

The GLOCEPS

Weekly Influential Brief

Research Focus: Development and Innovation

Harmonizing East Africa's Response to the EU Deforestation Regulation

Janet Kiguru (Independent Researcher)

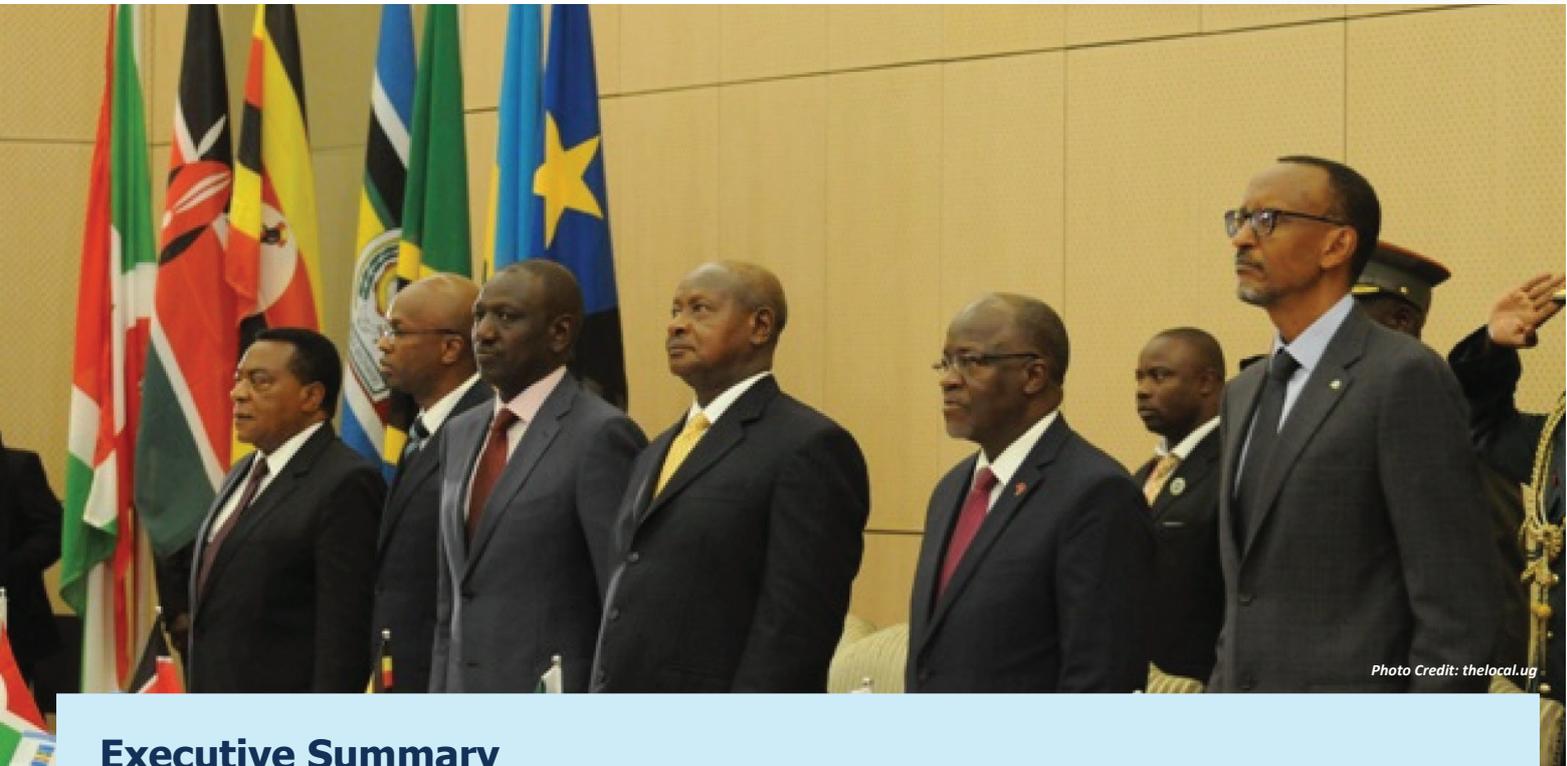


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Executive Summary

The East African Community (EAC) faces imminent economic risks from the European Union's Deforestation Regulation (EUDR) that comes into effect on December, 30th 2024. This regulation demands rigorous traceability of exports into the EU market to prevent ties with deforestation. This threatens EAC's vital agriculture-based exports to the EU. Compliance poses significant financial and logistical impediments, especially for small-scale farmers who are responsible for a significant bulk of agricultural sector productions. With divergent stances among the EAC member states, a unified

regional approach is crucial. Due to its wide-reaching impact, EAC should seek continental support through the African Union (AU). Collective advocacy for a delayed implementation guideline timeline and access to technical support can mitigate disruptions, safeguard livelihoods, and maintain crucial trade ties with the EU. Addressing these challenges collaboratively ensures that EAC member states can adapt to the stringent requirements of the EUDR while sustaining the agricultural-based economies and market access to the EU.



