
A Review of National Fertilizer Regulatory Authorities in Ethiopia

PREPARED BY THE AFRICAN FERTILIZER AND AGRIBUSINESS PARTNERSHIP
(AFAP) FOR THE ALLIANCE FOR A GREEN REVOLUTION IN AFRICA (AGRA)'S
SCALING SEEDS AND TECHNOLOGIES PARTNERSHIPS (SSTP)



ACKNOWLEDGEMENTS

This Fertilizer Regulatory Report for Ethiopia was made possible through the support provided by the U.S. Agency for International Development, under the terms of Cooperative Agreement No. AID-OAA-A-13-00040, and managed by The Alliance for a Green Revolution in Africa (AGRA). The opinions expressed herein are those of the author(s) and do not necessarily reflect the views of the U.S. Agency for International Development.

This report forms part of a set of studies covering 4 countries (Mozambique, Malawi, Tanzania and Ethiopia) in Eastern and Southern Africa in Support for the Establishment of a Regional Fertilizer Policy and Regulatory Framework for East and Southern Africa.

AFAP extends its gratitude to all institutions and individuals which were interviewed and shared their experiences.

ACRONYMS

AGRA	Alliance for a Green Revolution in Africa
AFAP	African Fertilizer and Agribusiness Partnership
ACTESA	Alliance for Commodity Trade in East and Southern Africa
AISE	Agricultural Inputs Supply Enterprise
ATA	Agricultural Transformation Agency
BOARDS	Bureaus of Agriculture and Rural Development
CAADP	Comprehensive Africa Agricultural Development Program
COMESA	Common Market for East and Southern Africa
CBE	Commercial Bank of Ethiopia
EARO	Ethiopia Agricultural Research Organisation
ESAF	East and Southern Africa Fertiliser Trade Platform
FAK	Fertilizer Association of Kenya
FAO	Food and Agriculture Organisation
FCA	Federal Cooperative Agency
GDP	Gross Domestic Product
GoE	Government of Ethiopia
IFA	International Fertiliser Association
IFDC	International Fertilizer Development Centre
LoC	Letters of Credit
MOARD	Ministry of Agriculture and Rural Development
NFIA	National Fertilizer Industry Agency
NSTL	National Soil Testing Laboratory
QSAE	Quality and Standards Authority of Ethiopia
TABIRA	Fertilizer Association Burundi
SGS	Societe Generale de Surveillance
SSTP	Scaling Seeds and Technologies Partnerships

EXECUTIVE SUMMARY

An assessment of the national fertilizer regulatory authorities in Ethiopia reveals that fertilizer production/importation, distribution, marketing and trade is regulated and controlled by multiple institutions. These institutions are established under different Acts of the Laws of Ethiopia. In carrying out their mandates, these institutions also draw from their specific Acts, policies and regulations. This often leads to conflicts and/or overlaps and replication making it difficult to reach consensus on certain issues. Furthermore, there is no national fertilizer-specific coordinating institution that guides and coordinates efforts of the various institutions to avoid overlaps and/or replication of efforts. The weak regulatory legal instruments and standards undermine comprehensive and effective coordination in fertilizer production, marketing and distribution.

In order to address these challenges, improve agricultural production and food security and establish a means through which government and the private sector can effectively oversee the functioning of the fertilizer sector, this report makes the following recommendations:

- a) **Accelerate the revision of the Fertilizer Policy:** In order to effectively coordinate the fertilizer industry there is need for clarity on the policy front which ultimately has a bearing on the fertilizer law.
- b) **Train and gazette fertilizer analysts and inspectors:** Like other COMESA member states, Ethiopia does not have an adequate pool of qualified and gazetted fertilizer analysts and inspectors. To effectively enforce fertilizer rules and regulations, there is need for trained and gazetted fertilizer analysts and inspectors with knowledge and understanding of regulatory. Gazetting of fertilizer inspectors and analysts will give them the power to take to court all those who do not comply with the rules and procedures for fertilizer testing.
- c) **Refurbish and equip testing laboratories:** The National Soil Testing Laboratory needs support to construct its own laboratories. The agency depends on QSAE laboratory.

In constructing these labs cognisance should be also placed on microbiological laboratories for testing bio-fertilizer products in the Ethiopian market

- d) Create awareness and linkages with national and regional fertilizer regulatory authorities:** There is need for the government and the National Fertilizer Industry Agency (NFIA) to conduct campaigns to create awareness and educate agrodealers, farmers and the general public on different fertilizers in the market, and the benefits and safe use of fertilizers, etc. Priority should be given to collaboration with private sector stakeholders in the fertilizer sector, building the capacity of fertilizer regulators and creating linkages with national and regional fertilizer associations in the COMESA region. An annual meeting of national fertilizer regulators to share experiences and emerging issues and working with regional fertilizer associations, and private sector forums such as the East and Southern Africa Fertilizer Trade Platform (ESAF), is also recommended. In addition the on-going project on installation of an e-portal to improve ICT infrastructure in general is crucial; this will help to optimize NFIA's efficiency and provide a link to traders and other relevant stakeholders to apply for various licenses and permits from a single platform. Computers will be needed to enable networking with inspectors in the districts.
- e) Capacity building of fertilizer inspectors and law enforcers at district and national levels:** To enable effective enforcement, regular training of inspectors and other law enforcers including legal officers in the districts should be introduced.

