



Understanding SPS Requirements for Ethiopia's Exports on the EU Market

The case of green coffee, sesame seed, haricot bean seed, chickpea seed and fresh-cut multi floral roses

Daystar Management Consultancy PLC

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Abbreviations

AEKM	AEKM Agro Industry PLC
ARSO	African Regional Organization for Standardization
ASTM	American Society for Testing and Materials
CAB	Conformity Assessment Body
CODEX	Codex Alimentarius Commission
CTA	Coffee and Tea Authority
DBE	Development Bank of Ethiopia
ECAE	Ethiopian Conformity Assessment Enterprise
ECEA	Ethiopian Coffee Exporter Association
ECX	Ethiopian Commodity Exchange
EFDA	Ethiopian Food and Drug Administration
EHPEA	Ethiopian Horticulture Producers and Exporters Association
EIAR	Ethiopian Institute of Agricultural Research
ENAO	Ethiopian National Accreditation Offices
EPHI	Ethiopian Public Health Institute
EPOSPEA	Ethiopia Pulses, Oilseed, Spices Producers, and Exporters Association
ES	Ethiopian Standard
ESA	Ethiopian Standards Agency
EU	European Union
FDRE	Federal Democratic Republic of Ethiopia
GAP	Good Agricultural Practices
GGAP	Global Good Agricultural Practices
GMP	Good Manufacturing Practices

GoE	Government of Ethiopia
HACCP	Hazard Analysis and Critical Control Points
HLIL	Higher Learning Institutions Laboratories
IAF	International Accreditation Forum
IEC	International Electro-Technical Commission
ILAC MRA	International Laboratory Accreditation Cooperation Mutual Recognition Arrangement
ISO	International Organization for Standardization
MoALR	Ministry of Agriculture and Livestock Resources
MoTI	Ministry of Trade and Industry
NMIE	National Metrology Institute of Ethiopia
NTC	National Technical Committees
QSAE	Quality and Standards Authority of Ethiopia
SME	Small and medium enterprise
SPS	Sanitary and phytosanitary
TBT	Technical barriers to trade
UNFAO	United Nations Food and Agriculture Organisation
VOC	Verification of Conformity
WTO	World Trade Organisation

SECTION 1

Background

1.1 Understanding of SPS Requirements for Exports

In today's increasingly globalised world, international trade negotiations are a key aspect of any country's development agenda, particularly those in the developing world. As historically, trade is regarded as a means to boost the economy and progress towards achieving development goals, a key agenda for countries, especially the Least Developed Countries (LDCs), worldwide, is to bolster their exporting potential. The European Union (EU) provides African countries the most favourable conditions for trade and continues to be the region's main exporter for food and manufactured products.¹ The EU supports trade-driven development in LDCs in Africa with initiatives such as the Economic Partnership Agreements (EPAs) and the Everything-But-Arms (EBA) scheme. While the EPA 'establishes a long-term stable free access to the EU market', the EBA is the EU's 'measure to support trade-driven development of least developed countries'.² At present, the EU is the most open market for African exports as it provides the region with duty-free and quota-free market access.

Since 2013, African exports to the EU have constantly increased and amounted to more than €116 billion in 2016.³ As of 2019, 65 percent of African goods exported to the EU were primary goods such as food and raw materials.⁴ Although the EU provides a free and stable market to African exporters, a crucial component of international trade of food and raw materials are health and safety standards. Therefore, in a free and pro-trade environment, there is pressure on both importing and exporting countries to comply with international regulatory systems with regards to health and safety standards of traded goods.

Developing countries tend to be wary of trade regulations and often regard them as protectionist and exploitative measures. While there continue to be restrictions and measures on trade that act as barriers to international commerce, the Sanitary and Phytosanitary (SPS) measures endeavour to protect human, animal and plant life and health, while simultaneously tackling unnecessary barriers to trade. The SPS measures are 'based on sound scientific methods' and are applied only to protect the extent necessary to protect human, animal or plant life or health' and are not 'created to arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail'.⁵

1

https://trade.ec.europa.eu/doclib/docs/2017/november/tradoc_156399.pdf

2

https://trade.ec.europa.eu/doclib/docs/2017/november/tradoc_156399.pdf

3

https://trade.ec.europa.eu/doclib/docs/2017/november/tradoc_156399.pdf

⁴ [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU - international trade in goods statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics)

⁵ https://connecting-asia.org/wp-content/uploads/2018/05/GIZ_ACFTA_SPS_Study_2017.pdf

While at the outset, trade regulations could seem as protectionist measures, this study aims to highlight how compliance with the SPS measures strengthens both trade and market access, while simultaneously respecting health regulations. This study focuses on the international standards set under the SPS Agreement and how the measures will support micro, small and medium-sized enterprises (MSMEs) in Africa trade better with the international markets and highlights how improved cooperation between importing and exporting countries improves trade and market access.

1.2 What are Sanitary and Phytosanitary Measures?

On January 1, 1995, the World Trade Organization (WTO) established the Agreement on the Application of Sanitary and Phytosanitary Measures (the SPS Agreement). The SPS measures are applied to both domestically produced and imported goods to protect human and animal health (sanitary measures) and plant health (phytosanitary measures). These measures prevent the spread of pests or diseases among animals and plants and include a range of criteria 'such as requiring products to come from a disease-free area, inspection of products, specific treatment or processing of products, setting of allowable maximum levels of

pesticide residues or permitted use of only certain additives in food.'⁶

While these measures establish the basic rules for food safety and animal and plant health standards and ensure consumers are being supplied with safe and healthy foods, they also endeavour to avoid unnecessary and arbitrary barriers to trade.⁷ The Agreement calls on member countries to apply the appropriate level of SPS measures and simultaneously avoid 'discrimination or disguised restriction on international trade.'⁸ It has, indeed, been rightly acknowledged that technical measures such as the SPS measures do impede trade but non-compliance with these measures have far greater negative consequences. Not only does the rejection of an entire shipment at the port of entry result in a 'loss of both the revenue expected from the sale of the goods and the costs of their transportation, especially when the goods have to be destroyed', repeated export refusals 'damage the reputation of the exporting country and, one would expect, its trade performance'.⁹ Empirical studies suggest that when developing countries strengthen their ability to meet the demands of the world trading system, in terms of both competitive prices and quality and safety standards, their export potential and market share increases.¹⁰ Analysis of the SPS measures concerning agricultural trade reveals that concerns of food safety related to disease outbreaks and pest control constitute the largest share of concerns. Therefore, compliance with the SPS

⁶ https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

⁷ <http://spsims.wto.org/>

⁸ WTO 'The Legal Texts' p62

⁹ [http://www.cuts-geneva.org/pdf/KP2018-Paper-Importance and Implications of SPS Measures in MEN A.pdf](http://www.cuts-geneva.org/pdf/KP2018-Paper-Importance%20and%20Implications%20of%20SPS%20Measures%20in%20MEN%20A.pdf)

¹⁰ [http://www.cuts-geneva.org/pdf/KP2018-Paper-Importance and Implications of SPS Measures in MEN A.pdf](http://www.cuts-geneva.org/pdf/KP2018-Paper-Importance%20and%20Implications%20of%20SPS%20Measures%20in%20MEN%20A.pdf)

Agreement boosts the trading potential of LDCs.¹¹

The Agreement provides international regulations to member states but also recognizes their rights to use their own measures to protect plant, human and animal health, as long as those measures are based on science. Despite this, the Agreement encourages governments to 'harmonize' their national measures by basing them on international standards.¹² These international standards were developed in consensus with most of the WTO's 132 member countries along with the input of leading scientists and government experts on health.¹³ International standards are usually more stringent than national standards. However, in cases where national standards levy greater restrictions on trade, the country may be asked to provide scientific justification for their standards.

