The fertilizer sector and the Bank’s High 5s

Integrate Africa
- Promotion of regional road infrastructure
- Harmonization of regional policies on fertilizers
- Building regional platforms to strengthen the fertilizer value chain

Industrialize Africa
- Supporting large scale production of fertilizer
- Supporting the development of fertilizer SMEs

Feed Africa
- Feeding our soils to feed Africa
- Supporting the fertilizer value chain

Improve the Quality of Life for the People of Africa
- Closing the gender gap in the fertilizer value chain
- Improving food nutrition on the continent
- Improving food nutrition on the continent

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According to the UN’s 2019 *State of Food Security and Nutrition in the World*, hunger is on the rise in almost all African sub-regions, making the continent the region with the highest prevalence of undernourishment, at nearly 20%. The continent is still not able to feed itself, and there is an urgent need to improve agricultural productivity. Although fertilizer is one of the most needed inputs in agriculture, its use remains below the 2006 Abuja Declaration objective of at least 50 kg of nutrients of fertilizer use per hectare of arable land. Through this Declaration on Fertilizer for the African Green Revolution, African leaders resolved to fast-track farmers’ access to affordable fertilizers as well as to increase the level of fertilizer use.

From manufacturer to farmer, the fertilizer value chain must become an integral part of the entire agricultural value chain. With the support of stakeholders in the public and private sector and from within and outside the Bank, the Africa Fertilizer Financing Mechanism can contribute to achieving four of the African Development Bank’s High 5 objectives, namely Feed Africa, Industrialize Africa, Integrate Africa and Improve the Quality of Life for the People of Africa. This paper aims to show the connections that exist between the development of the fertilizer sector and the advancement of these priorities of the Bank.
Despite its vast agricultural potential, and the fact that the majority of the labour force works in agriculture, Africa remains a net food importer and has a food trade deficit. This increases Africa’s vulnerability, especially in crisis times. Moving away from an unsustainable food system in which Africa spends $64.5 billion annually on importing food that could be produced by African farmers, is an important goal.

**Feeding our soils to feed Africa**

The African Development Bank, through its Feed Africa strategy, is working to achieve this. The strategy aims to transform African agriculture into a globally competitive, sustainable, inclusive and business-oriented sector, creating wealth, generating employment, and improving quality of life.[1] Ensuring food security for a growing population can only happen if measures are taken to increase large scale production in Africa. This requires that farmers have access to vital agricultural inputs including fertilizer, seeds, irrigation and crop protection products. In this regards, the African Development Bank developed the Technologies for African Agricultural Transformation (TAAT) programme, with the objective of raising agricultural production and productivity through the deployment of appropriate technologies, including nutrient-dense crop varieties and outreach training and campaigns.

As we enter a new decade, access to and use of critical agricultural inputs remains underdeveloped in Africa. For example, the average application of fertilizer per hectare of cultivated land in sub-Saharan Africa is 17 kg of fertilizer nutrients, compared to a global average of 135 kg.

**Supporting the fertilizer value chain**

Strong support to the fertilizer value chain will accelerate the Bank’s journey towards a more competitive agriculture sector. Success depends on smallholder farmers being able to access inputs which requires adequate finance as recommended by the 2014 Malabo Declaration on Agriculture through which regional member countries “commit to enhance investment finance, both public and private, to agriculture”.[2]

While the TAAT programme is focused on promoting the use of improved seeds, the Africa Fertilizer Financing Mechanism (AFFM), hosted by the Bank, seeks inclusive financial solutions to help all the actors along the fertilizer value chain. The Mechanism intends not only to facilitate access to quality inputs but also to ensure farmers have the knowledge to apply them effectively. Collaboration between Bank departments, regional member countries, the financial and fertilizer sectors will have a significant impact in efforts to achieve the Feed Africa priority.
The low use of fertilizer in Africa is also due to Africa’s failure to establish a strong and powerful fertilizer value chain to meet the needs of the agriculture sector. A fast-growing population requires large-scale fertilizer production to ensure better productivity. In line with the African Development Bank’s industrialization strategy 2016-2025, the mission of the Africa Fertilizer Financing Mechanism is to attract and channel funding into infrastructure and projects related to the fertilizer sector. The strategy aims to develop the fertilizer value chain in Africa, which still largely depends on imported raw materials to manufacture fertilizer locally. This is due to the lack of low-cost raw materials for fertilizer production, low domestic demand, low capacity utilization and high capital requirements for investment in production facilities.[3]

• Supporting large scale production of fertilizer
With the continent’s vast reserves of mineral and gas resources needed to produce different fertilizers, there is a need to design and support projects to improve Africa’s capacity to produce straight and blended fertilizers. For example, in 2018, the Bank lent $100 million to Nigeria’s Indorama Eleme Fertilizer & Chemicals Limited for the production of 1.4 million metric tons of urea per year from natural gas, boosting fertilizer production, a foundation of agricultural growth. In the same vein, the Bank approved a second loan of $200 million in 2018 for the expansion of its activities. Large-scale production will allow economies of scale, and hence make fertilizers more affordable within countries and at the regional level.