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SECTION 1: INTRODUCTION

1.1 BACKGROUND

The economies of eastern and southern Africa are heavily dependent on agriculture. It is estimated that more than 70% of the population in this region is involved in agriculture and the majority of these producers are smallholders farming less than two hectares. Agriculture contributes on average 35% of GDP and employs 65% of the population. Therefore, agriculture is a critical driver of the future economic development of the region. However, while economies in many Africa countries have exhibited healthy growth - real GDP in sub-Saharan Africa grew at an average rate of 5% between 2003 and 2009 - this growth has not emanated from the agriculture sector (Camara and Edeme, 2013).

Despite its importance to the economy, the performance of the agriculture sector is poor. Cereal yields in sub-Saharan Africa are the lowest in the world, having stagnated at around 1 ton/ha for the past 50 years compared to 4 tons/ha in developing countries. The key reasons for the poor performance of the agriculture sector are the continued reliance on traditional agricultural practices in the region and the low adoption of modern productivity enhancing technologies such as mineral fertilizers and quality seeds of superior varieties which severely constrain increased yields in East and Southern Africa.

Farmers in the region use on average 10 kg of fertilizer per hectare, compared to their counterparts in Asia who consume on average 209 kg/ha. The result is severe soil nutrient depletion; the rates of soil nutrient depletion exceed 60 kg/ha (Wanzala and Groot, 2013). This low rate of usage is due to a number of reasons including a thin network of agrodealers; lack of technical knowledge on appropriate fertilizers; lack of access to finance all along the value chain which prohibits the purchases of sufficient quantities to capture economies of scale; and high transport costs due to inadequate ports, rail and road networks. These factors result in high costs, putting fertilizer beyond the reach of most farmers.

The policy environment often exacerbates the situation. Government subsidy programs crowd out commercial demand and introduce uncertainty into the system, which creates disincentives for private companies to invest in distribution networks. Government's lack enforcement capacity to oversee quality control, which increases the risk of adulterated fertilizers, fosters distrust of fertilizer and discourages honest businesspeople from participating in the fertilizer trade. Fertilizer recommendations in many African countries are outdated due to defunct or non-existent research and extension systems.

Similarly, government subsidy programs often do not involve the private sector in planning and distribution. Hence the private sector has no incentive to identify which nutrients farmers need for their crops and soils and provide the appropriate blends. Moreover, government policy in many of these countries discourages blending. Many countries have a list of approved fertilizers. If the private sector wants to introduce a new fertilizer it must undergo efficacy testing, which can take three years thus imposing costs the private sector cannot afford. The list of approved fertilizer products also discourages cross-border trade and the development of regional markets. Countries have very strict specifications for approved fertilizers, and although often there are very minor differences in nutrient content these differences can result in the entry of a new fertilizer product being delayed or even denied.

The outcome of these constraints is that fertilizer markets in eastern and southern Africa have failed to reliably provide the right type of quality fertilizers to small-scale farmers in the rural interior in a timely manner and at an affordable price. If agriculture in the region is to become competitive, the performance of the fertilizer markets in the region needs to be improved.

Clearly no single intervention will address these constraints effectively. Rather, a number of interventions are required and many must be implemented simultaneously. These include: investments in ports, roads and rail infrastructure to reduce transport costs; provision of technical and business training to agro dealers; improving access to finance all along the fertilizer value chain; and development of market information systems. However, an

overarching factor to foster the growth of fertilizer markets is a stable and transparent policy and regulatory environment that is conducive to private sector investment.

This study support SSTP's mission to foster the creation of a stable and conducive fertilizer policy and regulatory environment in the region by doing the following:

- 1) Develop a regional policy and regulatory framework that can be used as a guide by countries in East and Southern Africa to embark on a policy reform agenda for the fertilizer sector that will result in higher levels of fertilizer use and concomitant higher levels of agricultural productivity and food security;
- 2) Prepare/revise draft fertilizer legislation for Ethiopia - which is compatible with open markets and regional harmonization;
- 3) Review and critique of Ethiopia's trade policies that impact fertilizer and recommendations for common trade policies; and
- 4) Develop a country action plan that details the requirements for establishing an effective fertilizer regulatory system for the country

1.2 OBJECTIVES OF THE ASSESSMENT

This report presents a review of national fertilizer regulatory institutions in Ethiopia. Specifically the report attempts to do the following;

