TANZANIA MILK PROCESSING ASSOCIATION
TAMPA

IMPROVING COMPETITIVENESS OF THE DIARY SECTOR THROUGH RATIONALIZATION OF THE REGULATORY FRAMEWORK

POLICY PROPOSAL

Submitted by

Dr. Goodluck Charles

Dr. K.W. Mchau

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EXECUTIVE SUMMARY

The dairy sector has a great potential to bring economic development in Tanzania by improving food security, contributing to national income as well as creating employment especially for rural households. Due to its significance, most national policies and strategies focusing on the sector put emphasis on promoting it while underscoring the need to ensure product quality and safety standards in order to meet the sanitary conditions of the dairy products. However, there has been a concern about a decline in competitiveness and performance of the sector. The main issue is *the regulatory burden which increases the cost of doing business and contributes to decline in competiveness of the dairy sector*. In view of this, this policy proposal is developed by the Tanzania Milk Processors Association (TAMPA) with support of the Business Environment Strengthening for Tanzania (BEST-AC) to be used as a tool to influence local and central government authorities to rationalize and harmonize overlapping regulations in the sector. The approach used to develop the proposal combined the research data and information, views of stakeholders gathered from various workshops and regulatory authorities, and secondary information from the relevant documents and literature.

Findings from various sources indicate that the impact of declining performance of the dairy sector on the economy of Tanzania is enormous. When the current level of the sector performance is compared with previous performance, the country has lost 9,601 jobs per annum as a result of decline in the capacity of the dairy sector. The country also loses the income tax amounting TZS 12.91 billion per annum due to declining performance of the sector. About 76,577 jobs and the income tax amounting 103 billion are currently lost due to failure to process at least 50% of the milk produced in the country. While the estimated annual compliance cost for the dairy sector with the current capacity is over TZS 800 million, the cost of compliance would be over TZS 3.3 billion if the industry is restored to its previous capacity. If the country improves the milk processing capacity to 50% of the milk produced, the cost of compliance would be over TZS 20.4 billion given that the regulatory framework remains as it is. The main regulatory issues affecting competitiveness of the sector and that require harmonization are as flows;

i) Multiple uncoordinated inspections of premises, where two major kinds of regulations are involved being those aimed at food hygiene (TFDA, TBS, TDB and Zoo-sanitary) and those safeguarding the safety of employees (OSHA).
ii) Multiple uncoordinated testing of products where the authorities involved in periodic (annual and otherwise) testing of all kinds of processed milk and dairy products destined for the market are TFDA, TBS and TDB. Although the testing fees may be high, the main cost in this case is the market opportunity lost in waiting for the results and the necessary permits.
iii) Multiplicity of licenses/permits for premises and products seeing that an average milk processing business producing about six different products is required to have more than 15 licenses/permits for the premises (including vehicles) and products, most of which have to be renewed annually.
iv) The legislation lacks a detailed description of the rationale for inspections and clear procedures for prescribing and conducting them. It also lacks clear definition of the

rights and responsibilities of officials conducting inspections on one hand and the right and responsibilities of the enterprises on the other.

v) The legal framework does not provide a clear division of responsibilities and coordination between inspecting authorities, as a result, there is redundancy and duplication of effort between control authorities owing to lack of communication channels and coordination.

vi) The legal control measures in the sector translate into stringent and pervasive obligations for businesses, while it does not entail any accountability or transparency mechanisms for state controlling bodies.

Given the regulatory burden in the sector, the recommended policy changes are aimed at reducing the burden in the areas where the law provides an avenue for coordination of functions of different regulators: The policy reform[1] is recommended as follows;

i) Coordination of premises inspections: The laws establishing the regulatory agencies foresee the need for coordination of their functions and therefore make explicit provisions to "maintain as far as may be practicable a system of consultation and cooperation ". (Tanzania Food, Drugs and Cosmetics Act, 2003, Section 5 (2) (f); The Standards Act, 2009, Section 4 (2) (b); The Dairy Industry Act, 2004 Section 10 (r), (s); Occupational Health and Safety Act, 2003, Sections 24 (1) – (4) and 64 (3). Using these provisions, it is possible to coordinate the inspections so that they are carried out concurrently in one rather than five sessions.

ii) Coordination of products testing: The coordination of the functions stipulated in various laws (Tanzania Food, Drugs and Cosmetics Act, 2003, Section 5 (2) (f); The Standards Act, 2009, Section 4 (2) (b); The Dairy Industry Act, 2004 Section 10 (r), (s); Occupational Health and Safety Act, 2003, Sections 24 (1)–(4) and 64 (3) would make it possible for a large number of products to be tested concurrently through harmonization of testing procedures.

iii) Reducing the number of licenses/permits through coordination and harmonization of the processes involved. For example, one premises license from TDB and one permit (for each product) from TBS should suffice. In addition, most small and medium dairy enterprises would do with only one business license from BRELA (through Local Government Authorities) as required under the *Business Activities Registration Act, 2007.*

iv) To consolidate the gains made in the reform process and prevent introduction of new regulatory burden, it is necessary to make periodic assessments of the impact of the regulatory framework on the competitiveness of the dairy industry. Taking advantage of the "consultation and cooperation" provisions of the various laws, the *Regulatory Impact Assessment (RIA)* methodology may be institutionalized on an inter-agency basis.

v) Strengthening TAMPA's advocacy capacity as its capacity is limited by a number of constraints, both financial and human, which are underpinned by inadequate funding of

[1] *If the proposed reforms are implemented, the total annual saving for the sector based on the current capacity would be TZS 218,383,190. Assuming that the capacity of sector is restored to 325,600 litres per day the total annual saving would be TZS 821,459,875. If the sector processes 50% of the current milk produced (2,000,000 litres) the total annual saving would be TZS 5,045,822,333 (Extrapolated from the study findings).*

its activities. Therefore, facilitating TAMPA to introduce a compliance service for its members (at a fee) and building its capacity to serve the members would help to alleviate the situation.

vi) Strengthening the capacity of TDB to become more effective in executing its statutory function both the regulatory and supportive functions. If the statutory role of TDB is executed effectively most challenges of the sector can be addressed. The capacity of TDB can be strengthen through staffing the Board with the right staff, training of staff and increasing the budget to execute its operations.

vii) Significant role of milk and milk product safety management should be shifted gradually from the controls imposed by government to prevention throughout the food supply chain.

viii) The need to improve efficiency of the system of government control is indisputable and should include Development of the criteria for inspection system, standard procedure for conducting inspections and presenting findings and checklists to be used by inspectors.

Successful reform of the regulatory framework requires sustained political support to undertake significant changes in the legislative, regulatory and institutional framework that will enable the sector to change its current status. Dairy stakeholders should in this case share this proposal with all the Ministries responsible for regulating the dairy sector. This implies that hard and soft copies of this policy proposal should be shared with all key decision makers in the responsible Ministries and Authorities for them to understand the situation and see opportunities and results of improving the current situation. Where possible, TAMPA with support of BEST-AC can organize specific meetings with each of the key regulators to share the findings separately before organizing the joint meetings for sharing of the report. This will be followed by the joint national policy dialogue meetings with the government and regulatory authorities' representatives to share the proposal to trigger a set of action-oriented discussions between the champions of the reforms and the institutions responsible for changing the regulations. In addition, TAMPA needs to sensitize its members on the regulatory issues of concern and ongoing initiatives to address them. This should also involve mobilizing resources from other sources to complement BEST-AC support to move this issue forward. Importantly, TAMPA should strengthen its relationship with TDB and other regulators in the course of addressing the issue in order to establish a strong PPP in the whole process.

1. CONTEXT AND THE PROBLEM

1.1 Background

The dairy sector is one of the key sectors in Tanzania with high potential for improving food security, creating employment especially for rural households and contributing to economic development. It is estimated that Tanzania has 19 million cattle[2] where 560,000 are dairy cattle with the capacity to produce 4.1 million litres per day (UTR, 2006). While the livestock industry accounts for 5.9% of the National Gross Product (GDP), the dairy sub-sector alone contributes 30% of the livestock GDP (ibid). The sub-sector employs more than 2 million households and over 100,000 intermediaries. Given the importance of the dairy sector in Tanzania, it is explicable that creation of an enabling environment that will enhance its competitiveness is highly desirable. This is in line with the Livestock Policy of Tanzania (2006) that emphasizes revitalizing and modernizing the sector to become more competitive and commercial. The move to enhance competitiveness of the dairy industry is also in line with Agricultural Sector Development Programme (ASDP) that aims at creating an enabling and conducive environment for improving the productivity and profitability within the agricultural sector.

Regardless of the recognized role of the dairy sector, there has been a concern about a decline in competitiveness of the sector resulting largely from the burden of the regulatory environment. In view of this, the Tanzania Milk Processors Association (TAMPA) with support of the Business Environment Strengthening for Tanzania (BEST-AC) commissioned a study in 2007/08 to assess the extent and impact of over-regulation on businesses in the dairy sector. A study found a number of regulatory issues that need to be addressed. It recommended that the legal and regulatory framework should be reformed to make the sector more competitive. The study however, did not develop a policy proposal for effective advocacy with the government to bring about the necessary reforms of the regulatory framework. Therefore, TAMPA decided to take another initiative to develop the proposal that would be used to influence local and central government authorities to rationalize and harmonize overlapping regulations in the dairy sector in order to reduce the cost of doing business and increase the competitiveness of the sector. Accordingly, TAMPA with support of BEST-AC commissioned another task of developing a policy proposal with solid and concrete recommendations that would guide the government and other stakeholders in implementing the policy change.

1.2 The Problem/Issue

The main issue of concern is the regulatory burden which increases the cost of doing business and contributes to decline in competiveness of the dairy sector. Data from the Ministry of Livestock Development show that the formal milk processing has declined by more than 80% over the last 15 years where 13 dairy plants have closed business. Most of the processing plants are working at less than 27% of the installed capacity (MLD, 2007), resulting in only 56, 580

[2] *See Appendix 1 as estimated by the MLD, 2007*

litres processed per day down from 496,000 litres (URT, 2009). In 2009, the country had an annual installed capacity to process 325,600 litres per day but operated at an average rate of 86,560 litres per day (MFEA, 2009)[3]. The amount of milk processed by the functioning 31 plants was 65,930 litres per day or a total of 24.1 million litres in 2007 (ibid). These figures are astonishing when they are compared with data from countries like Uganda which processes more than 500,000 litres per day and Kenya processing more than 1,000,000 litres per day. The national per capita consumption of milk is about 39 litres per annum which is low compared to the FAO recommended level of 200 litres (URT,2006). About 70% of the annually produced milk comes from traditional sector (indigenous cows), whereas the commercial sector (dairy cows) produce about 30%. Only a small proportion (10%) of marketable surplus milk produced annually filters through into the urban markets and processing plants. There is a narrow product range which is concentrated on liquid and fermented milk while the demand for processed milk products is far from being satisfied. The demand supply gap for processed dairy products is filled by imports of about 15-20 million litres Liquid Milk Equivalents (LME) per annum worth about US $ 5million (BACAS, 2008) and the import is increasing at the rate of 9% annually. Competition from subsidized milk products imported from outside the country discourages local investments and effects performance of the sector at large. The import data of Tanzania show that the country imported milk products with the Cost Insurance and Freight (CIF) value of TZS 8.2 billion in 2008 (Appendix 3). This implies that the market potential for milk is large though local milk producers and processors have not been able to capture a significant market share.

Although there are several constraints to the dairy sector such as inadequate raw milk production, high cost of equipment, inadequate machinery, packaging materials and utilities, poor infrastructure, inadequate management and low milk consumption levels, the impact of the regulatory burden on competitiveness of the sector is enormous. Notwithstanding, regulating the dairy industry seems to be essential, regulations without the necessary checks and balances can create as many problems as they provide solutions. Unless regulations are well managed, they can create unintended and often unavoidable barriers and present unnecessary burdens to business. The burden of the regulations to the dairy sector of Tanzania is apparent as the sector is regulated by more than 17 regulators which are enshrined in 25 Acts and more than 25 regulations. For example, starting a formal dairy processing plant in Tanzania requires at least 16 licenses/permits under the existing regulations. A review of the laws and regulations that apply to the dairy sector reveals that the major focus is on control rather than enabling the private sector. Some regulators seek to generate income in the process of enforcing regulations leading to rent seeking behaviour rather than facilitating the private sector. Compliance with the regulators' requirements is therefore costly and time consuming making the businesses operating in the sector unproductive and inefficient. This suggests that the prevailing regulatory environment is less favorable such that it hinders business growth and discourages investment in the sector.

[3] *Statistics from the Ministry of Livestock Development indicate that Musoma Dairy has the installed capacity of 80,000 litres when it operates for 8 hours, but, only 6000 litres are currently processed. Tanga Fresh processes 30,000 litres per day while it has the installed capacity of 50,000 litres. Tan Dairies, Asas Dairies and International Dairy products process between 4,500-5000 litres per day though they have the capacity to process up to 10,000 litres. Other small processors process less than 1,000 litres per day (URT, 2008).*

This proposal shows the areas of regulatory overlaps and the impact of those overlaps on performance of the sector as basis for proposing a policy change. It is based on the assumption that creating conducive environment for development and strengthening of the private enterprises will improve the competitiveness of the dairy sector. Improvement of the competitiveness of the dairy industry through rationalization of regulatory compliance and cost of business is also based on the concept of Regulatory Best Practice (RBP) which seeks to reduce regulatory costs and barriers to competition. RBP requires that a regulatory objective (e.g. minimum quality and safety standard for milk) be achieved without overlap of regulatory functions.

1.3 Scope of Work and Methodology

The overall goal of this task was to develop a solid dairy industry policy, legal and regulatory proposal for a rationalized, fair and more competitive environment for both domestic and export markets. In order to achieve this objective, the proposal is prepared to enable stakeholders to have clear understanding of the issue and its implications as well as to provide the policy recommendations and the strategy for change. The approach used to develop this proposal combines both the research data and information from the study done by TAMPA, views of stakeholders gathered from various workshops and regulatory authorities, and secondary information from the relevant documents and literature. Specifically, the tasks involved in developing this policy proposal entailed: reviewing the 2007/08 study report, gathering evidence on the impact of the issues identified and establishing opinions and attitude of policy makers; studying the relevant laws and regulations to determine their adequacy for consumer protection and quality assurance; organizing stakeholders' workshop to collect their views and comments; and developing the proposal for effective engagement. The whole process was guided by the Five-Step and the Advocacy Composite Logic (ACL) models which put emphasis on a thorough research and analysis of the problem to understand the issue identified before developing recommendations and strategy to influence change. The comments and suggestions of key stakeholders are reflected in this document to ensure that the stakeholders are part and parcel of this advocacy project from the beginning to the end.

1.2 Organization of the Proposal

This proposal is organized in six major sections. The first section deals with the context and the problem/issue, the scope of work and the methodology. Section two describes the dairy industry policy and regulatory framework highlighting the rationale for regulating the industry and describing the development of the regulatory landscape in Tanzania. Section three describes the major acts and regulations in the industry and indicates the keys overlaps in the existing regulations. Section four presents a summary of the findings of the study conducted by TAMPA in 2007/08 and the views of stakeholders. Section five focuses on the impact of over-regulations while showing the avenues for harmonization of the regulatory framework. The conclusions and recommendations for the review of policy framework and the strategy to bring change are presented in section six.

2. DAIRY INDUSTRY POLICY AND REGULATORY FRAMEWORK

2.1 Policy Framework

Livestock sector is recognized and considered in several national policies and strategies. The main issue that is given a lot of importance in almost all policies regarding the livestock sector is the need to promote growth and competitiveness of the sector. For instance, the National Strategy for Growth and Reduction of Poverty (under review) takes account of need for promoting sustainable growth of the livestock sub-sector from 2.7% in 200/01 to 9% through creating an enabling environment for the sector. The strategy recognizes the significance of the sector in contributing to household nutrition security and incomes thereby acting as a vehicle for poverty eradication. This is also reflected in the vision of the livestock industry that states that *"By year 2025, there should be a livestock sector, which to a large extent shall be commercially run, modern and sustainable, using improved and highly productive livestock to ensure food security, improved income for the household and the nation while conserving the environment."*

The National Livestock Policy (2006) is geared toward encouraging the development of commercially oriented, efficient and internationally competitive livestock industry. One of the key objectives of the policy is to "*contribute towards national food security through increased production, processing and marketing of livestock products to meet national nutritional requirements". T*he policy recognizes the need to utilize available resources for commercialization and market oriented dairying in order to raise income of dairy stakeholders and improve their standard of living. It emphasizes the importance of value addition in order to access competitive markets and to prolong shelf-life of livestock products. The policy intends to improve standards of living of people engaged in the livestock industry through increased income generation from livestock. The role of Government according to the Livestock Policy is to accelerate the reform process and continue maintaining favorable macro-economic policy environment conducive for private sector participation in the livestock industry. Further, the government should provide suitable environment and incentives for private sector growth and empowerment of smallholder farmers. In collaboration with other stakeholders, the Government is dispensed with the role of supporting and strengthening technical support services for dairy production as well as promoting use of appropriate technologies for milk production that will increase the productivity in the sector and promote investment in dairy production, processing and marketing. In order to achieve this, the policy highlights the need for the government to encourage and promote the establishment of dairy organizations and strengthen the Tanzania Dairy Board (TDB).

