



Note

Environmental standards: Challenges & opportunities for EAC agro-processors

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Summary

This note first presents the current environmental standards established for particular agro-processing sectors within 5 EAC countries. More explicitly, it discusses the standards enacted by the governments as well as the private sector. It then describes the set of challenges different stakeholders face when complying with said standards. Finally, the note presents opportunities and the positive effects to enhance the specific agro-processing sector' development given by environmental standards.

Introduction

Environmental standards (ES) are public or private regulations implemented to protect the environment and public health from trading adverse effects. Within the past few decades the sensibility of people toward environmentalism has increased. This movement toward environmentalism was likely caused by the increased understanding of science and the first effects of the climate change. The UN environmental policy has a substantial impact on the setting of international environmental standards. At the Earth Summit held in Rio in 1992, the Member States acknowledged for the first time their negative impacts on the environment. During this meeting the first development goals for environmental issues were set. The interaction between environmental policies and trade policies emerged as an issue at the end of the Uruguay Round of trade negotiations in 1994. It has been feared by developing countries as a potential excuse for protection, but the work of the Committee on Trade and the Environment at the WTO has tried to shift the debate to looking also at ways in which improving access by developing countries to developed markets can lead to more environmentally friendly production, in addition to the conventional gains to income and development. The discussion in the Trade and Environment Committee (WTO) has highlighted a list of issues: transparency, notification, early warning, consultation, impact assessment, taking into account comments while a measure is being prepared, technical assistance and capacity building to assist the implementation of environmental requirements, and coordination within exporting countries. Since then, the risk of climatic catastrophes continues to increase especially because of the overuse of natural resources and greenhouse gas emissions. At the COP 21 held in

Paris in 2015, the UN provided 17 sustainable development goals. The main objectives of these SDGs is the preservation of the Earth.

Environmental standards are set by governments or **civil society (companies, NGOs, etc...)** and can prohibit some specific activities, some production processes and may require permits for the use of land or water (among other environmental standards). Standards are developed by a variety of public and private organisation, target variety of objectives and cover a variety of industrial activities. Standards set by public authorities usually referred to as **“technical regulations”**, are typically mandatory. Private standards are voluntary but they may, in practice, become mandatory where compliance is required for entry into certain markets. Yet private standards do impose mandatory requirements for accessing the consumers or clients of a given distributor, or a specific product market. Given that consumers and **clients are the “locomotives”** of often long and globalised trains of buyer-seller transactions, private standards are of primary concern for all actors operating in global value chains. Private standards have become a constitutive element of international commercial transactions as well as effective and powerful tools to mainstream environmental, social and economic sustainability.

Most of the time ES are nation-wide basis. Therefore, environmental standards differ regarding the environmental and developmental profile of the country. Indeed, developed countries have implemented more stringent standards than developing or least developed countries which can contribute to weaken their exports toward developed countries. According to the Principle 11 of the 1992 Rio Declaration on Environment and Development, environmental standards, objectives and priorities do need to reflect the particular

environmental and developmental context to which they apply. In other words, environmental standards applied to some countries could be inappropriate: it could cause economic and social cost by hindering exports. In that case, the most vulnerable are developing countries and LDCs. WTO members consider that environmental standards are legitimate but they shouldn't hinder export especially for low-income countries. Many developing countries have complained that some developed countries are using environmental standards as an excuse for protectionism called 'Green Protectionism'. According to the WTO it is crucial to fight against this implicit protectionism. The answer is not to weaken environmental standards but to enable exporters to meet such standards.

Current environmental standards in particular agro-processing sectors.

Environmental standards are regulations for environmental matters. Those set by the government are obligatory and ensure a consistent outcome for activities or resources used whereas standards established by the private sector are not mandatory for entering a market they are mandatory for accessing consumers. It is important to keep in consideration that the aim of imposing standards is not to hinder exports, and in fact actions should be taken in order to enable exporter to meet said standards Kenya, Tanzania, Rwanda, Burundi and Uganda are the topic of this note. For each country one agro-processing sector was chosen in order to discuss environmental standards.