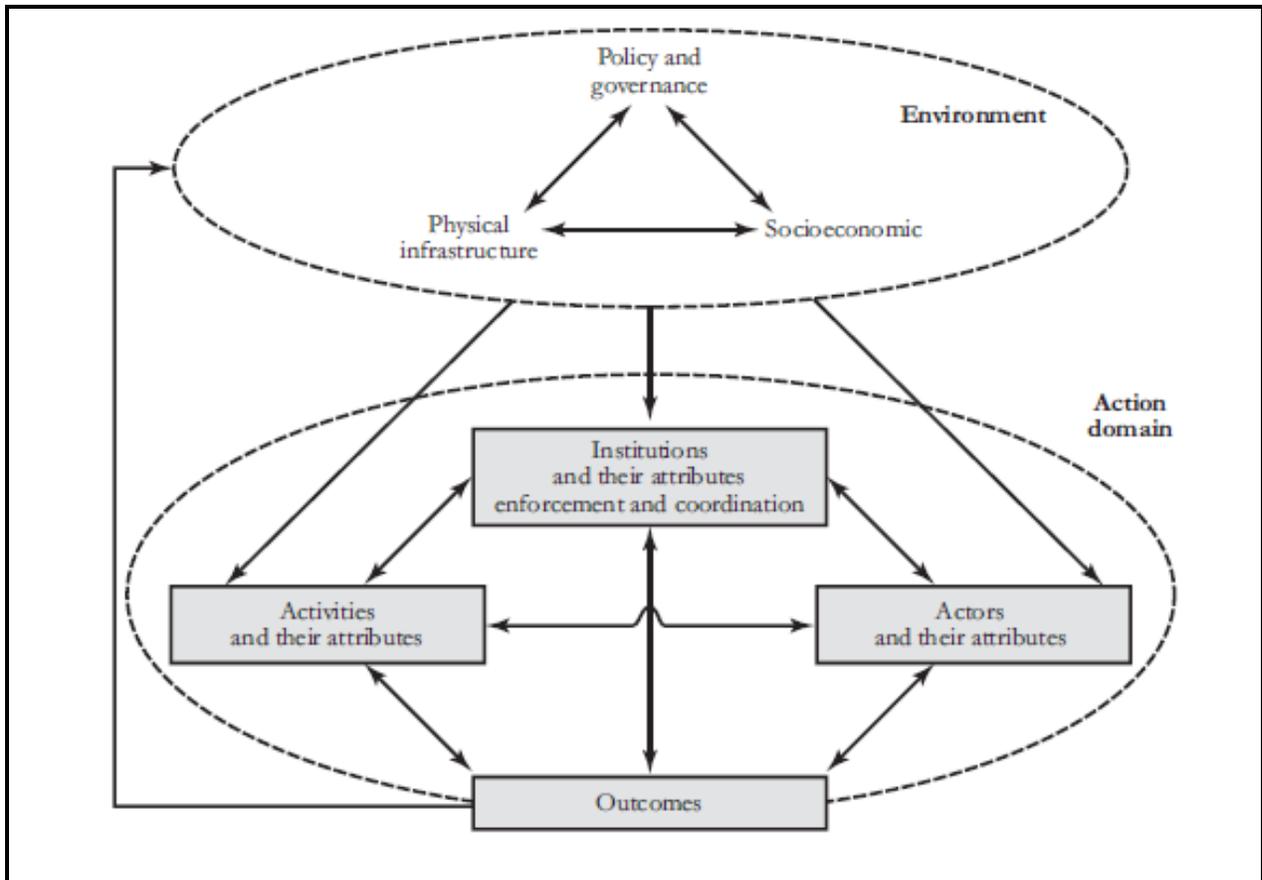
- a) Identify the presence of national fertilizer regulatory authorities in Ethiopia and their inherent characteristics
- b) Recommend ways of strengthening these institutions for fertilizer regulation in Ethiopia
- c) Recommend ways of facilitating linkages between these institutions in the fertilizer domain.

1.3 METHODOLOGY

Both primary and secondary data collection techniques were employed. Secondary data was gathered through literature review on fertilizer policies in Ethiopia. A number of literature were consulted which includes previous work done by IFDC, AFAP, ACTESA, IFA, FAO in Ethiopia. In addition to this, national fertilizer policies and regulations were also reviewed. Primary data

collection was done through interviews with key informants within the Ethiopian fertilizer action domain. In particular the report identifies the relevant players in the Ethiopia fertilizer domain and their attributes which have bearing on the fertilizer policy outcome consequently influencing the environment. Figure 1 indicates the schematic relationships and interaction of the environment and the fertilizer action domain of Ethiopia.

Figure 1: A conceptual framework for institutional analysis



Adapted from: *Institutional Economics Perspective on African Agricultural Development*, 2009; Kirsten et al

SECTION 2: FERTILIZER LAWS AND REGULATIONS IN THE COMESA REGION

Over 80 percent of COMESA member states have legislation that regulates the production, importation, distribution and use of fertilisers. These are administered through one or more Ministries which include Ministries of Agriculture, Ministries of Trade, and Treasury. The Ministries of Agriculture have vested interests in the production, importation, marketing, distribution, standards and use of fertilizer. The Ministry of Trade is concerned issues related to the importation, distribution and export of fertilizers, including setting and enforcing standards and the issuance of trade licenses while the Treasury has interest on revenues (fertilizer taxes and duties). Coordination of such activities requires the presence of strong institutions to avoid corruption and rent seeking behaviour among regulatory authorities.

According to a study undertaken by the International Food Production Research Institute (IFPRI, 2012) the countries that have promulgated specific legislations on fertiliser included Burundi, Tanzania, Mozambique, Kenya, Uganda Zambia, and Zimbabwe. Those that have fertiliser policies or strategies (drafts/final) include Ethiopia, Malawi, Kenya, Uganda, and Zimbabwe.

