



Understanding the EU's Association Agreements and Deep and Comprehensive Free Trade Areas with Ukraine, Moldova and Georgia

*Focus Group project evaluating the Association Agreements and DCFTAs
in Georgia, Moldova and Ukraine*

Focus Group No 3: Sanitary and Phyto-Sanitary regulations (SPS)

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In March 2019 we began a series of monthly focus group meetings on key aspects of the Association Agreements and DCFTAs between the EU and Georgia, Moldova and Ukraine. Focus group sessions are held in each of the three capitals with a range of stakeholders (government, business, civil society, etc.) using a standardized questionnaire. The focus groups are organised and moderated by our partners in the three capitals: IER in Kyiv, Expert-Grup in Chisinau and Reformatics in Tbilisi.

The objective is to get fresh views on how the Association Agreements and DCFTAs are progressing in practice. This may lead to recommendations to policy makers in the three capitals and the EU institutions.

While the views of individual participants are treated as confidential, reports are published drawing together a synthesis of the findings.

Focus Group No 3 concerned 'Sanitary and Phyto-Sanitary regulations (SPS), which is the official name for the body of food and agriculture safety regulations. At the EU level the legislation consists of a very large set of about 300 directives and regulations, which under the Association Agreements and DCFTAs the three DCFTA states are committed to apply with time schedules stretching over a number of years.

The Focus Group No 3 sessions were held in May 2019. The number of participants ranged between 13 and 21, with representatives of government ministries and agencies, farm producers and food processing and trading associations.

A common questionnaire was submitted beforehand to participants, with invitation to submit summary opinions in writing, which was obtained in the majority of instances.

¹ Of respectively CEPS, Brussels; Reformatics, Tbilisi; Expert-Grup, Chisinau; IER, Kyiv.



1. Costs and benefits of introducing EU SPS for farmers and food processing sectors

Ukraine is a major agricultural power at the global level. Participants were largely optimistic about the benefit of adopting the EU' SPS regulations with large farms standing to gain especially in the future. Exporters see their interest in accessing the EU market. Respondent for small enterprises were evenly matched between those who felt that the current impact of introducing the new regulations saw costs exceeding benefits versus the reverse. However for large enterprises the balance was already felt to be favorable. As for the future impact, this was assessed much more positively for both categories of enterprise with the negative perception on account of small enterprises reduced to a small minority of opinions expressed. Big exporters and producers have already or are implementing the new regulations.

In **Moldova** there is also overall a positive perception of the new SPS regulations, but again this is especially the case for large and export-oriented producers, with domestically oriented producers concerned about the new costs. Importers has mixed views, some seeing that imports from the EU would be facilitated, others seeing that imports from other countries would become more difficult.

In **Georgia** a large proportion of the population is involved in small scale agriculture, which makes adoption of new SPS regulations painful. The government has in consequence opted for a step by step programming of implementation with transition periods up to 2027. As in the other states, large enterprises can adapt more easily than small ones. Exports now achieve higher quality with EU norms and higher prices, even if quantities have not much increased. In general the business sector considers that the new SPS regulations will increase the competitiveness of Georgian products and bring benefits also to domestic consumers.

2. Progress in legislation

In **Ukraine**, it is felt that the government makes satisfactory progress in advancing new SPS legislation, while faster pace is advocated. However the parliament is criticised for its slow pace of adoption of submitted legislation, and the passage of secondary legislation which is critical for implementation need to be speeded up. Constructive interaction between the public authorities and business interest begins to develop, but more communication with stakeholders is called for. The need to keep up-to-date with new EU legislation is also noted.

By contrast in **Moldova** participants felt that the legislative process was rather deficient, with shortcomings in adoption of necessary secondary legislation, and confusion with existing provisions. The lack of specialist personnel is highlighted by the public authorities.

In **Georgia** the government implements its SPS legislative obligations on schedule, but calls for deeper involvement of the private sector in reviewing draft legislation, and would like to see a strengthening of the role of business associations to this end. There is concern in the private sector that legislation too often aims at 'harmonization' on EU law, failing to use the degree of flexibility afforded by its 'approximation' commitments. The requirements for labeling products in accordance with EU norms is problematic, since

some supplies are organized on a regional basis with other states that do not adopt EU SPS.

