



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

The Case of Processed Spices, Chili
Oil, Avocado, Coffee and Tea



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Abbreviations

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
CET	Common External Tariff
CMP	Common Market Protocol
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EBA	Everything But Arms
EDPRS	Economic Development and Poverty Reduction Strategy
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoR	Government of Rwanda
IPPC	International Plant Protection Convention
LDC	Least Developed Country
MINAGRI	Ministry of Agriculture and Animal Resources
MINECOFIN	Ministry of Finance and Economic Planning
MINICOM	Ministry of Trade and Industry
NAEB	National Agricultural Export Development Board
NISR	National Institute of Statistics
NPPS	National Plant Protection Services

NTBs	Non-Tariff Barriers
RALIS	Rwanda Agriculture and Livestock Inspection and Certification Services
RDB	Rwanda Development Board
RRA	Rwanda Revenue Authority
SPS	Sanitary and Phytosanitary
SQMT	Standardization, Quality Assurance, Metrology and Testing
ToRs	Terms of Reference
WHO	World Health Organization
WTO	World Trade Organization

SECTION 1

General Background

1.1 SPS Requirements for Exports

In today's increasingly globalised world, international trade negotiations are a key aspect to any country's development agenda. Trade has been historically used as a means to boost the economy's progress towards achieving development goals. The key agenda for Least Developed Countries (LDCs) is to bolster their exporting potential. In support of this agenda, 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 It also 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 in 2016, they amounted to more than €116 billion.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 in 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 continues 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 implemented by states should be 'based on sound scientific methods' and should also only be applied only to 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

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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

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. The 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. It also 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 (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. They also include a range of criteria 'such as requiring products to come from a disease-free area, inspection of product 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, animal and plant health standards as well as ensuring 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 requirements do not only impede trade but also, non-compliance with them have far greater negative consequences; such as rejection of an entire shipment at the port of entry which results to a 'loss of both the revenue expected from sale of the goods and the costs of their transportation. In addition to this, repeated refusal or destruction of non-SPS compliant goods damages the reputation of the exporting country while consequently affecting 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 competitive prices, quality and safety standards, their export potential and market share also increases.¹⁰ An analysis of SPS measures relating to agricultural trade reveals disease outbreaks and pest control constitute the largest share of concerns of food safety. 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 SPS Agreement not only provides international regulations to member states but also recognizes their rights to employ their own scientific measures to protect plant, human and animal health. 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 organizations in the fields of human, animal and plant health, to harmonize the standards and facilitate trade that safeguards the health of consumers. The international standard-setting organizations are; The Codex Alimentarius Commission, the World Organisation for Animal Health (OIE) and the International Plant Protection Convention (IPPC). They each focus on one aspect of the SPS issue- 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 is a science-based organization and a subsidiary organ of the Food and Agriculture Organization (FAO) based in Rome. It has the authority to draft international food safety standards for the SPS measures. The Commission is funded by both the FAO and the World Health Organization (WHO), which established the Codex in the 1960s. It was established after the two organisations recognized the crucial importance of international public health protection and 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)

OIE is the world organization concerned with animal health. It was founded in 1924 and develops amongst other things, health standards for trade in animals and animal products. It also develops recommendations and guidelines with regards to animal health.

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/>

In 1998, a formal cooperation between the WTO and the OIE was agreed.¹⁸ Currently 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 180 countries. Its mandate is to 'protect the world's plant resources from the introduction and spread of pests alongside promoting safe trade'.²⁰ The organisation was established in 1992 and is 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 a 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. It also 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/coher_e/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, three potential negative impacts are linked to the high burden of the costs of compliance with private standards for suppliers in developing countries. Firstly, suppliers 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. Secondly, due to the numerous private standards, exporters are forced to collect information on each of the relevant

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.

standards and ensure compliance with each of them.³³ Lastly, there are doubts about whether private standards go beyond what is scientifically justified. Concerns exist that standards might be manipulated by protectionist lobbies.³⁴ The SPS Agreement specifies 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. The program focuses 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 (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 products such as coffee, tea, fruits and vegetables. It is also a pre-farm-gate standard, implying that for the relevant products, certification is applicable from the planting of the seed until their transportation. 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 requirements include; the registration of the production farm, the amount of plastic and containers used, as well as social aspects. Farmers can apply for certification after having carried out a self-inspection and undergoing an external inspection conducted by a certification body.³⁸

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=60956,30105,87818,51372,55405,70258,72054,79449,60343,57815&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=60956,30105,87818,51372,55405,70258,72054,79449,60343,57815&CurrentCatalogueIdIndex=3&FullTextHash=1&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True

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

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?