Table 1 indicates COMESA member states which have established national fertilizer specific regulatory authorities, national fertilizer laws and national fertilizer associations. Out of a total of 22 countries, only six (6) have established national fertilizer-specific regulatory authorities; and only five (5) have established national fertilizer associations.

Table 1: Presence of national fertilizer-specific regulatory Authorities (including fertilizer Laws) in COMESA member states

Country	National Fertilizer Specific Regulatory Authority	National Fertilizer Specific Law	National Fertilizer Trade Association
Burundi	NO	YES	YES (TABIRA)
Comoros			
Djibouti	NO	NO	NO
DRC	NO	NO	NO
Egypt			
Eritrea			

Ethiopia	YES	YES	NO
Kenya	NO	NO	YES (FAK)
Libya			
Madagascar	NO	NO	NO
Malawi	NO	YES (DRAFT)	YES
Mauritius	YES	YES	NO
Mozambique	YES	YES	NO
Seychelles	NO	NO	NO
Swaziland	NO	NO	NO
Rwanda	YES	YES	NO
South Sudan	N O	NO	NO
Sudan	YES	YES	NO
Tanzania	YES (TFRA)	YES	YES
Uganda	NO	NO	NO
Zambia	NO	NO	YES
Zimbabwe	YES	YES	YES (Informal)

Source: "Towards a framework for harmonization of fertilizer policies and regulations: A national and regional synthesis report", 2014; AFAP stakeholder consultations July 2016

2.1 FERTILIZER REGULATIONS

Most COMESA member states have some form of fertiliser regulations in place particularly the two elements that pertain to registration of fertiliser operations and inspections. Regulations usually comprise of 6 distinct areas which include:

- (i) Registration of businesses and/or their products ;
 - (ii) Inspection of fertilizer premises, products and records by authorized inspectors(taking samples, noting the legality of the labels, checking bag weights, inspecting records, etc.);
 - (iii) Analysis of samples taken by inspectors;
 - (iv) Financing of the regulatory program through registration and inspection fees;
 - (v) Administration, enforcement, and assessment of penalties by a designated authority;
- and,
- (vi) Publication of findings.

The challenge in fertilizer regulation, however, is that there are some omissions of some of the elements within these regulations rendering them *incomplete*. The most common missing element is that of publications of results of fertiliser analysis, findings of inspections and court verdicts. Secondly, there are no inter-country standard procedures or guidelines for inspecting

premises, sampling, penalization and appointing inspectors. This may compromise transparency. As such the theory of *incomplete contracts, moral hazards, shirking* and *adverse selection* may come into play in most fertilizer markets within the region. It is for this reason that little progress has been made in the coordination and harmonization of these activities at the regional level.

2.2 FERTILIZER REGULATORY AUTHORITIES

Institutions vested with the authority to administer the regulations vary from country to country. Nonetheless in each country the Ministry of Agriculture plays a central role in the development and administration of fertilizer regulations in the COMESA region. Apart from the Ministry of Agriculture (overall regulator), there are also a number of institutions which can undertake the inspections and/or analysis which include Bureaux of Standards and international bodies such as SGS etc. There is therefore, the question of whose inspection or analysis carries recognition – national bureaux or international bodies. Further, the documentation and inspections required for fertilizer trans-shipments within the region varies from country to country. There are also no clear policies or guidelines that ensure that revenue levied on inspections, registration and analysis is channelled back into enforcing the regulations. In some countries it goes to Treasury in others it is put in a pool of revolving funds within the Ministry that administers the regulation. Its use for strengthening the enforcement of the regulation cannot therefore be guaranteed.