Decoding EUDR and its importance

The EUDR is the EU's approach to taking responsibility and mitigating global deforestation linked to the expansion of agricultural land and production of commodities like cattle, wood, cocoa, soy, palm oil, coffee, rubber, and derived products, such as leather, furniture, and tires. The EU is one of the major economies consuming products originating from recently deforested areas. Likewise, the EU is one of EAC's largest export markets accounting for 21% of Kenya's exports, 20% (Uganda), and 10% (Tanzania). As highlighted in Table 1.1, EAC member states earned an estimated 1

billion USD in 2022 from exporting agricultural commodities to the European Union. The list of highlighted commodities is highlighted in Annex I of the EUDR.

It remains highly plausible that significant production of the outlined commodities occurs in former forest zones. Thus their entire value chains are likely to be impacted. The EU regulation will also affect raw materials sold to third-party countries for processing or value addition, before eventual sale to the EU market. To this extent, the regulation mandates that traceability information must be added up along supply chains.

Table 1.1: European Union Imports from EAC countries in 2022 (in dollars)

	Uganda	Kenya	Tanzania	DRC	Rwanda	Burundi
Live Cattle, Leather, Raw Hides & Leather articles	2.5m	23.23m	323.23k	83.96k	76.38k	234.18k
Wood and wood products	70.29k	33.53k	2.03m	25.65m	22.14k	64.43k
Cocoa	26.00m	507.02k	5.86m	34.01m	176	56.50k
Coffee	573.93m	144.24m	111.79m	29.42m	42.82m	23.79m
Soy and soybean oil	n/a	66.2m	n/a	n/a	n/a	n/a
Rubber	4.18k	10.91k	28.62k	695.75k	225	1.90k
Total	602.54m	234m		89.8m	42.9m	24.09m

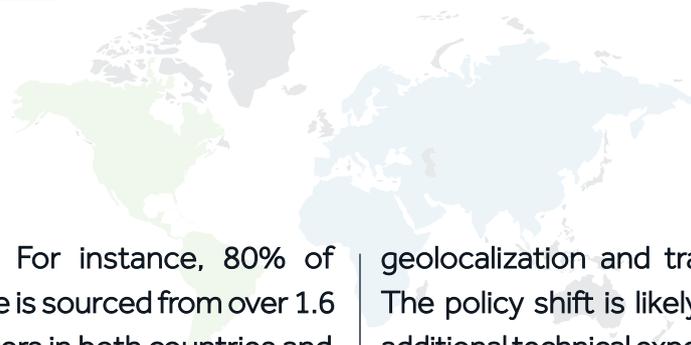
Source: Trading Economics (2024)

The EU operators such as large retail outlets or manufacturers placing the goods in the market are ultimately responsible for ensuring due diligence that the commodities are EUDR compliant. The operators are required to liaise with downstream suppliers and will be sanctioned for violation of the EUDR.

Most EU operators are likely to opt out of the Eastern Africa market due to potential compliance issues. Inadvertently, small-scale farmers will be negatively impacted even though they account for a majority of the export volumes. Compliance would involve

tracking millions of smallholder producers in remote locations or relying on local middlemen, who may not realize the severity of mixing compliant and





non-compliant produce. For instance, 80% of Uganda and Kenyan coffee is sourced from over 1.6 million small-scale producers in both countries and marketed through intermediaries. If traders mix compliant and non-compliant products from different plots, the entire shipment will be classified as non-compliant. Tracing cattle would also entail geolocating all establishments associated with raising the cattle, encompassing the birthplace, grazing lands, and slaughterhouses. Enforcing authorities may cross-check the geolocation coordinates against satellite imagery and maps to confirm the commodity's compliance. Most EU operators are unwilling to cover the attendant costs and risks and would prefer to source from less riskier origins, and with better traceability and compliance systems.

