



EAST AFRICAN COMMUNITY

DRAFT EAST AFRICAN COMMUNITY FERTILIZER POLICY

JUNE 2021

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List of Abbreviations and Acronyms

AOAC	Association of Official Analytical Chemists
AU	African Union
CAADP	Comprehensive Africa Agriculture Development Program
CAN	Calcium Ammonium Nitrate
CBO	Community Based Organization
COVID-19	Coronavirus Disease of 2019
DAP	Diammonium Phosphate
EAC	East African Community
EAC-ARDP	East African Community Agriculture and Rural Development Policy
EAC-ARDS	East African Community Agriculture and Rural Development Strategy
Ha	Hectare
IFDC	International Fertilizer Development Center
ISO	International Organization of Standardization
Kg	Kilogram
M&E	Monitoring and Evaluation
Mt	Metric tons
NGO	Non-Government Organization
NPK	Nitrogen, Phosphorus, and Potassium
SACCO	Savings and Credit Cooperative

Executive Summary

The East African Community (EAC) Fertilizer Policy has been developed following the Council of Ministers' Directive, and the EAC Regulatory Framework and Procedures for fertilizer marketing validated and adopted during the 7th EAC Sectoral Council of Ministers of Agriculture, Livestock, Fisheries and Food Security, in Kigali on 5th September 2014. It guides the development of legal instruments, strategies, programmes, and projects in the fertilizer industry in the realization of the overall objective of the EAC within the agricultural sector, to achieve food security and rational agricultural production, in tandem with the EAC Treaty and the EAC Agriculture and Rural Development Policy and Strategy. Further, Article 45. 3 (c) and (m) of the EAC Common Market Protocol promotes cooperation in production, availability and distribution of quality farm inputs in sufficient quantities in the Partner States. This calls for harmonized quality and standards of inputs, which includes fertilizer.

The agricultural sector contributes heavily to the livelihoods, growth, and development of the six EAC Partner States, providing food, employment, and incomes to the population. The success of agricultural productivity relies substantially on agricultural inputs, of which fertilizer is key. The coordinated efforts of the EAC Partner States create market advantages that could be leveraged for the development of the fertilizer industry in the region and the ultimate benefit of smallholder farmers. The EAC Fertilizer Policy is, therefore, a strategic move by the EAC Partner States to achieve the goals of the EAC Treaty and the EAC Agriculture and Rural Development Policy and Strategy by anchoring the benefits that come with regional integration and harmonization.

The Policy is organized in six sections. Section one contains background information on the situational analysis of the fertilizer industry and policy reforms that have been undertaken at the continental, regional, and Partner State levels relevant to the development of the fertilizer industry in the region. Section two describes the rationale and justification for the formulation of the Policy. Section three describes the goal and objectives of the Policy. Section four spells out the guiding principles by which the Policy and any of the instruments made under it will be directed. Section five details the policy statements. Finally, section six covers implementation and financial arrangements, outlines the roles of stakeholders, and describes the monitoring, coordination, and evaluation mechanisms, along with review of the Policy.

1.0. Introduction and Background

The Republics of Burundi, Kenya, Rwanda, South Sudan, Uganda, and the United Republic of Tanzania are part of the East African Community, established by the Treaty for Establishment of the East African Community on 30th November 1999. The Treaty entered into force on 7th July 2000, upon ratification by the Republics of Kenya, Uganda, and the United Republic of Tanzania. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on the 18th of June 2007 and became full Members of the Community from 1st July 2007, while the Republic of South Sudan acceded to the EAC Treaty on 15th April 2016.

The agricultural sector is the backbone of the EAC Partner States and is central to the countries' economic growth, food security and nutrition, and poverty reduction. Fertilizer is a key agricultural input; consequently, developing sustainable fertilizer markets and increasing farmers' access to fertilizers could bolster agricultural productivity and improve livelihoods. The increased use of fertilizer can also contribute to reduced malnutrition, higher income from higher yields, and increased production and exports of strategic agricultural commodities. Improved fertilizer markets could also create opportunities for investment and production, contributing to economic development in the EAC Partner States. EAC Partner States have previously put in place several initiatives that are aimed at improving fertilizer use, and regulation is being developed in this area both at the Partner State and Community levels.

EAC Partner States have also been pursuing fertilizer industry development through various initiatives, but challenges still remain. The fertilizer industry in the EAC region continues to have persistent gaps in the legal and regulatory framework, coupled with tariff and non-tariff barriers, which have affected trade and the development of the fertilizer market. These challenges make evident the need for a policy framework that harmonizes and streamlines the operations of all actors, including the Partner States and other stakeholders, in the fertilizer industry in the EAC region.