As the WTO is not a regulatory body with norm-setting capacity, it cannot harmonize the standards.¹⁴ Therefore, the WTO has relied upon three leading international standard-setting organisations in the fields of human, animal or plant health, to harmonize the standards and facilitate trade that safeguards the health of consumers. The international standard-setting organisations are- The Codex Alimentarius Commission, the World Organisation for Animal Health (IOE) and the International Plant Protection Convention (IPPC), each focusing on one aspect of the SPS issues- food safety; human and animal health; and plant health, respectively. Together these three

organizations are referred to as 'The Three Sisters'.¹⁵

1.3 The Three Sisters

The Codex Alimentarius Commission

The Codex Alimentarius Commission, a science-based organization and a subsidiary organ of the Food and Agriculture Organization (FAO), based in Rome, is the authority that drafts international food safety standards for the SPS measures. The Codex Alimentarius consists of a number of food safety standards. The Commission is funded by both the FAO and the World Health Organization (WHO), which established the Codex in the 1960s after recognizing the crucial importance of international public health protection, and the minimization of disruption of global trade in food products. The founders considered harmonization of food regulations as an efficient tool to address these two concerns.¹⁶ At present, the Codex Alimentarius Commission has 189 members, with 188 states and one member organization (the EU) among them.¹⁷

The World Organisation for Animal Health (OIE)

The World Organization for Animal Health (OIE) is, as the name suggests, the world organisation concerned with animal health. It was founded in 1924, and develops amongst others health standards for trade in animals as well as animal products. On top of this, it

¹¹ [http://www.cuts-geneva.org/pdf/KP2018-Paper-Importance and Implications of SPS Measures in MEN A.pdf](http://www.cuts-geneva.org/pdf/KP2018-Paper-Importance%20and%20Implications%20of%20SPS%20Measures%20in%20MEN%20A.pdf)

¹² https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

¹³ https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

¹⁴ https://unctad.org/en/Docs/edmmisc232add13_en.pdf

¹⁵ <https://www.carecinstitute.org/wp-content/uploads/2015/06/2015-SPS-TKM-2015-SPS-TKM-10-SPS-Agreement-and-Three-Sisters.pdf>

¹⁶ https://www.wto.org/english/thewto_e/coher_e/wto_codex_e.htm

¹⁷ <http://www.fao.org/fao-who-codexalimentarius/about-codex/members/en/>

develops recommendations and guidelines with regards to animal health. In 1998, a formal cooperation between the WTO and the OIE was agreed on.¹⁸ At this point, the OIE has 182 member countries.¹⁹

The International Plant Protection Convention (IPPC)

Introduced by the International Standards for Phytosanitary Measures (ISPMs), the International Plant Protection Convention (IPPC), is an intergovernmental treaty, signed by over 180 countries to 'protect the world's plant resources from spreading the introduction of pests and promoting safe trade'.²⁰ Established in 1992 and based in the Food and Agriculture Organization (FAO's) headquarters in Rome, the IPPC Secretariat, 'coordinates the work of IPPC contracting parties to achieve the Convention's goals.'²¹ As one of the 'Three Sisters' of the SPS Agreement, the convention plays a crucial role in international trade as it establishes the standards for phytosanitary measures and oversees their harmonization. While the IPPC standards are not legally binding, 'WTO members are required to base their phytosanitary measures on international standards developed within the framework of the IPPC'.²²

The SPS Committee

The SPS Agreement established the SPS Committee in 1995 to function as a special forum to exchange information on all aspects

related to the implementation of the SPS measures. The Committee meets three times each year and offers WTO members an opportunity to discuss trade concerns regarding the SPS requirements. Since its inception in 1995, over 340 trade-specific concerns have been raised by member states in the Committee.²³ All of the WTO's 159 member countries along with observer countries and international organizations are on the Committee.²⁴

The Committee 'reviews compliance with the agreement, discusses matters with potential trade impacts, and maintains close co-operation with the appropriate technical organizations.'²⁵ Under the SPS Agreement, the Committee also monitors the process of international 'harmonization' of measures and 'coordinates efforts in this regard with relevant organisations.'²⁶ The SPS Committee has developed a formal mechanism to safeguard the interests of developing countries by analysing how proposed or finalised SPS measures affect LDCs. The framework enables developing countries to discuss significant difficulties they face due to the measures with the Committee and find possible solutions for them. The framework provides a platform for discussions and policy ramifications on important issues such as the 'revision of newly proposed measures, provisions of technical assistance for member

¹⁸ https://www.wto.org/english/thewto_e/coherence/wto_oie_e.htm

¹⁹ <https://www.oie.int/about-us/our-members/member-countries/>

²⁰ <https://www.ippc.int/en/about/overview/>

²¹ <https://www.ippc.int/en/about/overview/>

²² <https://www.ippc.int/en/ippc-and-international-trade/>

²³ <http://www.tradeforum.org/The-SPS-Agreement-WTO-Agreement-on-the-Application-of-Sanitary-and-Phytosanitary-Measures/>

²⁴ http://www.fao.org/fileadmin/templates/est/meetings/cis_wto/5_Alcala_SPS_Agreement_and_Implementation.pdf

²⁵ https://www.wto.org/english/tratop_e/spse/spsund_e.htm
²⁶ WTO 'The Legal Texts' pg 61

countries and the provision of special and differential treatment'.²⁷

1.4 Information on private standards

Notwithstanding the long history of private product standards, there is a recent rise of formal private standards.²⁸ Retailers as well as supermarkets require more and more compliance with private standards related to food safety, labour conditions, environment and animal welfare, as well as health.²⁹ There are a number of factors behind the rise in private product standards, including consumers' food safety concerns and companies' growing attention to corporate social responsibility (CSR). Currently, there is an estimated number of 400 private schemes, which take on a variety of forms, including schemes developed by individual companies, and industry-wide collective schemes with international reach.³⁰ Despite the voluntary nature of the private schemes and the absence of a requirement by law to respect the standards, many private standards can be considered as being *de facto* mandatory. In

cases where private standards become the norm in a particular industry, suppliers are left with little choice but to comply with the standards. Due to the rising importance of private standards, one can argue that they are at times even more powerful than public standards.³¹

For suppliers in developing countries, private standards can have positive and negative impacts. A possible positive impact relates to the trade-creating effect of compliance with the standards. When suppliers succeed in improving their products' quality, for instance by investing in physical and human capital development, they can gain or maintain access to markets.³²

On the other hand, potential negative impacts are linked to the high burden of the costs of compliance with private standards for suppliers in developing countries. Suppliers can face heightened challenges in meeting the standards. This can result in additional barriers to market access, and the costs of compliance can hinder economic development. In addition, due to the numerous private standards, exporters are forced to collect information on each of the

²⁷ <https://www.un.org/ldcportal/sps-agreement-recognition-of-ldcs-interests-when-preparing-or-applying-sps-measures-art-10-1/>

²⁸ https://www.ictsd.org/sites/default/files/downloads/2008/05/disdir_issuepaperno12.pdf

http://www.intracen.org/uploadedFiles/intracenorg/Content/Exporters/Exporting_Better/Quality_Management/Redesign/EQB81_SPS_eng_October%202007_5_final.pdf

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=60956,30105,878,18,51372,55405,70258,72054,79449,60343,57815&CurrentCatalogueIdIndex=3&FullTextHash=1&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True

²⁹ Fulponi, L. (2006). Private voluntary standards in the food system: The perspective of major food retailers in OECD countries. *Food Policy*, 31(1), 1-13.

³⁰ https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=60956,30105,878,18,51372,55405,70258,72054,79449,60343,57815&CurrentCatalogueIdIndex=3&FullTextHash=1&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True

³¹ https://www.ictsd.org/sites/default/files/downloads/2008/05/disdir_issuepaperno12.pdf

http://www.intracen.org/uploadedFiles/intracenorg/Content/Exporters/Exporting_Better/Quality_Management/Redesign/EQB81_SPS_eng_October%202007_5_final.pdf

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=60956,30105,878,18,51372,55405,70258,72054,79449,60343,57815&CurrentCatalogueIdIndex=3&FullTextHash=1&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True

³² <https://www.oie.int/doc/ged/D6061.PDF>

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=60956,30105,878,18,51372,55405,70258,72054,79449,60343,57815&CurrentCatalogueIdIndex=3&FullTextHash=1&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True

https://www.ictsd.org/sites/default/files/downloads/2008/05/disdir_issuepaperno12.pdf

Fulponi, L. (2006). Private voluntary standards in the food system: The perspective of major food retailers in OECD countries. *Food Policy*, 31(1), 1-13.

relevant standards and ensure compliance with each of them.³³ Moreover, there are doubts about whether private standards go beyond what is scientifically justified. Concerns exist that standards might be manipulated by protectionist lobbies.³⁴

Within the SPS Agreement, it has not been specified whether private standards are SPS measures. This lack of clarity is reflected in ongoing debates about whether setting private standards is legitimate, or whether governments are solely responsible for standards included in the scope of the Agreement.³⁵

EUREPGAP/GlobalGAP - one example of private standards

One instance of a private standard for good agricultural practices is the EUREPGAP/GlobalGAP farm assurance programme, focusing on food security of agricultural products, environmental management of the farms concerned, as well as on the wellbeing, security and health of workers. In 1997, EUREPGAP (full name: Euro-Retailer Working Group Good Agricultural Practices) was initiated by

retailers forming part of the Euro-Retailer Produce Working Group (EUREP), an association of European supermarkets. In 2007, in recognition of the increasing global reach, it was renamed as the Global Partnership for Good Agricultural Practice (GlobalGAP).³⁶

GlobalGAP has united a variety of voluntary private quality standards under one umbrella. It covers, amongst others, coffee, tea, fruits and vegetables, and is a so-called pre-farm-gate standard, meaning that the certificate applies to the planting of the seed until the transportation away from the farm of the relevant products. An increasing number of products are certified with the GlobalGAP standard, reflecting its growing relevance.³⁷

A number of requirements need to be fulfilled in order to obtain certification by the GlobalGAP standard. These concerns, amongst others, the registration of the production farm, the use of plastic and containers, as well as social aspects. Farmers can apply for certification, after having carried out a self-inspection and undergoing an

³³

https://www.ictsd.org/sites/default/files/downloads/2008/05/disidier_issuepaperno12.pdf

<https://www.oie.int/doc/ged/D6061.PDF>

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=60956,30105,878,18,51372,55405,70258,72054,79449,60343,57815&CurrentCatalogueIdIndex=3&FullTextHash=1&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True

http://www.intracen.org/uploadedFiles/intracenorg/Content/Exporters/Exporting_Better/Quality_Management/Redesign/EQB81_SPS_eng_October%202007_5_final.pdf

³⁴ Messerlin, P., Nielson, J., Zedillo, E., & Projet Objectifs du millénaire. (2005). *Trade for development*. London ; Sterling : New York: Earthscan ; Millennium Project.