The SME Development Policy (2003) recognizes that the high cost of compliance to regulations may discourage potential entrepreneurs from formally setting up their businesses, while driving some existing enterprises out of business and those working for them into unemployment. The policy therefore stipulates that the Government should enhance implementation of programs aimed at simplification and rationalization of procedures and regulations so as to encourage compliance and minimize transaction cost. Likewise, the Trade policy (2003) emphasizes the adoption of an appropriate framework of measures for

safeguarding of domestic industry and economic activity threatened by liberalization including identification of sectors to be protected, the rationale and costs of protection, and the maximum duration for protection. The goal of trade policy is to raise efficiency and widen linkages in domestic production while building a diversified competitive export sector as the means of stimulating higher rates of growth and development. Among its objectives is stimulation and encouragement of value-adding activities on primary exports as a means of increasing national earnings and income flows even on the basis of existing output levels.

Despite the fact that the most policies focus largely on the promotion of the livestock sector, there are several policies that highlight the rationale for promoting product quality and safety standards. The essence is to address the challenge of meeting the sanitary conditions in livestock products for the local, regional and international livestock trade as stipulated in the Livestock Development Policy. The policy highlights the need to promote production of safe and quality foods of animal origin in order to safeguard consumers. It emphasizes increasing the quantity and quality of livestock products as raw materials for local industry and export. Similarly, the Food and Nutrition Policy (1992) covers strongly the issue of food hygiene and insists categorically that food quality and standard must be maintained. The policy however, recognizes that the food and nutrition issues require multi-sectoral approach. The National Health Policy (2007) guided the establishment of The Tanzania Food Drugs and Cosmetics Act, 2003 enacted for the purposes of regulating *inter alia,* food and food products manufactured and / or imported in the country. In addition, the Health Policy puts emphasis on Occupational Health Services so as to ensure workers' protection against all occupational hazards, which may occur in their work places such as industries, estates, plantations and other high-risk institutions.

The National Environment Policy (1997) underscores the need to ensure sustainability, security, and equitable use of resources to meet the basic needs of the present and future generations without degrading the environment or risking health or safety. It focuses on prevention of degradation of land, water, vegetation and air, which are important constituents of life. It highlights the need for conservation of and enhancement of biological diversity of unique ecosystems of Tanzania; improvement of the conditions and productivity of degraded areas in both urban and rural settlements, raising awareness on the relationship between the environment and development, and promote individual and community participation in environmental action. This shows that protection and conservation of the environment in which milk production / processing is taking place is within the policy framework.

The review of the policy framework indicates that while Tanzania intends to promote the livestock industry and dairy sector in particular, there is also a provision for regulating the industry to safeguard the interest of the public. Thus the policy framework attempts to attain greater performance of the dairy sector while at the same time maintaining good business practices. As a result, most regulations affecting the sector and the mandates of the regulators are drawn from the country policy framework. Driven by the need to protect milk consumers and producers, the government's arguments for regulation is to improve the quality and safety of raw milk in addition to creating a leveled and favorable playing ground for all milk traders to compete. Further, regulations intend to integrate the informal sector into the formal sector

through the registration, training and licensing of informal milk traders. However, the key challenge that this proposal seeks to address is to rationalizing the ways of regulating the sector without adding unnecessary costs and burden to the private sector while ensuring that good business practices are attained. It is believed that a mix of sector policies and programmes that provide an enabling environment for enterprise development and private sector engagement can favourably influence the rate and shape of growth of the sector. This highlights the necessity for forging an enabling environment that is supportive of sector development through carefully crafted and focused policy interventions. These interventions should ensure engagement of the private sector through innovative partnerships, cost-sharing arrangements and meaningful participation of the sector. Although the key role played by government is mainly legislative and regulatory, government can strategically engage the private sector in market-based solutions that are tailored as a cost-effective alternatives or complements to legislation. Once the government is aware of the private sector's role in addressing many of the problems affecting efficiencies of dairy chains the PPP can be established easily.

2.2 Rationale for Regulating Dairy Industry

Development of the dairy industry typically starts with small scale traditional cattle rearing in rural areas with the primary objective of milk production to feed the family and neighbours (satisfy local demand). As production increases and surplus milk is produced, a need to find market outlet in some other areas particularly the urban centres emerges. This is followed by Commercial Dairy Farming characterized by Small Scale and Large Scale Dairy Farming, demanding an organized dairy market to facilitate movement of the product from point of production to the final consumer. This kind of development requires policies and organisation set up that creates an environment conducive for the overall development of the industry. At this point, the government takes special interest in the industry right from dairy farming to milk processing and marketing. The main concern is to ensure that milk is handled in hygienic manner in order to avoid multiplication of bacteria some of which are etiological agents for certain human diseases. This objective is achieved by having comprehensive policy documents, often with accompanying acts of parliament to support their implementation as long as they believe in the rule of law. The laws set standards to be observed in aspects of performance, product quality, suitability of facilities used in handling, transporting, processing and selling of milk and matters of health and hygiene with serious concern about infectious diseases transmitted through milk. Therefore, governments all over the world have a set of laws and regulations in place to ensure that before it reaches the consumer, milk is handled properly so that the consumer is assured of a safe and wholesome product and gets the intended benefits of consuming milk and milk products.

The regulations related to business registration aim at ensuring that business entities undertaking activities of production, storage, transportation, processing and marketing of milk and milk products are registered as legal entities. The licensing regulations aim to assure that business operators in the sector have the qualifications to carry out their activities in a way that safeguards public welfare. Various permits found in the sector were designed ensure that structures and operations comply with standards that protect public health, safety and environments. The inspections carried out by regulators aim at ensuring that compliance with public health, safety and environmental standards are maintained on an ongoing basis. In light

of these justifications regulators in every sphere of regulations attempt to safeguard the areas they are mandated to undertake. Consequently, in implementing their roles to protect the public interest some regulatory functions overlap and cause problems to the private sector. With the view that regulations should not cause a significant burden to the private sector, the issue of rationalizing the current regulatory system in the dairy sector remains valid.

2.3 Transformation of Dairy Industry Regulatory Landscape in Tanzania

Regulation of the dairy sector in Tanzania has undergone various stages of development and changes reflecting transformations that have occurred in different phases of the economy. During the colonial period, the dairy industry was geared towards meeting the needs of the colonials, where the colonial government was the main actor. However, after realizing the complexity sector, the colonial Government withdrew completely from milk production, processing and marketing and left everything to private operators by 1960. In the subsequent period, the Government directed its focus to the regulation of these enterprises in order to ensure both the public health and further development of the dairy industry. After independence between 1961 and 1965 the operations of dairy sector were led by the National Dairy Board which was fully responsible to regulate and co-ordinate the development of the industry. In 1967, all large scale dairy farms and milk processing factories were nationalized thus bringing the government into direct production and trade in milk products. During the mid seventies, the government established a number of parastatals to deal with dairy activities, namely the Dairy Farming Company (DAFCO), Tanzania Dairies Ltd. (TDL) and a Heifer Breeding unit (HBUs) that operated under a holding company and the Livestock Development Authority (LIDA).

Following liberalization of the economy during the 2nd phase government (1985-1995), these parastatal organizations were dissolved and all the dairy processing plants under TDL and some farms previously run by DAFCO were privatized. In the late 180's, the government withdrew from direct production and marketing of milk products, and started to promote expansion of the private sector involvement in the dairy industry. The government enacted the new Industry Act, 2004 that created the Tanzania Diary Board (TDB) as a primary regulator of the industry. The main function of the Board is to regulate, develop and promote milk and milk products production, processing, marketing and consumption in order to meet the socio-economic goals of Tanzania. Up to the revival of the new Tanzania Dairy Board in 2004, the regulations disallowed the sale of raw milk and gave processing and marketing monopoly to the parastatal Tanzania Dairies limited. Unfortunately, liberalization of the sector was not accompanied by regulatory reform and this gap created an opportunity for an informal market to emerge and thrive. The secondary regulators of the dairy industry during this period were the National Food Commission (NFC) under Ministry of Health and Tanzania Bureau of Standards (TBS). NFC's mandate for the dairy industry was part of a broad one covering the entire food sector specifying mandatory minimum quality and safety standards. It also disallowed the sale of raw milk by unregistered agents. Tanzania Bureau of Standards (TBS), on the other hand, sets high but optional standard in order to promote the availability of quality dairy products (bearing the TBS quality mark) these laws were not enforced very effectively and had negligible effect on the operations of informal market. Following different reforms and

changes that have occurred in the dairy sector, there are several secondary regulators intervening the industry in one way or another causing the problem of over-regulation.

2.4 Ongoing Initiatives to Improve Regulatory Environment

This proposal is developed to complement the ongoing initiatives to address the challenges of regulations in the dairy sector. It is therefore necessary to describe the initiatives that are underway and show how this policy proposal aims to complement them. The initiatives that have taken place or are going on in the sector include but not limited to;

i) The government has introduced tax exemption for machiness and equipment used in the collection, transportation and processing of milk products taxes in the 2010/2011 budget to reduce a burden to milk processors. The equipment and machines exempted include a milk cans, milk pumps, milk hoses, storage tanks, milk pasteurizers, butter churns and cheese pressers. This is an extension of the exemptions introduced in 2009/2010 with the aim of promoting investment in the dairy sector and improving farmers' income. While the tax review is a good move, it will not resolve the burden caused by other regulators. Therefore, this proposal aims at showing other areas in the regulatory framework requiring review and/or harmonization.

ii) At least two stakeholders' workshops have been organized by TAMPA and TDB to brainstorm and deliberate on the strategies to improve regulatory framework in the sector. A number of recommendations have been proposed and are incorporated in the later sections of this proposal. The policy recommendations given in various workshops and forums are incorporated in this proposal to enable policy makers to get the entire picture of the stakeholders' views.

iii) The Committee formed by TDB is working on the problem of regulations in the dairy sector based on TORs given by the TDB workshop held in Morogoro in May 2010. The proposal of the committee is expected to complement this one by providing more evidence and substantiating/complementing our recommendations. The TDB initiative seems to open up an avenue for PPP thereby leading to more collaborative solutions to the problem of the dairy sector. This proposal will be shared with TDB committee and it is expected to enrich the recommendations to be made by TDB.

iv) Some studies on the performance of the dairy sector and regulatory issues in particular, have been conducted by TAMPA and other stakeholders to gain an understanding of the problems of the sector and explore strategies to enhance its performance. The findings of these studies are incorporated in this proposal.

v) Some other initiatives are being taken by the Tanzania Private Sector Foundation (TPSF) through the Cluster Competitiveness Programme (CCP) where the dairy sector is one of the selected clusters to be supported by the programme. One of the components of the programme is to improve business environment for the dairy sector and this proposal can be an input to the programme in terms of the areas to be improved.

3. ANALYSIS OF LAWS AND REGULATIONS IN THE DAIRY SECTOR

3.1 Introduction

Regulatory framework in the dairy industry is mainly geared to registration, licensing, permits and inspections. Due to a wide scope of regulatory function, the dairy industry in Tanzania is governed by number of legislations, some of which overlap to each other. This section identifies the major legislations regulating dairy and dairy industry, and identifies provisions of the laws that overlap to each other. The Legislations governing dairy and dairy industry in Tanzania covered are: i) Dairy Industry Act, 2004; ii) The Veterinary Act, 2003 ; iii) Business Activities Registration Act,2007 iv) The Standard Act,2009; iv) Special Economic Zone Act,2006; v) Tanzania Food, Drugs and Cosmetics Act,2003; vi) The Public Heath Act,2009; vii) Tanzania Trade Development Authority Act,2009; vii) Employment and Labour Institutions Act,2004; vii) Labour institution Act,2004; viii) Occupational Safety and Health Act,2003; ix) Business Registration and Trade License Act; x) Tanzania Revenue Authority Act; xi) National social security Fund Act,2002 xii) National Environmental Management Act, 2004 xiii) Town and Country Planning Act, 2002 xiv) Weight and Measures Act, 1982; xv) Local Government Act, 1982; xvi) Animal Disease Act, 2003 xvii) Fair Competition Act,2003 xix) The Executive Agency Act, 1997; xx) Livestock Identification, Registration and Traceability Act, 2010. The analysis of these regulations aim is to demonstrate overlaps in the regulatory areas in order to provide the basis for rationalization of the regulatory framework. In order to indicate the areas of overlap in the current regulatory framework the analysis is made on the basis of three major areas of regulations namely; registration, licensing and inspections.

3.2 Registration

Mandatory requirements for registration are laid down in different legislations. The Dairy Industry Act provides that, any person who deals with milk or milk products shall, with effect from the commencement of the Act, register with the Board to undertake milk production, processing or marketing agent, milk or milk products importation dairy input supplies, manufacturers or importers and retailer.[4] The Business Regulation Act provides for the procedures and issuance of Certificate of Registration upon payment of registration fee. The Board has powers of under section, along with any other penalty issued, revoke or suspend the registration to a registered person who fails to comply with the terms and conditions of the registration. The Veterinary Act establishes Veterinary Council of Tanzania which is mandated with effecting registration of all practicing veterinarians[5] and veterinary facilities[6] upon payment of prescribed fees.[7] Business Activities Registration Act requires all business undertaking or entities established in certain jurisdiction to be registered[8] and obtain certificate of registration upon payment of prescribed fee.[9] The Business Activities Registration and Trade License Act also establish the Business Registration and Licensing Authority (BRELA), which

[4] *Section 17.-(1)*
[5] *Section 5(1) (a)*
[6] *Section 38 & 39*
[7] *Section 15 (1)*
[8] *Section 8 (a)*
[9] *Section 11(3)*

business registration centre mandated with registrations of all business undertakings in the area of its jurisdiction.[10] Tanzania Food, Drugs and Cosmetics Act provides for mandatory registration for premises dealing with manufacturing of any product regulated under it.[11] The Act prohibits a person to manufacture for sale, sell, supply, and import or store products regulated unless the product is registered and issued with the license or permit by Authority[12]. The Public Heath Act provides that "a person shall, for purpose of compliance with public health matters, not engage in food manufacturing within the area of the Authority without being registered by the licensing Authority.[13] The act itself does not lay down mandatory requirement for registration rather recognizes registration made by competent authority within the area of jurisdiction.

The labour related legislations are also found in the list of legislations providing for registrations. The Employment and Labour Relations Act[14] requires employer to register to the Labour Commissioner a plan to promote equal opportunity and eliminate discrimination at work place.[15] Occupational Safety and Health Act provides that a person being an owner or occupier of a factory or work place before operating, need to register such factory or work place under the Act.[16] National Social Security Fund Act[17] lay down mandatory requirement of registration of every contributing employer, (unless such employer has been registered under the existing Fund), within one month and in the prescribed manner.[18]

The tax related legislations also provides for compulsory registration. The Value Added Tax provides[19] that "any person whose taxable turnover exceeds, or the person has reason to believe will exceed, the turnover prescribed in regulations made under the Act, shall make application to be registered within thirty days of becoming liable to make such application".[20] The Income Tax Act[21] provides for taxpayer identification number and issuance of certificate has the implication of mandatory registration. The provision says "(1) every person whose income is chargeable to tax under this Act shall upon application for registration, have a taxpayer identification number allocated to him by the Commissioner".

3.3 Licensing

The Standard Act establishes Bureau of Standards which is mandated with granting standard mark license [22] The Act confers powers to the Bureau of Standard to issue a license for standard marks. Any mark approved by the Bureau for any commodity or the manufacturing, production, processing or treatment of any commodity will be a standard mark in respect of it

[10] *Section 8 and 14*
[11] *Section 18(1)*
[12] *Section 22(a)*
[13] *Section 138*
[14] *2004*
[15] *Section 7(2)*
[16] *Section 15-17*
[17] *RE 2002*
[18] *Section 11*
[19] *Under Section 91(1)*
[20] *Section 44 of this Act penalizes one who fails to register.*
[21] *Section 3A*
[22] *Section 4 (e)*

and TBS may, in like manner, cancel or amend that mark.[23] Special Economic Zone Act requires a person wishing to carry out business under special economic zone, to apply for business License to the relevant Authority[24], the Act itself does not provide for mandatory requirement for license rather recognize other relevant authorities on issuing the said license. Tanzania Food, Drugs and Cosmetics Act establishes the Tanzania Food, Drugs and Cosmetics Authority (TFDA)[25] which is empowered to issue manufacturing, whole sale and retail or any other license or permit as it deems fit and it can vary any provision, suspend or revoke any license issued under the Act [26]. Also, the Town and Country Planning Act provide that "no person shall develop any land within a planning area without planned consent or otherwise than in accordance with planning consent and any conditions specified therein".[27]

For the purpose of aforementioned provisions governing license in dairy and dairy industry, it requires that production of dairy and dairy products to be licensed under all licensing authorities as found in aforementioned legislations. This is cumbersome and bureaucratic creating an opportunity for corruption and/or unintended effects.