The formulation of this Policy is grounded in the EAC Agriculture and Rural Development Policy (2006) and the EAC Agriculture and Rural Development Strategy (2006), both of which highlight the importance of agricultural inputs such as fertilizer, to the development of the agricultural sector in the Community. This Policy has been developed by the EAC Secretariat following wide consultations both at Partner State level and EAC regional level. The national consultations involved a number of stakeholders including government, private sector, development partners and civil society. This was aimed at ensuring ownership and understanding of the obligations and responsibilities of all the stakeholders this Policy concerns.

1.1. Policy Reforms

Increasing production by enhancing productivity is one of the priority objectives under the EAC Agriculture and Rural Development Policy (EAC-ARDP) of 2006, the 2005 – 2030 EAC Agriculture and Rural Development Strategy (EAC-ARDS) of 2006, and the EAC Common Strategy and Action Plan for Food Security. The EAC-ARDP and the EAC-ARDS recognize that one of the main constraints to crop production in the Community is the low use, high cost, and limited availability of agricultural inputs, including fertilizer. Consequently, the EAC Partner States committed, as part of their policy statement under the EAC-ARDP and as a strategic intervention under the EAC-ARDS, to promote the development of private sector-led inputs production using locally available raw materials, promoting input supply and trade, strengthen inspectorate services and quality standards for inputs, and strengthen enforcement of the regulations on banned and restricted agricultural inputs. In particular, under the EAC Common Strategy and Action Plan for Food Security, Partner States are encouraged to ensure that they accelerate initiatives aimed at ensuring adequate and cost-effective supply of fertilizers in the EAC region.

At the continental and EAC regional levels, focus has been on developing the agricultural sector and the fertilizer industry. Under the African Union (AU) Comprehensive Africa Agriculture Development Program (CAADP), African countries are required to allocate 10 percent of their national budgets to agriculture in order to attain at least six percent of average annual growth in the agricultural sector. This was reaffirmed in the Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods in 2014. As of 2017, only Rwanda had achieved the 10 percent objective, and only for one year, while Burundi, Kenya, Tanzania, and Uganda have not achieved the objective.

Additionally, the AU Heads of State pledged to end hunger by 2025, by, among other things, supporting and putting in place initiatives aimed at doubling agriculture productivity. Increased availability of and access to affordable agricultural crop inputs, such as fertilizer, is central to achieving these commitments.

More specific to fertilizer industry development in the Partner States, the Abuja Declaration on Fertilizers for an African Green Revolution adopted in 2006 called upon AU Member States to ensure that the level of fertilizer use is at an average of at least 50 kg per hectare by 2015. This commitment shows the importance AU member countries place on fertilizer use. However, none of the EAC Partner States has achieved the stated target.

1.2. Situational Analysis of the Fertilizer Industry

According to a feasibility study conducted by the EAC Secretariat in 2013 to establish regional fertilizer production plants, fertilizer consumption in East Africa is generally low, ranging from only 6-8 kg/ha, less than 10 percent of the world average. The most commonly used fertilizers in the EAC region are diammonium phosphate (DAP), NPK compound fertilizers, calcium ammonium nitrate (CAN), and urea, and they are mostly used for the production of cash crops and on estates. The use of fertilizers in farmer crops

and by smallholder farmers remains extremely low. On the supply side, most Partner States within the EAC depend on fertilizer importation, characterized by the fluctuation of international prices and high transportation costs, which both often translate into high fertilizer prices.

According to data collected by the International Fertilizer Development Center (IFDC), average apparent fertilizer consumption in the EAC region has been increasing between 2010 and 2017 (use latest data). In 2010, the apparent fertilizer consumption in the region was approximately 718,162 tons, which increased to 1,414,163 tons by 2017. This amounts to an increase of 96 percent in apparent fertilizer use in the EAC region, although there have been fluctuations within the individual countries over the years.

In Burundi, the amount of fertilizer consumed has been on the increase since 2010 to 2017, from 10,072 tons to 50,127 tons, respectively, which is a 397 percent increase. In Kenya, there was an increase in fertilizer use between 2014 and 2017, from 485,006 tons to 802,414 tons, respectively, which translates to a 65 percent increase. There was, however, a reduction in fertilizer use in Kenya in 2018 by 32 percent, when only 545,675 tons were consumed. In Rwanda, fertilizer use has been on the increase between 2010 and 2017, from 25,898 tons to 57,899 tons, respectively, which is a 124 percent increase. There was, however, a 23 percent reduction in use in Rwanda in 2015-16, when consumption decreased from 59,238 tons in 2015 to 45,471 tons in 2016.

Tanzania has had a 91 percent increase in fertilizer use, with consumption increasing from 229,411 tons in 2010 to 437,390 tons in 2018. There was a significant reduction in fertilizer use in Tanzania by 28 percent in 2013-14, when consumption declined from 403,268 tons in 2013 to 288,100 tons in 2014. Tanzania is also one of the three countries in the EAC region that has been engaging in production and exportation of fertilizer in the region. The amount of fertilizer produced and exported has been fluctuating over the years, with the highest being 60,652 tons in 2013 and 84,228 tons in 2018 respectively. Fertilizer use in Uganda has had a 99 percent increase between 2010 and 2017, from 33,375 tons to 66,333 tons respectively. There was a 15 percent decline in use in Uganda from 2013-14, from 51,375 tons in 2013 to 41,780 tons in 2014.

