Analysis of Wheat Flour and Edible Oil Fortification Legislation and Policy

KEY FACTS AND RECOMMENDATIONS

Background and methodology
The analysis was conducted in February-August 2015 by Sergey Shevchuk and Kalimuddin Ghauri under the Afghanistan and Central Asia Regional Food Fortification Program funded by USAID implemented by the Global Alliance for Improved Nutrition (GAIN). The analysis covered the fortification of wheat flour in Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan as well as Afghanistan and Pakistan, and the fortification of edible oil in the latter two countries. The study included a desk review of food fortification, import-export and taxation legislation, a review of national strategies and programs, and stakeholder interviews.

Mandatory food fortification legislation is a proven strategy in the prevention and management of micronutrient deficiencies

- Mandatory wheat flour fortification laws exist in Kazakhstan, Kyrgyzstan, Uzbekistan and one province of Pakistan (Punjab).
- Afghanistan and Tajikistan are developing mandatory laws for submission to their parliaments
- Edible oil fortification is mandatory only in Pakistan

Fortification standards exist in all countries but need to be harmonized to eliminate technical barriers to trade

- All countries have fortification standards that are used for mandatory or voluntary fortification depending on their respective laws.
- The standards were developed in the past decade taking into account the health needs of individual countries.
- Despite the differences in composition and iron compounds used, the standards are compatible or close to being fully compatible with the WHO recommendations.
Premix supply
all countries import 100 percent of their premix requirements

- Kyrgyzstan and Uzbekistan established central procurement mechanisms to reduce cost.
- Funding source - the industry, governments or donors - varies from country to country.
- Tajikistan has not procured premix for the past few years, even for voluntary fortification.

Enforcement legislation
poorly enforced in all countries

- Exists in all countries with mandatory laws, its composition and strength varies from country to country.
- The legislation is poorly enforced due to a lack of political will, weak technical capacity of government regulators, and suboptimal division of responsibilities between various government authorities.

Premix import taxation is a major barrier to fortification

Premix taxes and duties vary from 12 percent in Kyrgyzstan to 72 percent in Pakistan and are a major barrier to expanding fortified food production, as the cost of premix is the major variable cost of fortification.

Export and import duties
some countries introduced protective measures

- None of the countries have export duties on wheat flour or edible oil.
- Kyrgyzstan has a USD0.05/kg protective duty on wheat flour import.
- Tajikistan reduced the standard VAT of 18 percent to 10 percent for the import of wheat, supporting the local wheat flour industry.
- Uzbekistan introduced an 11 percent excise tax on imported wheat flour with the same intention.
- In Pakistan, importation of wheat flour is exempt from the federal excise duty.
- Standard import duties are applied to import of edible oil in Pakistan and Afghanistan.

None of the countries have tax privileges for producers of fortified products.

Kazakhstan, Kyrgyzstan, Tajikistan and Pakistan are WTO members, although there are no binding wheat flour or edible oil trade regulations.

In each of the studied countries, there are a number of opportunities for improvement in the areas of mandatory legislation, technical standards, regulatory systems, taxation regimes, and incentives for industry. To advance wheat flour and oil fortification (Afghanistan, Pakistan), all countries of the region can benefit from:

1) Mandatory fortification laws covering the products sold in each country;
2) A regional regulatory framework, including fortification standards, that can be adapted to the needs of individual countries;
3) Effective systems for quality monitoring and law enforcement supported by specific budget lines;
4) Material reduction or elimination of premix import duties and taxes to reduce the cost of fortification;
5) Fiscal incentives such as taxation privileges or subsidies to support the wheat flour and edible oil industries.

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