3.4 Inspection

The Dairy Board has powers to appoint inspectors whose powers in performing their functions according to Dairy Board Regulation 10(1) are: to enter any dairy farm, carrier, container or milk collection centre with or without notice for purposes of investigating; require the owner of the facility or premises to observe and maintain established standards of the dairy premises; issue prohibition or suspension notice to owners or occupiers of dairy premises who operate in contravention of the Act and Regulations; seize, detain and dispose any milk found to be unfit for human consumption and detain any vehicle carrying such milk; and close the premises found to contravene the law with clear indication of public health hazards and initiate criminal proceedings. However, the Board does not register premises or milk and milk products. Other Acts that provide for inspections in the sector include Raw Milk Transportation, 2007, Raw Milk Grading and Minimum Quality and Safety Requirements, 2007 as well as Treatment of Unfit Milk, 2007.

Section 23 of the Standard Act, 2009 provides for the appointment of an inspector with power to: enter upon any premises at which there is or is suspected to be a commodity in relation to which any compulsory standard or standards mark exists; inspect and take samples of any commodity or any material or substance used; inspect any process or other operation which is or appears likely to be carried out in those premises in connection with the manufacturing, production, processing or treatment of any commodity in relation to which a compulsory standard or standards mark exists[28]. The Standard Act has also some inspectors with powers of inspection[29] as one of the TBS's functions is inspection.[30] TBS is mandated with inspection,

[23] *Section 18(1)*
[24] *Section 24,25& 26*
[25] *Section 4(1)*
[26] *Section 5(1)(g), Section 20 and 21*
[27] *Section 3*
[28] *Section 24*
[29] *Section 23 and 24*

sampling and testing of locally manufactured and imported commodities with a view of determining whether the commodities comply with the provisions of the Standards Act or any other law dealing with standards relevant to those commodities.[31]

The Business Registration Act, 2007 empowers the Minister responsible for local government to appoint officers of the local authority to be inspectors for the purpose of the Act. The function of these inspectors is to inspect and examine premises or places where business is carried on [32] In the Dairy industry Act, the Minister may, upon advice of the Board, make regulation (s) providing for the inspection of dairies and persons in or about dairies who have access to milk or milk products or to any vessels or containers used herein[33] The Veterinary Act mandates inspector to inspect veterinary facilities. This inspector is vested with the power to issue prohibition notice to the owner, seize and detain any drug, equipment, record or anything.[34] The inspection powers are also found in the Business Activities Registration Act. In this, the inspector is mandated to inspect business undertakings and in course of doing so he may request production of any document and make a copy of any of them.[35]

The Tanzania Food, Drugs and Cosmetics Act provides for appointment of inspectors and their powers respectively.[36] The Authority has power to inspect any premises and carry out routine inspection after the product being in the market. In executing its role, TFDA has enacted Import and Export of Food Regulations, 2006, The Food Hygiene Regulations, 2006, Fee and Charges, 2005 as well as Treatment and Disposal of Unfit Food, 2006. The Public Heath Act provides the authorities under the Act with *inter alia* powers to carry out inspections.[37] Labour Institutions Act empowered labour officers appointed under it[38] to effect inspection in relation with employment related and labour issues.[39] At the same time, the Occupational Safety and Health Act appoints inspector mandated to inspect work places or factories by day or night without prior notice[40]. Inspectors have power to: enter, inspect and examine a factory or workplace, and every part thereof; enter, inspect, and examine part of any building of which a factory or workplace forms part; exercise such other powers as may be necessary to inspect and examine any machinery, plant, or appliance in a factory or workplace; require; require any person whom found in a factory or workplace to give such information as to who is the occupier of the factory or workplace; and to examine any person, either alone or in the presence of any other person, as he thinks fit, with respect to matters under this Act.

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[30] *section 3(1)*
[31] *See section 4(1)(k);*
[32] *Section 26.-(1)*

[33] *Section 32*
[34] *sec. 11*
[35] *Sec. 26 & 27*
[36] *See section 105 and 106.*
[37] *See sections 5(g), 7(a) and 118.*
[38] *Section 43 (4)*
[39] *Section 45*
[40] *Section 4 -6,*

Business Activities Registration and Trade License Act appoint officers who are empowered to conduct inspections.[41] National Social Security Fund Act establishes a Board[42] which is mandated with appointment of inspector for conducting inspection under the Act. The inspectors are empowered to enter at all reasonable times on the premises or place and there make any examination and inquiry necessary to obtain information.[43] The National Environmental Management Act requires inspection for environmental compliance[44]. The tax related legislations are provides for inspections. The Stamp Duty Act[45] provides for power of inspection[46]. The same is found in the Income Tax Act[47] vested with the power to inter[48] and inspect books and documents[49], power to enter, inspect is also is provided[50] in the Value Added Tax Act[51]

3.5 Penalties

Various Acts and Regulations that have been reviewed impose penalties for non-compliance that are supposed to be paid by enterprises. For example, the Dairy Industry Act imposes a penalty for the offences of non-registration and false advertisement or misleading information[52]. The Veterinary Act imposes penalty (specific or general penalty) for offences of unauthorized practice, professional misconduct and fraud.[53] Business Activities Registration Act imposes penalty on failure to comply with requirements laid down therein, the penalty imposed depends on business turnover/production[54]. The Standard Act imposes penalty for contravening provisions of the Act[55]. Tanzania Food, Drugs and Cosmetics Act penalizes any person distributing or selling food which is unfit for human consumption[56]. The Public Heath Act imposes fine of not exceeding ten million for refusing an officer to perform inspection.[57]

There are also some penalties in the labour related Employment and Labour Institutions Acts making it an offence for anyone who fails to comply with mandatory requirement of registration of employer's plan to eliminate discrimination at work place[58] the Act imposes a penalty of not exceeding five million shillings[59]. Labour Institutions Act impose penalty to any person obstruct labour officer to perform inspection[60]. Occupational Safety and Health Act imposes penalty for failure to comply with provision of the Occupational safety and Health

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[41] *Section 26 and 27*
[42] *Section 53*
[43] *Section 87*
[44] *Section 5*
[45] *Chapter 189, R.E 2002. This is an Act to provide for stamp duty and for related matters*
[46] *Under Section 58*
[47] *Cap 332, R.E 2002.[An Act to make provision for the charge, assessment and collection of Income Tax, for the ascertainment of the income to be charged and for related matters]*
[48] *Under section 127*
[49] *Under section 39*
[50] *Section 39*
[51] *Cap 148, R.E 2002. This is an Act to make provision for the imposition of a tax to be known as the Value Added Tax (VAT) on supplies of goods and services and for related matters.*
[52] *Section 48, 49 & 50*
[53] *Section 48, 49 & 50.*
[54] *Section 28*
[55] *Section 27 and 28.*
[56] *Section 32*
[57] *Section 44*
[58] *section 7(2)*
[59] *section 102*
[60] *Section 49.*

Act.[61] National Social Security Fund Act imposes penalty to any person knowingly evading payment of contribution, that is a fine not exceeding one hundred thousand shillings or to imprisonment for a term not exceeding two years or both the fine and imprisonment.[62]

Town and Country Planning Act sets it clear that any person who willfully does any act, or willfully fails to do any act, in contravention of a provision contained in a scheme, shall be liable on conviction to a fine not exceeding fifty thousand shillings, and, in the case of a continuing offence, to a further fine not exceeding one thousand shillings for every day during which the default continues after conviction[63]. Stamp Duty Act[64] provides that, anyone who contravenes the Act shall be guilty of an offence and on conviction shall be liable to a fine not exceeding fifty thousand shillings or imprisonment for a term not exceeding two years or to both, and shall pay the duty which would have been paid had the offence not been committed[65] The Income Tax Act[66] also provides for offences and penalties[67] the general provisions relating to offence, imposes a fine not exceeding fifty thousand shillings or to imprisonment for a term not exceeding two years, or both. Lastly, the Value Added Tax Act[68] provides for offences and penalties[69] ranging between two hundred thousand shillings or two million shillings depending on the offence committed.

The main idea behind enacting legislation is check and balance of the conduct of producers of dairy and owners of dairy plants, but not encouraging penalty, the penalty imposed by different legislations to regulate the institution of dairy and dairy industry leads to double penalty for the same offence, which is not encouraged by the law, as it may be found that the offences are related especially those under Dairy Industry Act, Tanzania Food, Drugs and Cosmetics Act and The Public Heath Act. Therefore harmonization is essential to cater for multiple penalties.

3.6 Overlaps of Regulations

The analysis of regulations of the Dairy industry shows the areas where there are overlaps of regulation adding costs to the private sector and affecting their competitiveness. Although the impact of over-regulation is measured in section 5 of this document, Table 3.1 shows the areas of regulatory overlaps.

[61] *Section 77-88*
[62] *Section 72*
[63] *section 74*
[64] *Section 73*
[65] *Section 72 (2)*
[66] *Part XVII*
[67] *Section 114-128*
[68] *Under part VIII*
[69] *Section 44-51*

Table 3.1 Overlaps of Regulations

Regulatory steps	Authority	Certificate, License, permit	Frequency	Time Taken
1. Registration and Licensing				
Business Registration	BRELA	License	One-off	8 days
Registration of Factory and machinery	MI&T	Industrial License	One-off	5 days
Product analysis and name Registration	TFDA; TBS	Certificate	Annual	27days
Tax Payer Registration	TRA	Certificate (TIN)	One-off	5 days
Environment Impact assessment	NEMC	Registration Certificate	Twice per year	27 days
Quality registration	TBS; TFDA	Certificate	Annual	TBS-27 days, TFDA-27 days
Registration of premises	TFDA	Certificate	One-off	
Registration of staff	NSFF			
Registration of factory / work place	OSHA	Certificate		
2. Inspection				
Site Inspection	LGA, NEMC, OSHA	Building permit	One-off	LGA-14 days, NEMC -7days, OSHA- 7days
Premise Inspection	TFDA; LGA;TDB; TBS; OSHA	Compliance Certificate	Annual; Three year (TDB)	TDFA-7 day, TDB 7 day , TBS -7 days OSHA 7 day
Vehicle Inspection (5 trucks)	TDB, TFDA, LGA, MLD -ZS	Permit	Per event	TDB-7days, TFDA – 7 days, LGA - 7 days, LGA - 7 days, ZS - 1 day
Health Inspection for workers	TDB; TFDA, OSHA; LGA; TBS	Certificate (from recognized health practitioner)	Twice per annum	TDB-7 day, TFDA-7 days, OSHA- 7 days, TBS- 7 days 7-14 days 5 days per employee
Installation inspection (factory / work place)	TFDA; OSHA; TBS; TDB	Certificate	Annual	27days
Fire inspection	MHA, MIT	Fire certificate; Boiler; light; noise	annual	
Taxation / Levy / Cess / rent	TRA, LGA	Tax payer clearance certificate	Annual	variable
Employment taxes and security	TRA	Employment taxes (PAYE)	Monthly	Variable
Social Security	NSSF		Monthly	Tedious

3.7 Key Observations from the Laws and Regulations

An analysis of the laws and regulations indicates that there are plethora of regulations in the industry that make it costly in terms of time and money to comply with. For example, in order to comply with registration requirements the enterprise has to meet at least 8 regulators. In terms of inspection the enterprise is inspected by more than 10 inspectors checking different aspects of compliance. The LGA inspects the site of the operation to check if it is in line with land plan and if the premise is suitable for food processing. OSHA checks whether the location is conducive for workers and if buildings and machinery are in line with workers' safety. NEMC checks compliance with environmental standards and the impact of the business on the environment. The health inspection of workers is done by TDB, OSHA, TFDA, LGA and TBS. All these regulators check the health status of the workers and ensure that premises and machinery meet standards of the workers' health. Most inspections associate with the fee and require enterprises to spend some time for compliance. On the basis of these observations, it is clear that some functions of the regulators are duplicated and add costs to businesses.

This situation is unnecessary because the law has made provision for liaising and collaboration among regulators in order to reduce the cost of compliance and enforcement. For example the Dairy Industry Act provides for representation of local Government and TFDA in the Dairy Board (TDB) as well as for liaising and collaboration. At the same time most of the secondary regulators (e.g. NEMC, BRELA, MOI, and Veterinary Department) have executing agents attached to Local Government. It should also be pointed out that while registered processors are over regulated, the informal traders are more or less overlooked. Therefore, based on the provisions of existing laws it is possible to reform the regulatory framework by creating a situation where TDB becomes the primary regulator of the dairy industry and collaborate with other regulators to execute its role. Regulators concerned with inspection of sites, premises, buildings, and installations, registration of businesses, environment protection and occupational health can liaise with TDB through the Local Government Authority (LGA). This suggests that it is possible to review the regulatory framework in order to reduce the regulatory burden to enterprises and at the same time maintain the some level of compliance by enterprises.

4. FINDINGS FROM TAMPA STUDY AND STAKEHOLDERS WORKSHOP

4.1 Introduction

The findings of the study conducted by TAMPA / BEST- AC in 2007/08 together with the views of stakeholders collected through interviews and stakeholders' workshops are presented in this section. The purpose is to put together some evidence on the extent of impact of over-regulations in the dairy sector and incorporate recommendations of the stakeholders in this policy proposal. Therefore, the study by TAMPA/BEST-AC is described and summarized first, followed by the views and comments generated from stakeholders and other sources.

4.2 A study of Dairy Sector Competitiveness by TAMPA/BEST-AC

4.2.1 An Overview of the Study

The overall objective of the study was to identify the necessary information to persuade government to rationalize the regulation of the milk processing industry. Specifically, the objectives of the study were to: identify all the regulatory authorities and regulations affecting the dairy sector; identify overlaps in the remits, functions and activities they perform for the dairy sector; calculate businesses costs of compliance with the regulations, and where the information was available, to compare them with neighbouring countries and; make recommendations for reform to minimize the overlapping responsibilities of the regulatory authorities and reduce the regulatory burden, based on best practice. The study involved review of policy documents, laws and regulations where the Regulatory Impact Assessment (RIA) framework for identifying the regulatory problems/issues was applied to establish the impact of regulations. The study covered a total of forty four regulators, processors and venders/ small traders involved in the sector. The experiences of Kenya and Uganda were studied to explore the lessons that could be learnt from other countries in the region. A total of 17 Regulatory Authorities were interviewed in this survey including the Tanzania Dairy Board, Tanzania Food and Drug Authority, Tanzania Revenue Authority, Tanzania Investment centre, Tanzania Ports Authority, Tanzania Business Registrations and Licensing Agency, National Environment Management council, occupational Safety and Health Authority, Local Government Authority, Tanzania Bureau of Statistics and Export processing Zone Authority.

4.2.2 Key Findings from the Study

4.2.2.1 General Findings

Tanzania has more than 415 laws and regulations, out of which, 21 laws (Acts) relate to the dairy industry in one way or another. The Dairy Industry Act of 2004 is the only law that exclusively addresses the dairy industry. From this, TDB has the legal mandate to be the primary and adequate regulator of the dairy industry. TDB mandate includes: regulation of dairy farms and other dairy enterprises; enforcement of minimum quality and health standards

for milk and milk products; coordination of other government agencies regulating the dairy industry and; strengthening of dairy sector stakeholder organizations CBOs, cooperatives, PSOs) . Other laws and regulations that also address milk quality create an opportunity for overlap which occurs when other regulators undertake functions not addressed by the Dairy Industry Act (e.g. more than one regulator may inspect the same installation in a dairy plant or deal with environmental issues. While there are 36 regulatory functions for which processors have to comply, 13 involve overlap of regulators (double triple or more). Among all regulatory authorities surveyed they had not done any study to assess the impact of regulation on the performance of the dairy sector. There was also absence of inter-agency coordination concerning regulation of dairy industry. In addition, the study found that devolution of powers from central government to local government authorities leads to overlap of mandates. For example, a vehicle with a TFDA permit to transport bulk milk from the district to the city / town is subjected to regular inspections by each of LGA's on the route, leading to delays and spoilage of the milk. A similar situation concerns multiple levies of LGA's, from which registration with TRA (for example corporate tax and VAT) does not offer exemption.