2.3 FERTILISER REGULATIONS ENFORCEMENT CAPACITY

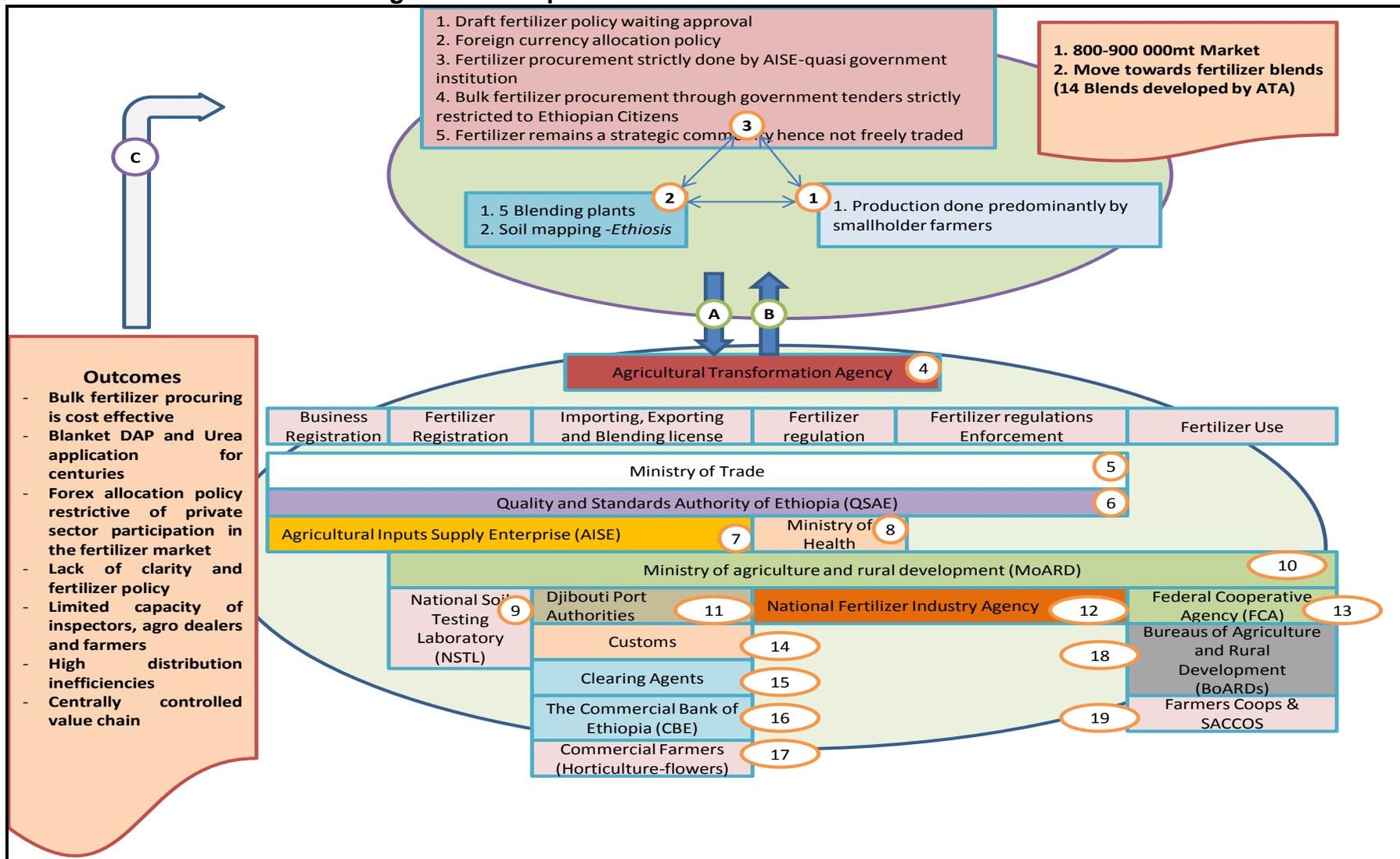
Although a large number of COMESA member states have regulations on fertiliser registration and inspection only about 50 per cent of these are carrying out inspections. This is due to inadequate manpower and financial resources to undertake this task. For example, Kenya has about 70 inspectors against 6200 agro-dealers, importers and wholesalers of fertilisers; Uganda has about 50 inspectors against over 1000 agro- dealers and importers; Burundi has about 4 inspectors; Zimbabwe has about 8 and, Egypt has slightly over 60 inspectors despite its large

consumption of fertilisers - over 10 million metric tonnes. In addition there is limited infrastructure to aid the inspection work. In particular most analytical laboratories are inadequately equipped to fully facilitate analytical work. (COMESA/ACTESA Proposal on fertilizer harmonization, 2014). The following section presents the institutions for fertilizer legislation and regulation in Ethiopia.

SECTION 3: ETHIOPIA'S FERTILIZER INSTITUTIONAL FRAMEWORK

Unlike most of the COMESA member states, Ethiopia does have a national fertilizer law which regulates the fertilizer industry the Fertilizer Manufacturing and Trade Proclamation No.137/1998. The act gives the National Fertilizer Industry Agency (NFIA) the powers to govern the industry. Nonetheless, the Ministry of Agriculture and Rural Development and quasi-governmental organisations are also active in the regulation of fertilizer. A number of government Ministries administer different aspects of fertilizer regulations/ legislation. These include: Ministry of Agriculture which plays the central role of a national fertilizer regulatory authority with responsibility for registration, production, importation, distribution and use of fertilizers (including, inspection, testing of imported fertilizer by the government)and the Ministry of Transport which has interests in transportation of fertilizer; Ministry of Trade and Industry, which has interests in aspects of importation and distribution including setting and enforcing standards, issuance of trade licences; and the Port authorities. In addition to these ministries other statutory bodies also handle different aspects of fertilizer regulation. These quasi-government institutions include; the Agricultural Inputs Supply Enterprise (AISE), Agricultural Transformation Agency (ATA), The Commercial Bank of Ethiopia, Bureaus of Agricultural and Rural Development (BOARDS), Quality and Standards Authority of Ethiopia (QSAE), National Fertilizer Industry Agency (NFIA), Federal Cooperative Agency (FCA) and the National Soil Testing Laboratories (NSTL). The next section will discuss the role of each of these institutions in fertilizer regulation.