Currently, there have been a few fertilizer manufacturing companies that have been established within the EAC Partner States, including in Burundi, Tanzania, and Uganda, which aim to meet farmers' needs for fertilizer at an affordable cost. In addition to fertilizer manufacturing companies there are a number of fertilizers blending companies in Kenya, Tanzania, Rwanda, and Uganda. Recent trends show notable growth in the fertilizer industry in all Partner States. The fluctuations in fertilizer consumption and production in the Community are caused by numerous factors, including inconsistent government policies that affect fertilizer trade, variations in fertilizer prices caused by inconsistent transport and logistics costs, increasing production costs, and other tariff and non-tariff barriers.

2.0. Rationale and Justification

2.1. Major Issues Affecting the Fertilizer Industry

There are numerous challenges that impact the enabling environment for the fertilizer industry in the EAC region which affect all stakeholders throughout the value chain, inhibiting the growth of the fertilizer market. Fertilizer stakeholders especially dealers, face the following challenges: volatility in exchange rates, market distortion due to policy instruments such as subsidies, and tariff and non-tariff barriers. Fertilizer importation and production are capital-intensive ventures, and limited access to finance by fertilizer dealers can act as a disincentive to invest in the fertilizer industry.

Under the EAC Common External Tariff, EAC Partner States agreed to eliminate all taxes on fertilizer; however, in some cases, cross-border duties are still imposed. These taxes are passed on to farmers in the form of increased fertilizer prices. Fertilizer distribution is also a challenge, and marketing networks need to be strengthened, including through agro-dealers who can provide “last mile” market links, access to financing, and knowledge dissemination. Natural disasters including floods and landslides and pandemics such as the coronavirus disease of 2019 (COVID-19) have presented a further strain on fertilizer distribution and marketing networks, highlighting the need to strengthen these systems.

In some Partner States, the fertilizer subsidy programmes run by the government result in price setting and market distortion for fertilizer, which affects market liberation and private sector incentives to invest in the industry. Bulk procurement policies in place in some Partner States also impact pricing and the overall market for fertilizer. Fertilizer subsidies and other government programs should clearly articulate a pathway for demand creation and appropriate strategies that avoid crowding out private sector engagement in the sub-sector.

Most fertilizer used in the EAC region is imported from outside of the region. Relying on international importation of fertilizer often results in increased transport costs, which affects the EAC Partner States and impacts farmer demand for the product. Moreover, in most Partner States, fertilizer options are limited. In addition, in most cases, smallholder farmers in the Community have limited access to finance for fertilizer purchase, which translates into low usage levels. Most imported fertilizer comes in large packages of 25 and 50kgs, yet farmers sometimes prefer smaller packages of 1 kg. Repackaging to packaging sizes desired by farmers can affect fertilizer composition, depending upon the fertilizer, and is sometimes a market entry point for adulterated fertilizer. Smallholder farmers also have limited capacity and knowledge of how to use fertilizer, and most farmers are unable to detect counterfeit or fake fertilizer, a challenge that is increasingly affecting the region. In some Partner States, farmers believe that the soils are fertile and do not require fertilizer or that fertilizer would negatively affect the soil.

In addition to these market challenges, there are other regulatory issues that negatively affect the enabling environment for fertilizer trade in the EAC. For instance, Partner States’ regulatory systems for fertilizer and especially fertilizer supplements are in different stages

of development, and government support programs can distort rather than encourage development of the market. Heterogenous production, labeling, and packaging rules, along with importation and exportation requirements, make movement and adoption of fertilizers throughout the EAC region more burdensome. There is a need for consistent application of quality standards, increased research (including by the private sector) and soil mapping, and expanded availability of extension services.

2.2. Common Objectives

The EAC Fertilizer Policy is developed based on the broader vision of the EAC, and the overall objective for cooperation of EAC Partner States under the EAC Treaty, the EAC-ARDP and the EAC-ARDS, to achieve food security and rational agricultural production within the Community. In particular, Article 105(2) of the EAC Treaty states harmonization of agricultural policies in specific fields of agriculture as one of the areas for cooperation. The EAC-ARDP and EAC-ARDS identify gaps in agricultural inputs supply, availability, and affordability as major impediments to agricultural crop production. It is upon this basis that the EAC committed to promote development of private sector-led input production, supply, and trade.

Fertilizer and fertilizer supplements are essential agricultural inputs, and it is against this framework that the EAC Fertilizer Policy has been developed to serve as an additional step in implementing the key objectives of the EAC Treaty, the EAC-ARDP and the EAC-ARDS to foster sustainable agricultural development in the Community.