While the regulation will initially apply standardized classification for all countries, countries will be upgraded and split into high, standard, and low risk, based on the country's risk level in producing deforestation-free commodities. East Africa's three largest economies of Kenya, Uganda, and Tanzania—are likely to be assigned a high-risk classification as defined by the Global Illegal Logging and Associated Trade Risk Data Tool. Tanzania, Kenya, and Uganda have high-risk scores of 68%, 68.6% and 72.6% respectively. Rwanda, which has a risk score of 39.1% (medium risk) is likely to face significantly fewer hurdles in accessing the EU market.

The EUDR is expected to generally increase the cost of production, introduce additional administrative burdens, and limit the export capacity of East African exporters. Producers in high-risk countries will be subjected to more obligations and higher costs. The regulation expects each country to have a national register and the National Traceability System in which each farmer will have a unique code that allows

geolocalization and traceability of their product. The policy shift is likely will have the farmers hire additional technical expertise to navigate and comply with the technicalities. The regulations significantly are likely to push out a significant number of small-scale producers from the export market, as they are already vulnerable and struggling to comply with existing obligations, spending up to \$10,000 to acquire appropriate licenses. Bigger multinationals are relocating, leading to high unemployment and market disruption and creating room for middlemen to control and diminish farm gate prices. The middlemen will exploit farmers due to unstructured and unregulated land tenure systems and markets in East Africa. Mitigating the impact of the EUDR is critical, noting that the agriculture sector contributes to 40% of employment in Kenya, 59% in Uganda, and 65% in Tanzania.



Photo Credit: greenpeace-palm-oil

Unclear EUDR Compliance Guidelines

The EU parameters assessing the contribution to deforestation are creating uncertainty on how the EUDR will be implemented. The EU's 'one-size-fits-all' approach to sustainability does not reflect country-specific attempts to protect forests within their unique ecosystems. Kenyan agricultural stakeholders consider the EUDR one-size-fits-all approach unfair since Kenya has been playing its role in stopping deforestation and its forest cover has increased from 1.7% in 2002 to 8.83% in 2022. It has a moratorium on timber and wood product exports



and a robust agroforestry policy promotes afforestation on plantation farms. The plantation zones serve as a buffer to stop illegal encroachment on forests and the blanket policy will affect this progress. Additionally, there is ambiguity as the EU's forest definition and mapping do not align with international standards, creating concerns about what constitutes 'deforestation'. Kenya Forestry Research Institute considers coffee trees as agricultural tree crops due to their permanency, while the EU seems to consider plantation farming as deforestation. Tanzania is also uncertain about EUDR's position on its commercial tree plantations. Another ambiguity stems from the EUDR's proposed National Traceability System. The process of mapping and registering farmers, and building capacity is an expensive and technical venture that is difficult to achieve in the stipulated timeframe. Furthermore, this is compounded by a paucity of appropriate guidance from the EU. So far, the EU has not been receptive to concerns though some member states such as Austria, Finland, Italy, Poland, Slovakia, Slovenia, and Sweden who have raised concerns and called for a delay in implementation to allow various industry players time to comply. Separately, Uganda is making its advocacy, proposing the use of a territorial approach that involves remediating non-compliant polygons to get territorial compliance. However, an East African push for a territorial approach is likely to yield more attention in Brussels.

Reconciling Local Interests with the EUDR

The EAC states are struggling to make a unified position of the EUDR as they are individually struggling with balancing their domestic priorities and varied EU relations. On one hand, Uganda supports the EUDR, and President Yoweri Museveni has remarked that for the first time, he agrees with the EU. President Museveni strongly backs the fight against deforestation and Uganda has been receiving significant EU funding to tackle deforestation and promote reforestation. Uganda is working with development partners, and stakeholders across the value chain to register and group producers. This approach is geared at minimizing costs of traceability while streamlining regular assessments and extension services. The Ugandan Government is actively engaging the EU and has established a coordination office. Its agencies are revising legislation, advising and supporting farmers on how to comply with the regulations, and avoid being locked out of the EU market. The Government has committed UGX 13 billion in the 2024/25 Financial Year to farmer registration and the National Traceability System. On the other hand, Uganda has broader concerns about the human rights component in the EUDR which requires production and legislation of the country of production to respect human rights protected under international law. Uganda upheld the Anti-Homosexuality Act in April 2024 and its stance on human rights may cause a divergence in perspective with the EU on the EUDR.

