protocols
- Agreement on the e-SPS certification procedures to enhance compliance to SPS import requirements, facilitate clearance and eliminate fraudulent certification

ASW E-SPS Exchange Objectives

- **Facilitate trade among AMS**
 - Reduce delays in certification and border clearance, costs
 - Food security (reduce wastages)
- **Efficient certification processes**
 - Collaboration between/among agencies, AMS
 - Compliance to import AMS SPS requirements
 - Risk based enforcement, re-use of SPS data
- **Transparency**
 - Eliminate fraudulent certification

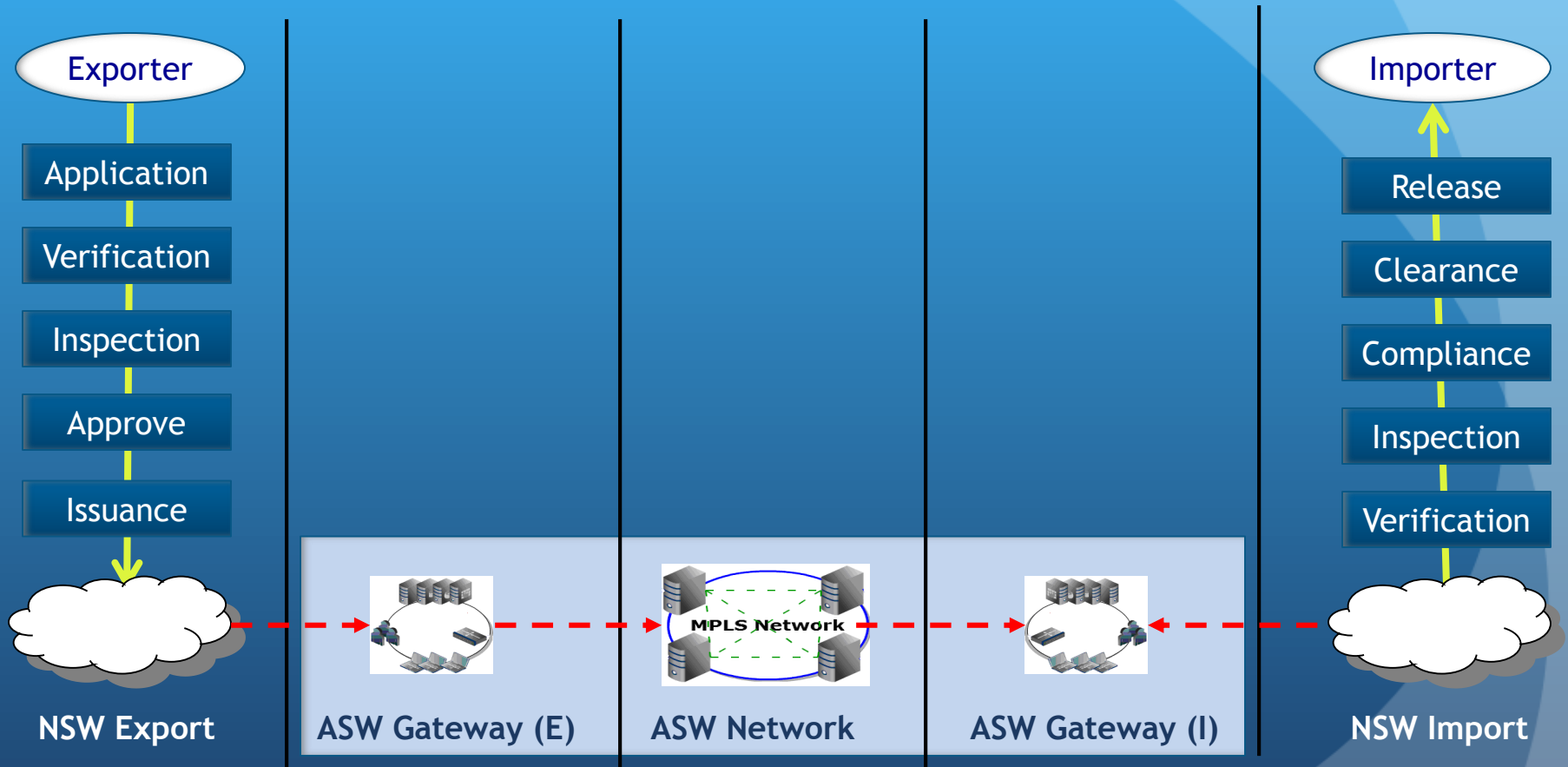
Draft ASW e-SPS Document Types

- E-Phytosanitary Certificate for Export (851, based on IPPC Recommendations)
- E-Phytosanitary Certificate for Re-Export (849, based on IPPC Recommendations)
- E-Animal Health Certificate (648, based on OIE Recommendations)
- E- Food Safety Certificate (852, based on Codex Recommendations)