³⁵

https://www.ictsd.org/sites/default/files/downloads/2008/05/disidier_issuepaperno12.pdf

<https://www.oie.int/doc/ged/D6061.PDF>

https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=60956,30105,878

[18,51372,55405,70258,72054,79449,60343,57815&CurrentCatalogueIdIndex=3&FullTextHash=1&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True](https://www.ictsd.org/sites/default/files/downloads/2008/05/disidier_issuepaperno12.pdf)

³⁶

https://www.ictsd.org/sites/default/files/downloads/2008/05/disidier_issuepaperno12.pdf

<https://www.control-union.fr/control-union/Agriculture-GlobalGAP-fr>

Henson et al – Do Fresh Produce Exporters in Sub-Saharan Africa Benefit from GlobalGAP Certification?

³⁷

https://www.ictsd.org/sites/default/files/downloads/2008/05/disidier_issuepaperno12.pdf

<https://www.control-union.fr/control-union/Agriculture-GlobalGAP-fr>

Henson et al – Do Fresh Produce Exporters in Sub-Saharan Africa Benefit from GlobalGAP Certification?

Humphrey – Private Standards, Small Farmers and Donor Policy: EUREPGAP in Kenya.

<https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/4167/Wp308.pdf>

external inspection conducted by a certification body.³⁸

There exists a controversy about the effects of GlobalGAP on producers in developing countries, particularly in Africa. There is evidence that smallholder farmers in particular face difficulties in achieving compliance with the standards. As Humphrey maintains, compliance by small farmers with GlobalGAP is almost unachievable without out grower schemes.³⁹ Considering that compliance with GlobalGAP and other private standards has become a market access condition, a failure to comply with the standards can have adverse effects on the economic performance of the smallholder farmers concerned. Once compliance is achieved, however, there is evidence of positive impacts on the productivity and market access of the respective farmers.⁴⁰

1.5 Why SPS measures?

The overall aim of SPS certification is to strike a balance between ensuring food safety and animal and plant health standards on the one hand and avoiding unnecessary barriers to trade on the other hand. The Agreement encourages countries to adhere to international standards, but allows them to adopt their own, national standards, as long as they are scientifically justified, and only to the extent necessary to protect human, animal or plant life or health.⁴¹ The emphasis on 'harmonization' as part of the SPS Agreement,

facilitates trade and export competitiveness by reducing the need for governments and producers to adhere to different standards and procedures in different markets and making trade more streamlined. The disagreements and conflicts of health and safety measures in international trade have huge costs in terms of lost markets, incomes and food security.⁴² With the global climate change crisis, the emergence and global dissemination of plant health hazards are an imminent risk, making the implementation or the harmonization of the SPS measure both crucial and timely.⁴³

Considering the general reduction of trade barriers, the use of sanitary or phytosanitary restrictions for protectionist purposes can appear attractive to governments. After all, due to the technical complexity, the scientific necessity of a particular trade restriction can be difficult to challenge. The SPS Agreement, however, seeks to avoid this abuse of sanitary and phytosanitary measures, in particular by clarifying which factors governments can take into account when assessing necessary SPS measures. According to the SPS Agreement, when changing trade-related sanitary and phytosanitary requirements, they are required to give notice to other countries, and also open to scrutiny about their regulations.⁴⁴

This suggests that producers in developing countries should benefit from the SPS Agreement for several reasons. First, based on the Agreement, developing countries can challenge unjustified trade restrictions, irrespective of their economic and political

³⁸

https://www.ictsd.org/sites/default/files/downloads/2008/05/disdiar_issuepaper12.pdf Asfaw – Does EurepGap standard marginalize poor farmers? Evidence from Kenya

³⁹ Humphrey – Private Standards, Small Farmers and Donor Policy: EUREPGAP in Kenya.

<https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/4167/Wp308.pdf>

⁴⁰ Henson et al – Do Fresh Produce Exporters in Sub-Saharan Africa Benefit from GlobalGAP Certification?

⁴¹ <http://www.cuts-geneva.org/pdf/SSEA-Geneva%20Note1.pdf>

https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm Athukorala, P., & Jayasuriya, S. (2003)

⁴²

https://www.ipcc.int/static/media/files/publication/en/2017/10/5_Krivos_IPPC_trade_revised.pdf

⁴³

https://www.ipcc.int/static/media/files/publication/en/2017/10/5_Krivos_IPPC_trade_revised.pdf

⁴⁴

https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

strength. Second, if private standards are also considered as SPS measures, the Agreement can also lead to a protection from arbitrary private standards. Third, resulting from the increasing harmonization of SPS measures, uncertainty among producers in developing countries about the required conditions for exporting to particular countries are expected to be reduced. Looking beyond producers in developing countries, also consumers in developing countries are expected to benefit due to the improvements in the quality of food resulting from the measures applied.⁴⁵

1.6 The need for technical assistance to help LDCs comply with SPS measures

Developing countries tend to face a higher burden than developed countries resulting from SPS measures. This results primarily from two reasons. First, the requirements usually concern agricultural products, on which developing countries are in many cases dependent. Second, often the technical knowledge, adequate production facilities as

well as necessary infrastructure are oftentimes lacking in developing countries. These challenges can even incentivise developing countries to specialise away from sectors with the highest regulatory measures, leading to an alternation of countries' export patterns.⁴⁶

In response to these challenges, Article 9 of the SPS Agreement specifies that "Members agree to facilitate the provision of technical assistance to other Members, especially developing country Members, either bilaterally or through the appropriate international organizations". Also, the WTO Secretariat provides technical assistance. This mainly includes workshops and seminars on provisions of the Agreement and implementation strategies.⁴⁷

This and further technical assistance is crucial for developing countries to meet the high compliance costs resulting from SPS measures. As Athukorala and Jayasuriya maintain, "this is an area where there is a clear need for providing 'aid for trade'".⁴⁸

⁴⁵ https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

⁴⁶ https://unctad.org/en/PublicationsLibrary/itcctab70_en.pdf

Athukorala, P., & Jayasuriya, S. (2003) <http://www.cuts-geneva.org/pdf/SSEA-Geneva%20Note1.pdf>

⁴⁷ <https://www.un.org/ldcportal/sps-agreement-technical-assistance-by-wto-secretariat-art-9/>

⁴⁸ Athukorala, P., & Jayasuriya, S. (2003), p. 1413

SECTION 2

Introduction: The case of Ethiopia

2.1 Context

Ethiopia's integration into the global value chain is affected by the low quality of its agricultural products. One of the reasons for low quality agro-products is limited knowledge and capacity to follow Good Agricultural Practices (GAP). Particularly small and medium scale farmers and exporters have limited access to information and capacity to conform to standard requirements of destination markets. This is exacerbated further by the limited availability of well-functioning and accessible infrastructure, especially for testing, inspection, certification, and accreditation services. Improved access to support around standards and qualities should enable companies to reliably certify the quality of their products and thereby negotiate for good prices and increase marketability of their exports.

Among the critical quality requirements for export are the use of Sanitary and Phytosanitary (SPS) measures designed to protect humans, animals, and plants from health and economic risks related to additives, contaminants, toxins, pests, and diseases. The SPS requirements are stricter in countries like those in the EU, where awareness of and concern about food safety is higher. While most companies, especially Small and Medium Size Enterprises (SMEs), find it challenging to meet such requirements, negotiating for reduction or elimination such measures is not a viable option.

2.2 Objective of the Study

This study is aimed at assessing the status of SPS measures in five select products, namely green coffee, sesame, cut flower, haricot beans, and chickpeas. The study sought to assess the implementation of SPS certification in Ethiopia by documenting key agencies involved, processes followed by exporters for certification and associated fees. As part of the effort to support the conformation to SPS requirements in the EU market, the study further documented challenges faced by SME agro-based exporters. As a standalone product, the study also helped to develop a short guide to SME agro-based exporters on the requirements and processes of certification. The ultimate goal of this project is to assist smaller and medium sized firms to take advantage of markets, such as the EU, that have been largely open for Least Developed Countries like Ethiopia.