2.3. Comparative Advantages Within the Partner States

Comparative advantages exist among the Partner States, which, if leveraged, will be pivotal to promoting fertilizer production and trade in the Community and enhancing agricultural productivity and food security. The EAC Fertilizer Policy has been developed to provide direction on enhancement of Partner States' cooperation in the fertilizer industry for the benefit of the Community, while taking advantage of the collective resources and capacities of the Partner States.

2.4. Potential Fertilizer Production

All EAC Partner States have rich mineral deposits that could be used in fertilizer production. For example, several EAC Partner States have deposits of rock phosphate that can be used in the production of phosphate-based fertilizers, as is the case for Minjingu in the United Republic of Tanzania and Tororo Fertilizer factory in the Republic of Uganda. These produce reactive rock phosphate which can be used as a cheaper source of phosphate for mineral fertilizer in the region. These can also become an export commodity to nearby countries, which would also strengthen national economies and regional trade linkages and generate employment opportunities.

In Tanzania, minerals used in fertilizer production include Minjingu rock phosphates, sangu-ikola carbonatite at Lake Tanganyika, proterozoic ngualla carbonatite (approximately 1,000 million years old) located in a remote area approximately 200 km

North of Mbeya in southwest Tanzania, metamorphic apatite-limestones in the Zizi area of the Morogoro district, and Panda Hill phosphates. In Uganda, there are phosphates in Busumbu and Sukulu in Eastern Uganda and limestone/dolomite/travertine in western and Eastern Uganda. In Burundi, there are phosphate deposits in Matongo, North of Bujumbura, and limestone/Dolomite/Travertine in Burundi in southeastern Burundi, mainly northeast and southeast of Rutana. Natural gas resources, which are available in the United Republic of Tanzania, and Methane gas in Rwanda are a source of raw materials of producing Nitrogenous fertilizers such as urea. Therefore, the EAC region could be a hub for the production of fertilizers.

The EAC Fertilizer Policy is relevant for exploring the possibility of making use of these minerals for the benefit of the region.

3.0. Vision, Mission and Objectives of the Policy

3.1. Vision

A competitive, profitable, and sustainable fertilizer industry in the Community that is responsive to farmers' needs, food and income security, and environmental safety.

3.2. Mission

The mission of the EAC Fertilizer Policy is to create an enabling environment for an effective fertilizer industry in the Community that ensures availability, affordability, and accessibility of fertilizers to farmers, with the aim of achieving increased and sustainable agricultural productivity and improvement of farm incomes.

3.3. Objectives

In line with Article 105 of the EAC Treaty, the overall objective of co-operation in the agricultural sector is the achievement of food security and rational agricultural production within the Community. Fertilizer is a central input in the agricultural sector, which can fuel the increase of productivity, resulting in food security. The Partner States have, therefore, undertaken to adopt a policy for the increase in the rational and informed use of fertilizer with a view of promoting agricultural production and food security. The specific objectives of the Policy are to:

- i. Promote local production of fertilizer through the exploration of local resources to manufacture and blend fertilizer in order to ease access and reduce the cost of fertilizers.
- ii. Promote fertilizer use within the Community and safeguard the interests of farmers against crop nutrient deficiencies, adulteration, misleading claims, and insufficient weight;
- iii. Provide an enabling environment that fosters trade, competition, innovation, and private sector investment in the fertilizer industry in the region, with the aim of making fertilizer more accessible and affordable to smallholder farmers in the region;
- iv. Protect the East African natural environment and its population against the potential dangers associated with inappropriate fertilizer use and disposal, build capacity, and effectively manage fertilizer related-knowledge; and
- v. Facilitate inter- and intra-state trade in fertilizers, through implementation of harmonized procedures and rules mutually agreed at the regional level to dismantle trade and investment barriers.

4.0. Guiding Principles

4.1. Holistic Approach

Fertilizer and fertilizer supplements are naturally multifaceted commodities. They could be minerals, organic substances, and tradable commodities. In improving fertilizer use, the EAC will implement this policy and its instruments while holistically focusing on fertilizer value chains.

4.2. Equity

The EAC recognizes that not all EAC Partner States are at the same level of development. In the spirit of cooperation, Partner States will cooperate with each other to build capacity in matters related to fertilizer registration and licensing, use, disposal, commercialization, and trade.

4.3. Market Competitiveness and Private Sector Engagement

Partner States will ensure that they create market enabling policy and regulatory instruments consistent with the promotion of a competitive fertilizer market at the national and regional levels. Active participation of the private sector will be a priority to enhance the benefit to farmers through reduced fertilizer prices and improved access to a wider range of quality fertilizers. Import and distribution channels will be opened up in order to allow more market stakeholders and extend fertilizer financing along the entire value chain. In addition, measures to encourage and enhance production within the EAC region will be prioritized.

4.4. Legality and Regional Consistency

The EAC Partner States will support the EAC Fertilizer Policy through the adoption of appropriate legislation, regulation, and other measures at the regional and national levels to ensure that the points of cooperation can be implemented. The EAC Partners States will allocate the necessary resources to the implementation of the EAC Fertilizer Policy and its instruments.