Figure 2: Ethiopia's fertilizer institutional framework



3.1 AGRICULTURAL INPUTS SUPPLY ENTERPRISE (AISE)

Agricultural Input Supply Enterprise (AISE) is a quasi-government institution with exclusive rights of importing fertilizer into Ethiopia. Most fertilizer imported into Ethiopia comes through Djibouti and is transported to AISE's thirty three (33) warehouses that are strategically located around the country with capacities of between 8,000-10,000 mt each. Subsequently fertilizer is distributed to cooperative unions based on aggregate demand estimates. In cases where there are no cooperative unions the AISE takes the role and responsibility of delivering directly to the primary cooperatives. In addition, AISE can also supply fertilizer to farmers directly without intermediaries. About 70% of all fertilizer imports are distributed to regional government agencies with the remaining 30% picked directly from the Djibouti port by commercial farmers.

3.2 AGRICULTURAL TRANSFORMATION AGENCY (ATA)

Like AISE the Agricultural Transformation Agency (ATA) is a quasi-government organisation and a central player in transforming Ethiopian agriculture. It is mandated to design fertilizer recommendations for the country. To date the institution has recommended 14 types of fertilizers which are in line with the recently completed National Soil Mapping. Nonetheless there are no standards for fertilizer blends in the country. ATA is working towards developing these standards with the Quality Standards Authority of Ethiopia (QSAE).

3.3 MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT (MOARD)

Like in many countries in the Sub Saharan Africa, the Ministries of Agriculture play a central role in the fertilizer industry. The MoARD is responsible for the registration of fertilizers through its Ethiopian Agricultural Research Organization (EARO) department and setting fertilizer prices. Fertilizer prices are set up using the cost structure of AISE. In addition, the Agricultural Input Marketing Directorate of MoARD, together with Federal Cooperative Agency (FCA), the Quality Control and Standardization Authority, the Regional Bureau of Agriculture and Ministry of Transport also help to enforce the rules governing the import, export, production and distribution of fertilizers. MoARD is also tasked with monitoring fertilizer quality in the country

and estimation of fertilizer demand through its extension staff that aggregate estimates from the kebele to woreda, zonal, regional and national levels. The MoARD recently developed a fertilizer development strategy for the country with emphasis on improving the use of soil specific fertilizers blends. Nonetheless the ministry only accepts soil tests results from public institutions thereby limiting private research participation in the fertilizer value chains. It also plays an active role in fertilizer registration by issuing certificates of competence to fertilizer importers.

3.4 SOCIÉTÉ GÉNÉRALE DE SURVEILLANCE (SGS)

SGS is a private company that has been contracted by the Government of Ethiopia (GoE) to ensure conformity to national standards, while testing fees are calculated on the basis of the value of the invoice presented by the exporter or the importer. Inspection of fertilizer takes place by means of pre-shipment inspection and is contracted to SGS to do pre-shipment sampling at the country of origin to test for conformity to standards. The following documentation needs to be provided to SGS: The export company to whom the tender of AISE was awarded needs to submit to SGS the following documents: (i) Request for Certification; (ii) Proforma invoice; (iii) Quality Management System Certification; (iv) Conformity Documents (test reports, quality certificates, analysis reports, etc.); and (v) Final invoice for the shipment

3.5 THE COMMERCIAL BANK OF ETHIOPIA (CBE)

The Commercial Bank of Ethiopia plays a central role in forex allocation according to the government's priority list and extension of credit lines to fertilizer supply chain actors (cooperative unions). The Commercial Bank of Ethiopia (CBE) guarantees credit for AISE by issuing letters of credit (LoC) on behalf of AISE to procure the fertilizer and makes payments to the international supplier.

3.6 BUREAUS OF AGRICULTURE AND RURAL DEVELOPMENTS (BOARDS)

The Bureaus of Agriculture and Rural Developments (BoARDs) sets fertilizer prices and margins for the unions and the primary cooperatives. The Bureau also undertakes necessary follow-ups

in the overall demand estimation, importation and distribution of the chemical fertilizer. The Regional Bureaus of Agriculture play a vital role in supporting the Ministry of Agriculture play an oversight function for each region by providing information on fertilizer demand estimates and other related information. Conflict of interest among officials has resulted in distributional inefficiencies; for instance in some cases performance evaluation is done through assessing how much fertilizer one has sold leading to poor demand aggregation.

3.7 QUALITY AND STANDARDS AUTHORITY OF ETHIOPIA (QSAE)

QSAE has four distinct departments which are namely (i) The National Standards Association, (ii) The National Accreditation Institute, (iii) The National Conformity Institute and (iv) The Metrology Department. It is mandated by law to develop national standards. To date, there are 11 mandatory fertilizer standards used in the country. It provides detailed fertilizer standards registration requirements, and conditions for suspension or cancellation of certificates in case of breach of the law such as in the case of sale of adulterated fertilizers and associated penalties. The Fertilizer Law also empowers the Quality and Standards Authority of Ethiopia (QSAE) to carry out inspection on imported fertilizers and to certify the quality of fertilizers.

3.8 NATIONAL FERTILIZER INDUSTRY AGENCY (NFIA)

The National Fertilizer Industry Agency (NFIA) plays an important role in the deciding fertilizer types to be imported as well as to be produced within the country. The Agency is also empowered with other duties such as the issuance of competence assurance certificates, establishment of teams of inspectors, establishment of laboratories for fertilizer testing and performing testing activities on fertilizers as well as fertilizer price establishment and enforcement. Nonetheless this agency is not yet functional as it is still awaiting approval of the fertilizer policy.