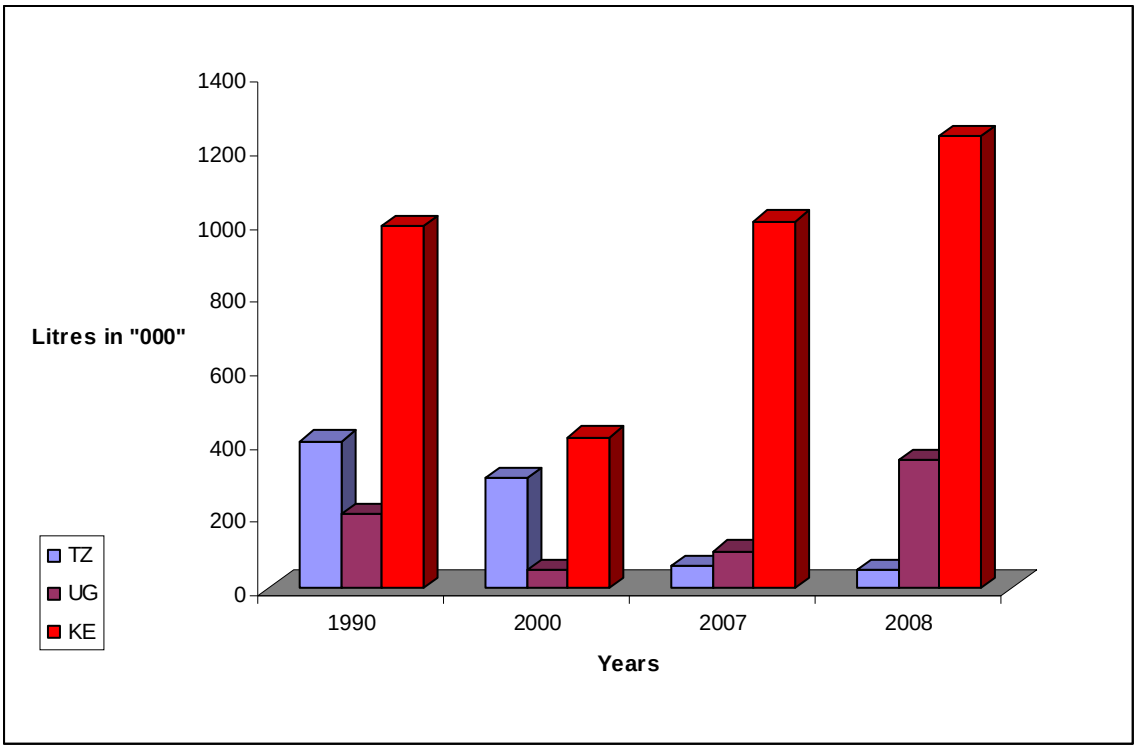
4.2.2.2 Comparison with Other Countries in the Region

The study compared performance of the dairy sector and the general regulatory framework in Tanzania, Kenya and Uganda. The aim was to attempt to draw some lessons from Uganda and Kenya where the dairy sector is performing better. As shown in Figure 4.1, the study found that Tanzania processes the least amount of milk as compared to Uganda and Kenya. The trend of milk processed in Tanzania has been declining compared to Kenya where the trend has been increasing. Comparing Uganda and Tanzania, both countries have similar patterns of dairy production in terms of farming systems and development interventions. Subsequent to liberalization of the dairy sectors in the early 1990s, the state-owned Uganda Dairy Corporation and Tanzania Dairies limited were privatized. However, the investment incentives in Uganda are more favorable. As a result, 10 -20% of all milk produced in Uganda is processed, compared to only 2% in Tanzania. While 35 dairy plants in Tanzania processed a total of 59,000- 80,000 liters per day in 2007, the Sameer Company alone processed 65,000-80,000 litres per day in Uganda. The company projections for 2008 exceeded 300,000 litres per day.

The study found that the Diary Development Authority (DDA) in Uganda has a primary mandate to regulate the sector. DDA has established excellent working relationships with regulatory partners though it has a regulatory challenge of the prevalence of many informal operators who do not have capacity to comply with the required regulations. The DDA has embraced self regulation in order to address the regulatory challenge the industry faces, with support from the Uganda Dairy Farmers Association (UDFA), the Uganda National Dairy Traders Association (UNDTA) and the Uganda Dairy Processors Association (UDPA), all of which are represented on the DDA Board. Close contacts with the traders association has enabled DDA reach the traders who are mostly small and numerous in number. While the Association keeps a register of members and cooperates in education and awareness campaigns, it usually sets the guidelines and audits traders for compliance. DDA executes its mandate based on the principle of partnership with all stakeholders, focusing on capacity building and joint enforcement with stakeholder organisations, specifically UNDATA. DDA supports the Traders Association in terms of capacity building e.g. provision of milk testing kits. It focuses its

attention on public education and sensitisation in order to engender change in consumer behaviour and greater appreciation of processed and safe milk products among the general population from which there is improved awareness across the entire sector with regard to regulatory requirements. Given the huge gap between farm gate prices and retail prices of processed milk, DDA has been encouraging farmers to process their milk directly. Due to inadequate institutional capacity, DDA relies on UNBS to check compliance of milk imports at border points where UNBS has a presence. From 2000, when the DDA was launched, a lot of improvements have been registered especially in terms of the quality of milk products on the market.

Figure 4.1: Milk Processed in Uganda, Kenya and Tanzania (1990-2008)



4.2.2.3 Regulatory Burden to Enterprises

The study attempted to measure regulatory burden to enterprises operating in the dairy sector. A number of issues were considered including the steps of starting business, inspection activities and regulatory compliance costs. The study showed that in order to start the dairy processing plant in Tanzania, an enterprise must follow the following process;

i) The local Government authority for site inspection and building permit.

ii) Divisional or district Local Government Authority's Health Officer inspects premises set for processing dairy products

iii) Inspection of processing plant by TFDA

iv) TDB inspects the factory and test product for standard compliance.

v) Inspection by NEMC to check environmental compliance.

vi) Inspection and registration of the factory by the Ministry of Labour and obtain certificate of registration or compliance license valid for twelve month.

vii) The Ministry of Labour uses inspection agencies for machinery layout; occupational healthy and safety; light intensity and proper ventilation; noise, fire appliances and boiler.

viii) TFDA tests for product safety and quality and register it.

ix) BRELA demands for business incorporation / registration and trade license.

x) Inspection of weights and measures

xi) The health status of employees is checked on a quarterly basis.

xii) TBS tests each product to ensure that it meets minimum standards.

xiii) Obtain TIN Certificate and PAYEE scheme from TRA.

xiv) Registration with the NSSF

Most of these steps associate with some costs and take a lot of time of entrepreneurs. The process is bureaucratic with several duplications which as a result involve rent seeking behavior. In addition, regulators of the dairy industry have the mandate to ensure that the enterprises operating in the industry comply with the requirements of the operations. They give licenses and permits, they inspect businesses and follow-up of compliance issues. Each of the inspection done by regulators is charged a fee and for non-compliance a fine of up to two million shillings. The law stipulates that inspections may be carried out without notice by day or night. The multiplicity of inspectors, inspections and the high probability of fault-finding create opportunities for rent- seeking. Processors complain about the frequent interruptions of work occasioned by these ad hoc visits and the associated costs from loss of productivity. Unofficial payments, in lieu of compliance are common increasing the possibility of corruption.

4.2.2.4 Conclusions and Recommendations from the Study

The study generally found an urgent need to review the current regulatory framework in the dairy industry. From the findings of the study, it was concluded that;

i) TDB has to be fully operational and deserves all the necessary support to become an effective primary regulator for the industry.

ii) TDB should coordinate the rest of the regulators with aim of eliminating duplication of function and minimizing cost of compliance.

iii) TDB should also promote self-regulation and strengthen PSO's in the dairy industry.

iv) Since TFDA is effectively regulating dairy processing on behalf of TDB, support of the TDB-TFDA collaboration model and its extension to other regulators is another priority.

v) Since the dairy industry should increasingly become export oriented, attainment of TBS standards should be integral aspect of self- regulation.

vi) The district dairy officers, on behalf of TDB, coordinate the agents of the other regulators.

vii) The principle of "one registration, one license, one tax" would go far to increase the competitiveness of dairy processors especially at SME level.

viii) Numerous inspections by OSHA inspectors need streamlining by TDB.

ix) The BRELA-LGA coordination appears to be quite good and worth emulating by other MDA's.

x) Tanzania Investment Centre; Export Processing Zone Authority; National Economic Empowerment Council should provide incentives to milk processors. These include 0% import duty and VAT deferment on capital goods; securing of investment sites and assistance to establish EPZ projects; sorting out of administrative barriers; facilitation of SME growth; provision of information on investment opportunities etc.

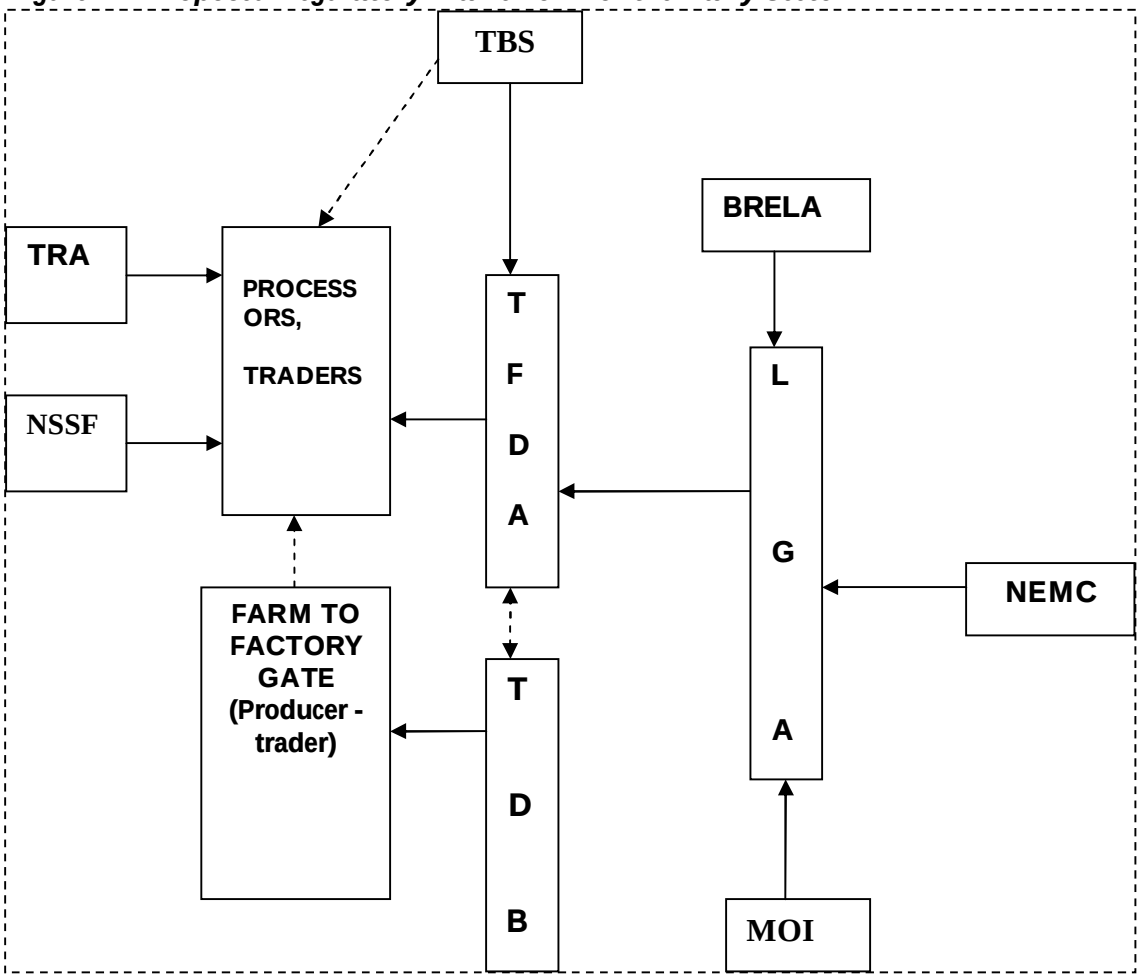
xi) TFDA and TBS collaborate with TDB to educate/enforce on the informal sector (with TFDA) and award quality marks (with TBS).

xii) Regulators concerned with inspection of sites, premises, buildings, and installations, registration of businesses, environment protection and occupational health liaise with TDB through the Local Government Authority (LGA).

xiii) The regulators that may operate independent of TDB are TRA and NSSF (on taxation and employee social security, respectively).

Based on the recommended reforms, the study proposed a new framework (see Figure 4.2) that could take into account harmonization of the overlapping regulations. The model informs this paper and guides the policy recommendations presented in section 6.

Figure 4.2: Proposed Regulatory Framework for the Dairy Sector



4.3 Stakeholders' Views

The process of developing this paper involved among other things the workshops with various stakeholders to collect their views on how the proposed framework could be implemented. TAMPA has participated in different stakeholders workshops to gather ideas that could inform this policy proposal. In this section, the views of stakeholders collected after the 2007/08 study are presented to complement the findings of the study. Although various forums have been organized the views from the two stakeholders' workshops that appear to be relevant are presented.

4.3.1 Stakeholders Workshop by TDB

TDB organized the stakeholders' workshop on 8th to 9th April 2010 in Morogoro to chart out the role of Tanzania Dairy Board (TDB) as a regulator in rationalization and harmonization of overlapping regulations in the dairy sector in Tanzania. The workshop brought together major regulators of the dairy sector and other key stakeholders including milk processors and associations involved in advocating for better business environment in the sector. This workshop was organized mainly in the form of working session where participants

brainstormed on various regulatory issues and came out with ideas on how to revitalize the situation. Three papers on the regulatory framework were presented with the aim of providing a background to the issue and highlighting some policy proposals for discussion in the workshop. The first Paper was on "*Regulations, their Effects on Private Sector Development* ***and*** *Solutions***"** It focused on understanding regulations, approaches used to regulate businesses and harmonization of the regulations. The second paper was on "*Improving Competitiveness of the Dairy Industry through Rationalization of Regulatory Compliance and Cost of Doing Business*;" This paper aimed to share the findings of the study on the competitiveness of the dairy industry in Tanzania; to raise issues requiring reforms to enhance regulatory framework and the role of TDB; to gain further understanding of the issues raised in the study report through participants' contributions; and to guide the forum on the actions to be taken to rationalize regulatory compliance and cost of doing business. Paper three focused on "*TDB and TFDA collaborations*" It highlighted the areas of overlaps between the TDB and TFDA acts, and how the two regulators agreed to harmonize some of the regulations. It was learnt that TFDA and TDB Acts and regulations target the same dairy stakeholders and duplication could easily be spotted. The two institutions agreed in principal to develop clear demarcation on regulation affecting the dairy stakeholders. In the agreement, TDB would be responsible from the production to the dairy factory gate and TFDA would take over from that point to the stage that the product reaches the final consumer. In this context, dairy processors fall under the auspices of TFDA as the primary regulator while TDB remains as the key development promoter to the processors as they have a big role on self regulation of the dairy industry sub-sector.

The workshop deliberated the following;

i) Stakeholders were advised to study thoroughly about the issue of regulations and explore the best practices in regulating the sector.

ii) TDB was advised liaise with other Boards such as Coffee and Cotton Boards to establish how those boards operate and how they address the regulatory issues. Based on the findings TDB can advice the Minister responsible accordingly.

iii) The policy proposals should not focus mainly on "overlaps" but rather on the responsibility sharing. Since in the "Food Safety Management System" along the food chain" there many stakeholders there must several regulations. However, stakeholders should explore ways of harmonizing them without compromising their intended goals.

iv) The focus of the workshop was mainly on the costs of regulations, but the costs of not regulating the industry have not been established. Therefore, further steps should include an analysis of cost-benefit analysis.

v) The workshop was informed that TBS had established the committee to deal with diary products chaired by the chairperson of the TDB. Therefore, TDB and other stakeholders should work closely with this committee to address the challenges of regulations facing the sector.

vi) The Bureaus of Standards in the East African Community have already established the committees to set the standard for the diary industry. The initiatives to be taken in pushing the issues of regulations should take into account this new development.

vii) Stakeholders should move out of the box and look at how to promote the sector. The regulatory burden is just one of the challenges facing the sector. Therefore, it was deliberated that stakeholders should work on other critical challenges of the sector rather than concentrating on regulatory issues only.

viii) It was noted that since 50 regulations that hinder growth of private sector are being reviewed, stakeholders in the dairy sector should monitor what is happening so as to see the results after the review process.

ix) TDB to address its capacity problem in order to be able to perform its role better in addressing the challenge of the diary sector.

x) TDB to advice the government on the issue of establishing the milk collection centres through the LGA.

xi) TDB to collect information about supply of and demand for milk in the country for effective regulations of the sector.

xii) The committee was formed to work on the issue of regulations and advice the Board on how to carry forward the issue.