3. Progress in establishing infrastructure, laboratories, 'competent authorities'

In **Ukraine** most participants considered the institutional structure to be adequate on the whole. However there are shortages of trained specialists/auditors/inspectors. The laboratory network is undergoing important changes, with many district laboratories being merged into inter-district ones. Laboratories are often not adequately equipped.

Again in **Moldova** perceptions were largely negative. In spite of recent institutional reforms there remained serious weaknesses in human resources with the necessary skills. Wage levels are insufficient to attract high quality personnel, and to motivate existing staff. Some laboratories do not have the capacity to make sound evaluations. These weaknesses lead in some cases to outsourcing tasks in EU countries, which increase costs.

Georgia is progressing in establishing SPS institutions. The National Food Agency still lacks some capacity in the regions, but this is not seen as a serious problem. More problematic is the availability of testing laboratories, especially in the regions, in response to which the Georgian Farmers Association is initiating a Mobile-Lab project

4. Progress in implementation by farms and food-processing enterprises

A large majority of **Ukrainian** businesses are implementing the EU SPS standards, especially big producers and exporters, while smaller enterprises lag behind. There was debate around the complex HACCP methodology (Hazard Analysis and Critical Control Points), which is being implemented mostly in rather formal terms and only minimally. The methodology is sophisticated, while many hygiene problems remain. The HACCP is not so useful 'if the workers don't wash their hands'.

In **Moldova** the new SPS standards are taken on mainly by exporting enterprises, rather than producers for the home market.

In **Georgia** agri-food processing enterprises are now implementing SPS regulations both for exports and the domestic market. This is costly and requires additional human and financial resources, but implementation still goes ahead, monitored by the National Food Agency.

5. Awareness of exemptions for small family farms and local markets

In EU SPS law there are important exemptions for very small family farms and those selling only into local markets. These provisions are carried over into the law of the three states. However in **Ukraine** there is very little awareness of this among small farmers. Educational efforts in this respect are much needed. Also in **Moldova** the subject seems to be of little interest, in spite of its potential significance for the many very small farms.

In **Georgia** the National Food Agency is engaged in communication campaigns about SPS measures, including the exemptions for household farms, those using traditional methods of food processing and producers in high mountain regions.

6. Awareness of EU recognition of SPS conformity of individual farm/food enterprises

Ukraine businesses are aware of this facility, and EU data² show an increasing number of Ukrainian enterprises receiving recognition, rising from 150 in 2013 to about 400 in 2019.

In **Moldova** there is little such awareness, and only a limited number of export-oriented enterprises potentially eligible for recognition. The requirement of traceability is difficult to achieve.

In **Georgia** there is again information campaigning to improve awareness of this facility, but at this stage it has only been taken up by a small number of enterprises in the fish, honey and leather sectors.

7. Repeal of GOST regulations

In **Ukraine** GOST standards have been withdrawn.

In **Moldova** virtually all GOST standards have been repealed. However they continue to be used voluntarily, and with some commercial partners where they are valid (Eurasian economic Union). The business community considers that their elimination is now a natural process as major trading partners are migrating to European/international standards.

In **Georgia** there are simply no GOST standards registered in the SPS area.

8. Overall conclusions

The major difference between **Ukraine** as a global power in large-scale agriculture, compared to **Moldova and Georgia** where the sector is on a small scale and dominated by very small farm units, is reflected in some basic conclusions. In **Ukraine**, there is the wish for the adoption of EU SPS standards to advance more quickly. In **Georgia**, the desire is to proceed step by step and cautiously with long transition period, while in **Moldova** the problems of introducing the new SPS standards at legislative and implementation levels are serious. It is noticeable that only in **Ukraine** is there a large number of enterprises following the individual enterprise route for gaining SPS conformity recognition for exporting to the EU.

Common to all three cases is the greater interest and advance in the new SPS standards among large scale farms and food processing enterprises, and of course among export-oriented enterprises. Also, it appears that there is little awareness in all three cases of the important exemption categories (very small family farms, local markets, etc.).

EU SPS standards are costly to introduce, but these costs are seen to be offset by the benefits of international market access and the upgrading of food quality for home and export markets, at least in the long run, although in **Ukraine** the benefits already register.

² On establishments producing animal-origin products (see https://webgate.ec.europa.eu/sanco/traces/output/non_eu_listsPerCountry_en.htm)

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