2.3 Specific outputs from the Study

More specifically the study:

- Compiled information on regulatory and commercial requirements for SPS measures on selected five products (green coffee, sesame seeds, cut flowers, haricot beans and chickpea seeds). It also documented the range of stakeholders and services involved in SPS-related quality infrastructure,

including all relevant related services (quality assurance, standardisation, accreditation, metrology, and certification infrastructures) within the country; and

- Prepared a separate short guide for stakeholders to use to comply with SPS measures.

2.4 Methodology of the Study

Firsthand information was collected from those involved in certification- from both regulators and exporters. Extensive discussions were held with micro actors (core market actors), exporters, meso actors (enablers/supporters), Conformity Assessment Bodies (CABs), and macro actors (including regulators) primarily from government ministries and individual experts.

The study also benefited from desk review of documents developed by relevant government ministries and agencies, Conformity Assessment Bodies (CABs), producers, agro-processors and exporters, sectoral association, and development projects. These were accessed online and offline; and included Ethiopian standards relevant to the targeted products, regulatory documents, decrees and proclamations, and reports related to the targeted products

2.5 Why Is SPS Compliance Essential for Domestic Producers?

Inadequate sanitation and hygiene, often from the traditional production techniques, harvesting, and post-harvest handling pose a challenge for domestic producers in terms of conformity. As a result, farmers often fail to meet sanitary and phytosanitary requirements of the Ethiopian Standard Agency (ESA) and/or foreign destination markets. A weak post-harvest infrastructure, coupled with long-handling chains between farmers and ports/markets, further contribute to quality deterioration and contamination.

Almost all agricultural exporting firms are not certified under any of the international quality standards programs, which results in extra costs for exporters. Exporters seek approval from potential buyers to access their market. This approval is based on buyer assessments and testing. The exporters must then bear shipment costs if their exported products fail to meet the buyers' standard requirements. Hence, the average costs to Ethiopian exporters may include production, airfreight/shipment, and dumping.

Integrating Ethiopian agricultural products into the global value chain will continue to remain a challenge unless SPS measures are addressed. SMEs need to be aware of these issues and invest in compliance with SPS requirements.

SECTION 3

Key exports of Ethiopia

Ethiopia's main export earning is driven by agro-based products. Coffee, sesame and cut flowers contribute to more than 50% the country's total exports. While the country is one of the leading producers and exporters of these commodities, it faces increasing challenges from low value addition, diseases and pests, volatile international prices and currency fluctuations.

3.1 Ethiopia's leading export items and market destinations

The top three export items of Ethiopia, which are all agriculture based, have a share of more than half of the country's clustered exports. These are coffee, oil seeds, mainly sesame seeds and cut flowers and flower buds, the latter of which has been securing increasing shares in total exports (Table 1).

Table 1 Ethiopia's top three export commodities (and pulses), % share value, 2015-2019

Product	2015	2016	2017	2018	2019
Coffee (excluding roasted and decaffeinated)	28.73	27.71	32.73	32.54	30.64
Sesamum seeds, whether or not broken	14.97	16.49	13.58	13.94	12.74
Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, ...	7.22	7.3	6.87	9.28	9.31
Dried leguminous vegetables, shelled, whether or not skinned or split	7.17	8.43	8.33	5.25	2.17
Share in total exports by year	58.09	59.93	61.51	61.01	54.86

Data source: Trade Map ITC

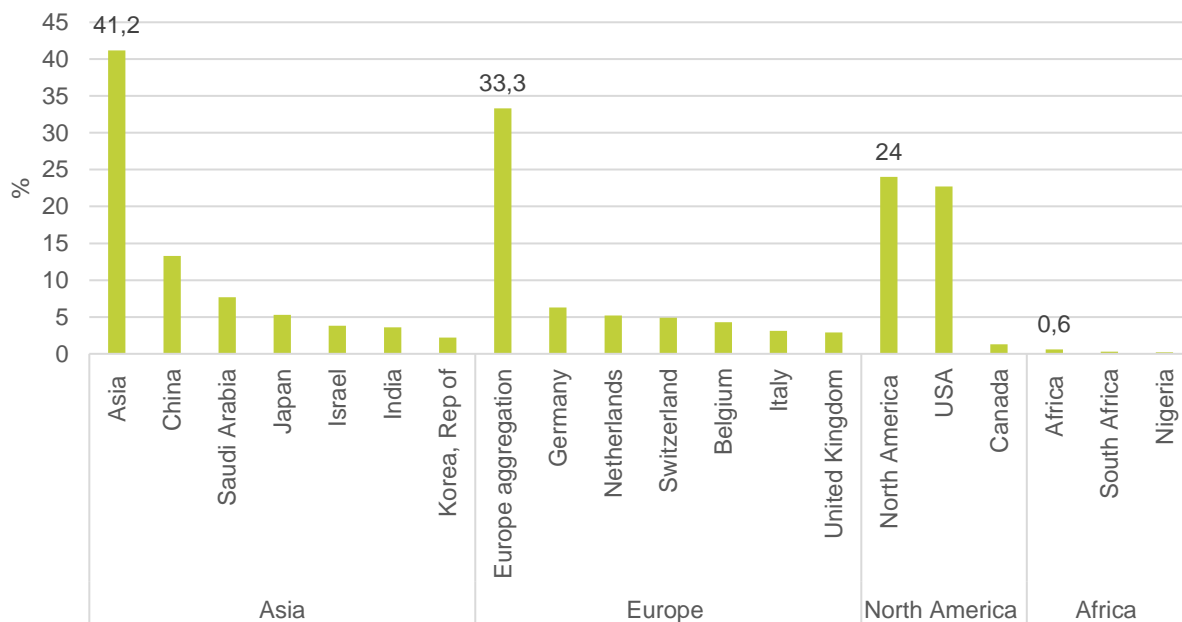
Notes: 1. 2015-2017 data based on Ethiopian Revenues and Customs Authority statistics; 2018-2019 data based on partner reported data (Mirror data) ; 2. Coffee and Sesamum data refer to HS8 and the rest HS6 codes

In terms of export destinations by region and country for 2019, Asia has a share of 41.2% of all Ethiopian exports (Figure 1). Products destined to this region are mainly absorbed by China (13.3%) followed by Saudi Arabia (7.7%) and Japan (5.3%). Europe is the second regional group destination (33.3%) for Ethiopian export products. Breaking this down this by country

shows Germany is the largest destination market within this region (6.3%) followed by Netherlands (5.2%), Switzerland (4.9%), Belgium (4.3%), Italy (3.1) and the United Kingdom (2.9%). As a single destination market, United States ranks as the top importing market of Ethiopia's exports in North American region with a share of 22.7% of Ethiopia's products. Ethiopia exports the least to

African markets (0.6%) with South Africa and Nigeria having a share of 0.3% and 0.2%, respectively.

Figure 1 Major markets of Ethiopian exports (%) by region and country, 2019



Data source: Trade Map ITC

Note: Based on partner reported data (mirror data)

3.2 Export performance of select products

Green coffee (unroasted and non-decaffeinated coffee)

Coffee represents about 31% of Ethiopia’s exports and it has been unfalteringly the dominant export item for years. Between 2015 and 2019, the country has been exporting annually, on average, \$813 million worth of coffee (excluding roasted and decaffeinated) (Figure 2). While all the country’s coffee production is reliant on rainfall, small holder farmers contribute 95% of total production carried out in forests, semi-forests, gardens and coffee plantations (USDA, 2019). However, coffee producers, particularly from the

eastern region, are replacing production of this crop by the *Khat* plant (a mild stimulant plant) threatening the continuous growth of this important crop. Producers prefer *Khat* because it can be harvested up to four times a year and it is more resistant to droughts, diseases and pests (ibid).

According to latest available data, the top Ethiopian coffee markets by 2017/18 included Germany with a 22% Ethiopian exported coffee followed by Saudi Arabia (16 %), USA (11%), Belgium (7 %), Sudan (6 %) and Italy (5 %).