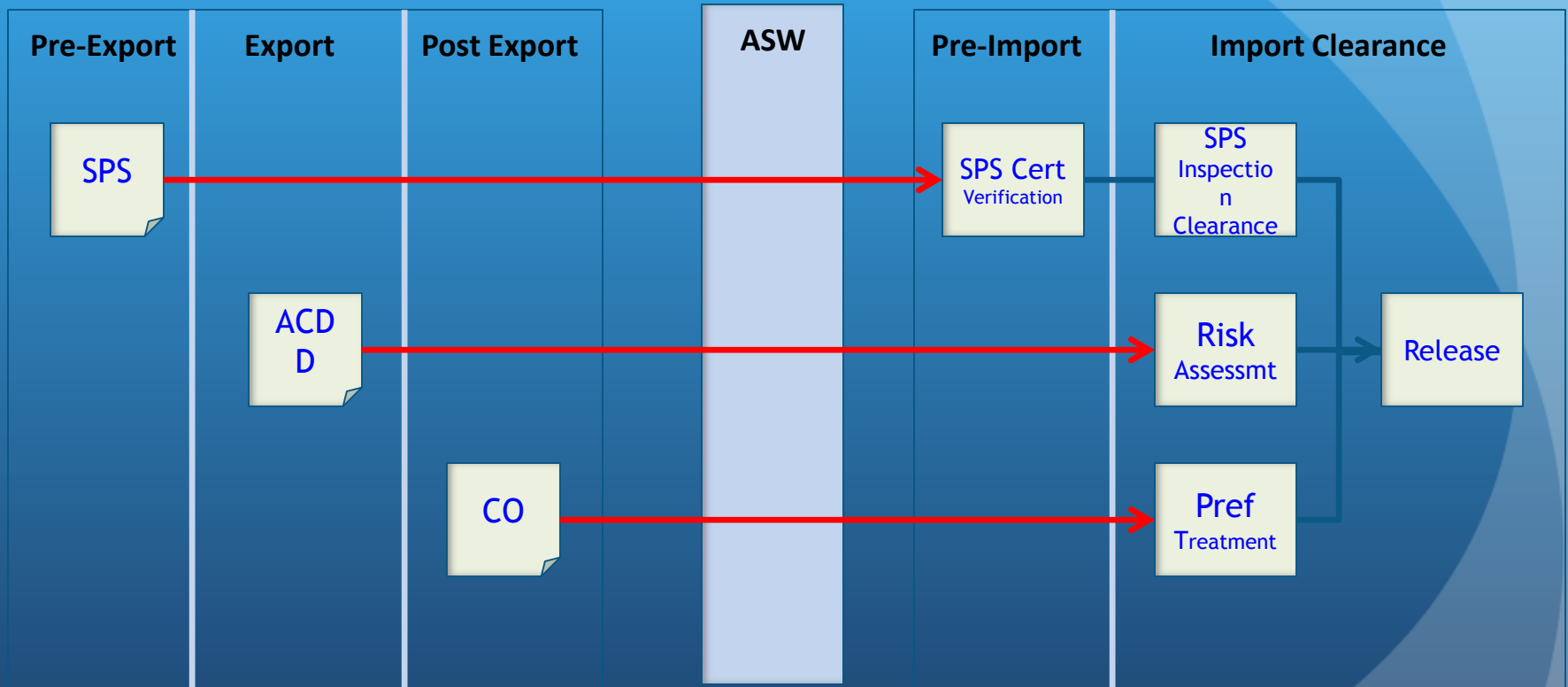
E-SPS Operational Certification Procedures

- **Verification on compliance of exports to SPS import requirements**
 - Qualified exporters, products
 - SPS import requirements
- **Inspection and application of SPS measures (if necessary)**
 - Conduct of inspections by qualified officers
- **Approval and issuance of the SPS Certificate**
 - Approval by authorized officers
- **SPS exchange thru the ASW**
- **Receipt and verification of the e-SPS Certificate**
 - Verification vs import permit (authorized importer, qualified products compliant to certification requirements)
- **Inspection**
 - Verification of products vis-à-vis import permit, SPS Certificate
 - Application of SPS measures if necessary
- **SPS Clearance and Release**

