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Food-safety activities in the World Bank

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Rationale for the Bank's involvement

The World Bank supports food-safety activities because of their contribution to the World Bank's mandate of poverty reduction. About seventy-five percent of the world's poor live in rural areas, and for those, agriculture is the principal source of income and main engine of growth. However, it is becoming increasingly clear that production of staple foods for the domestic market is not enough to trigger the economic growth needed to get the rural population out of the poverty trap. For sustained poverty reduction, the production of high-value products is highly desirable. However, access to domestic and export markets for such high-value products depends on compliance with food-safety and quality standards. Thus, support for food-safety capacity building is seen as a critical element in achieving the World Bank's mandate.

Background

The World Bank's involvement in food safety is relatively new. It has had, and continues to have, a long involvement in plant and animal health control, but it has only recently become involved in supporting the developing world in capacity building for more specific food-safety improvements in areas such as standard setting, chain management, risk management, traceability, etc. The World Bank is aware, however, that there are many agencies involved in this area, and therefore seeks to get involved in those areas where it feels it has a comparative advantage. These are listed below.

Main intervention areas

Policy dialogue

The World Bank likes to work with public and private partners on specific policy issues defining the efficiency of the food-safety system in developing countries. Some of the issues to be addressed are:

- *Private- and public-sector roles* in food safety, acknowledging that there are externalities and moral hazards involved in food safety which justify public-sector involvement, but acknowledging that there are also strong private-good elements;
- *Economic growth vs. equity priorities*, acknowledging that there are important economies of scale affecting the profitability of food-safety investments, and that

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there is a danger that small rural producers and processors are crowded out, in particular in countries with strong structural changes in the production and processing sector. Understanding the factors affecting the cost of complying with SPS standards, the distributional effects that they entail and how to alleviate possible negative effects of the concentration are therefore important aspects of the Bank's global and country-specific work.

- *Domestic- or export-market focus.* While the production for export markets is important for economic growth, meeting export requirements is expensive and sometimes the requirements for the export market are not the most appropriate ones for the domestic market, as local food-preparation habits require different standards. Setting domestic standards at the level of OECD requirements can therefore take certain products out of reach of the poor. But, the export market is also a pull factor for domestic demand and standards, and can produce additional income. In any policy dialogue, an analysis first of the trade-offs between uniformly imposing export standards, establishing enclave production for export markets, and focusing on domestic standards, is therefore important.
- *Food-safety vs. food-quality focus.* This links with the public- and private-sector roles issue. Food safety (i.e. hygienic [health] characteristics) is mainly a public good, while food quality (all attributes which influence product value to consumers) is predominantly the private-sector responsibility.

Institution-building support

The World Bank supports the strengthening of public- and private-sector food-safety institutions in the developing world. This can include the setting up of a monitoring capability (e.g. traceability systems, disease surveillance, residue testing), training in risk assessments, disease control and eradication programs and the establishment of disease-free zones. It can also involve training in hazard prevention for small processors and in HACCP models for larger producers. Finally this might include support to private institutions (development of producer/marketing groups) for private certification and quality standards and labeling, combined with public information systems about results of these control systems.

Equipment and infrastructure support

The level and types of investments that the World Bank supports in food-safety capacity building, strongly depends on the level of development and market access of the country concerned. At the lower end of the development continuum, sanitation and water-supply infrastructure are probably the most critical elements. As the level of development increases, laboratory and other disease-control/eradication equipment to address single-source, specific hazards is often required. As the development level increases even more, equipment for HACCP and other mandated standards enabling a farm-to-table approach becomes more important, as well as the support for research to find or adapt new methods of control for important hazards. Infrastructure to support safe handling and processing is sometimes provided under a matching grant system (whereby the private operator puts in a substantial part of the costs, supplemented by a grant through the project). The grant element then acknowledges the public-good element.

World Bank-funded investment operations

A typical World Bank-funded investment operation in food-safety improvement is about US\$ 10-15 million, with a total of about US\$ 150 million per year invested in food safety. Most food-safety enhancement investments are components of larger rural development operations, focusing on introducing a holistic approach (farm to table), and combining institutional reforms with investments in hardware and software capacity building. In the project preparation, the World Bank relies mostly on their partners (FAO, OIE in particular) for expertise.

Our current research program

The country-focused investment program described above is complemented by methodology and tool-development work, mostly carried out by the central World Bank departments. This focuses currently on economic research on impact and policy options regarding technical barriers to trade, including SPS, and the development of an SPS toolkit for priority setting in policies and investments. In addition the Bank is launching a study on the costs and equity effects of compliance of developing countries with SPS standards, to identify key areas for intervention.

More information can be found in:

Unnevehr, Laurian, and Nancy Hirschhorn, 2000.

Food Safety Issues in the Developing World, World Bank Technical Paper 469,
Washington D.C.