Like Uganda, Kenya is struggling to push back on the EUDR due to the just-signed EPA. Deforestation concerns featured during the Kenya-EU EPA negotiations. The Kenyan Government has been aware that the EUDR might disrupt trade, but it is also wary not to rattle to the political class, as the deforested





Photo Credit: research.wri.org

highlands are owned by politically-affluent families, multinationals, or vote-rich communities. Some of the deforested zones in the Mau, are also a source of public contestation, pitting indigenous communities against the government. As such, the Kenyan Government has yet to make any known advocacy or support for farmers to ensure compliance. The Government is expected to at one point provide regulations but let the farmers and exporters individually be responsible for complying with the regulations. Most farmers are unaware of the incoming policy, but sections of the private sector are using national and regional member associations to protest and promote advocacy on the EUDR. The Kenyan private sector considers the EUDR an unfair policy since the European Union was not subjected to such environment-related regulations when developing. This position has also been echoed by the African Continental Free Trade Area Secretary General, Wamkele Mene, who objected to the inclusion of environment-related clauses in the Joint Vision for 2030.

Similarly, Tanzania is yet to engage with the farmers and is prioritizing its domestic production. Tanzania is expanding its agricultural production zone into forested areas, contrary to the EUDR requirements. Its position is informed by its growing population, finite space, and a largely agro-pastoral economy. It has the fourth-largest cattle population in Africa, with 28.4 million herds in 2022. Tanzania considers

the EUDR limiting its food security, and agricultural and economic growth and it has discussed the policy with its trading partners. Tanzania recognizes that it may need to review of some legislation, restructure market systems, provide market support systems, organize farmers into producer associations, and create a favorable environment for exporters to adopt and comply with the EUDR. Meanwhile, it is prioritizing diversifying its market options to other countries with less stringent regulations.

EAC-EUDR Engagement Approach

The EU is the first to implement a firm policy to stop global deforestation, but it has also intensified bilateral and multilateral engagement to address deforestation and provide technical assistance to strengthen readiness and compliance with the deforestation laws. Its Sustainable Agriculture for Forest Ecosystems (SAFE) project is promoting forest preservation through deforestation-free sustainable agri-food systems in Burundi, DRC, and Uganda. The Team Europe Initiative (TEI) Hub, operating in DRC and Rwanda and the latter is also working with operators to support small-scale producers to comply with the EUDR requirements. The EU also has an on-demand Technical Facility on Deforestation-free Value Chains, providing expertise on technical requirements to producing countries.

EAC countries will also have the chance to negotiate on the risk status to ensure they do not subject their



Photo Credit: Medium.com



producers to unnecessarily stringent monitoring. According to Article 29 of the regulation, the EU will objectively evaluate but also provide avenues for dialogue to avoid prejudice against countries in the high-risk designation. The dialogue is an opportunity for EAC partner countries to provide additional information for a favorable classification.

Conclusion

EUDR's potential to disrupt trade and East Africa's exports to the EU is concerning due to the high cost of compliance and limited technical capacity among exporters in the region. East African states' silence on their concerns could be informed by the need to protect broader developmental partnerships with the EU and for Kenya, the EPA. Most government officials in Kenya and Tanzania were unaware that the regulation would come into

force on 30 December 2024, which reaffirms the need for further negotiations, flexibility, and possibly delayed EUDR implementation. As raw-material-producing countries are likely to be designated as high-risk, this policy brief recommends that EAC states should pursue a unified approach in pressing the EU to delay implementation.



Photo Credit: political-confederation

Recommendations

1. EAC should rally for collective African action at Brussels, the World Trade Organization, and the International Trade Centre and with individual EU member states to delay EUDR implementation and revise timeframes in Article 38 of the regulation to give sufficient time for farmers to adapt to the new regulations.
2. EAC should lobby the African Union, South Africa, and Brazil to introduce the EUDR concerns to the G20 Agriculture Working Group discussions to push for flexibility on EUDR implementation, particularly on the adoption of territorial compliance for developing countries.
3. EAC countries should take advantage of the EU Technical Facility on Deforestation-free Value Chains to provide farmers with technical support and ensure compliance with the EUDR requirements.
4. EAC governments should negotiate an arrangement to create forest carbon offsets in other parts of the country instead of compromising thousands of livelihoods dependent on the currently deforested zones.
5. EAC states should actively seek alternative markets to sustain their production and mitigate significant trade disruptions in the event the EU is unwilling to revise enforcement timeframes.
6. EAC governments should gather supportive information and take advantage of the proposed dialogue on risk classification, as per Article 29, to argue for and provide information supporting standard or low-risk classification for their countries.





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Off Kiambu Road, Nairobi Kenya
P.O. Box 27023-00100, Nairobi.
Telephone: 0112401331
Email: info@gloceps.org
Web: www.gloceps.org