

Recommendations to improve competitiveness in the dairy sector

A policy proposal for the rationalization of the regulatory framework

The facts:

- 680,000 dairy cattle with the capacity to produce 1.65 billion litres annually.
- The dairy sub-sector contributes 30% of the livestock GDP.
- 80 % decline in formal milk processing over the last 15 years.
- About 76, 577 jobs and income tax amounting TZS 103 Billion are lost per annum due to failure to process at least 50% of the milk produced in the country.
- Estimated cost of compliance in the startup phase is TZS 12 Million with a capacity of 6000 litres per day.
- Recurrent compliance cost: TZS 48 Million



Overall, the dairy sector is:

- Regulated by 15 regulators
- Protected in 25 Acts
- Governed by 25 regulations

The situation:

- Multiple uncoordinated inspections of premises, 2 major kinds of regulations are involved aimed at food hygiene and safeguarding the safety of employees (TFDA, TBS, TDB, Zoo-Sanitary, OSHA)
- Multiple uncoordinated testing of products where authorities are involved in periodic testing of processed milk and dairy products (TFDA, TBS, TDB)
- Multiplicity of licenses for premises and products e.g. A milk processing business producing 6 different products is required to have not less than 15 licenses for premises and products most are renewed annually.
- Lack of clear division of responsibilities and coordination between inspecting authorities which results in duplication by efforts of the controlling authorities

- Poor relationship between regulators and enterprises, most regulatory agency staff acts as police rather than facilitators.

Recommendations:

- Harmonization and coordination of premises inspections – inspections of premises be carried out concurrently (LGA, TFDA, TDB, TBS, OSHA, NEMC, etc)
- Reduction of number of licenses and permits – amendment of relevant clauses of the laws
- Coordination of products testing – agencies conduct product testing concurrently, sharing results
- Reduction of reliance fees charged to enterprises as a source of revenue for regulators
- Strengthen capacity of TDB to become more effective in executing its statutory functions

Comparing Tanzania and Kenya dairy sectors:

Tanzania	Kenya
No VAT-able milk law - Discrepancies in VAT-able / non VAT-able products.	Liquid milk zero rated - all products VAT-able
21.3 million cattle	13 million cattle
105,000 litres processed per day	More than 1 million litres processed per day
Per capita milk consumption 45 liters	Per capita milk consumption 100 liters

Case study:

Too many inspectors spoil the milk

Chuchu Milk Ltd is a mini-diary located in Dar es Salaam. It is a family enterprise which started 10 years ago by processing and selling milk from the family cow. To legalize her business the owner had to obtain 11 licenses and permits from government agencies at a total cost of TZS 380,000. Many queues and months later, these documents now decorate a whole wall in her small office. Most of these licenses/permits have to be renewed every year at a cost of about TZS 450,000 but this wasn't her worry now.

Over the last six months the milk truck has been stopped from time to time for inspection by district officials. These daily inspections are quite unpredictable and, since the truck passes through six districts, the delay has frequently caused spoilage of whole consignments of milk. Each spoilage brings a loss of TZS 1.2 million. Usually the truck is stopped in the middle of nowhere and the "inspectors" have no equipment or competency for the task. For a "fee" they would happily let the vehicle pass without inspection. The amounts involved in these bribes are small enough in comparison to the losses (TZS 5,000,000) but it will not end once a precedent is set.

When she complained about this to the Ministry responsible for livestock, she was referred back to the District Local Government Authorities. But the truck already has a permit for transportation of milk from Tanzania Food, Drugs and Cosmetics Authority- a national government agency. Now it appears she has to pay for six more permits from the district local authorities on regular basis. She cannot understand why one permit is not enough to safeguard health and safety standards.

August 2007