4.5. Balanced Fertilization

Partner States will ensure that farmers are provided with and use macro and micronutrients in balanced proportions based on soil testing and crop requirements for different agro-ecological zones. Inorganic fertilizer will be used in balance with other improved inputs (seed, organic fertilizer, etc.) and management practices to raise productivity, integrating the principle of integrated soil fertility management (ISFM).

4.6. Environmental Integrity

Partner States will ensure the efficient use of fertilizer based on the need to protect and conserve the environment. This will include the need to develop localized soil- and crop-specific fertilizer recommendations to address environmental and market needs.

4.7. Gender Responsiveness

The EAC will equally involve persons of all genders in the development, implementation, evaluation, and review of this policy, and gender aspects will be considered all along the fertilizer value chains taking into account and helping mitigate the effect of social cultural norms that specifically affect women.

5.0. Policy Strategic Priority Areas

5.1. National and Regional Institutional Framework

5.1.1. Issues and Challenges

Partner States recognize that to regulate the quality, production, sale, and distribution of fertilizers in the EAC region requires putting in place the appropriate national and regional institutional arrangements and strengthening the regulatory frameworks for their operationalization. Absence of these leaves an institutional lacuna that creates a window for sale of adulterated and counterfeit fertilizers and improper use and disposal, risking human and environmental safety.

National fertilizer regulatory bodies will be key stakeholders in undertaking external and internal monitoring of implementation of this policy and its instruments at the national level and coordinating with the designated EAC Fertilizer Committee concerned with matters of fertilizer within the EAC.

5.1.2. Objective

To continue to develop the appropriate national and regional institutional arrangements, regulatory environment and streamline the process at the Partner State level to increase the efficiency within the regional fertilizer market.

5.1.3. Policy Statement

The EAC will:

Establish an EAC Fertilizer Committee consisting of heads of National Fertilizer Authorities or persons represented by them, to coordinate fertilizer matters in the region.

Partner States will:

Designate a national fertilizer regulatory authority responsible for regulating of fertilizer. Such authority shall cooperate with other national institutions involved in standards, trade, and other aspects of fertilizer regulation, and coordinate with the EAC Fertilizer Committee on fertilizer related matters within the EAC.

5.2. Regulatory Framework on Quality Control

5.2.1. Issues and Challenges

To address quality control gaps, some EAC harmonized fertilizer standards have been developed and adopted, setting out detailed procedures for fertilizer sampling, inspection, and chemical analysis, along with specific tolerance limits for bag weight, nutrient content shortages, and maximum allowable heavy metal limits. While EAC harmonized standards for some fertilizers have been developed, Partner States have capacity gaps associated with

understaffed and underequipped laboratories and limited inspectors, which collectively affect implementation of quality measures, including inspection, analysis, and adherence to standards. Adulteration and counterfeiting of fertilizer continue to present major challenges in the Community's fertilizer industry.

Partner States currently have different rules on fertilizer product registration, standards, packaging, and labeling, while some have not yet adopted regulations on the matter. The different legal and regulatory frameworks on standards, packaging, and labeling of fertilizer within EAC Partner States add to the already high transaction costs and discourage trade in fertilizer in the region, making traceability of fertilizer a challenge, with implications for farmers. Partner States recognize that there should be harmonization of rules around fertilizer product registration in order to clarify, simplify, and streamline these processes and ease intra- and inter-state trade in fertilizer.

5.2.2. Objective

To harmonize rules around fertilizer registration and quality control in order to clarify, simplify, and streamline these processes and ease intra- and inter-state trade in fertilizer.

5.2.3. Policy Statements

The EAC will:

- i. Develop and adopt uniform fertilizer standards consistent with international best practices and standards such as those under the Association of Official Analytical Chemists (AOAC) and International Organization of Standardization (ISO);
- ii. Develop harmonized rules on packaging and labeling that will be applied across the region, including the minimum information requirements relating to fertilizer manufacture, fertilizer composition, container weight, and any other information as may be relevant;
- iii. Develop harmonized rules on product registration to facilitate regional trade; and
- iv. Develop a regional list of approved fertilizers maintained and regularly updated to facilitate trade in the region.

Partner States will:

- i. Commit the necessary resources and build capacity required to ensure an effective national quality control system that will facilitate regional trade and address potential quality-related issues;
- ii. Enhance laboratory capacity at the national level and address gaps in laws, regulations, and administrative measures, and their enforcement, to levy appropriate penalties for violations of quality measures;
- iii. Develop a national list of approved fertilizers maintained and regularly updated to facilitate trade in the region;
- iv. Simplify the procedures for obtaining fertilizer trade documents, e.g., licenses and import permits;

- v. Put in place mechanisms to protect the confidentiality of business information provided by fertilizer dealers during the registration or licensing process, clarifying exceptions where applicable; and
- vi. Ensure transparency in the implementation of the EAC Fertilizer Policy and its instruments by providing for a right to lodge an appeal by fertilizer dealers, manufacturers, importers, distributors, and traders, in accordance with specified grounds of appeal and appropriate regulatory procedures.