3.9 FEDERAL COOPERATIVE AGENCY (FCA)

The Federal Cooperative Agency has the overall mandate of coordinating the importation of fertilizer. It also plays a central role in fertilizer demand aggregation. The agency is mandated to perform the following tasks:

- Decide the type of fertilizers to be imported or locally manufactured;
- Enable the issuance of the types of fertilizer in public notification, follow-up, monitor and periodically keep the Authority appraised;
- Grant, refuse, renew, suspend, or cancel competence assurance certificate in matters related to manufacture and/or mixture of fertilizer, and the import, wholesale and retail of fertilizer;
- Establish a team of inspectors, assign inspectors, establish, organize and administer laboratories, and perform quality control and testing activities on fertilizer;
- Design strategies to establish price, follow-up the enforcement of the strategies and monitor the same. When required, study appropriate measures to be taken to address bottlenecks and make recommendations to government; and follow-up implementation;
- Follow-up and monitor the supply of fertilizer every cropping season to ensure adequate quantity and timely distribution to the regions;
- Delegate its power and decide upon the conditions upon which to exercise the delegation to enforce the law;
- Decide upon suspension of fertilizers from sale pursuant to laboratory test results.

3.10 NATIONAL SOIL TESTING LABORATORY (NSTL)

The NSTL provides training to regional soil testing laboratories. It has 17 regional soil testing laboratories but with limited capacity and therefore most have no capacity to issue fertilizer recommendations. NSTL has currently analysed up to 8,000 soil samples. It also manufactures up to 100,000 sachets of inoculum for pulses (soybean, lentils, faba bean, and chickpea). It played a central role in collaboration with ATA in developing the national soil map for Ethiopia (*Ethiosis*)

3.11 MINISTRY OF TRADE

The Ministry of Trade plays a number of roles along the fertilizer value chain which includes issuing of licences and regulating the industry. The Ministry of Trade issues of business licences as well as importing licences. It is also a signatory for fertilizer registrations. It also plays a central role in regulating of fertilizers and enforcement of regulations.

3.12 MINISTRY OF HEALTH

The Ministry of Health regulates all food items in the country as well as fertilizers. It is mandated to test the toxicity levels of fertilizer and pesticide residue in final produce and give recommendations as to whether the fertilizer or pesticide is safe to use.

3.13 CUSTOMS

Fertilizers remain a duty free commodity. However, additional services in the fertilizer value chain are not VAT exempted. For instance transportation and storage of fertilizer is not VAT exempt. These costs add to the farm gate price of fertilizer.

3.14 CLEARING AGENTS

Clearing agents clear all fertilizer imports and work with AISE. Pre- import certificates are required as well post- import certificates for product conformity. These activities are carried by QSAE.

3.15 COMMERCIAL FARMER-HORTICULTURE

Although importation of fertilizers is strictly done by AISE horticultural commercial farmers particularly in the flower industry can directly import fertilizers for their use on their own farms use under the waiver system.

3.16 FARMER COOPERATIVES AND SACCOS

These organizations mobilize members to obtain fertilizer requirements which build up to fertilizer demand estimation. They also collect fertilizer payments on behalf of Regional Bureaus of Agriculture and Rural Development (BoARDs).

3.17 DJIBOUTI PORT AUTHORITIES

The Djibouti Port Authorities through bilateral trade agreements has been instructed by Ethiopian government to procure all fertilizers at f.o.b. prices which is notable factor in reducing the prices of fertilizers. In addition AISE practices bulk buying of fertilizers which is also cost effective.

SECTION 4: FACTORS AFFECTING FERTILIZER LEGISLATION IN ETHIOPIA

4.1 LACK OF FERTILIZER POLICY

Although the fertilizer policy has been revised, it has not yet been approved by government and any further delays will also delay the process of guided investments in the fertilizer sector. The current policy imposes restrictions on the type of fertilizers to be imported in Ethiopia and also restricts the packaging to 50kg bags with no provision for small parks.

4.2 PROLIFERATION OF NATIONAL INSTITUTIONS REGULATING FERTILIZER

Currently the enforcement of rules governing the import, export, production and distribution of fertilizer is the responsibility of a number of fragmented regulatory bodies, which are further regulated by Agricultural Input Marketing Directorate of the Ministry of Agriculture. They include the Federal Cooperative Agency (FCA), the Quality Control and Standardization Authority, the Regional Bureau of Agriculture and Ministry of Transport, among others. The functions of different government agencies are not clearly and consistently spelled out and there are overlaps and sometimes duplication in the responsibilities of agencies.

4.3 FOREIGN CURRENCY ALLOCATION

Foreign currency allocation remains critical for private sector participation in fertilizer importation. The Government of Ethiopia allocates foreign currency according to its key priority areas. This implies that private companies cannot easily access foreign currency.