4.2.3 Stakeholders Workshop by TAMPA

TAMPA organized the stakeholders' workshop in Dar es Salaam that took place on 3rd June 2010, to brainstorm and generate ideas on the issues that should be incorporated in this policy document. The workshop 'was attended by the representative Officers from 17 regulatory authorities, TAMPA, TDB chairman, five TAMPA zone representatives, 3 legal experts, CTI, FCC, CCP and BEST-AC representatives, consultant, representative from media house and TAMPA Secretariat. The findings of the study by TAMPA/BEST-AC were presented and participants were guided to give their inputs regarding benefits and problems of harmonization of regulations, effectiveness of the current regulatory framework, avenues of harmonization and way forward.

The workshop identified a number of benefits of regulations including but not limited to; i) increasing confidence of customers about quality ii) enabling easy market access iii) minimizing losses through compliance to standards iv) protection of consumers' health and v) ensuring that consumers get the right quantity of the products they buy. On the other hand, the negative impacts of over-regulations include; i) wasting time in follow-ups, attending inspectors and other compliance issues ii) increasing costs to businesses due to multiple fees iii) overcharging enterprises as regulators use their services as the source of income iv) emergence of informal operators v) unintended consequences such as corruption and black markets and iv) making the industry less competitive. With regard to effectiveness of the current regulatory system, there have been a lot of challenges that make the system ineffective. High cost of compliance makes some milk processors to avoid compliance and creates unfair competition in the industry. The current regulatory framework does not provide effective mechanism for enforcement and coordinating regulatory activities. The areas of regulatory overlaps are related to: inspection of premises (TDB, TFDA, TBS, NEMC, fire, LGA); production (TDB, TFDA, TBS, Weights and measures); product Transportation (TDB, TFDA; Ministry of Livestock Development-Vet Department); inspection of premises and equipments (TFDA, TBS, LGA, NEMC, OSHA etc);

labeling (TFDA, TDB, WMA); registration (TDB, BRELA) and; licensing (TFDA, TBS, LGA, Relevant Ministry).

The workshop recommended the areas of improvements to avoid overlaps in the industry. It was suggested that there should be well defined limits of regulations among regulatory bodies and the use of the same standard in inspections especially when dealing with similar areas. TDB should prepare a comprehensive manual to guide enterprises in complying with the required standards. Regulators should be funded by the government in order to avoid making inspections and compliance services as source of income. This will reduce the cost of compliance to business and enable them to become more competitive. There is a need to develop a collaborative mechanism among regulatory bodies especially those with overlapping mandates in order to be able to perform their functions jointly and reduce the costs of inspection. Information exchange among regulators is vital in harmonizing their functions and reducing unnecessary follow-up to enterprises.

The workshop made the following recommendations as a way forward; A further follow-up of the issue to identify key areas where regulations overlap and quantify impact of overlapping regulations on the growth of the sector. Encouraging self compliance, building trust among regulators and creating awareness of regulations to stakeholders were also recommended. The strategy to be used is to ensure that the policy paper is submitted to the Ministry of Livestock Development and a serious follow up is done by the stakeholders. The paper can also be shared with members of the parliament. Regulators can form a coalition with the PSOs in the sector to develop PPP in dealing with this issue. There is a need to build capacity of regulatory authorities. This can be emulated from authorities such as TRA, TIC that have capacity to suit their clients. Mainstreaming of ongoing efforts to harmonize regulations in the sector is of great importance. TAMPA should work with the committee made under TDB to speed up the process of developing the policy proposal.

5. IMPACT OF OVER-REGULATIONS ON COMPETITIVENESS OF THE SECTOR

5.1 Introduction

Assessing the impact of over-regulation on the competitiveness of the dairy sector is not an easy task since performance of the sector is affected by many factors. As competitiveness of the firms depends on both the business environment and the firms' specific factors, it may simply seem abstract to associate competitiveness of the dairy industry with only one factor. However, in the area of business and industry competitiveness, it is well established that any factor that adds costs to the firm or to the industry affects competitive advantage of that industry. In this case, the regulatory costs paid by the firms operating in the dairy sector increase a burden to businesses and therefore affect their ability to compete. Greater costs can also lower the capacity of the firm to export and affect their operational capacity. As highlighted previously, once unnecessary costs are added to the firms, the effect is extended to other economic dimensions including taxes paid to the government, employment and income of the people. Therefore, in this section, we attempt to show the economic impact of shrinking dairy sector and the specific impacts of the regulatory costs on performance of the sector. The analysis begins with the impacts at the macro-level followed by the industry and firm specific impacts.

5.2 Impact of the Declining Dairy Sector Performance on the Economy of the Country

Analysis of the impact of the shrinking performance of the dairy sector is based on the comparison of the potential capacity of the sector with its actual performance. The figures presented in Table 5.1 are based on the figures drawn from various sources as described below;

i) National GDP value is TZS 4,293 billion (URT, 2010).

ii) Livestock sector accounts for 5.9% of GDP where the dairy sub-sector alone contributes 30% of the livestock GDP (URT, 2006).

iii) The milk production capacity of 19 million cattle existing in Tanzania is 4 million litres per day (URT, 2006).

iv) Formal milk processing has declined by more than 80% over the last 15 years where 13 dairy plants have closed business (MLD, 2007, TAMPA study, 2007).

v) Most processing plants in Tanzania are working at less than 27% of the installed capacity (MLD, 2007).

vi) In 2009, the country had an annual installed capacity to process 325,600 litres per day but operated at an average rate of 86,560 litres (MFEA, 2009). Almost the same amount was processed in 2008 (URT, 2008).

vii) Per capital milk consumption in Tanzania is 39 litres compared to FAO recommended rate of 200 litres (URT, 2006).

viii) The demand-supply gap for processed dairy products in Tanzania is filled by imports of worth about US $ 5million[70] (BACAS, 2008).

[70] *Using the change rate of US$1 =TZS 1550 this is equivalent to TZS 7.75 billion*

ix) CIF value of imported milk in Tanzania is TZS 8.2 billion (TRA, 2008 as shown in Appendix 3).

x) Import of milk and milk products is increasing at the rate of 9% annually (ibid).

xi) Dairy sub-sector employs more than 2 million households and over 100,000 intermediaries (TAMPA study, 2007).

xii) Working population of Tanzania is 21.8 million people (Economic Survey, 2009)

xiii) Value Added Tax (VAT) rate is 18% and Corporate Tax rate is 10% of sales.

xiv) Export of milk is TZS 73.8 million (URT, 2006).

xv) Price of raw milk per litre is TZS 425 (Tanga Fresh, 2008)

xvi) Price of processed milk per litre is TZS 1,500 (Tanga Fresh, 2008)

Table 5.1: Impact of the Declining Performance of the Dairy Sector

Details	Proportion	Net Effect
GDP contribution of the Dairy Sector per annum	4,293 billon x 5.9% x 30%	TZS 78.97 Billion
Proportion of the contribution of the Dairy Sector tot GDP	5.9% x 30%	1.78 Billion
Proportion of Dairy Products Imported to GDP contribution of the Dairy Sector per annum	8.2 / 78.97 x 100	10.38%
Proportion of export to import of dairy and dairy products	0.738 / 8.2x 100	9%
The value of Foreign Currency Spent in Net Import of Dairy products	91% x 8.2	TZS 7.46 Billion
Tax collected from imported milk	TRA, 2009 data	5 Billion
Proportion of processed milk to GDP contribution of Dairy sector per annum (Processed milk per annum= 46.8 billion)	46.84 / 78.97 x 100	59.3%
Percentage of per capita milk consumption deficit (200-39=61)	161 / 200 x 100	80.5%
Demand–supply gap of processed dairy products per annum	1550 x US$ 5 million	TZS 7.75 Billion
Increase in imported Dairy products for the next five years	9% x 8.2 x 5	TZS 3.6 Billion
Proportion of employment by the Dairy Sector	2 / 21.8 x 100	9.2%
Employment lost per annum due to shrinking dairy sector (Based on 2009 data)	325,600 / 25- 86,560 / 25	9601 Jobs
Jobs lost (based on the assumption that 50% of the milk produced was processed)	2,000,000 / 25- 86,560 / 25	76,577 Jobs
Tax collected from the Dairy sector	Data from TRA, 2008	5 Billion
Income Tax Lost due to shrinking Dairy Sector (10% of the turnover of the processed milk)	10% x (325,600-86,560) x 1,500 x 360	TZS 12.91 Billion
Income Tax Lost due to failure 50% of the milk produced	10% x (2,000,000- 86,560) x 1,500 x 360	TZS 103 Billion

The impact of declining performance of the dairy sector on the economy of Tanzania is enormous. While the current contribution of dairy sector to the total GDP is TZS 78.97 billion, the proportion of imported dairy products to its GDP contribution is 10.38%, and the proportion of dairy products export to import is only 9%. This situation intensifies the country unfavorable balance of payment and affects macro-economic performance of the economy. As compared to FAO standard, the deficit of per capita milk consumption in Tanzania is 80.5% while the demand-supply gap of processed dairy products is TZS 7.75 Billion. When the current level of the sector performance is compared with previous performance, the country has lost 9601 jobs per annum as a result of decline in the capacity of the dairy sector. The sector also loses the income tax amounting TZS 12.91 billion per annum due to declining performance of the sector. Surprisingly, 76577 jobs and the income tax amounting to 103 billion are currently lost due to failure to process at least 50% of the milk produced in the country. These data indicate that, low competitiveness of the dairy sector has significant impact on competitiveness of the economy in general. This supports the view that there is a need for taking deliberate measures to improve competitiveness of the sector. In addition, the following sub-section shows the implications of regulatory costs on performance of the sector. The main objective is to substantiate the argument that the burden of regulatory framework affects competitiveness of the enterprises operating in the dairy sector and contributes to their low competitiveness and less export orientation.

5.3 Implications of Regulatory Costs on Performance of the Sector

Regulations have a number of operational and cost implications to the enterprises operating in the dairy sector. The costs incurred by the businesses are reflected in the fees paid to regulators, time spent in compliance, delays and inefficiencies, costs of paying staff involved in compliance etc. Studies that have been done in the dairy sector demonstrate that enterprises suffer most when the regulatory framework is unfavorable. The impact is not only in terms of the costs of compliance but also in terms of unintended effects. For the purpose of providing empirical evidence on the hurdles and costs paid by enterprises to comply with regulations in the dairy sector, the real cases of *Ma-Milk Enterprise* and *Chuchu Milk Ltd* as extracted from TAMPA study, 2007 are presented below.

The case of Ma-Milk Enterprise

Ma-Milk[71] Enterprise started its operation in mid 90s in one of the suburbs of Dar es Salaam City. Ma-milk, a family milk business started as Milk Kiosk selling hot milk. The source of milk was the few dairy cows kept at the backyard of their residence in the periphery of the city. In 1996, Ma-Milk secured Milk cooling tank with the capacity of 1000 litres per day from one of the dairy project operating in Tanga with the agreement to be an agent and distributor of milk from Tanga milk producers. In 1998 Ma-Milk set up the batch pasteurizer using biomass energy[72] (saw dust) and packed milk in plastic pouches using Pronto type manual Milk Sealers. Ma-Milk then managed to handle up to 3000 liters per day. As Ma-Milk ventured in processing milk, it became visible to an army of regulatory authorities. As capacity increased to 5000 liters per day, the Ma-Milk started to source milk from

[71] The *real name is reserved for confidentiality reason*

[72] *Regardless of lack of automated electricity operated heat exchange pasteurizer, electricity was and is still one of the most expensive utility in Tanzania*

neighboring region. Currently, Ma-Milk operates processes 8000 liters of milk per day sourced from 13 Milk collection centers. As with most dairy plants Tanzania, Ma-Milk is regulated by more than 15 regulatory bodies with overlapping roles[73] and functions. The fees range from 200,000 to as high as 2,000,000 (average 300,000) for most of certificates and licenses. Un-receipted payments (graft) are in the range of 300,000 per service/item. The most tedious is the permits for transporting milk which is issued at a fee of 20,000 shillings by Ministry of livestock development, ministry of health and all district authorities. For Ma-Milk to transport milk through three districts requires five permits. The vehicle has to inspect several times. In case one permit is not there, the vehicle is detained. Ma-Milk strongly criticizes this tendency of policing by some of regulatory authorities. One institution just repeats[74] the roles of other institutions. The number of days to secure license/permit or certificates requires the follow up of 7 days to over one month.

Chuchu Milk Ltd: Too Many Inspectors Spoil the Milk"

Chuchu Milk Ltd[75] is a mini-diary located in Dar es Salaam. It is a family enterprise which started 10 years a go 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 partly enough in comparison to the losses (TZS 5,000,000) but it will not end once precedence is set. When she complained about this to the Ministry responsible for livestock, she was referred to 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 can not understand why one permit is not enough to safeguard health and safety standards.

In view of the above cases, the impact of regulations to enterprises in terms of increasing cost, time spent in compliance, costs spent in unofficial payments and costs of labour for compliance are shown. One of the indicators of the bureaucracy and unnecessary costs of compliance is unofficial payments that go up to TZS 5 million. Delays that occur due time spent in inspection of milk cause a lot of losses to business and therefore affect their competitiveness. The impacts include failure to meet their orders on time, additional costs of transporting milk (emanating from extra costs paid to transporters), disappointment of customers due to lack of reliability, spoilage of milk etc. Extra costs incurred make the enterprises to charge higher prices than importers of milk and milk products resulting into failure to compete on the basis of price. In an attempt to minimize costs of regulations most processors remain informal, the situation that makes it difficult for them to access formal markets.

5.3.1 Cost of compliance.

In many cases, it has been pointed out that there is no unified official database from which the cost of compliance for the entire dairy industry can be extracted on a systematic basis. This is in sharp contrast to the national revenue database of the Tanzania Revenue Authority (TRA) which is accessible by the general public and has yearly information on all sectors, goods and services. As a result of this deficiency, the compilation of cost of compliance for this report

[73] *TFDA and TBS test products and certify. Neither of them agrees on the results of the other.*
[74] *NSSF inspects all taxes rather than dealing with social security issues duplicating functions of TRA.*
[75] *The real name is reserved for confidentiality reasons.*

relied heavily on case studies of individual milk processors whose information was often incomplete. This constraint suggests a real opportunity for TAMPA to remedy the situation and thereby increase its advocacy capacity by establishing a database of compliance costs incurred by its members. In this paper though, we analyze the costs of compliance for a small milk processing enterprise with the daily capacity of 6000 litres. The cost figures extracted from this enterprise are used to extrapolate the total costs of compliance of the dairy sector based on the current capacity. The costs considered are related to registration, licensing, inspection and permits. The analysis takes into account one-off and recurring costs as well as other costs incurred due to over-regulation. In order to establish the real impact of the regulations, the value of time taken to comply is estimated and included in the total costs.

The calculations shown in Table 5.2 are based on the enterprise studied reflecting more or less the official rates without the associated follow-up expenses (e.g. transport, subsistence / wages). Total compliance cost during the start-up phase is more than TZS 12 million. On the other hand, recurrent compliance costs exceed TZS 48 million a year. The number of days taken in waiting for the necessary permits and licenses during start-up exceeds two years but is in practice much less because several activities are carried out simultaneously. In the operational phase, compliance takes almost the whole year in follow-up. This explains why most medium to large enterprises have full-time employees for compliance matters. The minimum cost for paying the employee engaged by the enterprise to deal with compliance issues exceeds TZS 7 million per annum.

High as these direct compliance costs may appear to be, it is the indirect ("hidden") costs which are of greater concern to milk processors. These are associated with opportunity cost of time lost before the necessary licenses and permits are obtained. On that basis, one day lost costs the enterprise the value added to 6000 liters of milk. This is about TZS 18 million a year. If the overlap of functions can be reduced (e.g. through harmonization of inspection of premises and testing of products) by five days for the whole dairy industry, then the total reduction in cost of compliance would be enormous.