Sesame

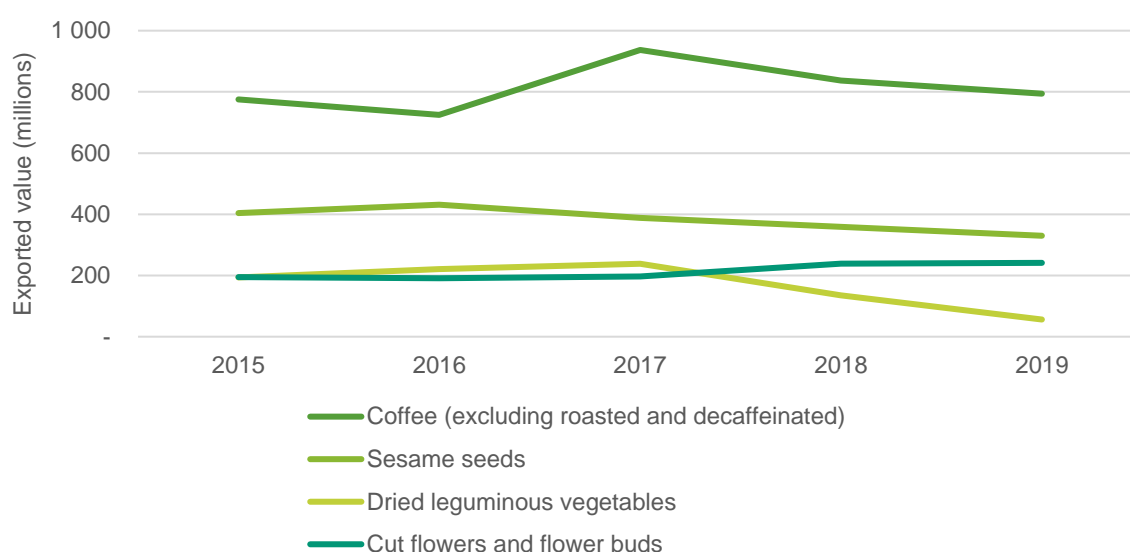
Ethiopia is one of the major producers and exporters of sesame seeds in the world. The crop has about 13% share of total exports. On average, the country exported 294 thousand tons of

sesame to the world with an annual worth of \$382 million between 2015 and 2019. However, over the years, the volume of exports has been fluctuating (Figure 2). Demand and supply side constraints hamper the growth of the sesame export sector including diminishing productivity levels, pests and diseases, and poor access to modern technology; and higher domestic prices, market distortions, and

contractual non-performance of export sales (USDA, 2020)

In terms of international market destinations, all the top five importers of Ethiopian sesame seeds are in Asia. Israel is the top export destination with a share of 27.7% of all Ethiopian sesame exports, followed by the largest global importer, China (18.0%), UAE (13.1%), Vietnam (8.2%) and Japan (7.4%).

Figure 2 Exported values of selected commodities in million US\$, 2015-2019



Data source: Trade Map ITC

Note: Based on partner reported data (mirror data)

Cut flowers

Ethiopia is the second largest exporter of cut flowers in sub-Saharan Africa with a global market share of 2%, after Kenya. Apart from favourable weather and soil fertility, incentives from the Government of Ethiopia (GoE) for the floriculture sector explains the continuous growth in export volumes and earnings from the sector. The share of exported cut flowers and flower buds has been increasing over the years and stood at 9.3% of total exports by 2019. Between 2015 and 2019, the country exported, on average

annually, \$212 million worth of the cut flowers and flower buds.

Ethiopia targets largely European markets. About 80% of the countries' flower exports are destined to Netherlands while the other countries include France, Germany, Italy and Belgium.

Pulses (dried leguminous vegetables)

The country exports pulses to the world whose value has been increasing steadily. The main exported pulses are chickpeas, faba beans, field

peas, **haricot beans** and lentils. Pulses have the second largest area coverage in production in Ethiopia after cereals with over 1.5 million hectares of land (FDRE, 2020). Ethiopia is the sixth biggest chickpea producer (ITC, 2019).

Dried leguminous vegetables alone had a share of 2.2% by 2019 with an annual export value of \$169 million between 2015 and 2019.

Available data indicate, Asia is the main market for Ethiopian pulses. By 2017, 17.3% of pulse exports was destined to Vietnam, followed by Indonesia (13.8%), Pakistan (11.0%), UAE (10.80%) and Kenya (10.2%) (ITC, 2019).

3.3 Export incentives for coffee and non-coffee commodities

For the primary reason of improving the foreign currency reserve of the country through better exports, the Export Trade Duty Incentive Scheme Establishing Proclamation No. 768/2012, allows the responsible ministry to provide three types of duty incentive schemes. These are duty drawback, voucher and bonded manufacturing warehouse schemes. Other incentives include export credit guarantee for coffee and non-coffee exporters, foreign exchange retention scheme, investment loans and preferential rates for land lease.

Duty Drawback scheme: Refund duty paid at the port of entry on raw materials and accessories for the production of export commodities.

Voucher scheme: Producer exporters and raw material suppliers can access voucher passbooks from the revenue and customs authority for tax deductions.

Bonded export factory scheme: Raw materials imported by an exporter who is a beneficiary of

the bonded export factory scheme are to be transported to the factory under the control of customs without being subject to payment of duty. The raw materials are to be used in the production of export commodity and exported within one year from receipt of such raw materials by the factory.

Lease financing for SMEs: The Development Bank of Ethiopia (DBE) allows SMEs in agro-processing and agricultural sector to access soft loans for purchase of machinery (Amendment Proclamation No. 807/2013). Under this policy, DBE finances the full cost of the capital good, together with the installation cost, where the machinery serves as a collateral at 9% interest rate and a five year grace payment period after 6 months of production commencement.

Business income tax exemption: Tax exemptions are provided for up to 10 years for businesses that are in the **horticulture** development and 6 years for **crop** production.

Export credit guarantee for coffee and non-coffee exporters: GoE offers financial incentives for **non-coffee** exporters by providing guarantee from the DBE, covering 80% of loan and interest provided by commercial banks to exporters with bankable export project except for coffee exporters (*No.SBB/41/2007*). For *export credit guarantee scheme for coffee exporters:* To safeguard local exporters from losses as a result of export transactions, export-financing banks facilitate access to bank credit to local exporters.

Foreign exchange retention scheme: About 30% of foreign currency can be deposited in a specific forex retention account (labelled as account 'A') for an indefinite time period. The rest can be deposited in account 'B' for up to 28 days before the balance is automatically converted to Ethiopian Birr. These two options are designed to facilitate access to hard currency for export-related expenses.

Investment loans: Producers involved in agro-processing and agricultural products who export three-quarters of their goods are eligible for investment loans of 70% of the total investment cost.

Preferential rates for land lease: The State, as the owner of all land in the country, can provide land at competitive lease prices.

SECTION 4

Regulatory and Commercial Requirements

SPS requirements, including for the five products in this study, are based on the general Ethiopian standards (ES) developed by the National Technical Committee. The National Standardisation Council approves publications and reviews standards continuously to take into account the latest scientific and technological changes. The key actors for SPS certification include bodies involved in compliance as well as institutions involved in testing, inspections and auditing, standard setting and enforcement, accreditation and metrology and calibration. This Chapter presents the key actors in SPS certification in Ethiopia; the processes that have to be followed by exporters; and associated fees for processing and acquiring certificates.

4.1 Compliance Regulatory Bodies

Line ministries oversee compliance with SPS, public health and safety. These include the Ministry of Agriculture, Ministry of Trade and Industry, Ministry of Health, and Ethiopian Food and Drug Administration. The National Quality Infrastructure Technical Committee coordinates the various institutions and their functions in the quality assurance system.

⁴⁹ The now-defunct Quality and Standards Authority of Ethiopia (QSAE) was responsible for the development and approval of standards, product certification, inspection of producers, market surveillance, and consumer protection. However, such control of the entire process and overlap of commercial and regulatory functions and the discretionary powers of the QSAE created

The Ministry of Agriculture and Livestock Resources (MoALR) is responsible for SPS issues. While the Plant Health and Regulatory Directorate under MoALR is mandated to issue phytosanitary certification to both exporters and importers of products, including all select products of this study; sanitary issues are handled by the Food and Drug Administration.

4.2 Quality Assurance Institutions

The agencies involved in SPS standard assurance are the same actors involved in general quality assurance. There are the four legally-established autonomous public quality assurance institutions: the Ethiopian Standards Agency, Ethiopian National Accreditation Office, National Metrology Institute of Ethiopia, and Ethiopian Conformity Assessment Enterprise. These were established in 2011 replacing the now-defunct Quality and Standards Authority of Ethiopia.⁴⁹ In addition, there are a number of public and private institutions engaged in quality assurance services such as laboratory testing, inspection, and certification. Most of the private institutions are either representatives of or affiliated with

considerable risk of conflicts of interest. The reorganization will ensure good governance, create institutions free from conflicts of interest and be aligned with international practices.

international testing, review and certifying institutions.

Functionally the actors can be categorised as testing laboratories, assessing and inspecting institutions, standard setting institutions, metrology and calibrating institutions, and certifying and accrediting institutions. However, most actors perform more than one function. For instance, the Ethiopian Conformity Assessment Enterprise provides testing, inspection, assessment, and even certification services as determined by the Ethiopian Standards Agency to issue its mark of certification. Details of the institutions categorized by their functions are presented below.