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>

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

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 while 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 of global dissemination of plant health hazards are an imminent risk, making the harmonization and implementation of SPS measures 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 by clarifying which factors governments can take into account when imposing necessary SPS measures. Additionally, countries in need of changing trade-related sanitary and phytosanitary requirements 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 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,

[/disdier_issuepaperno12.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_Krivosos_IPPC_trade_revised.pdf

⁴³
https://www.ipcc.int/static/media/files/publication/en/2017/10/5_Krivosos_IPPC_trade_revised.pdf

⁴⁴
https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

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, consumers in developing countries are also expected to benefit due to 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, which are largely produced and exported by developing countries. Second, the technical knowledge, production facilities as well as necessary infrastructure are oftentimes

lacking in developing countries. These challenges can even incentivise developing countries from investing in 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". The WTO Secretariat also provides technical assistance. The provision of technical assistance is mainly done through the organisation of workshops and seminars on provisions of the Agreement and implementation strategies.⁴⁷ Such 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

2.1 The Case of Rwanda

In Rwanda, SPS measures are considered very important in ensuring human, animal and plant health for multiple reasons. The most important include, development of the agricultural sector by benefiting from free trade in agricultural products with regional and international trading partners and ensuring quality production to achieve food security and safety. For Rwanda, SPS measures are part of the standards that have to be upheld to ensure quality for all consumers. At a national level, the SPS issues are handled and coordinated by Rwanda Agriculture and Livestock Inspection and Certification Services (RALIS), which is a department of the Ministry of Agriculture and Animal Resources (MINAGRI). In this regard, the main focus is to prevent the introduction, spread and establishment of alien pests, diseases and weeds into the country in compliance with the WTO-SPS Agreement, the IPPC Standards and national regulations. The department is responsible for the overall coordination of all the functions that the National Plant Protection Services (NPPS) is supposed to fulfill. Such functions include; the enforcement of the Rwanda Plant Health Law and regulations for phytosanitary measures necessary for trade, plant pest/disease monitoring, surveillance and diagnosis, carrying out pest risk analysis and conducting inspection & certification. It also delivers animal product certification services including enforcement of sanitary laws, monitoring and surveillance of animal diseases, and animal inspection and certification. Lastly, the NPPS contributes to the preparation and the

implementation of agrochemical law. The requirements to ensure compliance to the set measures is applicable to both exports and imports.

It is also important to note that the SPS regulatory issues and related dynamics are not only a relevant focus on the international level in the context of the WTO but rather also an issue of interest in regard to regional trade and integration in general. For example, in the regional context, SPS issues have emerged after tariff liberalization within the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) has made free trade in staple foods a reality. Rwanda belongs to EAC and COMESA regional communities, is currently negotiating the COMESA-EAC-SADC Tripartite Free Trade Agreement (TFTA) and has also signed and ratified the African Continental Free Trade Agreement (AfCFTA).

2.2 Objectives of the Study

This study aims to develop a directory for understanding the national and international quality infrastructure and related services specific to SPS requirements. The focus is on the trade between Rwanda and the EU (including with Germany, where variances occur). The study is meant for Small and Medium Size Enterprises (SMEs) in the country, to support the participation of these firms in meeting national and international SPS requirements and quality standards, so as to leverage the market access opportunities provided by the EU. The study comprises two

main parts. First, the study provides information on regulatory and commercial requirements for SPS measures within Tea, Coffee, Rice, Avocado, Chilli Oil and Processed Spices sectors in Rwanda. The second part provides a status-quo of the landscape of actors/institutions and services involved in SPS-related quality infrastructure, including all relevant related services (quality assurance, standardization, accreditation, metrology, and certification infrastructures) within the country. The general focus is on public, private and de-facto mandatory certifications such as Global GAP, HACCP, IFC, BRC, ISO 22000 to cite a few. Recent efforts by international organization to facilitate compliance with SPS requirements are also part of the study (for example “the e-Phyto Solution” of IPPC and “e-vet” of OIE).

Based on the Terms of Reference (ToRs), the study explores the regulatory and commercial requirements for SPS measures in the covered sectors. In addition, the study through an undertaken survey provides views, perspectives and experiences specifically with SMEs involved (or with potential SMEs) in export of the products in the covered sectors. In this light, the following products are herein covered; coffee, tea, avocado, chilli oil and processed spices (these include lemon, ginger, and pyrethrum).

In terms of approach and methodology, this study is based on a review of relevant national related policies, laws and regulations as well as national consultations with relevant stakeholders; including representatives of the public sector. The process basically involved the following activities: conducting a desk

study (desk research); visiting relevant national institutions and stakeholders to collect data and information; and consulting other international sources relevant to the matters covered herein.

2.3 Important considerations on Rwanda’s exports

Exports are central to achieve the economic goals of Rwanda’s Development Vision⁴⁹ that is currently transitioning from Vision 2020 to Vision 2050. Export growth is targeted at 28% per annum⁵⁰ and is marked as a crucial component to achieving balance of trade and balance of payments improvements. As a member of the WTO, Rwanda has preferential market access to a number of international markets. Rwanda also benefits from preferential market access schemes to many countries through initiatives such as EU’s EBA⁵¹ program and the United States of America’s Africa Growth and Opportunity Act (AGOA). In addition, Rwanda has negotiated and is negotiating a number of bilateral and regional trade agreements.