Table 5.2: Compliance Cost of a Small Milk Processing Enterprise (with capacity of 6000 litres)

Regulation	**Cost (TZS)**	**Time take to complete the process**	**Agencies involved**
1. Starting the business			
Formulation of MEMAT	400,000	10	BRELA
Site inspection	120,000	28	LGA, NEMC,OSHA
Building permit	300,000	30	LGA
Premises inspection	350,000	28	LGA, TFDA, TDB, OSHA, TBS
Business registration and licensing	3,340,000	20	BRELA, OSHA, LGA, TFDA, TDB
Registration of machinery	45,000	5	MIT

Installation inspection	200,000	27	OSHA, TFDA, TBS, TDB
Depot registration	35,000	2	TFDA, TDB
Vehicle inspection & registration	35,000	5	TFDA, TDB
Environmental Impact Assessment	1,500,000	60	NEMC
Provisional tax / TIN	500,000	5	TRA
Power connection (varying with distance)	3,500,000	180	TANESCO
Water connection (varying with distance)	2,000,000	60	DAWASCO
Sub-total	**12,325,000**	**460**	
2. Operating the business			
Premises inspection	350,000	28	LGA, TFDA, TDB, OSHA, TBS
Vehicles inspection (+ zoo-sanitary)	250,000	100	MLDF, TDB, TFDA, LGA
Equipment inspection (milk cans etc)	20,000	12	TDB
Fire inspection	200,000	1	MHA
Installation inspection	200,000	27	OSHA, TFDA, TBS, TDB
Weights and measures inspection	-	2	MIT
Workers' health inspection	400,000	10	OSHA, TFDA, TBS, TDB
Manufacturer license (annual)	125,000	5	TFDA
Product testing & registration (4 products per year)	60,000	20	TFDA, TBS
Evaluation of the product promotional materials (4 products each promoted once a year)	120,000	5	TFDA
TFDA annual payments (license / permits)	290,000	1	TFDA
Laboratory sample analysis (4 products for five years = 924,000)	184,800	7	TFDA
Product quality standard testing	432,000	100	TBS
Product standard certification (annual)	886,000	30	TBS
Fire inspection fee	200,000	5	MHA
Social security (20 workers)	7,200,000	2	NSSF
Local government levies and contributions	300,000	2	LGA
Company return	15,000	5	BRELA

VAT	4,646,040	1	TRA
Income Tax	2,690,000	1	TRA
Special Development Levy	4,076,250	1	TRA
Property tax	150,000	1	TRA
Vehicle Tax (6 vehicles)	900,000	1	TRA
Estimated costs of labour for compliance (1 person fully employed)	7,200,000		
Estimated revenue resulting from down time during inspections (at least 2 days)	18,000,000		
Sub-total	**48,895,090**	**367**	
Total	**61,220,090**	**827**	

In the analysis of the compliance costs we attempted to use the figures of the enterprise studied to extrapolate the impact on the whole industry. As shown in Table 5.3, while the estimated annual compliance cost for the dairy sector with the current capacity is over TZS 800 million, the cost of compliance would be over TZS 3.3 billion if the industry is restored to its previous capacity. If the country improves the milk processing capacity to 50% of the milk produced the cost of compliance would be over TZS 20.4 billion given that the regulatory framework remains as it is. This figure is too high for the industry to be able to absorb the costs and maintain competitive position in the market. This demonstrates that, while regulations play an important role in safeguarding human health, they can also serve as impediments to trade and increase business costs especially when there is overlap of the regulatory functions. Most of the overlap of functions is caused by uncoordinated activities of multiple agencies as they independently seek to achieve the first objective, namely food hygiene. The main areas of overlap that increase costs to businesses are inspection of premises; inspection of milk transport vehicles and equipment; and testing of processed milk and milk products.

Table 5.3: Estimated Compliance Costs for the Sector

	Average annual costs for a processing firm with capacity of 6000 litres per day	Estimated annual costs for the dairy sector (with current capacity of 86,560 litres per day)	Estimated annual costs of the dairy sector if the capacity is restored to 325,600 litres per day	Estimated annual costs of the dairy sector if 50% (2,000,000 litres) of raw milk produced is processed
Starting the business	12,325,000	177,808,667	668,836,667	4,108,333,333
Operating the business	48,895,090	705,393,165	2,653,373,551	16,298,363,333
Total	**61,220,090**	**883,201,832**	**3,322,210,217**	**20,406,696,667**

5.3.2 Opportunities for Cost Reduction through Harmonization of the Regulatory Framework

One of the tasks done in the course of preparing this paper was to explore opportunities for cost reduction through harmonization of the regulatory framework. The view taken is that since regulating the dairy sector is crucial and all regulators were established by the law, the approach to change the policy should be directed toward harmonizing and/or reducing unnecessary processes involved in regulating the sector rather than changing the law. Seeing that changing the legal system is a complex process that can take long time without attaining desired results, opportunities for harmonization of the system as presented in Table 5.4 focus on maintaining the current regulatory functions while reducing duplications of the similar functions performed by different regulators. The major assumption underlying the proposals is that TDB is legally the primary regulator of the dairy industry, but it can perform its functions collaboratively with other regulators. The regulators concerned with inspection of sites, premises, buildings, and installations, registration of businesses, environment protection and occupational health can liaise with TDB through the Local Government Authority (LGA). The regulators who may still operate independently are TRA, NSSF and utility companies. Therefore, taxes, social security contributions and costs of utilities are exempted from opportunities for harmonizing regulations. The viable opportunity for these authorities could be advocating them to increase efficiency and reducing their charges rather than harmonizing their functions.

The opportunities for harmonizing regulations are thus seen in the areas of business registrations and licensing, inspections, product testing and analysis as well as permits. In order to simplify our analysis, it is assumed that the regulatory fees are shared equally by the regulators though in actual fact the fees may vary. This gives the general picture that helps to show the extent to which harmonization of the regulations can reduce costs to businesses. In terms of site inspection, NEMC and LGA can play that role and OSHA performs it when inspecting premises. The inspection of premises can therefore be done by OSHA and TBS or TFDA rather than the current practice where it is done separately by OSHA, LGA, TFDA, TDB and TBS. The five authorities can harmonize the process by having an MoU that will allow them to share the results of the authority granted the role of premises inspection. For this to be achieved, the agreement must allow selected authority to act as an agent of the others and ensure that all relevant variables needed by regulators are covered in the inspection process.

With respect to business registration, BRELA can maintain this function as it cuts across almost in all sectors. TBD performs the role of licensing the businesses where the license will be recognized by the LGA, TFDA and OSHA. The only function that may be played separately by OSHA is to register the workers engaged in the business. Installations inspection which is currently done by OSHA, TFDA, TBS and TDB can be vested to OSHA and one of the other three authorities. Vehicle inspection can be performed by TDB on behalf of the four regulators who are currently involved in this function. Workers health inspections can be done by OSHA and the results be shared by other authorities instead of the current practice where four authorities are involved.

Table 5.4: Cost Reduction through Harmonization of the Regulatory Framework

Regulatory Function	Current costs	Number of currents regulators	Number of proposed regulators	Costs that will be incurred when regulations are harmonized	Cost Saving as a result of harmonization of regulations
Starting the business					
Site inspection	120,000	3	2	80,000	40,000
Premises inspections	350,000	5	2	210,000	140,000
Business registration and licensing	3,340,000	5	3	2,004,000	1,336,000
Installation inspections	200,000	4	2	100,000	100,000
Vehicle inspection	35,000	2	1	17,500	17,500
Operating the business					
Premises inspections	350,000	5	2	140,000	140,000
Vehicles inspection (+ zoo-sanitary)	250,000	3	1	83330	166,667
Installation inspection	200,000	4	2	200,000	200,000
Workers health inspection	400,000	4	1	100,000	200,000
Product testing and registration	60,000	1	1	30,000	30,000
Saving of 50% of follow-up time	7, 200,000				3,600,000
50% revenue saved by reducing down time during inspection	18,000,000				9,000,000
Laboratory sample analysis	666,800	2	1 (TBS)	432,000	184,800
Total annual saving for the firm with capacity of 6000 litres per day					*15,137,467*
Total annual saving for the capacity of the sector (86,560 litres per day)					*218,383,190*
Total annual saving if the capacity of the sector is restored to 325,600 litres per day					*821,459,875*
Total annual saving if the sector processes 50% of the current milk produced (2,000,000 litres)					*5,045,822,333*

If the proposed reforms are implemented, the total annual saving for the firm with capacity of 6000 litres per day is TZS 15,137,467 and the annual saving for the sector based on the current capacity is TZS 218,383,190. Assuming that the capacity of sector is restored to 325,600 litres per day the total annual saving will be TZS 821,459,875. If the sector processes 50% of the current

milk produced (2,000,000 litres) the total annual saving will be TZS 5,045,822,333. It must be noted that this is a great saving in the sector bearing in mind that regulations is one among other factors affecting performance of the sector. This is the saving achieved when regulations are harmonized beside the long-term review of the regulatory framework. Further details on policy change and proposed recommendations are presented in the next section.

6. CONCLUSION AND POLICY RECOMMENDATIONS

6.1 Introduction

This section presents key conclusions and policy recommendations to guide stakeholders of the dairy sector on institutionalizing the policy change. The conclusions made are drawn from the findings of the previous studies on the issue, stakeholders' views and the analysis made in this paper. The recommendations are expected to form the basis for policy reform by suggesting ways of harmonizing regulations and a strategy to use in order to achieve the intended goals. Therefore, this part of the paper plays a role of policy brief with concrete suggestions on the role that can be played by various stakeholders to bring the desired change.

6.2 Key Conclusions

The findings from all studies and documents reviewed, and from stakeholders who contributed their ideas demonstrate that the dairy sector has very high potential to bring economic development in Tanzania. It is also apparent that most national policies and strategies focusing on the dairy sector put emphasis on promoting the sector while underscoring the need to ensure product quality and safety standards in order to meet the sanitary conditions of the dairy products. This suggests that as in many other countries, regulation of the dairy sector in Tanzania is inevitable. However, an analysis of the laws and regulations in the sector demonstrate that there is over-regulation due to duplication of the regulators' functions adding costs to enterprises and affecting competitiveness of the industry. Overall, Tanzania loses jobs, income, government revenue and international opportunities due to underperformance of the dairy sector.

Therefore, the main goal of this policy proposal is to achieve sustained and equitable economic and social benefits to dairy stakeholders while increasing domestic and international competitiveness of the sector. To achieve this objective, the strategic approach for rationalizing regulations and working toward better performance of the sector is required. The areas that cause over-regulation in the sector are highlighted as follows;

vii) Multiple uncoordinated inspections of premises: Two kinds of regulation are involved here namely, those aimed at food hygiene (TFDA, TBS, TDB, Zoo-sanitary) and those safeguarding the safety of employees (OSHA). These are carried out on a yearly basis without coordination of the inspectors or the timing. In fact, the *Occupational Health and Safety Act, 2003, section 6 (1)-(3)* provides for surprise inspections. These inspections are associated with lost production time because of the involvement of workers and testing of machinery. For example, *OSHA 47 (1)* requires the steam / water boilers to be tested both when cold and under steam pressure. This means that the production system has to be shut down because pasteurization is not possible without hot water. At least five production days a year are lost in this way. This problem is also reflected at the port when it comes to inspecting and clearing of imports. In the case of milk and dairy imports, the National Radiation Commission and the Government Chemical Laboratory may also be involved. These costs corroborate the often-heard claim by processors that the major cost of over-regulation relates not so much with compliance fees as with the

lost production and time. Also, involved in the inspection of premises but at less frequent / regular intervals are NEMC, BRELA, LGA (as per the *Public Health Act, 2003* and the *Business Activities Registration Act, 200 7)* and Weights and Measures Agency.

viii) Multiple uncoordinated testing of products: The authorities involved in periodic (annual and otherwise) testing of all kinds of processed milk and dairy products destined for the market are TFDA, TBS and TDB. The main purpose is food hygiene and quality standards. Previously, the latter used to be optional but nowadays the *Standards Act, 2009* has empowered TBS to impose compulsory quality standards *(Section 20 (1) (d))*. Although the testing fees may be high, especially in the case of TBS (300,000 to 500,000 shillings per product), the main cost here is the market opportunity lost in waiting for the results and the necessary permits.

ix) Multiplicity of licenses / permits for premises and products: From the outline given above, it can be estimated that an average milk processing business producing about six different products is required to have more than 15 licenses / permits for the premises (including vehicles) and products, most of have to be renewed annually. Most of these are addressing the same issue: food hygiene. The basic question here is whether food hygiene improves with the number of licenses and whether there is evidence supporting that.

x) The legislation does not contain key provisions that are important for creating a solid legal framework for regulating the dairy sector. In particular it lacks a detailed description of the rationale for inspections and clear procedures for prescribing and conducting them. There is no clear definition of the rights and responsibilities of officials conducting inspections on one hand and the right and responsibilities of the enterprises on the other hand. Although in some Acts the role of regulators is highlighted, they are not in the form that can be interpreted concretely by the enterprises and their owners. For example, the existing legal framework does not address the issue of the rights and liability of inspectors for abuse of law.

xi) The legal framework does not provide a clear division of responsibilities and coordination between inspecting authorities. There is redundancy and duplication of effort between control authorities owing to lack of communication channels and coordination. The legislation mandates for the duplication of controls by different regulatory authorities on the same product specifications at different stages of the production process. As a result, businesses are often inspected or assessed by more than one agency for the same aspect and similar parameters.

xii) The legal control measures in the sector translate into stringent and pervasive obligations for businesses, while it does not entail any accountability or transparency mechanisms for state controlling bodies. The lack of accountability of regulatory bodies in turn impairs the ability of both producers and consumer groups to advocate for the modernization of regulatory practices. As a matter of fact, the prevailing criteria for evaluation of controlling bodies are the number of inspections and the amount of penalties gathered, rather than indicators, which define and ensure the level of milk products safety. This is also misleading for consumers who consequently (and erroneously) tend to believe that stricter controls and a higher number of inspections is associated with a higher level of food safety.

6.3 Policy Recommendations

The recommended policy changes are aimed at reducing the regulatory burden in the areas outlined above and hence improving the competitiveness of the dairy sector:

i) Coordination of premises inspections: The laws establishing the regulatory agencies foresaw the need for coordination of their functions and therefore made explicit provisions to "maintain as far as may be practicable a system of consultation and cooperation ". *(Tanzania Food, Drugs and Cosmetics Act, 2003, Section 5 (2) (f); The Standards Act, 2009, Section 4 (2) (b); The Dairy Industry Act, 2004 Section 10 (r), (s); Occupational Health and Safety Act, 2003, Sections 24 (1) – (4)* and *64 (3).* Using these provisions, it is possible to coordinate the inspections so that they are carried out concurrently in one rather than five sessions. A further refinement of this process is harmonization of the various inspection forms / templates (especially the ones dealing with food hygiene) into a single one which can be used by a team of competent inspectors working together. TAMPA should be able to complement this process by coordinating its members so that a team of inspectors, once formed, can inspect as many premises as possible. The saving in terms of production days and cost of inspection would be enormous and thus constitute a major win-win solution for the dairy industry.

ii) Coordination of products testing: The coordination of functions stipulated in the various laws (Tanzania Food, Drugs and Cosmetics Act, 2003, Section 5 (2) (f); The Standards Act, 2009, Section 4 (2) (b); The Dairy Industry Act, 2004 Section 10 (r), (s); Occupational Health and Safety Act, 2003, Sections 24 (1) – (4) and 64 (3) would make it possible for a large number of products to be tested concurrently by the various regulatory agencies. Harmonization of testing procedures would mean that testing of a given product parameter by one agency need not be repeated by another agency. Results would come out earlier and a saving made on testing resources. As mentioned above, the main gain here is that products will be released on the market sooner.

iii) Reducing the number of licenses / permits: The coordination and harmonization process outlined above should make it possible to reduce the number of recurrent (annual) licenses and permits that relate to the food hygiene aspects of premises and products. For example, one premises license from TDB and one permit (for each product) from TBS should suffice to address these concerns. In addition, most small and medium dairy enterprises would do with only one business license from BRELA (through Local Government Authorities) as required under the Business Activities Registration Act, 2007. This simplification of compliance will also encourage many unregistered SMEs to formalize their businesses thus improving their access to business development services. It would also remove the unfair price competition between the formal and informal sectors of the dairy industry.

iv) Preventing resurgence of regulatory burden-the process of reducing regulatory burden and cost of doing business is not a one-off thing. New laws and regulations are continuously being added and the old ones amended from time to time. To consolidate the gains made in the reform process and prevent introduction of new regulatory burden, it is necessary to make periodic assessments of the impact of the regulatory framework on the competitiveness of the dairy industry. Taking advantage of the "consultation and cooperation" provisions of the various laws, the Regulatory Impact Assessment (RIA) methodology may be institutionalized on an inter-agency basis. This should be implemented in consultation with the Better Regulations Unit (BRU) of the President's

Office. Regulatory impact analysis, i.e. assessment of costs and benefits of regulations allows for mutually beneficial policymaking and management in food safety and health for three key players: consumers, private enterprises and government. Lessons may also be drawn from neighboring countries (especially Uganda) concerning their experience with RIA in the reform process.

v) Strengthening TAMPA's advocacy capacity as TAMPA has been playing an active role in improving the competitiveness of the dairy industry. Its collaboration with the Ministry of Livestock Development and Fisheries (MLDF) and TDB contributed to the recent (2010/2011 Government Budget) exemption from value added tax (VAT) some ten items of imported milk processing equipment. However, TAMPA's capacity for advocacy is limited by a number of constraints, both financial and human, which are underpinned by inadequate funding of its activities. In this context, facilitating TAMPA to introduce a compliance service for its members (at a fee) would be killing two birds with one stone. For in addition to providing TAMPA with a sustainable source of funding, it would also increase its salience and influence on public sector.

vi) Strengthening the capacity of TDB to become more effective in executing its statutory function. Beside regulating the sector, TDB has a role of developing policies and strategies for promotion and development of the dairy Industry; searching and developing markets; developing and monitoring strategies and plans designed to achieve and maintain self sufficiency and efficiency in milk production, processing and marketing; ensuring availability of appropriate technology for the industry; creating and promoting a competitive environment conducive in the dairy industry; collecting, analyzing, maintaining and disseminating data and information relating to dairy industry; promoting and facilitating formation of associations or other bodies of stakeholders within the dairy; promoting the training and improvement of skills in technological advancement in the dairy industry; as well as promoting advocacy on dairy industry. If the statutory role of TDB is executed effectively most challenges of sector can be addressed. The capacity of TDB can strengthen through staffing the Board with the right skills, training of staff and increasing the budget to execute its operations.

vii) Significant role of milk and milk product safety management should be shifted gradually from the controls imposed by government to prevention throughout the food supply chain. Basic responsibility for milk and milk products safety compliance can shift to the private sector, with the government taking on advisory, oversight, and rulemaking roles. The main principle: "Operators on the milk processing market are in the best position to develop a safe system for food product supply and ensure the safety of the products they supply, therefore the responsibility for food safety should be borne by them". This emulates the lesson drawn for Uganda where self analysis is being promoted for DDA.

viii) The need to improve efficiency of the system of government control is indisputable and should include Development of the criteria for inspection system, standard procedure for conducting inspections and presenting findings and checklists to be used by inspectors Sound and efficient inspections in milk processing should be complemented by rapid alert system and clear responsibility of producers for the production and sale of unsafe products.

