

Rationalizing the Food Processing sub-sector to make it competitive

Facts

- The food processing sub-sector is the largest (34%) of manufacturing industry in Tanzania. It accounts for 56% of the total formal employment in manufacturing industry. The sub-sector contributed TZS 972 billion to the GDP and currently generates tax revenue of TZS 248 billion (Economic Survey, 2009). However, over-regulation is choking the sector and inhibiting growth, mainly caused by fragmentation and duplication of regulators' tasks.
- It is estimated that the food processing sub-sector loses 5,000 direct and 360,000 indirect jobs per annum due to over-regulation which in turn causes reduction of investment.
- The regulatory environment in Tanzania is unfriendly to private enterprises compared with other countries as evidenced by its low ranking (124 out of 183 countries) in the annual report of the Ease of Doing Business Index.
- The total regulatory compliance costs of the sector is estimated to be TZS 100 billion, which is equivalent to 40% of the tax contributed by the sub-sector. The tax lost due to these high and often unnecessary costs equals TZS 33 billion per year.



Case Study of a Food Processor

It took a female entrepreneur 30 days to register her business at BRELA in 2010. In the same year she bought a plot in Dar es Salaam; to-date the property is yet to be registered despite the fact she followed all procedures. She had to start building on it without a building permit after trying to get one for a year with no success. In early 2013 she bought machinery for food processing and packaging. In order to start operations, she had to get permits from TFDA, TBS, GCLA and LGA. She started operations without full compliance as about 14 regulators are involved, which she estimates will take over two years to get all. At the same time she has other challenges like poor quality of inputs, poor access to inputs, lack of standards, certifications, access to finance and poor distribution network. According to her the costs of compliance are astronomical in terms of money and time, while at the same time there is always uncertainty about obtaining approvals, licenses and permits.



It looks so easy

Situational Analysis

- Most regulatory authorities charge fees for routine services.
- Many of the regulatory agencies have a weak and ineffective enforcement capacity, e.g. enough human resources, finances and facilities.
- The staff of regulatory agencies mostly have unsupportive attitude to representatives of enterprises.
- Private sector sees most regulatory agencies as motivated by revenue collection rather than facilitating enterprises for growth of national economy.
- Private Sector Organizations (PSOs) don't have the capacity for implementing self-regulation.

Recommendations

- Reform regulatory system, improve coordination of the regulatory agencies, and create a one stop centre.
- Regulatory agencies need to be enhanced to undertake their roles in improving business environment effectively.
- Introduction of self-regulation by PSO e.g. TAFOPA (food processors), TAMPA (dairy), TEOSA (edible oil) and CTI (large manufacturers).
- Use of Public Private Partnership in promoting quality standards for the industry and simulating food safety standards public awareness. Staff of regulatory agencies should consider private sector as partner in the development of the manufacturing sector

Policy actions needed

- Harmonization and coordination of tasks by regulatory agencies to avoid duplication e.g. harmonize the premises inspection and product testing through cross-reference or business registration and licensing activities.
- Review the budget allocated to regulatory agencies and promote collaborative model for funding regulators.
- Shift from end-product to performance and process-based regulatory standards.

Information in this factsheet compiled from the CTI study: **Simplifying Compliance with Regulations in the Food-processing Sector to enhance the Ease of Doing Business.** This report was sponsored by BEST-AC and is available at their website: www.best-ac.org.
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