In Kenya, horticulture is a leading agricultural sector and the third biggest contributor to its national income. Horticulture is regulated by standards,

primarily the Environmental management coordination act (EMCA), where non-compliance can lead to prosecution. Standards exclusively concerning the environment in horticulture are uncommon and are often incorporated with general issues such as health and safety.

Standards concerning staple grains are generally harmonized within the EAC. The Tanzania Bureau of standards (TBS) requires compliance and testing methods for issues concerning the product (moisture level, discoloration, pesticide residue), hygiene and, packaging and labeling.

Tea, one of Rwanda's main cash crops, has mandatory and voluntary environmental standards which exist at national, regional and international levels. Within in the sustainable tea sector standards are key, for penetrating the premium market.

Similar to tea, sesame is a major cash crop for Uganda. Due to the nature of sesame it is resistant to climate change (able to with stand harsh and dry climates), however in order to have a sustainable impact, investment for climate resilience must be made.

In Burundi, the added value of the many environmental policies remains to be proven. A former senior official from the Ministry of the Environment recalls that, with the promulgation of the Water Code in 2012, the collaboration between the Office of Palm Oil (OHP) and the Ministry of the Environment prompted the hope by putting in place certain measures, including the requirement of a license for any company wanting to produce palm oil. By acquiring this license, the company undertook to install its production unit at a distance of more or less 150 meters from the nearest watercourse and had to have a water retention basin, so that the wastewater does not flow into rivers. None of the traditional units (accounting for 80-90%

of all palm oil processing in Burundi) has yet complied with this standard.

National and Regional Policies

Horticulture in Kenya is regulated by a number of bodies within the public sector. At a national level, KEBS (Kenya Bureau of Standards) in collaboration with NEMA (national environment management authority) and the department of health review standards older than 10 years and perform product testing. KEBS also introduced Kenyan Standard KS1758 for horticulture, in which the second part focuses on environmental sustainability and requirements. At a more regional level (EAC) the East African Organic Standard limits the use of chemicals. At an international level the International Standardization Organization (ISO) provides series of standards that can be used as tools for environment management and systems. Additionally, at the WTO there are discussions of waste management

In Tanzania, TBS and the Standards Act of 2009 regulates the sector specific policies. Standards which specifically apply to the environment are provided by the National Environmental Standards Compendium (NESC) which are obligatory to follow. At the EAC level, there are harmonized standards for food technology, the environment, health and, safety of over 10 staple grains.

Environmental standards are enacted at the national, regional and international level in Rwanda by the Rwanda Standards Board. Additionally, laws banning plastic bags incentivized producers to create more environmentally friendly packing. However products that are exclusively for exporting are authorized to use plastic bags.

The Ugandan government set out to integrate environmental concerns during the planning of

socio-economic development of the country. Despite laws and policies being in place, there is still a high rate of depletions on natural resources. The National Agriculture Policy 2013 and the National Environment policy 2014 specially apply for environmental standards, however there are no specific standards that apply for the sesame value chain.

It can also be noted that the regulatory framework of Burundian companies is strongly marked by its compliance/reference to the East African Community (EAC). Properly speaking, EAC standards have become the national standards that can be used by the Burundian Bureau of Standards (BBN). For example, Burundi has adopted the 2007 East African Organic Standard. This provides the definition of organic agriculture by stating that it "maintains and improves the health of the agro-ecosystem, including biodiversity, life cycles and soil biological activity and seeks to minimize the use of external inputs (...) and aims to optimize the health and productivity of the interdependent communities of soil life, plants, animals and people".