A summary of the policy proposals is presented in Table 6.1 with aim of showing specific policy issues proposed actions and the win-win results. This summary also saves to show the key audiences/stakeholders to be involved in the process of policy change.

Table 6.1: Summary of the Policy Proposal

Advocacy issue/ Audience	**Policy proposal**	**Win-win result**
Inspection of premises: Multiple and uncoordinated inspections of site, buildings, machinery, transport vessels and personnel causing loss in production time and unnecessary costs. Audience: Regulatory agencies; Parent Ministries; Better Regulations Unit (BRU), President's Office; Prime Minister's Office; Private Sector Organizations (PSO).	Coordination of the functions of the regulatory agencies concerned (LGA, TFDA, TBS, TDB, OSHA, NEMC and Zoo-sanitary department): The laws establishing these agencies provide for establishment of "a system of consultation and cooperation" among them. See for example *Tanzania Food, Drugs and Cosmetics Act, 2003, Section 5 (2) (f); The Standards Act, 2009, Section 4 (2) (b); The Dairy Industry Act, 2004 Section 10 (r), (s); Occupational Health and Safety Act, 2003, Sections 24 (1) – (4)* and *64 (3)*. This would result in joint inspections being carried out concurrently on one or more dairy processing plants.	Joint inspection will save costs and production days per processor per year. On the side of regulators, enforcement costs will decrease through shared resources and wider coverage of clients in a given time.
Testing of dairy products: Multiple and uncoordinated testing of products increases testing costs and delays the release of products on the market. Audience: Regulatory agencies; parent ministries; Better Regulations Unit (BRU), President's Office; Prime Minister's Office; Private Sector Organizations (PSO).	Coordination of the functions of the regulatory agencies concerned (TFDA, TBS, GCLA, CVL): The laws establishing these agencies provide for establishment of "a system of consultation and cooperation" among them. See for example *Tanzania Food, Drugs and Cosmetics Act, 2003, Section 5 (2) (f); The Standards Act, 2009, Section 4 (2) (b); The Dairy Industry Act, 2004 Section 10 (r), (s); Occupational Health and Safety Act, 2003, Sections 24 (1) – (4)*	By not repeating the same test twice or more across the accredited laboratories, considerable saving in time and cost will benefit dairy processors. Sharing of testing facilities and test results will enable the accredited laboratories to satisfy more clients and at a lower cost.

	and *64 (3)*. This would result in sharing of laboratory facilities and avoiding duplication of tests.	
Multiple licenses for premises: Imposing more than one license for the same manufacturing premises increases cost of doing business unnecessarily. Audience: Regulatory agencies; parent ministries; Better Regulations Unit (BRU), President's Office; Prime Minister's Office; Private Sector Organizations (PSO).	Multiple licenses for the same premises can be avoided by amending the relevant clauses of the laws concerned so that a license issued by any of the "cooperating" agencies is recognized by the others. For example, *Section (4) (1)* of the *Tanzania Food, Drugs and Cosmetics Act, 2003, (Food Hygiene) Regulations* may be amended by adding "*or any of the Authorities indicated in the Schedule to these Regulations."*	Getting rid of multiple licenses for the same function will reduce cost of doing business and increase competitiveness. Limiting the number of licenses to only one per premises will encourage many informal actors to register their businesses.
PSO advocacy capacity: Given the current level of regulatory burden of the dairy sector there is a need for increasing the advocacy capacity of its PSO. Audience: BEST-AC; NGOs involved in the development of the dairy sector; Private Sector Organizations (PSO).	One way for achieving this is to support TAMPA to provide compliance services to its members on cost recovery basis.	This will increase the salience of TAMPA to its members as well as its influence in the public domain. Regulatory agencies will benefit by achieving higher rates of compliance among its clientele per unit cost of follow-up.
Strengthening the capacity of TDB: there is a need to increase the current capacity of TDB to perform more functions rather than concentrating on regulating the industry Audience: Parent Ministry; BEST-AC, BRU, TDB and the regulators working with the Board	This can be achieved by increasing the staffing capacity of the TDB, capacity building through training and development, sharing of resources with other regulators and increasing the budget allocated to the Board.	This will improve the capacity of TDB to deliver most of the regulatory and other functions more effectively and reduce costs of milk processors to comply with the regulatory framework. It will enable regulators to harmonize most of their functions through TDB and reduce the costs in executing their regulatory functions.
Regulatory impact assessment: In spite of the plethora of agencies regulating the dairy	Mainstream Regulatory Impact Assessment or other equivalent methodologies into the regulatory	RIA will inform the current reform process and prevent future increase of the regulatory burden. Hence cost

sector there is no mechanism for systematic assessment of the impact of regulation. Audience: Better Regulations Unit (BRU), President's Office	framework.	of doing business will decrease progressively with time. The regulatory framework will be more cost-effective.
Development of the criteria and standard procedure for inspection system: Audience: Regulatory agencies; parent ministries; Better Regulations Unit (BRU), President's Office; Prime Minister's Office; Private Sector Organizations (PSO).	The law provides for coordination of the functions of the regulatory agencies concerned (TFDA, TBS, GCLA, CVL)	Enterprises will cooperate more when the criteria and well communicated and practice self analysis much easier. Regulatory authorities will increase efficiency of implementing their regulatory functions and be able to share the findings generated by the authority given the role of executing particular functions

6.3 A Strategy for Policy Influence

Most of the policy measures that support dairy development are not under the sole control of the Ministry of Livestock Development. Rather, they are also the responsibilities of other ministries, such as Industry and Trade, Health, Home Affairs, Labour etc. Successful reform of the regulatory framework will therefore require sustained political support to undertake significant changes in the legislative, regulatory and institutional framework that will enable the sector to change its current status. This implies that in the policy influence process, other stakeholders need to be brought on into the policy change initiatives. As well, recognizing that there is a diverse set of consumers, producers, traders and other stakeholders with different priorities and interests the process of policy change requires rational consideration in order to ensure that there are balanced changes. In view of this, the following strategy is recommended to bring the policy change.

- Dairy stakeholders can take advantage of the current Minister for Livestock Development who is quite dynamic by submitting this proposal to him personally and seeking audience with his office to share the proposal before the end his term. This could also be an avenue to seek an appointment with the Prime Minister for presentation of the proposal.
- Sharing of the hard and soft copies of this policy proposal with all key decision makers in the responsible Ministries and Authorities for them to understand the situation and see opportunities and results of improving the current situation. Where possible, TAMPA with support of BEST-AC can organize specific meetings with each key regulator to share the findings separately before organizing the joint meetings.
- TAMPA should initiate the joint national policy dialogue meetings with the government and regulatory authorities' representatives to share this proposal and as a starting point to promote reforms and trigger a set of action-oriented discussions between the champions of the reforms and the institutions responsible for changing the regulations.

- Presenting the report in various conference(s) and forums on Agriculture, Livestock as well as SMEs Development in Tanzania. Since there are several conferences organized in Tanzania on the areas identified, TAMPA in collaboration with other PSOs in the dairy sector can use those opportunities to share the findings. The aim here is to win the public interest and support in bringing the policy change.
- Lobbying to the members of parliament immediately after launching of the new parliament following the 2010 general election. This process can be undertaken strategically by organizing a seminar with the members of parliament with interest in the dairy sector and taking advantage of the seminar to share the findings. By doing so, the members of parliament can understand the situation and be convinced to take the issue forward. This initiative can be supported by the BEST-AC as a way of ensuring that this process is completed.
- TAMPA to sensitize its members on the regulatory issues of concern and ongoing initiatives to address them. The main advantage of this is to gain support of the members and increase their commitment to the association.
- TAMPA to mobilize resources from other sources to complement BEST-AC support to move this issue forward. The main purpose is to lobby for the change as the problem is clear and the impact has been measured.
- TAMPA should strengthen its relationship with TDB and complement the initiative of the Board to address the issue. The committee of the TDB which is currently developing the proposal provides an opportunity for TAMPA to forge the PPP with the Board and other regulators by fully cooperating in the process and sharing this proposal with committee. Common issues and suggestions that will be raised from TAMPA and TDB will form a strong basis for the policy change.

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APPENDICES

Appendix 1: Livestock population in Tanzania

Region	Cattle	Goats	Sheep	Pigs*	Indigenous chicken*
Dodoma	807,711	696,349	121,371	43835	1,634,079
Arusha**	1,523,238	1,795,227	717,620	58657	1,593,466
Kilimanjaro	603,401	609,975	267,612	155,070	1,356,781
Tanga	309,262	320,156	81,798	6281	1,751,278
Morogoro	114,172	305,734	57,661	44986	2,018,227
Pwani	129,255	68,514	7,900	3673	1,254,145
DSM	20,504	73,789	7,484	12993	182,449
Lindi	6,630	102,325	8,075	4956	1,075,122
Mtwara	22,811	262,959	22,986	6293	704,619
Ruvuma	94,090	981,935	60,834	134951	1,536,330
Iringa	1,201,434	361,320	98,672	180904	2,045,274
Mbeya	845,652	371289	71,251	229,465	2,493,796
Singida	1,810,098	1236046	454,995	6,375	1643973
Tabora	1,817,236	910469	247,448	6,286	2498191
Rukwa	411,467	252501	13,111	58,754	1,114,556
Kigoma	129,713	477610	43,068	23,698	785308
Shinyanga	3,818,106	2083659	833,743	3,266	2935380
Kagera	840,978	862221	64,354	145,761	905549
Mwanza	2,186,821	875890	167,031	610	2580891
Mara	1,285,959	658268	195,397	2,409	1505422
Total	18,755,254	13330238	3,556,423	1,129,223	32,5

Source: MLD, 2007

Appendix 2: Status of Milk Processing Plants in Tanzania

No.	Location	Plant name	Current status	Installed capacity (lts / day)	Current production (lts / day)	Capacity Utilisation (lts / day)
1	Dar es Salaam	Royal Dairy Products Ltd	Prod. suspended	90,000	0	0
3		Azam Dairy	Operating			3000
4		Tommy Dairy	Prod. suspended	15000	0	0
5		Tan Dairies	Operating	15000	4000	27
6	Tanga	Azania Dairies Ltd (Ex TDL)	Operating	12,000	6000	50
7		Tanga Fresh	Operating	15000	14000	80
8		Morani	Operating	5000	1000	30
9	Arusha	Ex TDL New Northern Creameries	Operating	45000	2500	16
10		International Dairy Products	Operating	5000	1200	24
11		Arusha Dairy Company	Operating	5000	2000	40
12	Kilimanjaro	Nronga Women	Operating	5000	2000	40
13		West Kilimamnjaro	Operating	1000	300	30
14		Mboreni Women	Operating	1000	200	20
15		Marukeni	Operating	1000	200	20
16		Ng'uni Women	Operating	1000	200	20
17		Kalali Women	Operating	1000	280	28
18	Mara	Ex TDL Musoma Dairy	Closed		45000	0
19		Ex TDL Utegi Plant		Closed	45000	0
20		Baraki Sisters	Operating	3000	2500	80
21		New Mara Milk	Operating	8000	4500	33
22	Mwanza	Victoria Dairy (Kishimba)		Closed	45000	0
23		Lake Side	Closed		5000	0
24	Kagera	Kagera Milk (KADEFA)	Operating	3000	350	12
25		Kyaka Milk Plant	Operating	1000	450	45
26		Del Foods	Operating	1000	250	25
27		Mini Dairies (several)	Operating	1800	1500	83
28	Morogoro	SUA	Closed		3000	0
29		Shambani Graduates	Operating	700	250	36
30	Tabora	Ex TDL plant	Closed		5000	0
31	Coast	Mojata	Closed		6000	0
32	Iringa	ASAS Dairy	Operating	12000	5500	70
33		CEFA Njombe Milk Factory	Operating	2,000	650	33
34	Mbeya	Ex TDL plant	Closed / dismantle d		16000	0
35	Mbeya Maziwa		Operating	1000	500	50
Several micro-dairies in the country			*Operating*	*83,500*	*8350*	*11*
TOTAL				407,500		59,515

Appendix 3: ***Milk Imports in 2008***

	MILK IMPORTS IN 2008			
HS CODE	**DESCRIPTION**	**C/ORIGIN**	**CIF Value**	**Net Weight**
			(TSHS.)	(Kg)
04011000	**Milk and cream of =<1% fat, not concentrated or sweetened**		**356,440,431**	**576,149**
04011000	Milk and cream of =<1% fat, not concentrated or sweetened	UNITED ARA	21,789,093	34,133
04011000	Milk and cream of =<1% fat, not concentrated or sweetened	UNITED KIN	3,972,720	1,817
04011000	Milk and cream of =<1% fat, not concentrated or sweetened	SAUDI ARAB	2,297,816	19,080
04011000	Milk and cream of =<1% fat, not concentrated or sweetened	SOUTH AFRI	324,534,209	518,298
04011000	Milk and cream of =<1% fat, not concentrated or sweetened	ZAMBIA	25,257	6
04011000	Milk and cream of =<1% fat, not concentrated or sweetened	ZIMBABWE	3,821,336	2,815
04012000	**Milk and cream of >1% but =<6% fat, not concentrated or sweetened**		**2,349,697,550**	**2,157,911**
04012000	Milk and cream of >1% but =<6% fat, not concentrated or sweetened	UNITED ARA	52,065,348	63,755
04012000	Milk and cream of >1% but =<6% fat, not concentrated or sweetened	SWITZERLAN	96,731	120
04012000	Milk and cream of >1% but =<6% fat, not concentrated or sweetened	FRANCE	535,040	785
04012000	Milk and cream of >1% but =<6% fat, not concentrated or sweetened	KENYA	831,824,710	646,000
04012000	Milk and cream of >1% but =<6% fat, not concentrated or sweetened	UGANDA	25,311,817	36,820
04012000	Milk and cream of >1% but =<6% fat, not concentrated or sweetened	SOUTH AFRI	1,164,288,788	1,085,471
04012000	Milk and cream of >1% but =<6% fat, not concentrated or sweetened	ZIMBABWE	275,575,116	324,960
04013000	**Milk and cream of >6% fat, not concentrated or sweetened**		**544,581,546**	**1,742,904**
04013000	Milk and cream of >6% fat, not concentrated or sweetened	UNITED ARA	3,157,743	7,552
04013000	Milk and cream of >6% fat, not concentrated or sweetened	FRANCE	2,733,908	199
04013000	Milk and cream of >6% fat, not concentrated or sweetened	UNITED KIN	74,191	695
04013000	Milk and cream of >6% fat, not concentrated or sweetened	KENYA	477,991,311	1,651,260
04013000	Milk and cream of >6% fat, not concentrated or sweetened	TANZANIA	50,463,935	72,000
04013000	Milk and cream of >6% fat, not concentrated or sweetened	UGANDA	5,257,304	6,000
04013000	Milk and cream of >6% fat, not concentrated or sweetened	SOUTH AFRI	4,903,154	5,198
04021000	**Milk and cream in solid forms of =<1.5% fat**		**175,287,262**	**141,915**
04021000	Milk and cream in solid forms of =<1.5% fat	UNITED ARA	29,466,133	20,681
04021000	Milk and cream in solid forms of =<1.5% fat	BELGIUM	64,662	301
04021000	Milk and cream in solid forms of =<1.5% fat	SWITZERLAN	22,026,494	36,905
04021000	Milk and cream in solid forms of =<1.5% fat	CHINA	922,604	1,250
04021000	Milk and cream in solid forms of =<1.5% fat	UNITED KIN	22,859,652	3,637
04021000	Milk and cream in solid forms of =<1.5% fat	INDIA	27,251,060	32,000
04021000	Milk and cream in solid forms of =<1.5% fat	ITALY	3,774,324	1,715
04021000	Milk and cream in solid forms of =<1.5% fat	KENYA	53,393,967	14,964
04021000	Milk and cream in solid forms of =<1.5% fat	MAURITIUS	4,622,288	14,760
04021000	Milk and cream in solid forms of =<1.5% fat	NETHERLAND	85,349	350
04021000	Milk and cream in solid forms of =<1.5% fat	OMAN	208,437	549
04021000	Milk and cream in solid forms of =<1.5% fat	THAILAND	3,462,679	11,711
04021000	Milk and cream in solid forms of =<1.5% fat	UGANDA	2,807,315	625
04021000	Milk and cream in solid forms of =<1.5% fat	UNITED STA	1,300,497	160
04021000	Milk and cream in solid forms of =<1.5% fat	SOUTH AFRI	3,041,801	2,307
04022110	**Specially prepared for infants**		**75,871,287**	**168,750**
04022110	Specially prepared for infants	UNITED ARA	7,951,727	25,601
04022110	Specially prepared for infants	INDIA	2,835,629	16,459
04022110	Specially prepared for infants	KENYA	470,317	6,600
04022110	Specially prepared for infants	MAURITIUS	3,398,816	14,380
04022110	Specially prepared for infants	OMAN	5,930,111	27,233
04022110	Specially prepared for infants	SINGAPORE	2,451,523	22,135
04022110	Specially prepared for infants	THAILAND	46,644	90
04022110	Specially prepared for infants	SOUTH AFRI	26,828,670	45,636
04022110	Specially prepared for infants	ZAMBIA	5,243,718	3,546
04022110	Specially prepared for infants	ZIMBABWE	20,714,132	7,070
04022190	**Other**		**312,614,756**	**678,703**
04022190	Other	UNITED ARA	36,609,136	59,869
04022190	Other	SWITZERLAN	17,580,981	27,451
04022190	Other	CHINA	31,396	21
04022190	Other	UNITED KIN	9,070,476	30,844
04022190	Other	IRELAND	28,656,604	120,875
04022190	Other	KENYA	80,644,654	43,108
04022190	Other	NETHERLAND	70,584,435	264,485
04022190	Other	NEW ZEALAN	49,512,622	45,413
04022190	Other	OMAN	2,588,614	9,898
04022190	Other	SAUDI ARAB	2,398,649	18,360
04022190	Other	THAILAND	684,831	493
04022190	Other	YEMEN	2,820,596	17,712
04022190	Other	SOUTH AFRI	8,201,264	30,174
04022190	Other	ZIMBABWE	3,230,498	10,000
04022900	**Milk and cream in solid forms of >1.5% fat, sweetened**		**21,888,242**	**41,755**