Testing Laboratories

There are several laboratories involved in providing testing services in Ethiopia. These are the Ethiopian Conformity Assessment Enterprise (ECAE), Ethiopian Institute of Agricultural Research (EIAR), Ethiopian Public Health Institute (EPHI), Higher Learning Institutions' laboratories, and Bless Agri-Food Laboratory Services PLC.

The laboratories get requests from public agencies, businesses, individuals, and other institutions. However, most of the laboratories are not self-sufficient and need to pool their respective capacities and regularly calibrate to provide a robust, collective SPS system that supports sanitary and food safety regulations for both domestic and export markets.

Ethiopian Conformity Assessment Enterprise (ECAE)

ECAE is among the four legally-established, autonomous public quality assurance institutions established in 2011, replacing the now-defunct Quality and Standards Authority of Ethiopia (QSAE).

ECAE's mission is to provide internationally accepted and recognized conformity assessments and related training to protect the health and safety of product users and the environment. ECAE is currently the major conformity assessment enterprise in Ethiopia. It is equipped with specialized chemical, microbiological, leather and textile, electrical, mechanical, and radiation testing laboratories operated by about 200 core and support staff. Five of the laboratories are already accredited, and the radiation lab is currently in the process of certification. Its services include laboratory testing, inspection, and certification.

Among existing laboratories, ECAE's chemical laboratory is regarded as the best equipped to test food, agricultural products, chemicals, and soils which are relevant to SPS conformity. The chemical laboratory provides a testing and analysis service to detect mycotoxin in trace amounts with a high number of specific, partly selective extraction and purification methods and modern state-of-the-art triple-quad liquid chromatography with mass spectrometry (LC-MS/MS) and high-performance liquid chromatography with a fluorescence detector (HPLC-FLD). It also has the capacity to test aflatoxin B1, B2, G1, and G2 in different cereals, pulses, cereal-based food, and animal feed products.

Currently ECAE is certified for about 38 laboratory testing services by the Ethiopian National Accreditation Offices (ENAO). One of the problems mentioned by ECAE in relation with accreditation is the difficulty of maintaining accreditation. This is partly due to limited requests from users which fall short of the minimum required testing volume to be conducted in a given period. Therefore, ECAE has faced incidents when its accreditation was revoked. It is reported that this discourages CABs from requesting accreditation, which is a lengthy and expensive process.

The problem of getting accredited and maintaining the acquired accreditation has raised concerns over product reliability and acceptability from recipient countries and buyers. This forces exporters to opt for having testing done in laboratories outside Ethiopia, which again is a lengthy and expensive process. This lack of accreditation, coupled with hard currency shortage in the country limits the Enterprise's ability to acquire major inputs such as reagents, reference materials, spare parts, and maintenance services for laboratory equipment. These challenges make testing services unreliable and unavailable. For instance, on a number of occasions, exporters have sent their samples for aflatoxin tests to be done abroad as they believe the test is not done reliably in domestic labs. More often than not, the aflatoxins test is done in the importer country after consignments are shipped. This jeopardises the negotiating space of exporters and adds on costs if the consignment gets rejected altogether.

ECAE, while having relatively well-equipped facilities, needs additional modern testing instruments to provide necessary services. The institution is in the process of procuring state-of-the-art laboratory equipment worth USD 6 million with support of a projectⁱ under the Ministry of Trade and Industry begun in 2017.

Ethiopian Institute of Agricultural Research (EIAR)

Cognizant of the increased demand by industries and exporters for quality agricultural products, and the huge potential to replace imports, EIAR sought to establish a quality system for agricultural research. This initiative targets the quality of crops and livestock products, alternative uses of food items, strategies for improving community nutrition, and enhancing research of bio-agents.

Equipping its laboratories is a priority for EIAR, to ensure reliable and detailed investigation and analysis. EIAR has invested in reorganising and procuring laboratory facilities. It has recruited and deployed laboratory experts to undertake research, conduct testing, and operate and maintain its facilities. It has accredited its seven laboratories in keeping with ISO/IEC 17025 requirements. The Chemical Analysis and Agricultural Chemistry Lab, among others, undertakes quality assessment of agro-chemical inputs for crop/feed production, food quality and safety, mycotoxigenic fungi and other toxin producing microbes, and crop food products (post-harvest, post-process, ready-to-eat food), among others.

Bless Agri-Food Laboratory Services PLC

Bless is an ISO/IEC 17025:2017 accredited laboratory established through a joint venture of Ethiopian and French investors in 2011. Its purpose is to meet Ethiopia's and East Africa's needs for efficient, reliable and quality food testing. Bless is one of the country's focal conformity assessment bodies, specialising in comprehensive and reliable testing, inspection, certification and training for agri-food operations, supply chain, exports, and imports.

Inspection and Auditing Service Providers

There are a number of inspection and auditing service providers in the country, mainly affiliated with international certifying companies. ECAE and Bless also conduct inspection and assessment services. The inspection and auditing service institutions also provide voluntary certificates by assessing and auditing various parameters related to the environment, social impact, and management of production and delivery. Environmental factors are considered the most essential parameter related to SPS. These are

mainly related to soil and water conservation systems, including the sources, types, usage, and disposal of water and farm chemicals.

AEKM Agro Industry PLC is a private company that provides voluntary sustainability-related assessment, certification, inspection, and audit services. It currently provides these services to coffee producers and exporters. Its clients include Horizon (in Bebkea and Limu Farms), Ethio Agro Safety (Gemadro, Wush-wush Gumaro, Ayehu), Tapi Green Coffee (Tadele/ Mekonen), Green Coffee-(Woshi, Keffa Zone), Mordo Coffee (Haile Gebere), and a number of small holders and farmers' co-operative unions. These co-op unions include Oromia coffee farmers co-op unions, Bench Maji coffee farmers co-op unions, Sidama coffee farmers co-op unions, and Yirga Chafee coffee farmers co-op unions. It also provides services to certificate issuing agencies such as Nepcon (which certifies for Rain Forest) and UTZ and Cafee Practice (that certify for Starbucks).

Control Union Ethiopia Inspection and Certifications PLC is a member of Control Union World Group, legally established in Ethiopia in 2006. It provides various product certifications for diverse commodities. Its services include agricultural commodity inspection; certification of process and systems against international standards; pre-shipment inspection; and cargo inspection/surveying (of grain, pulses, oil seed, etc.). Its partners include BCS-German, Sears-German, Imo-Switzerland, Ecocert, Exporters, Only Organic and Global GAP.

Standard Setting and Enforcement Institutions

Quality standards (including SPS) are set and enforced by various institutions, including the Ethiopian Standards Agency, Food and Drug Administration, Ministry of Agriculture and Livestock Resource, and buying countries and buyers.

Ethiopian Standards Agency (ESA)

This state-owned agency is the sole National Standards Body with the primary responsibility of overseeing the development of national standards (see Annex II for ESA's organogram). Since its establishment in 1970, ESA has undergone several structural and name changes. The present ESA was established by Ethiopian Council of Ministers Regulation No. 193/2010 following the restructuring of the national quality infrastructure system. ESA has three core activities: standard formulation; training and technical support; and organising and disseminating of standards. ESA's objectives include:

- Develop national standards and establish a system in compliance with the required standards;
- Facilitate the country's technology transfer through the use of standards; and
- Develop national standards for local products and services as per international market standards.

ESA coordinates the development and enforcement of Ethiopian standards which are developed by NTC. This draws membership from multi-sectoral institutions responsible for education, research, certification, inspection, and testing, regulatory bodies, and consumer associations, among others. The requirements and/or recommendations for Ethiopian Standards are consensus-based, reflecting the expertise of the NTC representatives and also of comments received from the public and other sources. Ethiopian standards are approved by the National Standardization Council and undergo for continuous review after publication and updated regularly to take account of latest scientific and technological changes. Currently, there are over 11,000 standards developed and adopted by ESA, but more are yet to be developed and updated. Generally, standards development and

review processes are expensive and time-consuming as they require conducting surveys, interviews, and consultations with various stakeholders to reach an overall consensus. In addition, technical support of ESA staff are required to support the implementation of standards.

ESA is a member of the International Organization for Standardization (ISO) and Codex Alimentarius Commission (CODEX). It also maintains close working relations with the International Electro-Technical Commission (IEC) and American Society for Testing and Materials (ASTM). It is one of the founding members of the African Regional Organization for Standardization (ARSO) (ESA, 2019). Such partnerships at regional, international and bilateral levels are critical for knowledge sharing and transfer and recognition of standard regulations.

Dissemination of information related to standards is part of core mandates and functions of ESA. The Agency, through its documentation and publication team at the head office and branch liaisons offices in each region, receives requests and provides users with documentation on Ethiopian standards, international standards and ASTM standards. However, these are provided in hardcopies and users must obtain them in person or through a postal service. It is important for ESA to make standards available in an electronic format as an additional option so as to serve as the national enquiry point for standards in more than one options.