Private Sector Policies

In Kenya international private standards rarely known by agro-processors, especially regarding horticulture. In certain cases there are some standards regarding food security, however nothing really concerning the environment. On an international level the trade mark GLOBAL GAP (good agricultural practices) have set a standard which focuses on food security and sustainability and additionally specifies proper utilization for the disposal of chemicals. Other certifications for environmental standards include the rain forest alliance, fair trade and IFOAM (international federation of organic agriculture and movements). At a national level, KEBS dictates the development

of standards leaving no room for the private sector.

The sustainable tea sector of Rwanda, benefits from certification as it can be used as a marketing tool and allows producers to charge premium prices. Rainforest alliance, fair-trade, organic and UTZ are the most commonly use private sector environment related certification used.

Sesame farmers and processors have adopted many policies on a voluntary bases as buyers from companies ask farmers to comply. They require two things, firstly the require food quality with complete trace ability from field to final consumer and are required to follow a set of standards. Secondly they are required to produce the sesame with as little damage to the environment using sustainable farming.

The ISO (International Organization of standards) have published a number of standards related to grain agriculture which have been voluntarily adopted by Tanzania. The standards specify safety requirements, quality, and grading and packaging. EAOPS (East African organic product standard) which was adopted by the EAC is an official standard used in Tanzania. This standard is used to ensue organic production what is chemical free, healthy for the environment, promotes soil conservation and, water and energy efficient. Similar to the EAOPS, Unilever has a sustainable agriculture code which is define using 11 social, economic and environmental indicators.

In Burundi, the leading company in palm oil production, Sanovor, has been widely criticized by environmental activists. **The company's** pragmatism has opened them to the opportunities that some private standards could offer (in terms of economic, social and environmental payback). They have made conscious efforts to join and comply with the Roundtable on Sustainable Palm Oil (RSPO) and its

Certified Palm Oil Standard.

Challenges of complying with Environmental Standards

There are different kind and different level of environmental standards. First, international environmental standards mainly focus on Ambient Standards and Emissions standards. Ambient standards set maximum allowable levels of **pollutant (chemicals, heavy metals, ...)** in the environment (air, water and soil). It has been usual to establish an ambient standard for a pollutant by referring to the health effects of the exposure. From these ambient standards a wide range of standards can come out such as the European standard for pesticides in drinking water. Behind this standard is acknowledged the right for European people to drink pesticides-free water. Second, Emission standards are the legal requirements governing air pollutants released into the atmosphere. They set quantitative limits on the permissible amount of specific air pollutant that may be released from specific sources (industries, automobiles, industrial farms, ...). **They are generally designed to improve air quality and therefore to protect human life.**

Moreover, in 2015, the UN determined sustainable goals in order to preserve the planet. These SDGs shall highlight the necessity for countries to adopt eco-friendly measures in order modify our methods of production, our consumption and the adverse effects of human activities to the Earth. Nevertheless, the respect and implementation of these goals are only controlled by the Voluntary National Reviews (VNRs) meaning that there are no penalties for failure to comply with these goals restraining, de facto, the impact of these SDGs.

While all the agro-processing value chains mentioned in this note have been substantially different with a variety of standards as required by the public and private sector, some of challenges that arise from compliance remain similar sector to sector.

Inadequate knowledge of required standards

The overwhelming most common challenge for every agro-processing sector was the lack of awareness and information available on standards. This low level of awareness is directly links to low compliance, as in the case of horticulture in Kenya. As agro-processors and farmers do not have enough information and training they are unable for comply. Limited awareness raining initiatives taken from the governing institution, TBS, in the case of staple grain in Tanzania. Limited awareness can also be due to limited understanding cause by language barriers. A majority of standards set for Rwandan tea are in foreign languages, making it difficult to understand. Limited information on standards is also a challenge for Ugandan sesame farmers. Due to low access to information regarding production processes and marketing information, farmers are unaware of farmers despite major importers of sesame being rigorous with quality.