Key existing exports markets

In terms of destination, Rwanda’s largest single exports destination is Democratic Republic of Congo (DRC) since 2015. This accounts to 22% of Rwanda’s exports, which largely are re-exports of fuel products and manufactured products. The second largest destination of Rwanda’s exports is Kenya

⁴⁹Government of Rwanda – Ministry of Finance and Economic Planning (MINECOFIN): *The National Vision 2020*

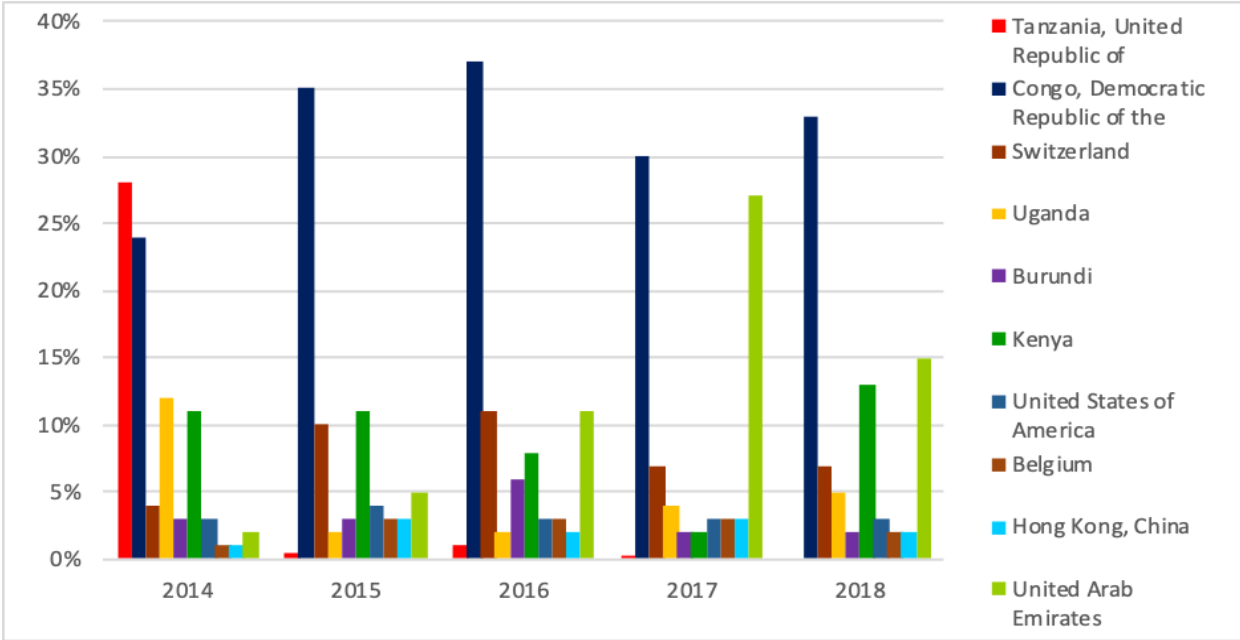
⁵⁰ Ministry of Trade and Industry (MINICOM): Revised *Rwanda National Exports Strategy (NES II) – 2014*

⁵¹ Ministry of Trade and Industry (MINICOM): *The Rwanda Trade Policy (2010)*

(14%), followed by Tanzania (11%), Switzerland (9%) and United Arab Emirates (7%). Other important destinations include

Uganda (6%), Belgium (5%), Burundi, Hong Kong/China and United States (3% each).

Figure 2: Top 10 Destinations of Rwanda’s Exports (2004-2018), % Share



Source: Author’s calculations based on ITC data

Regional market is the most important export destination for non-traditional exports and re-exports while markets in the Middle East, Asia and Europe are mostly for traditional commodities (tea, coffee and minerals) and horticultural products (still in low volume and value but slowly picking up). Together, these top 10 export markets accounted for a bulk share of 83% of total value of exports over the last 10 years. This indicates a limited market diversification. In the EU market the key country for Rwanda’s exports is Belgium.

2.4 Key responsible institutions and agencies

The cross-cutting nature of export growth requires a strong monitoring mechanism for

overseeing implementation of activities related to export growth as well as for identifying and removing related bottlenecks. In this regard, different ministries and agencies play different roles in the implementation of relevant export support policies and strategies as well as related support services. The lead institutions and agencies supporting export activities in Rwanda, include the following; Ministry of Trade and Industry (MINICOM), Rwanda Development Board (RDB), National Agricultural Export Development Board (NAEB), Development Bank of Rwanda (BRD) and the Private Sector Federation (PSF). In addition to the specific roles of the respective institutions, an inter-institutional coordination mechanism was put in place at the national level, known as the Industrial Development and Export Council (IDEC).

Roles and responsibilities of key institutions supporting exports

- Ministry of Trade and Industry (MINICOM): MINICOM oversees and coordinates implementation of the National Exports Strategy (NES) amongst relevant institutions. MINICOM also engages on required legislative, policy reform and trade negotiations.
- Rwanda Development Board (RDB): RDB has a separate department that coordinates and engages in all matters concerning the development and support of exporters and the promotion of Rwandan products and services in key markets.
- National Agricultural Export Development Board (NAEB): NAEB is responsible for implementing strategies for developing the agricultural export sectors identified in National Exports Strategy (coffee, tea, horticulture, floriculture). NAEB also works to support exporters by: aiding them in meeting necessary quality

standards in target markets; collecting and disseminating information on local, regional and international markets; coordinating activities of stakeholder networks with regard to agricultural products for export. It reports to IDEC on progress and highlights any challenges faced.

- Development Bank of Rwanda (BRD): The Development Bank of Rwanda is responsible for overseeing the rollout and management of the Export Growth Facility (EGF). This includes its rollout among the wider commercial banking sector.
- Private Sector Federation (PSF): The PSF is the umbrella organization for the business community in Rwanda that brings together all private sector businesses (companies), including those in the exports businesses. The organization provides various relevant services including coordination, advocacy, market research and capacity building.