Accreditation Institutions

To reduce the need for re-testing, re-inspection, and re-certification of Ethiopian products in destination countries, it is important that testing and product certification is carried out by laboratories and certifying bodies whose competency is recognised and accredited by independent and recognised accrediting bodies.

Ethiopian National Accreditation Office (ENAO)

ENAO's primary responsibility is the granting of formal accreditation to laboratories and conformity assessment bodies to ensure their competence to carry out calibration, testing, certifications, or inspections of products.

The accreditation process is based on international standards, including ISO/IEC 17020, ISO/IEC 17021, and ISO/IEC 17025, among others.

ENAO, being a signatory to the ILAC MRA in the field of laboratory testing, gained international recognition by the second quarter of 2017. This allowed ENAO to provide accreditation services to local laboratories, certification, and inspection bodies. The ILAC and the International Accreditation Forum (IAF) are the international bodies for recognition of international accreditation bodies. The ILAC manages recognition in the fields of laboratory and inspection accreditation, and the IAF manages the fields of management systems, products, services, and conformity assessment personnel. Further accreditations from ILAC and IAF will enable ENAO to continue providing accreditation and support for the nation's quality assurance system and increase the competitiveness of Ethiopian exports.

Metrology and Calibrating Institutions

Metrology institutions ensure CAB facilities are well calibrated, reliable, and in compliance with recognized standards. This ensures acceptance of products, processes, measurements, and testing in local and international markets. The National Metrology Institute of Ethiopia is the sole metrology and calibration service provider in the country.

National Metrology Institute of Ethiopia (NMIE) has the primary responsibility for ensuring that any measurements made in Ethiopia are consistent with national and international standards. These national measurement standards are then used to calibrate and monitor the measuring equipment used in calibration laboratories, legal metrology departments, and industries' in-house laboratories.

NMIE provides basic calibration and measurement services in eight areas: mass, temperature, pressure, balance, dimension, volume, electric, and density. NMIE's laboratories are accredited by the German National Accreditation Body, which is a member of ILAC, so that services provided by NMIE are internationally recognized. There are a number of additional scopes which industries require, but NMIE has no calibration and measurement capability in those additional areas. NMIE thus needs to increase the scope and accuracy of its services and modernize selected measurement equipment (for such areas as mass, temperature, pressure, humidity, moisture, dimension, chemistry, hardness, time, frequency, and so on).

4.3 SPS Certification Process

The phytosanitary certification process starts with an exporter applying for a certificate. The exporter needs first to secure an import permit from the buyer. The export then applies for phytosanitary certification by filling the application form prepared by the MoALR. Quarantine experts then conduct visual inspection on samples of the consignment, and if necessary, but rarely, samples are sent for laboratory tests. These samples mainly go to the Institute of Agricultural Research (IAR), but also sometimes to ECAE and Bless which are certified laboratories. Then the Ministry provides a phytosanitary certificate along

with the export authorization which is requested by the Customs Office at exit points.

As an example, the coffee certification process starts with a cupping test undertaken on samples from the consignment by the cupping experts of Coffee and Tea Authority (CTA). The exporters are required to transport the entire consignment to the cupping center designated by the CTA so that a testing sample is collected for the cupping result certificate. The exporting company then fills out the SPS certification request form and submits it along with the cupping certificate to experts at the Plant Health and Quality Control Directorate of MoALR. The Directorate is the cupping center designated by the Coffee and Tea Authority. The consignment is then processed by transit services for export. In the meantime, the Plant Health and Quality Control Directorate of MoALR processes and issues the SPS certificate. The Ministry also provides a similar certificate to exit point Custom Offices to clear the consignment for shipment (see Annex I and the separate guide for detailed description of requirements under each commodity and process flow chart, respectively).

4.4 Fees for Processing and Acquiring SPS Certification

The fees payable for the above services include costs of laboratory testing and certifications. ECAE, which undertakes the laboratory test, charges from US \$50 to \$100. MoALR, which issues phytosanitary certificate charges from ETB 10 to ETB 30. Since regulation No. /1991 has not been revised, the fees remain the same as for the same proclamation (Table 4).

Table 2 Fees for SPS certification in Ethiopian Birr

No	Fee basis per certificate	Service charge (Birr)
1.	If amount is less than one quintal	ETB 10 per certificate
2.	If amount is 1 to 10 quintals per certificate or entry permit	ETB 20 per certificate
3.	If amount is above 10 quintals up to 2000 quintals	In addition to No.2 above, ETB 0.5 per every 10 quintals
4.	If import transit through Ethiopia	ETB 5 per certificate
5.	If export item requires active growth inspection while at the field, field inspection fee	ETB 20 per day
6.	If export item requires active treatment, supervision fee	ETB 15 per hour

Note: Ethiopian Birr to Euro is 0.028; and Birr to USD is 0.031 as at 23.03.2020

SECTION 5

Regulatory and Commercial Requirements

Against the background of required standards and processes presented in the previous chapter, an in-depth interview was carried out to gather information on critical issues related to SPS faced by SME exporters. The information was then triangulated with documents gathered from macro actors (regulators) and meso actors (enablers/supporters). Sectoral associations of the select products, Ethiopia Conformity Assessment Enterprises (ECAE), and other CABs and macro actors (particularly the Ministry of Agriculture and Livestock Resources, Ministry of Trade and Industry, and the Food and Drug Administration) were among the respondents for this study.

The relevant sectoral associations include the Ethiopia Pulses, Oilseed, Spices Producers, and Exporters Association (EPOSPEA); the Ethiopian Coffee Exporter Association (ECEA); and the Ethiopian Horticulture Producers and Exporters Association (EHPEA) represents exporters of cut roses and buds.

The three associations have good-sized office spaces which are furnished, equipped and staffed reasonably well. The associations have professional full-time managers hired by and accountable to the respective Executive Boards. The respective association managers run the day-to-day activities of the offices and oversee the professional and support staff employed by the associations. The crews provide all-rounded support services to the association members who are producers and exporters and are well versed with crucial issues of the export business, including SPS-related issues.

5.1 General Challenges Faced by SME Exporters

- SMEs typically experience difficulty in qualifying for Hazard Analysis and Critical Control Points (HACCP) because of the contamination of the warehouses to store produces
- Most warehouses used by SMEs are rented and are not appropriate, as they are not originally designed/built for the food-storage purposes
- Prices of products targeting the domestic market are more attractive to suppliers as domestic standards are less demanding than those for international markets. In general, export prices are lower than domestic prices, making the export business unprofitable or less profitable. SMEs often lack both the necessary resources and incentives to invest in higher-quality storage facilities.

5.2 Product-Specific Challenges

- There are over 1,000 exporters involved in exporting the select products, of which only 300 are active. Most of these exporters trade two or more types of the select products under this study.
- The main SPS problem for the primary products is related to Good Agricultural

Practices (GAP), which is associated with soil, water, pesticides, harvest, transport, and storage conditions. This requires traceability of the practices used, which is mostly beyond the capacity of the SMEs and even of large exporters not involved in their own or contract farming.

- A major SPS issue for **coffee beans** is pesticide residue. In the past, this had caused the banning of Ethiopian coffee exports to Japan. The contamination was eventually identified to come from old sacks used to pack the coffee. The problem has now more or less been resolved by using new sacks and by certifying sack producers for coffee packing. Exports to Japan have resumed and are now ongoing.
- A major SPS problem for **sesame seed** is the bacteria known as salmonella. In addition, aflatoxin is still an issue for sesame seed. Some exporters have received organic certification and are exporting mainly to Asia and also to **EU** although not in large amounts.
- Aflatoxin is also a major SPS problem for kidney beans and **chickpeas**. Some exporters use fumigation with methyl bromide to prevent the problem. However the use of methyl bromide is restricted by the Montreal Protocol due to its role in ozone depletion.
- Aflatoxin is a common SPS-related problem for **coffee bean, sesame seeds, kidney beans, and chickpeas**. Aflatoxin is caused mainly by non-uniform and improper drying of these products. Fermented coffee (mainly found on washed coffee) leads to discounted prices. This is partly due to lack of knowledge and awareness and partly to carelessness and lack of commitment to quality by some workers.

- In **cut flower** products, insects are the major SPS problem. This is especially a problem in Ethiopia which is in a tropical zone, conducive to micro-organisms and other pests.
- One SPS measure being developed is HACCP certification integrated with Good Manufacturing practices (GMP). Most exporters haven't yet got HACCP certification as it involves stringent requirements.
- Inappropriate warehouses and inappropriate and undedicated transporting vessels expose products to additional contamination and sanitary problems.

5.3 Quality Service System challenges

Our assessment finds that the quality assurance system in Ethiopia is hampered by insufficient demand for SPS certification services by SMEs as end users, low quality SPS inspection and certification services by CABs, and weak coordination among the regulatory agencies.