• Supporting the development of fertilizer SMEs
Also needed is specific support to small and medium scale enterprises (SMEs) in fertilizer production in Africa. These are constrained by the lack of affordable financing to purchase raw materials for blending. The fertilizer blending industry must be developed to ensure that the necessary blended or compound fertilizer is produced and brought closer to farmers. As recommended by the fourth pillar of the Bank’s industrialization strategy 2016-2025, investment and lending to SMEs as well as the provision of technical assistance to strengthen SME-focused entities, are essential.

The availability and accessibility of affordable fertilizer will lead to increased food production and hence will have a significant impact on food processing industries.
The free movement of people, goods and services is critical for Africa’s development. It is also crucial for a vibrant fertilizer industry in Africa. Recognized as a “strategic commodity without borders” in the Abuja Declaration on Fertilizer for the African Green Revolution, fertilizer movement across Africa should be promoted. This will expand markets for African producers and improve the access of landlocked countries to fertilizers. Transportation costs represent 30% to 60% of the farm gate price of fertilizer, therefore improving road and railway networks will contribute to making fertilizer more affordable.

- **Promotion of regional road infrastructure**

The Bank’s objective of enhancing the construction or rehabilitation of 10,000 kilometers of cross-border roads to improve intra-continental connectivity will go a long way to benefit fertilizer movement across Africa. It also represents a huge opportunity to improve the service provision and to boost fertilizer trade in Africa. However, all this can only be efficient if the main transport corridors can facilitate linkages to smallholder farmers who struggle to access fertilizer. Therefore, African governments should also make the development of rural infrastructure a priority.

- **Harmonization of regional policies on fertilizers**

Integration also requires the harmonization of fertilizer standards and regulations at a regional level. As a joint African Union, AFFM and UN Economic Commission for Africa study in 2018 showed, “If fertilizer policies are harmonized at a regional level, a regional inspection of fertilizer will allow for shipments to be approved once upon entry into a region.” Where it is not the case, fertilizer is subject to pre-shipment inspections at ports and border crossings, which introduces delays due to multiple controls. Harmonization of standards is also key in the context of the implementation of the African Free Trade Continental Area launched in 2019. Intra-Africa trade will increase the flow of fertilizers throughout regional economic communities according to their agricultural calendar.

- **Building regional platforms to strengthen the fertilizer value chain**

A regional perspective also has the potential to contribute to the better organization of the fertilizer sector in different regions of the continent. AFFM is working to bring together fertilizer sector stakeholders to develop sustainable financing solutions to the fertilizer value chain at a regional level. Creating a regional platform where the sector can meet and discuss is an opportunity to advance the industry further. For example, the 2019 West Africa Fertilizer Financing Forum brought together about 60 fertilizer companies to discuss their priorities and connect with different financing possibilities in the region.
Access to quality fertilizer can accelerate efforts to improve the quality of life for the most vulnerable people in our societies.

- **Increasing smallholder farmers’ revenue**
  The majority of sub-Saharan farmers are subsistence and smallholder farmers and the use of fertilizers and improved seeds to increase their agricultural productivity would have a tremendous impact on their yields, and therefore their revenues.

- **Closing the gender gap in the fertilizer value chain**
  An efficient fertilizer value chain can also improve the quality of life of Africans by closing the gender gap in the agriculture sector. According to UN Women, gender gaps in productivity arise because women have unequal access to agricultural inputs.[5] All interventions should, therefore, work towards creating an inclusive fertilizer value chain where access to financing to buy inputs is facilitated for women. The Bank’s flagship pan-African initiative, Affirmative Finance Action for Women in Africa (AFAWA) can also play a significant role in ensuring that women in the agricultural sector have access to finance to purchase key inputs like fertilizers and seeds.

- **Improving food nutrition on the continent**
  Adequate fertilizer use can also improve the quality of soil health, which, in turn, will help produce quality food to ensure people’s health. Indeed, improving the quality of food through its intake of micronutrients can accelerate Africa’s efforts towards ending malnutrition. The application of mineral fertilizers to soils or plant leaves can increase micronutrient content, essential for human growth and development.[6] Supporting the sector can go a long way in fighting malnutrition, a scourge which affects millions of African children.
Conclusion

Increased support to the fertilizer sector could be the game-changer for Africa – accelerating its objectives in the areas of food security and nutrition, as well as in other key development areas. Access to quality and affordable fertilizer is essential to transforming the agriculture sector and improving smallholder farmers’ livelihoods. Interventions for integrated support to the fertilizer value chain should prioritize capacity building among farmers, to ensure their ability to use agricultural inputs to achieve the potential increased productivity. The AFFM can play a role in channeling Bank’s support to smallholder farmers and SMEs and in bridging financing through commercial banks involved in fertilizer sector financing.

Bibliography

[1] https://www.afdb.org/sites/default/files/2019/07/05/high_5_feed_africa.pdf