SECTION 3

Regulatory and commercial SPS requirements

The Government of Rwanda has established product requirements to achieve policy objectives such as the protection of human health or the environment. Specifically, on SPS measures in regard to exported products, the main focus is on horticulture, food and animal products. In this regard, the government has put in place an institutional framework for the management of SPS measures, including standards, inspections, certifications and lab analysis. Additionally, to build competitiveness in international markets as well as the ability to comply with SPS requirements, producers and exporters need to better understand these measures. The regulatory and commercial SPS requirements for Rwanda's exports are well reflected in the national legal and policy frameworks as well as in the relevant institutional structures.

Article 31 of the *Law N° 16/2016 of 10/05/2016* on plant health protection in Rwanda, states that “*The export of a plant or plant product requires a phytosanitary certificate issued by the competent authority. The phytosanitary certificate is issued to a person meeting requirements set by the country of destination of the plant or plant product. The format of a phytosanitary certificate is determined by an Order of the Minister.*”

3.1 Requirements at the National Level

In Rwanda, export requirements and related information are found in full details on an online platform called Rwanda Trade Portal⁵² which is freely accessible to the public. On this website all the relevant information is provided, including detailed procedures and processes to follow, relevant institutions, fees and the relevant laws and regulations on exports. For export support services on a specific product, each area of support is specified, and outputs are expressed into a series of activities to be implemented by the pertinent institutions which are involved. These institutions include; MINAGRI, RALIS⁵³, NAEB⁵⁴ and Rwanda Standards Board (RSB)⁵⁵. In addition to these institutions, there are others that provide additional support services, such as Rwanda Revenue Authority and Banks. All the institutions are located in Kigali, the capital city of Rwanda.

Apart from the specific product requirements, there are general requirements to take into consideration which mainly include the following:

Products Certification

The product Certification is an attestation following assessment indicating that attributes, characteristics, quality, and status of the goods are in accordance with the established standards.

⁵² Accessible at <https://rwandatrade.rw/procedure>

⁵³ <https://www.eralis.minagri.gov.rw>

⁵⁴ www.naeb.gov.rw

⁵⁵ www.rsb.gov.rw

The scope covers food and beverages, construction materials, cosmetics, paper-based products and other industrial products. Certified Products are given a Standardization Mark (S-Mark) to be displayed on the product.

Hazard Analysis and Critical Control Points (HACCP)

HACCP is a widely sought-after certification in the food production, processing and handling industry. It also applies to establishments such as restaurants, abattoirs, pack-houses and fruit juice & vegetable processors. HACCP a tool used to systemically identify, address and monitor food safety risks that may occur within the food handling process. It essentially assures buyers and consumers that food has been processed and handled in an environment that minimizes the risk of food poisoning and the spread of food-borne infections.

Rwanda Standards Board certification (RSB)

The overall aim of RSB certification is to give confidence to all interested parties that (certified) individuals or organizations, goods or services, procedures or processes fulfil specified requirements.

Made in Rwanda logo (signing a Made in Rwanda licensing contract “optional”)

Companies wishing to have the Made in Rwanda logo on their products submit application to RSB. This logo is a symbol of quality assurance and is reserved to products with at least 30% of raw materials from Rwanda.

Made in Rwanda stickers (optional)

Businesses with a valid Made in Rwanda licensing contract can order, through the RSB’s “Track and Trace System”, Made in Rwanda stickers to be attached to their products.

Test Report or Certificate of Analysis

Test Report or Certificate of Analysis is a document issued by RSB, attesting that goods have undergone specified testing, carried out as per national standards, international standards, specific government regulation and other client specifications.

Certificate of origin

Certificate of origin refers to a document that attests in which country export goods have been obtained, produced, manufactured or processed. It is necessary to profit from trade agreements, such as existing arrangements with EAC, COMESA or EU countries; that grant certain Rwandan export products preferential market access.

A phytosanitary certificate

A phytosanitary certificate is an official document issued by RALIS. It certifies that the plants or plant products covered by the certificate have been inspected according to appropriate procedures and are considered to be free from quarantine pests and they are considered to conform with the current phytosanitary regulations of the importing country.

3.2 Requirements at the EU Level

The EU market is very important for current exports from Rwanda, while also offering potential for new emerging exports. The market not only

provides a preferential trade regime for Rwandan exports but also requires the fulfilment of specific standards. In this light, relevant regulations provided by the EU's Export Helpdesk are generally adhered to, however certain products may have to follow specific standards. The following requirements are key for Rwandan exports to access the EU market;

- Certificate of Quality and Voluntary Standards
- HACCP or ISO 22000 FSMS
- Depending on the market they can require Fair Trade and Global GAP
- Organic, GFI

According to a few SMEs in Rwanda that have tried to export to the EU market, there are usually more specific additional requirements beyond the general ones, especially if the products are to circulate within the respective EU countries⁵⁶. These requirements are allowed under the EU legal and policy framework and also in line with the EU trade regime. In addition to government set requirements, consumers (and various stores) tend to set their own standards as well. For example, the EU requires the use of HACCP as a minimum for the processing of food, but importers often apply private standards which are much more onerous. Many importers require firms to comply with EurepGAP standards. However, it is often the even higher private standards that determine the potential of commodities and products to make it to retail shelves in the European market. For instance, some EU supermarkets require suppliers to have Fair-trade certification for many of the items that Rwanda produces including tea and horticultural products. The Rainforest Alliance certification is required by

many of the larger tea and coffee brands that are European based⁵⁷.