Demand-Side and Supply-Side Constraints

One of the key challenges mentioned by Ethiopian CABs is **insufficient demand** by end users, including exporters. This is partly due to lack of awareness of the benefits of certificates by most businesses and partly due to lack of enforcement of quality, safety, health and sanitary requirements (voluntary and mandatory). The lack of enforcement is on the part of both local authorities and buyers. For instance, some buyers, including EU buyers, do not enforce fulfilment of quality requirements, including SPS requirements. Instead, buyers use the lack of quality assurance on the part of suppliers as a tool for negotiating prices down.

There is limited demand for and supply of quality inspection services in Ethiopia. The lack of demand for certification services has led to a **lack of competitive and quality inspection services** which in turn feeds back to lack of demand for the service. The limited demand for and supply of quality services hinder adherence to SPS measures, likely compromising the volume of exports.

Low demand for the services has also resulted in **lack of a healthy cash flow and weak financial capacities** of CABs. As a result, the inspection and certifying bodies are unable to acquire key facilities, inputs, human power, skills training, certification, and accreditations services. For instance, most of the inspection and audit institutions are unable to afford and pay for key inspection and skills trainings such as Global Good Agricultural Practices (GGAP) certification, fair-trade certification, and organic certifications, among others. This is compounded by the fact that most training opportunities are offered abroad by international trainers, which makes the training even more expensive.

Ethiopia has been facing **foreign currency shortage** for some time. This has been cited as a key challenge to get accreditation from foreign companies. This is compounded by the fact that ENAO, the only national institution to grant accreditation in Ethiopia, is not fully equipped to provide services in all required areas for inspection and auditing.

Another critical challenge in Ethiopia is the **weak capacity**, both human and technical, of the regulating, implementing, and supporting institutions. The current assessment found **no specially dedicated SPS notification authority or SPS inquiry point**. Implementing rigorous quality control and food safety measures requires finances, skilled personnel, and suitable infrastructures such as laboratories, all of which are not yet sufficiently and readily available to domestic food processing enterprises.

Reflections of interviewed respondents reveal some additional underlying problems:

- **Lack of awareness of end users** about the potential benefits of quality assurance and their limited knowledge of product certifications based on international standards and importers' requirements;
- **Inadequate incentives** for enterprises to **comply with quality assurance** such as access to new markets, new clients, or higher profit margins;
- **Information gaps for firms and other potential users.**: Currently, information on standards is only available to those who can physically present themselves at ESA offices. Similarly, there is no readily available information about processes or payments required to obtain international certification for products.

Regarding conformity assessment bodies, respondents cited these concerns:

- **Limited capacity** of facilities to ensure accurate measurement, well-equipped laboratories to meet the demands of industries, as well as lack of skilled scientific and technical personnel with specialised training and research experience.
- **Local market service gaps:** Firms and laboratories have to resort to acquiring instrument calibration for scopes that NMIE does not offer;
- **Lack of demand-driven service:** Inability to provide demand-driven services due to lack of mechanisms for quality assurance institutions to understand SME needs, get their feedback, and receive their requests for services;
- **Lack of private quality inspection service providers** given that the investment cost is

high and demand from end users quite low and therefore unlikely to recover investment within a reasonable time. The high investment cost discourages private companies from providing a full range of conformity assessment services;

- **Expensive and lengthy accreditation process:** National quality inspection service providers are required to obtain internationally recognised accreditation from foreign accreditation bodies, which are expensive and perceived as a sub-optimal option;
- **Lack of benchmarks:** Respondents believe there is lack of established national benchmarks that reflect internationally accredited conformity assessment services; such benchmarks are necessary to guide CABs to improve their services.

Coordination Constraints

Proper coordination creates synergies and pools the limited available inspection and laboratory capacities, including lab equipment and experts, of different institutions. Such coordination can increase access to quality assurance services. It also reduces wasteful and unnecessary duplication of investments in physical facilities, equipment, and skilled experts.

Our assessment finds that the various quality assurance institutions and stakeholders do not coordinate effectively, leading to implementation bottlenecks. This includes, for example, setting standards that cannot be met with current infrastructure and available capacity. Furthermore, there is **lack of clarity of mandates, roles, and responsibilities**. It is critical to clarify and ensure efficient assignment of responsibilities and mandates among service providers and ministries responsible for regulatory oversight within the quality assurance system.

5.4 Regulatory issues

As the product collection and aggregation system is not well regulated, traceability and commodity homogeneity are a problem. The legal framework for phytosanitary is related to proclamation no. 56/1971 and regulation no. 4/1991 which was issued pre-WTO 1994 SPS provisions. A draft proclamation and regulation are currently under review to incorporate comments by Cabinet Ministers before it is approved and sent to parliament for further review and approval.

The Plant Health and Regulatory Directorate of MoALR used to have its own laboratory. The laboratory facilities were given to the United Nations Food and Agriculture Organisation (UNFAO) office in Ethiopia in keeping with Ethiopia's commitment to providing an office space for UNFOA. Currently, no laboratory services are available. Therefore, the Directorate has to depend on laboratory services provided by other testing laboratories including the Ethiopian Institute of Agricultural Research (EIAR), ECAE, BLESS, and others.

Another major constraint for the SPS are the Directorate's low capacity, in terms of institutional and human resources, hampering effective coordination.

5.5 Pricing and Trading Issues

- Most exporters assert that they are in the export business not because it is highly profitable but instead mainly to get access to foreign currency and participate in the import business, which is relatively cost-effective and compensates for losses in the export side of their business.
- This state of affairs has raised concern as non-profitable prices would lead to either

unsustainable export businesses or involve some price transfer with under-priced exports. To prevent these possibilities, the GoE issued a directive in October 2019 to control and ban non-profitable export prices.

- The Ethiopian Commodity Exchange (ECX) accepts all grades, which makes quality issues secondary. Respondents stated that grading is compromised by ECX testers due to **corruption**. Such a loophole has allowed some exporters to buy from the suppliers, but the price is based on ECX auctioned prices plus some margin. ECX prices, according to respondents, are inflated due to under supply, distorting the entire price of the product and rendering it uncompetitive. Information on the ground shows that, it is importers who rather participate in the export market, basically to access foreign currency.
- Currently exporters can export directly through a vertical integrated supplier approach or through ECX, as GoE relaxes the mandatory requirements for export of products like coffee.

SECTION 6

Conclusion and recommendations

6.1 Conclusion

Ethiopia has been making efforts to update and modernise its food safety and animal and plant health regulatory systems. One of the key drivers underpinning this modernisation effort is the GoE's interest in boosting agricultural exports in coffee, sesame, livestock, and other products, to grow the economy and generate the much-needed foreign currency. In particular, the GoE recognises that exporting these products requires having a reliable food safety system in place to meet the demands of foreign buyers.

Despite this modernisation and the existence of necessary regulatory and commercial measures related to SPS, enforcement of SPS measures is inadequate, especially for export products. During the study mission, we find that there seems to be a far better SPS measure enforcement for imported and domestic products destined for local markets than for export products. Improved enforcement is necessary to encourage exporters and to secure much-needed foreign exchange. This would also ensure that Ethiopian products comply with recipient countries' SPS requirements. The inadequacy of Ethiopia's enforcement of food safety regulations is due to significant gaps in capacities, including shortage of qualified technical staff and insufficient laboratory resources; as well as the challenges SMEs face in terms of access to information and handling during conveyance and storage.

6.2 Recommendations

The following recommendations emerged from discussions with respondents. The action-oriented recommendations are:

1. Reduce demand-side SPS-related challenges

- Generate sufficient demand for SPS-related services. Due attention must be given to raising awareness among current and potential users of such services. This can be done through more efficient consumer education focused on the potential benefits of quality assurance services and product certifications to respond to national and international standards and importers' requirements; and thereby improve access to new markets, new clients, and/or higher profit margins.
- Provide easily accessible basic information. This can be on issues such as significance of standards, available services related to standards, associated costs of testing services, and how to access such services. Information should be presented in user-friendly (easy to understand) formats and made available online and in other ways that do not require potential users to physically travel to information sites.

2. Increase and strengthen supply side SPS-related services:

- Strengthen enforcement of mandatory standards. This will increase demand to a

scale which triggers greater supply of higher-quality inspection services.

- ESA needs to expand the scope of its partnerships and represent the country in regional and international standards development for sectors, products, and issues relevant to Ethiopian industries.
- Build the capacities of SPS quality assurance service providers. Do this by equipping, training, certifying, accrediting, and incentivising SPS testing and inspection institutions. Show the benefits of these services through demonstration of projects and by addressing current bottlenecks. Provide high-quality training and mentoring for users and providers that is customised to what they need to know.
- Create easier access to finance and foreign exchanges, through for instance long-term and concessional loans, matching grants, and capital goods leasing until the services generate enough demand and become self-financing.
- To reduce losses and increase the chances of certification, SMEs need to invest to ensure rented warehouses are suitable for HACCP certification or in developing new, more-appropriate storage facilities.

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