SECTION 5: CONCLUSIONS AND RECOMMENDATIONS

A number of agricultural strategies have been devised in a bid to improve fertilizer regulation and thereafter adoption of productivity enhancing technologies. The Growth and Transformation Plan (GTP) 2010/11 – 2014/15, a successor to the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) that gave high priority to agriculture, indicates sustained agriculture as the second of the seven Growth and Transformation Plan pillars of Ethiopia, namely “Maintaining Agriculture as a Major Source of Economic Growth” (Ministry of Finance and Economic Growth - MoFED¹, 2010). Thus increasing smallholder farmers’ productivity towards commercialization of rural agriculture is the government’s top priority. Over the last several years the government has been allocating more than 10 per cent of its public budget on agriculture (ATA, 2013) and invested in rural infrastructure development such as roads and irrigation

An assessment of the national fertilizer regulatory authorities in Ethiopia reveals that fertilizer production/importation, distribution, marketing and trade is regulated and controlled by multiple institutions. These institutions are established under different Acts of the Laws of Ethiopia. In carrying out their mandates, these institutions also draw from their specific Acts, policies and regulations. This often leads to conflicts and/or overlaps and replication making it difficult to reach consensus on certain issues. Furthermore, there is no national fertilizer-specific coordinating institution that guides and coordinates efforts of the various institutions to avoid overlaps and/or replication of efforts. The weak regulatory legal instruments and standards undermine comprehensive and effective coordination in fertilizer production, marketing and distribution.

¹ Ministry of Finance and Economic Development (MoFED), 2010. The Federal Democratic Republic of Ethiopia: Growth and Transformation Plan (GTP), Addis Ababa, Ethiopia. Available online at: http://www.ethiopians.com/Ethiopia_GTP_2015.pdf. Last accessed 30 June 2015

In order to address these challenges, improve agricultural production and food security and establish a means through which government and the private sector can effectively oversee the functioning of the fertilizer sector, this report makes the following recommendations:

- a) **Accelerate the revision of the Fertilizer Policy:** In order to effectively coordinate the fertilizer industry there is need for clarity on the policy front which ultimately has a bearing on the fertilizer law.
- b) **Train and gazette fertilizer analysts and inspectors:** Like other COMESA member states, Ethiopia does not have an adequate pool of qualified and gazetted fertilizer analysts and inspectors. To effectively enforce fertilizer rules and regulations, there is need for trained and gazetted fertilizer analysts and inspectors with knowledge and understanding of regulatory. Gazetting of fertilizer inspectors and analysts will give them the power to take to court all those who do not comply with the rules and procedures for fertilizer testing.
- c) **Refurbish and equip testing laboratories:** The National Soil Testing Laboratory needs support to construct its own laboratories. The agency depends on QSAE laboratories. In constructing these labs cognisance should be also placed on microbiological laboratories for testing bio-fertilizer products in the Ethiopian market
- d) **Create awareness and linkages with national and regional fertilizer regulatory authorities:** There is need for the government and the National Fertilizer Industry Agency (NFIA) to conduct campaigns to create awareness and educate agrodealers, farmers and the general public on different fertilizers in the market, and the benefits and safe use of fertilizers, etc. Priority should be given to collaboration with private sector stakeholders in the fertilizer sector, building the capacity of fertilizer regulators and creating linkages with national and regional fertilizer associations in the COMESA region. An annual meeting of national fertilizer regulators to share experiences and emerging issues and working with regional fertilizer associations, and private sector forums such as the East and Southern Africa Fertilizer Trade Platform (ESAF), is also recommended. In addition the on-going project on installation of an e-portal to improve

ICT infrastructure in general is crucial; this will help to optimize NFIA’s efficiency and provide a link to traders and other relevant stakeholders to apply for various licenses and permits from a single platform. Computers will be needed to enable networking with inspectors in the districts.

- e) Capacity building of fertilizer inspectors and law enforcers at district and national levels:** To enable effective enforcement, regular training of inspectors and other law enforcers including legal officers in the districts should be introduced

6.0 REFERENCES

1. Camara, O.M., and Edeme, J., 2013, Making Regional Fertilizer Markets Work for Smallholder Farmers in Africa
2. Wanzala, M. and Groot, R., 2013, Fertilizer Market Development in Sub-Saharan Africa. Paper presented to the International Fertiliser Society at a Conference in Windsor, UK, on 24th May 2013
3. Kirsten, J.F., Dorward, A.R., Poulton, C., and Vink, N., 2009, Institutional Economics Perspectives on African Agricultural Development, International Food Policy Research Institute

7.0 ANNEXURES

7.1 ANNEXURE 1: LIST OF INTERVIEWED KEY INFORMANTS

Table 2: List of interviewed key informants

Name	Institution	Date
	Ministry of Trade	25-07-2016
Mr Yohanness Seifu	World Bank Ethiopia (IFC)	25-07-2016
	Ethiopia Revenue Authorities	25-07-2016
Dr Nega	AGRA	26-07-2016
Dr Gezahegn Ayele	AGRA SSTP	26-07-2016
Dr Yitbarek Semeane	ATA (Seed marketing)	26-07-2016
Mr Wysnayike Tigest	Ministry of Agriculture	27-07-2016
	Quality and Standards Authority of Ethiopia- Standards Development	27-07-2016
Shaan Mavani	ATA	28-07-2016
	Quality and Standards Authority of Ethiopia- Conformity Assessment	28-07-2016