According to the relevant EU regulations, the following official requirements are worth mentioning;

Product-specific requirements on the EU market

- Control of contaminants in foodstuffs
- Control of pesticide residues in plant and animal products intended for human consumption
- Health control
- Health control of foodstuffs of non-animal origin
- Traceability, compliance and responsibility in food and feed
- Labelling of foodstuffs

Voluntary – Products from organic production

Exports to the EU market of live or unprocessed agricultural products, processed agricultural products for use as food, animal feed, seeds and vegetative propagating material, bearing a reference to organic production methods, must comply with the rules laid down by Council Regulation (EC) No 834/2007 (OJ L-189 20/07/2007) (CELEX 32007R0834). These rules, established by Council Regulation (EC) No 834/2007 and Commission Regulation (EC) No 889/2008 (OJ L-250 18/09/2008) (CELEX 32008R0889) cover mainly the following aspects:

⁵⁶Interview feedback from Mr. Vianney Kabera, Managing Director of Freshpack Rwanda Ltd and Chairman of the Rwanda Horticulture Exporters Association

⁵⁷Government of Rwanda – Ministry of Trade and Industry (MINICOM *Private Sector Development Strategy (2013-2018)*)

- Production, processing, packaging, transport and storage of products; and
- Use of certain products and substances in processing of food (Annexes VIII and IX of Commission Regulation (EC) No 889/2008). A list of ingredient authorizations is available in the Data base of the Organic Farming Information System (OFIS) official website⁵⁸

The EU regulatory framework

Upon entry in the EU market, the products are checked under the regulatory framework that includes the following elements;

Country authorization

In order to ascertain that goods have been obtained according to production rules equivalent to those laid down in the Community, the European Commission makes a thorough investigation into the arrangements in the country concerned. It does not only examine the requirements imposed on production but also the measures applied to ensure effective control. Where rules are found to be equivalent, the third country is included in the list of authorized countries.

Control by recognized inspection body

The Commission has established a list of control authorities and control bodies competent to carry out inspections in countries not included in the list of recognized third countries (as stated in Annex IV to Regulation (EC) No 1235/2008). The function of these bodies is to guarantee that products have been produced in compliance with Community production rules (Article 32 of Council Regulation (EC) No 834/2007) or are

equivalent to Community legislation (Article 33.3 of Council Regulation (EC) No 834/2007).

Documentary check

Imported consignments must be accompanied by documents issued by the competent authority or body in the third country, attesting that the consignment complies with the Community legislation. Imports from authorized countries, products that have been produced in equivalence with Community rules and importations on a case-by-case basis should obtain an inspection certificate issued by the competent authority or body in the third country according to Annex V of Commission Regulation (EC) No 1235/2008. The original certificate must accompany the goods to the premises of the first consignee thereafter the importer must keep the certificate at the disposal of the inspection body and/or inspection authority for not less than two years.

Verification of the consignment

The release for free circulation into the EU of a consignment of organic products is conditioned by the submission of the original certificate of inspection to the relevant Member State's authority, the verification of the consignment by the relevant Member State's authority and the endorsement of the certificate of inspection.

Relevant EU Regulations

- Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91 (OJ L-189 20/07/2007) (CELEX 32007R0834).
- Commission Regulation (EC) No 889/2008 of 5 September 2008 laying down detailed rules for the implementation of Council

⁵⁸http://ec.europa.eu/agriculture/ofis_public/r7/ctrl_r7.cfm?targetUrl-home

Regulation (EC) No 834/2007 on organic production and labelling of organic products with regard to organic production, labelling and control (OJ L-250 18/09/2008) (CELEX 32008R0889).

- Commission Regulation (EC) No 1235/2008 of 8 December 2008 laying down detailed rules for implementation of Council Regulation (EC) No 834/2007 as regards the arrangements for imports of organic products from third countries (OJ L-334 12/12/2008) (CELEX 32008R1235).
- List of bodies or public authorities in charge of inspection provided for in article 15 of Regulation (EEC) No 2092/91 (OJ C-72 26/03/2009).
- REX – Registered Exporter System: This is a system of certification of origin of goods based on a principle of self-certification (the system requires beneficiary countries to enrol in order to qualify). For Rwanda, the application of the REX system became effective as of from 1st January 2018.

3.3 Required fees (payable fees)

The payable fees are product specific, which means that the required fees are charged depending on the product.

Note: For the covered five (5) products herein, their specific fees are provided in the respective profiles provided in annex.

3.4 Requirements for specific products (products' profiles)

The requirements for specific products (products' profiles) are provided in a detailed manner on the five (5) covered sectors of Coffee, Tea, Avocado, Chilli oil and Processed spices (these include lemon, ginger, and pyrethrum) in Annex I. The detailed product specific requirements therein are in the following broad categories:

Required documents and certificates

Generally, the key documents include the following; Payment receipts, Phytosanitary certificate, Export license, Packing list, Release order, Relevant licenses, Relevant contracts and Relevant invoices.

Involved institutions

The mentioned institutions are those that an exporter interfaces with during the process of exporting a particular product. The involved institutions play various roles including; receiving payments (like banks), testing the standards and certifications, clearing the consignments and providing relevant licences and permits.

Payable fees

The fees include application fees, inspection costs, payments for certifications and permits (fees are charged depending on the product).