5.3. Fertilizer Production and Manufacturing

5.3.1. Issues and Challenges

Fertilizer raw materials exist in EAC Partner States as does the possibility of increased fertilizer production and manufacturing, which could enhance fertilizer availability in the regional market and reduce reliance on imports. However, fertilizer production is a capital-intensive activity. Fertilizer production is also associated with various risks to the environment and human health, and thus the need for an appropriate enabling legal and regulatory environment is particularly compelling.

5.3.2. Objective

To explore the potential of Partner States to effectively engage in fertilizer production for the region and other markets.

5.3.3. Policy Statements

The EAC will:

- i. Support Partner States to effectively engage in fertilizer production for the region and other markets;
- ii. Promote the EAC block as a fertilizer production investment destination.

Partner States will:

- i. Attract private investors to undertake exploratory studies to establish the potential for the commercial exploitation of fertilizer deposits;
- ii. Conduct an environmental impact assessment before fertilizer production and manufacturing starts within a Partner State to establish the soundness of in-country fertilizer production;
- iii. Create an enabling legal framework for fertilizer production based on regional and international best practices; and
- iv. Promote the mass production of local organic and bio-fertilizers such as kitchen ash-based fertilizers, compost from urban garbage, rhizobia, and mycorrhiza.

5.4. Fertilizer Use Promotional Programs

5.4.1. Issues and Challenges

Use of fertilizer continues to be relatively limited in the region, especially by resource-poor smallholder farmers. Some EAC Partner States have attempted to introduce support mechanisms to facilitate increased fertilizer use by these farmers including through introducing interventions such as subsidies and other programs. While some of these initiatives have effectively promoted fertilizer use in the region, financial sustainability has been a challenge for some EAC Partner States. Effectively channeling the fertilizer support programs to targeted low-income farmers continues to be a challenge, and improperly planned and executed fertilizer distribution programs could disrupt, distort, or erode the commercial demand for fertilizer that is necessary to develop well-functioning private fertilizer delivery systems.

5.4.2. Objective

The objective is to support and enhance fertilizer use in the Community through strategic introduction and implementation of fertilizer use promotional programs.

5.4.3. Policy Statements

Partner States will:

- i. Strategically support and implement programs and mechanisms that facilitate increased fertilizer use by low-income farmers through interventions that do not disrupt, distort, or obstruct the private competitive fertilizer market;
- ii. Closely monitor the support mechanisms and facilities aimed at improving fertilizer use to ensure that they go to the targeted beneficiaries; and
- iii. Put in place an exit strategy from fertilizer use promotional programs.
- iv. Promote availability, access, and use of organic fertilizer and agricultural lime.

5.5. Tariffs and Customs Duties

5.5.1. Issues and Challenges

Under the EAC Common External Tariff, the EAC has agreed to eliminate all taxes on fertilizer imports into the region (zero-rated tax). This aims to increase fertilizer availability, access, and use, as well as to improve productivity and food security. Some EAC Partner States, however, continue to apply different tariffs and taxes on fertilizer, which creates tax and tariff barriers and also presents challenges for regional harmonization.

5.5.2. Objective

To promote the free movement of fertilizer in order to improve fertilizer availability, affordability, and accessibility, and encourage utilization of quality fertilizer.

5.5.3. *Policy Statements*

The EAC will:

Analyze the impact of the tax regimes and tariffs on the importation, distribution, use of fertilizers and advise on ways to promote availability and access of quality fertilizer.

The Partner States will:

- Facilitate the growth of fertilizer manufacturing and trade within the region, through provision of incentives such tax exemption; and
- Remove non-tariff barriers to intra-regional trade of locally produced fertilizer

5.6. Strengthening the Capacity of Fertilizer Industry Value Chain Actors

5.6.1. *Issues and Challenges*

Fertilizer use in the EAC region is still low, partly because of knowledge and capacity gaps on both the demand and supply sides. On the demand side, fertilizer use by farmers in the region can increase when soil fertility and fertilizer knowledge constraints are addressed. Awareness needs to be built regarding soil fertility management and the role that organic and inorganic fertilizers can play in improving and sustaining soil fertility for crop production. On the supply side, and to enhance the availability of fertilizer on the regional market, affordable finance should be available, as fertilizer is a capital-intensive commodity.

5.6.2. *Objective*

To strengthen the capacity of farmers to engage in safe, profitable, and sustainable fertilizer use and to strengthen the capacity of suppliers to consistently deliver sufficient quality fertilizers that are affordable for farmers.