Limited Capacities to implement standards

Another challenge the agro-processors and related stakeholders face is limited funds. This effects all from farmers to the bureau of standards. For most farmers the cost of adapting new technology is way above their means. This in the long run can be counterproductive. For example Kenya is dumping ground for sub-standard chemicals, with enforced regulations and funding farmers will continue to use

cheaper agricultural chemicals. The cost of certification is another issue Kenyan farmer's face, if they are unable to pay for testing they will not be able to export their products. Complying with standards in costly, as it requires great investments, in the case of Tanzanian staple grain farmers, which requires purchasing expensive equipment's such as moisture meters, grains dryers, and dust removers. This also applies for Rwandan tea farmers who are unable to implement environmentally friendly infrastructures such as waste water treatment plants and air quality monitoring systems for self-auditing purposes.

Stringent environmental measures are more felt by developing countries and LDCs because of lack of infrastructure and facilities, limited technology choice, inadequate access to environment-friendly raw materials, lack of complete information, among others. Exporters from LDCs are significantly more exposed to ETBs (environmental trade barriers) than those from any other group. Though only half of the LDC exports consist of products potentially affected by ETBs, among these products some 40% are directly affected, compared to less than 20% for developing, transition and developed countries. These smallest companies of the poorest countries may have to face even tougher hurdles in the future as a result of growing environmental concern worldwide. This is especially the case for agricultural products that are among the most exported products by LDCs.

Dis-coordinated national & regional policies / strategies

Environmental standards are not harmonized and countries or regions are allowed to further develop environmental standards which may contribute to hinder trade especially for developing countries. While many of them, and especially Uganda and Kenya, highlighted the contribution of organic

production to create a win-win situation for economic development and the environment, they also raised concerns faced by exporters due to the proliferation of different government regulations and private voluntary standards in the market, the lack of international standards, as well as the high cost of multiple inspection, certification and accreditation requirements. A first set of problems relates to unjustifiable or unnecessary restrictions on accessing key distribution channels; these reportedly affect in particular MSMEs, who highlight the potential of private standards to unfairly exclude compliant products from market opportunities. The small and medium enterprises often divert sales either to the domestic market or to external markets where environmental requirements are less stringent, in order to save on their costs. This adds to warnings about fragmentation, overlaps, multiplicity, credibility, and varying degrees of transparency in terms of how standards are set, how conformity with their requirements is assessed and audited, and the extent to which traceability systems are reliable.

This challenge was brought up in both Uganda and Rwanda, however is relevant to all the countries. Existing environmental standards within the EAC do not harmonize with the national policy framework on environment management. There is a need to develop a regionally implemented framework for environmental standards, which includes technical specifications samplings, and testing methods.

Opportunities to sustain and enhance the agro-processing chain

Environmental standards have the potential to boost the businesses given the public and private sector

standards of the EAC partner countries. With this in mind, there is the need for identifying potential opportunities that can arise from complying with environmental standards in the EAC. Some of these opportunities are discussed below.

Complying with national, regional, and international environmental standards would not only enhance global competitiveness but would allow access to premium markets. Improving the quality of the products such would build trust among clients not only on a regional scale but internationally too. This will only be possible if agro-process have access to the correct infrastructure, procedures, and information.

In Uganda although there are frameworks and policies in place for regulating standards, it is difficult to enforce quality standards as there is no official governed channel between actors. Therefore increasing funding for the Uganda National Bureau of Standards and the Ministry of Water and Environment to enforce environment standards.

As staple grains require a lot of equipment, a recommendation of introducing a tax waiver on agro machinery was suggested in order to the increase accessibility for small and medium processors and traders.

A representative of SORWATHE, a Rwandan tea factory, explained that with the correct infrastructure the factory is able to save costs. For example with a water recycling plant, the water bill is cut by half.

Having the correct environment related infrastructure allows for greater production levels (maximum yield with minimum inputs) and better profit margins as costs for water and electricity are cut down



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