SECTION 4

SMEs Involved in the Examined Sectors

First and foremost, as far as exports and SMEs are concerned, it is very important to point out that SMEs in Rwanda are struggling to be successful exporters. The reality on the ground is that, only a few SMEs are exporting to international markets, such as the EU. According to the MINICOM, majority of SMEs in Rwanda still lack the capacity to export and are still trading locally and supplying the domestic market. To a certain extent some are part of the value chains that feed into the big companies that are involved in the export trade. According to the national SMEs Policy, an SME is defined based on the net capital investment, the annual turnover and the number of employees and the companies that fit into this category do not have capacity to export yet.

For the few budding SMEs involved in the export business, opportunities for penetrating the EU markets are being identified and some progress has been noted for various products including; Coffee, Tea, Avocado, Chilli Oil and Processed Spices. However, exported volumes are still low. According to relevant institutions the government of Rwanda is supporting and building capacities of SMEs to be more competitive so as to improve their exports in international markets like the EU⁵⁹.

4.1 The issues faced by SMEs exporters or those with potential to export

Generally, exporters in Rwanda are faced with a number of challenges including the capacity to meet the required standards and the high costs of related logistics. As far as meeting export standards is concerned, it is more difficult for SMEs. For Example, lacking the understanding of international standards and failing to meet those standards, combined with the high cost of product certification tends to be barriers for SMEs and their prospects to export.

According to the relevant national policy documents (such as the National Exports Strategy, the Private Sector Development Strategy and the SMEs Development Policy) and the interviews conducted with exporters (including the Chairman of the Rwanda Horticulture Exporters Association), export requirements are a challenge for most SMEs and some procedures relatively costly. The main issues pointed out include the following:

⁵⁹ According to an interview with Mr. Isaie Bitegetsimana, Technician at SINA GERARD URWIBUTSO Ltd

Limited and constrained access to finance

Rwandan SMEs lack sufficient funds to invest in export activities and this is a major internal factor that is hindering their efforts⁶⁰. This is due to the fact that most financial institutions are reluctant to provide loans because of the assumed high risk to lend to SMEs given the cost/benefit ratio in terms of time and resources required to process SME loans. This hinders growth as SMEs that have the skills to scale-up or move into manufacturing and processing are constrained due to their limited access to finances⁶¹.

Limited human resources and capacity

Having a lack of knowledge about foreign markets and failing to meet their demands in quantity and quality are also hindering factors for SMEs' abilities to export. Furthermore, a lack of networking and foreign market representation also impedes the success of exporting SMEs in Rwanda. However, dealing with such issues requires knowledgeable human resources and appropriate capacities, which are largely lacking among SMEs in Rwanda.

Limited coordination and partnerships

Networking, coordination and partnerships, which would be important aspects for promoting and facilitating exports of SMEs are largely lacking, which has limited their ability to export, despite their potential.

Lack of a nurturing environment

According to some exporters who were interviewed, there is a need to nurture the

environment in terms of supporting SMEs with potential to export and strengthening the supply chains. To them, there is lack of specific policy environment that focuses on directly dealing with all issues related to the growth of SMEs. This has not allowed clear, specific and focused interventions to support SMEs to a level of empowering them to export.

Lack of appropriate and customized support services

The (low) quality and "one size fits all" approach for business development services means that the private sector does not take advantage of them in an appropriate manner in regard to SMEs development and capacities to export. Although PSF is currently trying other possible models, they are not fully equipped to address related constraints that are specific to SMEs.

Structural and regulatory challenges

Complying to regulatory requirements usually attracts extra costs which eventually become burdensome to SMEs that are already struggling financially to sustain business operations. For example, the processes, procedures and related requirements that Rwandan exporters are required to comply with under the regulatory environment in Rwanda are costly. Consequently, SMEs find it a challenge to comply compared to the large companies that have the technical and financial resources to comply.

Lack of supportive infrastructure especially in rural areas

Inadequate infrastructure for rural SMEs development inhibits the implementation of

⁶⁰Government of Rwanda – Ministry of Trade and Industry (MINICOM); *Small and Medium Enterprises (SMEs) Development Policy* (2010)

⁶¹Government of Rwanda – Ministry of Trade and Industry (MINICOM); *Revised Rwanda National Exports Strategy (NES II) – 2014*

innovative ideas and the provision of services. Due to undeveloped infrastructure (such as, paved roads, internet as well as water and electricity) in rural areas, the SMEs there usually find it difficult and challenging to access information, reach out to partners, acquire inputs and transport their products in an efficient and timely manner. Again, this challenge not only affects the rural SMEs but also the SMEs in the urban areas that have to do business with them in their respective supply/value chains.

4.2 Challenges faced by exports to the EU and Germany

Presently, Rwandan exporters are yet to make the most of the European Union duty-free trade opportunities that are provided to Rwandan originating products. The limitations for Rwandan exporters or potential exporters to access the EU market are due to challenges, which include the following:

High transport costs

As a landlocked country, Rwanda continues to deal with the issues of high transport costs and how to reduce those costs. It has been observed that the factors influencing the cost of trade go beyond the cost of ports and trade corridors and include the efficiency and competition within the regional freight transport sector, in-country distribution infrastructure and logistics services. Consequently, Rwandan exporters have often resorted to air transport which is an expensive alternative for SMEs in the exporting business.

High logistical costs to access EU markets

One of the challenges faced by Rwandan exporters on the EU markets is the high logistics costs⁶². In addition to high transport costs with unique and specific challenges, there are other challenges related to high logistical costs. According to NAEB, these are costs associated to related undertakings such as, market research, SPS and other standard conformity, marketing, packaging, labelling and storage.