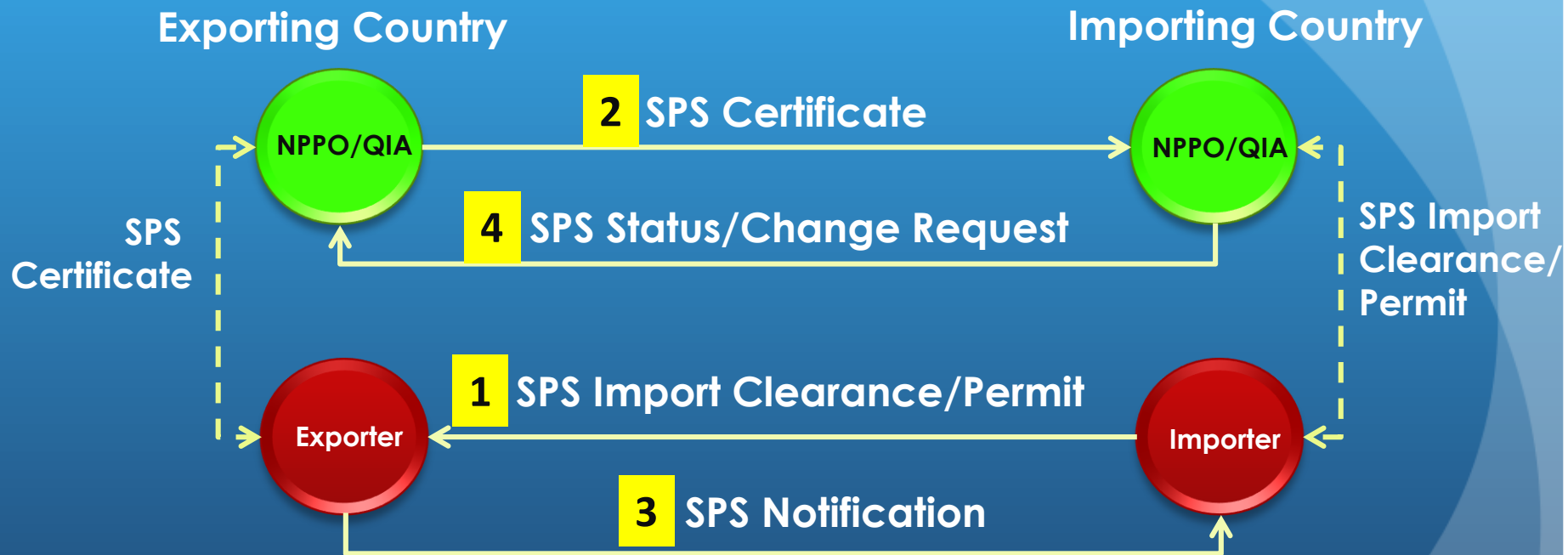
ASW E-SPS Certification



Timing of Exchange of ASW Messages



Collaborative E-SPS Exchange*



* Pan Asian eCommerce Alliance Model

Collaborative e-SPS Exchange

- **Compliance to SPS Certification, Import requirements**
 - Certification based on official notification and import permit/clearance requirements
 - Importer is duly authorized to import specified commodities, subject to specific terms and conditions
- **Advanced validation of certification vs SPS import requirements**
 - Import permit/clearance reference number included in the e-SPS Certificate
 - Automate validation of SPS Certificate vs Import Permit/Clearance
 - Enable request for SPS Certificate replacement or additional Certification submitted prior to arrival of consignment
- **Risk based enforcement**
 - Authorized importers, Certified producers

Proposed Phases of e-SPS Implementation

1. **Capacity building** (BPA, address technical, organizational and legal issues)

- Enabling the issuance and transmission of the e-SPS
- Enabling the receipt and verification of SPS vs eSPS

2. **Pilot e-SPS Exchange**

- Technical connectivity - transmission and receipt of e-SPS
- Business process enhancements

3. **Parallel SPS Exchange**

- Verify hard copy SPS Cert submitted by importer vs e-SPS
- Determine reliability and sustainability of the e-SPS for SPS clearance, risk based enforcement

4. **Paperless SPS Exchange**

- Elimination of the use of hard copy SPS Cert for clearance

Some Observations

- Agreements, Conventions and Protocols are in place for the implementation of e-SPS Certification
- Technical issues: systems, connectivity and capabilities, have been - or *are being addressed*
- Benefits of e-SPS Certificates outweighs development and implementation costs