5.6.3. *Policy Statements*

The EAC and individual Partner States will:

- i. Undertake awareness building campaigns to promote the judicious use of fertilizer and provide factual information on its benefits to agricultural productivity;
- ii. Provide logistical support to extension service personnel who are in close contact with farmers;
- iii. Develop, translate, and disseminate fertilizer use guidelines;
- iv. Link organized farmer groups and cooperatives to credit services to enable them to procure fertilizers;
- v. Develop business skills for various levels of fertilizer dealers to maximize the profits from genuine business;
- vi. Encourage soil testing to inform efficient and effective fertilizer use; and

5.7. Research, Extension Services and Training

5.7.1. Issues and Challenges

The NARS in the Partner States are mandated to develop a body of knowledge in fertilizer that informs evidence-based policymaking. However, Partner States' NARS are underutilized, underfunded, poorly staffed, and sometimes poorly coordinated. The EAC ARDP highlights that the research-extension-training linkages in the Partner States are still weak, which results in poor delivery of services to the farmers. The challenge of continued decline in public funding and slow participation of the private sector in funding the development and delivery of farmer inputs including fertilizer and supportive services, continues to exist.

5.7.2. Objective

To enhance fertilizer use through improving and strengthening research-extension-training linkages.

5.7.3. Policy Statements

The EAC will:

- i. Promote joint initiatives, mobilization of resources, coordination and dissemination of research information;
- ii. Support the development of regional Centre of Excellence in fertilizer research, training and extension; and
- iii. Promote information sharing, networking and staff exchange programmes.

Partner States will:

- i. Establish soil nutrient deficiencies and requirements matrix to maintain a nutrient balance;
- ii. Develop nutrient deficiencies and requirements soil maps;
- iii. Promote capacity building and sharing training facilities; and
- iv. Promote participatory extension, research and training.

5.8. Cross-cutting Issues

This Policy recognizes other cross-cutting issues that are integral to the sustainable development of the fertilizer industry in the region, including gender, support to vulnerable groups, and environmental sustainability.

5.9. Gender Inequality

5.9.1. Issue and Challenges

Both men and women contribute to fertilizer use and development of the agricultural sector in the Community. Gender-based inequalities affect fertilizer use by constraining access to resources and agricultural support services.

5.10. Support to Vulnerable Groups

5.10.1. Issues and Challenges

Vulnerable groups, including landless farmers (renters), children, and woman-headed households with limited access to resources, have the potential to play a significant role in (and benefit from) agricultural development. To obtain equitable benefits from investments in improving smallholder agriculture and fertilizer use, women and youth will be encouraged to participate in and benefit from the fertilizer value chain.

5.10.2. Objective

The objective is to ensure women, youth and vulnerable groups participate equitably in and benefit from the fertilizer value chain.

5.10.3. Policy Statement

The EAC will:

Support Partner States in mainstreaming gender equality initiatives and supporting vulnerable groups at all levels of the fertilizer value chain, especially in ensuring access to and use of fertilizer.

5.11. Climate Change and Environmental Safety

5.11.1. Issues and Challenges

Improper fertilizer use, storage and disposal may pollute the environment. For instance, improper use and storage of fertilizers may enhance emission of greenhouse gases that contribute to global warming and exacerbate climate change. Improper disposal would lead to pollution of water bodies through runoff, while unsafe storage may lead to natural disasters. Partner States will undertake soil testing to ascertain nutrient deficiencies and thereby foster the optimal use of fertilizers and will take measure to mitigate the environmental impact of fertilizer use.

5.11.2. Objective

The objective is to ensure environmental and human safety from the adverse effects of improper fertilizer use and disposal.

5.11.3. Policy Statements

Partner States will:

- i. Train farmers on the judicious use, handling, and application of fertilizer to increase crop yields;
- ii. Conduct an environmental impact assessment before fertilizer production starts within the Partner State to establish the soundness of in-country fertilizer production;
- iii. Identify and implement appropriate measures to protect against fertilizer runoff; and
- iv. Encourage the use of organic and bio-fertilizers by promoting an integrated plant nutrient management system that maintains soil fertility.

5.12. Pandemics and Natural Disasters

5.12.1. Issues and Challenges

Pandemics and natural disasters including floods, landslides, and fires affect transportation channels and market access, ultimately disrupting fertilizer supply chains. Slowing down and mitigating the impacts of natural disasters and pandemics come at a cost and impose a great challenge for some EAC Partner States.

5.12.2. Objective

The objective is to increase fertilizer use in the region by effectively mitigating the effects of pandemics and natural disasters.