Lack of adequate market information on the EU market

Most of the Rwandan exporters and potential exporters lack specific information related to the EU market. According to some exporters who were interviewed, there is lack of general awareness of the EU market. It is also claimed that, there are challenges of building ties with the European stores purchasing their products and thus creating a reliance on “middlemen” which makes it costly and a barrier for Rwandan exporters to master the EU market and related dynamics.

Lack of understanding of the specific requirements

It is important to point out that having general market information on the EU market is not enough to export successfully. More specific knowledge that is related to other market dynamics including the required standards is necessary. Some Rwandan exporters have lost their products upon arrival in the EU just because they did not have accompanying documents to cover the necessary requirements on the EU market, such as; SPS certificates, corresponding

⁶²Mr. Bill Kayonga, the Chief Executive Officer (CEO) of National Agricultural Export Development Board (NAEB) as

quoted by a local News Paper (*The New Times*) of May 30th, 2019

invoices, packing lists, certificate of origin as well as lack of fulfilling consumer standards⁶³. In such cases, the products are denied entry and destroyed which leads to huge losses for the exporters.

Failure of conforming to standards and other technical requirements

Standards are necessary for many reasons, including environmental protection, safety, national security and consumer information and protection. Although standards and technical regulations vary by country, they are crucial for countries interested in promoting competitiveness, exports and economic growth. The compliance requirements which are spread across several institutions and agencies are often a hindrance to some exporters and potential exporters who at times have limited relevant knowledge and with perceptions of compliance processes to be expensive (which actually is not the case because on average the related costs are not very high – the average compliance cost is equivalent to USD \$250 per consignment). The existing infrastructure for quality assurance in terms of carrying out tests is also not yet effective due to low technical skills, lack of up-to-date modern technologies and insufficient finances⁶⁴.

4.3 Opportunities to enhance exports to the EU and Germany

In regard to the opportunities to enhance Rwandan exports to the EU markets, the following are worth mentioning:

⁶³According to an interview with Mr. Vianney Kabera, the Chairman of the Rwanda Horticulture Exporters Association
⁶⁴Mr. Vianney Kabera, the Chairman of Rwanda Horticulture Exporters Association

Appreciation of Rwandan products

It has been reported that most of the Rwandan products (especially coffee, tea, handicrafts, fruits and horticultural products) are appreciated on the EU market which is a potentially a great opportunity⁶⁵. Indeed, it has been observed that European consumers are interested in Rwandan products and the Rwandan firms have been tipped and encouraged to take advantage of the lucrative EU market.

An open and big market for Rwandan products

The EU is the world's largest single market. With 503 million people and more than 25% of the world's GDP, it is generally a good target for any business. However, for Rwanda, another opportunity is based on the fact that Rwandan firms enjoy preferential conditions to export to the EU that totally remove the duties to pay when entering the EU market. This makes Rwanda products more competitive. Because of Rwanda's LDC status, the Rwandan exporters are allowed to export to the EU on a duty-free and quota-free basis under the EBA trade regime.

Stakeholders' support initiatives

Though not yet permanent and well structured, some initiatives by some stakeholders are being explored. For example, through EU funded initiatives, various stakeholders in both public and private sectors are supported in building relevant capacities to make Rwandan exports possible in the EU market. On various occasions, MINICOM and other relevant institutions have teamed up with the International Trade Center (ITC) and the EU to increase and diversify Rwandan exports on

⁶⁵According to Mr. Bill Kayonga, the Chief Executive Officer (CEO) of NAEB as quoted by *The New Times* of May 30th, 2019

the EU market. This is undertaken through capacity building programs for the Rwandan exporters. Most often, the support helps exporters and potential exporters to understand the EU market and the requirements for successful access.

In addition to the specific opportunities on the EU, there are other general opportunities on the side of Rwanda that can be utilized even for Rwandan exporters interested in the EU market. These opportunities include the following:

Rwanda's Export Growth Facility (EGF)

Exporters and potential exporters in Rwanda are supported financially through the Export Growth Facility with better terms compared to other traditional financial instruments. The EGF is designed as a single fund with three separate windows for funding: 1) an investment catalyst fund to encourage export focused investments, 2) a matching grant fund for medium sized exporters to meet specific requirements in target markets and 3) an export guarantee facility to underwrite exports. This has encouraged, supported and sustained exporters which has in turn increased exports because potential exporters with clear business plans and markets to supply are eligible to access this financial facility.

The "Made in Rwanda" initiative

The 'Made in Rwanda Policy' is designed to help boost local industrial contribution to economic growth while promoting the brand of Rwandan products at the global stage. This aims to reduce the country's burden of relying on imports while also promoting local products.⁶⁶ The initiative also seeks to promote consumption of locally made products through deliberate awareness

drives, enhance quality standards, branding and packaging along the value chain as well as boosting Rwanda's export potential.

Value addition measures

Most producers of various products in Rwanda are encouraged to embrace value addition to maintain competitiveness, especially for export products. This has very much been reflected in the areas of agro-processing and agribusiness. For example, the good performance of traditional agricultural exports resulted to NAEB increasing the number of coffee washing stations across the country and providing technical trainings to farmers. These efforts helped to increase the quality of coffee from 30% in 2013 to 60% in 2018 of fully washed coffee of total production⁶⁷.

⁶⁶Government of Rwanda – Ministry of Trade and Industry (MINICOM): *Made in Rwanda Policy (2017)*

⁶⁷National Agricultural Export Development Board (NAEB) Strategic Plan 2019 – 2024

SECTION 5

Conclusion and recommendations

As reflected in this study, Rwanda is keen on enhancing the required infrastructure and relevant policy and legal measures to support firms (especially SMEs) in the country to conform to SPS related measures and requirements. This is done with the view to support and enhance the capacities of these firms to export while meeting national and international SPS requirements and quality standards, like at the EU markets.

The capacities of Rwandan firms to export are still low and according to the second National Exports Development Strategy (NES II), the most important reason for not exporting among SMEs in Rwanda appears to be that they deem their products not suitable for export. This is naturally in line with the fact that a vast majority of SMEs mostly sell to the local market. The very few firms that have tried to export to the EU market or those that have interest are faced with challenges that need to be addressed. These challenges include; cumbersome paperwork, high transportation costs, minimum quantity requirements, quality standards including SPS measures which require high compliance costs and insufficient market information. In regard to the SPS related issues, the following recommendations are hereby proposed on best practices to conform to SPS measures and the necessary interventions to enhance SMEs exports to EU and Germany.

5.1 Best practices with regard to conformity to SPS measures

Strengthening Rwanda's Quality Infrastructure and Standards Program (QISP)

Generally, there is a need to strengthen Rwanda's existing QISP at the national level. This requires enhanced technical and financial assistance to improve the country's overall SPS capacity. The latter is important to serve as a foundation on which specific relevant interventions can be implemented in regard to the respective sectors.

Increased investments in strengthening relevant capacities

More investments should focus on strengthening of the existing national capacity, to conduct risk analysis, undertake phytosanitary inspections and issue certificates. This can be achieved through investment in staff recruitment and training, laboratory facilities and communication technologies.

Targeted training for farmers

There is a need for targeted capacity building for farmers, by training them on Good Agricultural Practices (GAP). The capacity building should also focus on supply and value chains management focusing on identifying, testing and developing supply chain management arrangements for key potential crops, such as,

coffee, tea, bananas, sweet potatoes, hot peppers and pineapples, planting material and improvements in chain management.

Mobilizing the required resources

There is a need to mobilize both financial and technical resource with an aim to establish the supporting environment for all stakeholders at the same time building capacities and abilities of exporters to comply. In this regard, the Government should work with development partners to consider a long-term project that can work hand in hand with multiple stakeholders. This is so as to build their capacities to comply with the set standards. The proposed project should consider customized technical assistance to be provided to producers, processors and exporters throughout the country. The technical assistance should also cover topics directly related to good farming practices, post-harvest handling including storage, processing, packaging, marketing as well as all related good business and manufacturing practices.

Enhancing capacity building on SPS measures

While interviewing the stakeholders, it is evident that there is lack of knowledge and sufficient awareness on SPS issues at all levels; whether it is about policy and legal requirements domestically and in the export destination countries or WTO SPS Agreement on SPS issues at the global level. Apart from the few responsible officials from the Ministry of Agriculture who have undertaken some relevant training courses, the other stakeholders involved still lack sufficient knowledge about the issues. This necessitates the need to conduct awareness campaigns among the key stakeholders and also provide specialized training to government officials who can then be deployed in relevant institutions. The training should also be extended to the responsible experts

and technicians working in relevant private companies.

5.2 Necessary interventions to enhance SMEs exports to EU and Germany

Facilitating access to information

There is a need for deliberate efforts to support SMEs by enabling them to have access to relevant information. Such information include; market opportunities, trade regime between Rwanda and the EU as well as with Germany, relevant connections, ways of penetrating in the EU markets, required transportation modes and the logistics dynamics. This study and the attendant manual is a good step towards that effort, which could also be enhanced by electronic (easy to access) information that can be shared through either a website.

Increasing productivity

It is important to ensure the expansion of production land and productivity per hectare by using quality inputs and value addition. The relevant institutions like NAEB should continue to engage more investors in the sector, help farmers to be more focused in business-oriented agriculture rather than traditional farming. Increased productivity is very important for interested exporters to have sustainable supplies.

Boosting access to finance

Most of the requirements for sustainable commercial agriculture that also ensures that SPS issues are well addressed among others is costly

and requires financial resources. The government should work on enhancing agricultural productivity through addressing challenges including insufficient financing facing the agriculture sector. This can be achieved by putting in place special financial packages to provide requisite support.

Supporting SMEs to meet the standards requirements

MINICOM should work closely with the RSB to support SMEs that have an interest in engaging in their products. The support should ensure that the products of the respective SMEs are meeting standards in foreign markets. In addition, the RSB must assist the respective SMEs with certification of required export standards and also to work on harmonising national requirements with EAC and

COMESA countries standards to increase the number of certified products.

Establishment of an Export Development Program

The Exporter Development Program should be put in place and should comprise three components, all of which prioritise the SMEs that are most likely to export. Firstly, the export capacity component should provide selected SMEs with the help of designing and implementing export marketing plans; the market linkage component should work to put Rwandan SMEs in front of potential clients and help them generate new export sales; and lastly, the export advisor component should aim to improve the ability of a group of experts to provide export-focused consultancy services to SMEs with existing and potential abilities to export.