5.12.3. Policy Statement

The EAC will:

- i. Develop a regional mechanism for pandemic and disaster, information exchange and training to ensure sustainable fertilizer and fertilizer supplement supply;
- ii. Establish a comprehensive database and early pandemic and disaster warning system as a safeguard mechanism for sustainable fertilizer supply;
- iii. Promote local production of fertilizer to mitigate the effects of disrupted fertilizer supply chains through imports, during pandemics and natural disasters; and
- iv. Develop appropriate response systems including fertilizer reserves, bulk procurement to sustain fertilizer supply during pandemics, natural disasters and market shocks;

6.0. Implementation Mechanisms

6.1. Implementation

The EAC and Partner States will be responsible for the implementation of the EAC Fertilizer Policy. The harmonization and cooperation efforts recommended under the EAC Fertilizer Policy will require structural and regulatory interventions by the Partner States in order to achieve the goal and objectives of the policy. However, the level of development in the current legal and regulatory framework within the EAC Partner States will also be taken into account, given that currently Partner States are at different stages in their regulatory development.

The private sector will play a major role in ensuring that the economic programs in the fertilizer industry are implemented.

6.2. Role of Stakeholders

6.2.1. Public Sector

The Partner States governments will accelerate the reform process and maintain a favorable macro-economic policy environment conducive for private sector participation in the economic growth and development of the fertilizer industry in the region. They will also provide support services required for increasing and sustaining the use of fertilizer. In tandem with the EAC Agriculture and Rural Development Policy, the government fertilizer industry development efforts will be limited to the provision of core public services such as extension services, research, training and capacity building, public infrastructure, efficient administration and justice, formulation of policies and regulatory frameworks, protection of the environment, securing of financing, establishment of term financing institutions, mainstreaming of gender, and maintenance of law and order.

6.2.2. Private Sector

The private sector is comprised of various entrepreneurs along the fertilizer value chain, including fertilizer producers or manufacturers, importers, exporters, distributors, transporters, sellers, and financiers, who are motivated by profit to pursue investment in the fertilizer industry. The private sector will be responsible for undertaking commercial activities such as production and marketing of fertilizer. The private sector is also expected to participate in some of the public services, including extension, capacity building, research, and provision of employment opportunities.

6.2.3. Farmers' Organizations

The involvement of farmers' communities and organizations is essential to success in the implementation of the EAC Fertilizer Policy. The Partner States recognize the role of farmers and farmers' organizations in the fertilizer industry. These grassroots organizations are vital to the effective and rational use of fertilizer in the agricultural sector in the region. They are central to providing several services pivotal to the development of the fertilizer

industry, including financial services, training, and extension services, as well as to providing fertilizer to the farmers. Partner States will promote and encourage farmers' organizations, in order to increase fertilizer use and finance mobilization to enable access to fertilizer.

6.2.4. Civil Society

Civil society includes development partners, professional bodies, Non-Governmental Organizations (NGOs) and Community Based Organizations (CBOs). Partner States recognize that civil society plays an important role in fostering access, availability, and affordability of fertilizers, especially for smallholder farmers, through increasing knowledge, building capacity, and mobilizing resources. The EAC will encourage a strong partnership with civil society in increasing the use of fertilizer in the region and developing the fertilizer industry.

6.3. Financial Arrangements

The Partner States will strive to meet the commitment of allocating 10 percent of their budget to the agricultural sector, consistent with CAADP and the Malabo Declaration. Availability of adequate resources to enable the public sector to perform its responsibilities, including provision of extension services, training and capacity building, research, and public infrastructure, among others, will be key in fostering the increased use of fertilizer and the development of the fertilizer industry in the region.

Local NGOs, SACCOs, CBOs and civil society will play an important role in financing and fostering use of, access to, and affordability of fertilizer, since they have a closer and stronger relationship with farmers.

Partner States will encourage financial institutions, including commercial banks, cooperative banks, microfinance institutions, and development finance institutions to provide private investment finance, especially to fertilizer manufacturing and producing companies, and operating capital to other value chain actors in the fertilizer industry, including importers, exporters, distributors, transporters, sellers, and farmers. To support private sector investment in the fertilizer industry, Partner States will foster the flourishing of formal and informal financial sources by creating an enabling policy and regulatory framework for the competitive provision of finance to the fertilizer industry, including through private equity and venture capitalism.

Partner States will seek strong support and collaboration from the private sector and international development partners, including through strategic public-private partnerships.

6.4. Coordination

EAC will establish an EAC Fertilizer Committee and give it sufficient capacity to coordinate the fertilizer industry programs and activities that have clear linkages to Partner States.

6.5. Monitoring and Evaluation

The EAC will develop tools and legal instruments for monitoring the implementation of the policy at the regional level.

The Partner States will undertake the monitoring of the implementation of this policy and ensure that all stakeholders are involved in the monitoring and evaluation process.

Monitoring and evaluation of the policy will be based on manageable processes and measurable and verifiable indicators and will conform to basic rules of simplicity, timeliness, and cost-effectiveness. In alignment with the CAADP and national M&E systems, a framework for tracking progress towards results delivery and outcomes will be developed with clear key performance indicators.

The policy will be reviewed every ten (10) years (or upon request by Partner States) to take into account emerging issues, challenges and trends on fertilizer trade and use at the national, sub- regional, regional and global level.