04022900	Milk and cream in solid forms of >1.5% fat, sweetened	UNITED ARA	1,597,713	775
04022900	Milk and cream in solid forms of >1.5% fat, sweetened	UGANDA	20,290,529	40,980
04022910	**Specially prepared for infants**		**21,916,241**	**71,164**
04022910	Specially prepared for infants	UNITED ARA	699,399	463
04022910	Specially prepared for infants	SWITZERLAN	4,966,564	22,746
04022910	Specially prepared for infants	ITALY	390,633	150
04022910	Specially prepared for infants	MAURITIUS	4,056,057	16,934
04022910	Specially prepared for infants	THAILAND	11,079	210
04022910	Specially prepared for infants	SOUTH AFRI	11,059,949	30,301
04022910	Specially prepared for infants	ZIMBABWE	732,560	360
04022990	**Other**		**252,376,499**	**211,061**
04022990	Other	UNITED ARA	54,734,613	54,432
04022990	Other	CHINA	139,082,506	70,000
04022990	Other	UNITED KIN	108,641	41
04022990	Other	IRELAND	7,857,951	9,303
04022990	Other	NETHERLAND	13,570,833	54,618
04022990	Other	OMAN	28,935,538	20,567
04022990	Other	UGANDA	8,069,313	1,840
04022990	Other	SOUTH AFRI	17,104	260
04029110	**Specially prepared for infants**		**11,180,921**	**2,912**
04029110	Specially prepared for infants	UNITED ARA	342,368	175
04029110	Specially prepared for infants	MAURITIUS	10,838,553	2,737
04029190	**Other**		**140,002,021**	**124,518**
04029190	Other	UNITED ARA	56,742,361	51,471
04029190	Other	UNITED KIN	874,282	494
04029190	Other	ITALY	1,753,027	422
04029190	Other	MALAYSIA	56,836,870	45,086
04029190	Other	SAUDI ARAB	23,795,481	27,045
04029900	**Sweetened milk and cream (excl. in solid form)**		**509,295**	**90**
04029900	Sweetened milk and cream (excl. in solid form)	KENYA	509,295	90
04029910	**Specially prepared for infants**		**6,350,094**	**817**
04029910	Specially prepared for infants	UNITED ARA	1,704,249	572
04029910	Specially prepared for infants	GERMANY	4,635,580	232
04029910	Specially prepared for infants	SOUTH AFRI	10,265	13
04029990	**Other**		**135,187,403**	**275,211**
04029990	Other	UNITED ARA	67,666,655	198,812
04029990	Other	CHINA	49,566	1,572
04029990	Other	CYPRUS	8,772,104	337
04029990	Other	UNITED KIN	338,269	243
04029990	Other	ITALY	831,798	780
04029990	Other	KENYA	9,673,114	8,073
04029990	Other	LEBANON	194,962	60
04029990	Other	NETHERLAND	29,199,110	22,912
04029990	Other	SAUDI ARAB	1,578,331	8,764
04029990	Other	THAILAND	120,278	81
04029990	Other	SOUTH AFRI	16,763,216	33,577
04031000	**Yogurt**		**101,489,133**	**28,711**
04031000	Yogurt	UNITED ARA	1,480,404	1,796
04031000	Yogurt	GERMANY	256,540	167
04031000	Yogurt	FRANCE	4,157,295	3,996
04031000	Yogurt	UNITED KIN	40,639,605	6,018
04031000	Yogurt	KENYA	20,496,360	5,936
04031000	Yogurt	UNITED STA	1,302,981	150
04031000	Yogurt	SOUTH AFRI	33,155,948	10,648
04039000	**Buttermilk, curdled milk and cream, etc (excl. yogurt)**		**197,218,681**	**206,466**
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	UNITED ARA	15,981,777	8,985
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	CANADA	3,443,166	503
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	CHINA	56,594	771
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	FRANCE	19,220,338	14,320
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	UNITED KIN	9,437,897	2,499
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	INDIA	300,838	953
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	KENYA	135,679,019	168,546
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	NETHERLAND	164,588	3,201
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	SAUDI ARAB	8,457	20
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	TURKEY	403,956	4,511
04039000	Buttermilk, curdled milk and cream, etc (excl. yogurt)	SOUTH AFRI	12,522,051	2,157
04041000	**Whey & modified whey, whether or not concntrtd or contng sweetening matter**		**132,369,458**	**62,068**
04041000	Whey & modified whey, whether or not concntrtd or contng sweetening matter	NETHERLAND	2,277,813	20,838
04041000	Whey & modified whey, whether or not concntrtd or contng sweetening matter	POLAND	130,091,645	41,230
04049000	**Products consisting of natural milk constituents, nes**		**2,153,874**	**3,186**

04049000	Products consisting of natural milk constituents, nes	NETHERLAND	2,153,874	3,186
04051000	**Butter**		**435,510,038**	**105,678**
04051000	Butter	UNITED ARA	338,008,830	52,364
04051000	Butter	CHINA	20,999	100
04051000	Butter	IRELAND	53,249,930	19,577
04051000	Butter	INDIA	2,283,244	3,108
04051000	Butter	ITALY	105,461	300
04051000	Butter	KENYA	9,471,641	2,343
04051000	Butter	NETHERLAND	1,841,476	904
04051000	Butter	OMAN	2,630,114	10,507
04051000	Butter	TURKEY	13,025,163	14,726
04051000	Butter	SOUTH AFRI	14,873,180	1,749
04052000	**Dairy spreads**		**10,542,892**	**2,827**
04052000	Dairy spreads	UGANDA	563,770	1,200
04052000	Dairy spreads	SOUTH AFRI	9,979,122	1,627
04059000	**Fats and oils derived from milk (excl. butter and dairy spreads)**		**50,744,023**	**353,829**
04059000	Fats and oils derived from milk (excl. butter and dairy spreads)	UNITED ARA	16,174,593	22,056
04059000	Fats and oils derived from milk (excl. butter and dairy spreads)	KENYA	4,322,597	4,040
04059000	Fats and oils derived from milk (excl. butter and dairy spreads)	OMAN	164,088	630
04059000	Fats and oils derived from milk (excl. butter and dairy spreads)	SINGAPORE	3,774,363	17,914
04059000	Fats and oils derived from milk (excl. butter and dairy spreads)	UGANDA	23,655,180	303,689
04059000	Fats and oils derived from milk (excl. butter and dairy spreads)	UNITED STA	1,452,231	5,294
04059000	Fats and oils derived from milk (excl. butter and dairy spreads)	SOUTH AFRI	1,200,971	206
04061000	**Fresh (unripened or uncured)cheese, including whey cheese and curd**		**33,300,774**	**51,444**
04061000	Fresh (unripened or uncured)cheese, including whey cheese and curd	UNITED ARA	10,655,294	45,482
04061000	Fresh (unripened or uncured)cheese, including whey cheese and curd	CHINA	55,831	269
04061000	Fresh (unripened or uncured)cheese, including whey cheese and curd	GERMANY	298,370	52
04061000	Fresh (unripened or uncured)cheese, including whey cheese and curd	DENMARK	2,326,292	123
04061000	Fresh (unripened or uncured)cheese, including whey cheese and curd	ESTONIA	53,761	50
04061000	Fresh (unripened or uncured)cheese, including whey cheese and curd	INDIA	609,979	939
04061000	Fresh (unripened or uncured)cheese, including whey cheese and curd	ITALY	3,763,600	2,033
04061000	Fresh (unripened or uncured)cheese, including whey cheese and curd	SOUTH AFRI	15,537,647	2,496
04062000	**Grated or powdered cheese**		**3,299,127**	**250**
04062000	Grated or powdered cheese	SOUTH AFRI	3,299,127	250
04063000	**Processed cheese, not grated or powdered**		**171,204,745**	**91,362**
04063000	Processed cheese, not grated or powdered	UNITED ARA	135,567,349	56,715
04063000	Processed cheese, not grated or powdered	UNITED KIN	28,464	191
04063000	Processed cheese, not grated or powdered	IRELAND	17,535,637	10,928
04063000	Processed cheese, not grated or powdered	ITALY	5,208,778	550
04063000	Processed cheese, not grated or powdered	NETHERLAND	732,124	430
04063000	Processed cheese, not grated or powdered	NEW ZEALAN	8,383,252	20,600
04063000	Processed cheese, not grated or powdered	SOUTH AFRI	3,749,141	1,948
04064000	**Blue-veined cheese**		**79,674**	**147**
04064000	Blue-veined cheese	SOUTH AFRI	79,674	147
04069000	**Cheese, nes**		**273,548,806**	**112,516**
04069000	Cheese, nes	UNITED ARA	44,052,569	29,887
04069000	Cheese, nes	CANADA	391,015	27
04069000	Cheese, nes	CHINA	205,472	2,999
04069000	Cheese, nes	GERMANY	545,596	100
04069000	Cheese, nes	DENMARK	3,736,079	393
04069000	Cheese, nes	FRANCE	748,814	226
04069000	Cheese, nes	UNITED KIN	42,968,834	6,799
04069000	Cheese, nes	INDONESIA	457,591	1,680
04069000	Cheese, nes	ITALY	7,680,986	9,156
04069000	Cheese, nes	KENYA	7,522,016	690
04069000	Cheese, nes	LEBANON	798,757	308
04069000	Cheese, nes	NETHERLAND	4,186,502	2,950
04069000	Cheese, nes	SWEDEN	119,439	260
04069000	Cheese, nes	SINGAPORE	6,621,100	30,200
04069000	Cheese, nes	SYRIA	39,223	580
04069000	Cheese, nes	UNITED STA	1,165,846	130
04069000	Cheese, nes	SOUTH AFRI	152,308,967	26,131
12010000	**Soya beans**		**380,742,093**	**699,619**
12010000	Soya beans	UNITED ARA	722,540	646
12010000	Soya beans	CANADA	365,518,488	673,920
12010000	Soya beans	CHINA	1,582,631	1,935
12010000	Soya beans	INDIA	1,127,098	1,271
12010000	Soya beans	ITALY	2,184,506	1,925
12010000	Soya beans	KUWAIT	63,020	100
12010000	Soya beans	UNITED STA	9,543,810	19,822

12081000	**Soya bean flour and meal**		**2,013,299,665**	**4,994,893**
12081000	Soya bean flour and meal	UNITED ARA	8,998	187
12081000	Soya bean flour and meal	BELGIUM	374,522,645	791,875
12081000	Soya bean flour and meal	CANADA	627,425,875	1,411,888
12081000	Soya bean flour and meal	MALAWI	1,177,413	2,450
12081000	Soya bean flour and meal	UNITED STA	904,007,306	2,562,593
12081000	Soya bean flour and meal	SOUTH AFRI	106,157,428	225,900
			8,209,406,531	**12,906,856**

Source: TRA, 2008

Appendix 3: Terms of Reference

TANZANIA MILK PROCESSORS ASSOCIATION (TAMPA)
Terms of Reference (ToR)
For a Consultant to submit a Dairy Industry Policy, Legal and Regulatory Framework Advocacy Proposal

1.0 Background

The Tanzania Milk Processors Association (TAMPA) is a registered, member-based private sector organization (PSO) whose mission is to promote and develop milk processing in Tanzania. TAMPA is made up of 102 members, the majority of whom are struggling to keep their milk processing plants in operation. Services rendered by TAMPA to members include coordination of training, provision of relevant information, lobbying, market promotion of milk and dairy products, facilitating credit and participation in public-private dialogue.

In an endeavor to achieve its mission, TAMPA is implementing an advocacy project that focuses on reducing multiple regulatory bodies which contribute to high cost of doing business in the dairy sector and eventually affect the sector's competitiveness. The project intends to address the problem of the Tanzanian dairy industry caused by over-regulation (administrative, legislative and regulatory burden leading to high cost of doing business). It was conceived after realizing that many milk processors were going out of business and the remaining few were being out-competed on the domestic market by imports from neighboring countries.

With the support of BEST-AC, TAMPA commissioned a study in 2007/08 on the extent and impact of over-regulation on businesses in the dairy industry. The study found, among other things, that the Tanzania dairy industry was regulated by seventeen (17) agencies, some of them with overlapping functions. It was recommended that the legal and regulatory framework be reformed to bring Tanzania in line with neighboring countries where the dairy industries are regulated by only two agencies (the respective dairy board and bureau of standards).

Although the study identified the issue of multiple regulations and its impact on the competitiveness of the Tanzanian dairy sector, TAMPA members and stakeholders do not yet have a full understanding of this. As a result, TAMPA is not in a position for effective advocacy with the government to bring about the necessary reform of the regulatory framework. Therefore, TAMPA has first to raise the awareness and understanding of its members and develop a solid proposal for change of the regulatory framework. The proposal that will be used to influence local and central government authorities to cut down the number of regulatory bodies and overlapping regulations impacting the dairy sector, and thus reduce the cost of doing business and increase the competitiveness of the dairy sector.

In view of the above background, BEST-AC is willing to give further support for TAMPA to continue with steps two and three of five-step advocacy approach. This ToR is designed to guide the consultant who will be commissioned to implement the advocacy project and come with a solid proposal for the dairy industry policy.

3.0 Objectives of (this Phase) of the Advocacy Project

The overall goal of the advocacy phase is to develop a solid dairy industry policy, legal and regulatory proposal for a rationalized, fair and more competitive environment for both domestic and export markets. In order to achieve this objective, TAMPA defined three intermediate objectives (IO's):

i) TAMPA members have a clear understanding of the issues and its implications.
ii) TAMPA members develop the policy proposal for change.
iii) TAMPA members have the strategy, tactics and resources for advocacy.

3.0 Scope of work

The consultant so appointed to undertake this assignment will work with TAMPA secretariat and will directly coordinate with the Executive Director of the TAMPA. The consultant will likewise interact with staff of BEST-AC who will provide solidarity and quality contact.

The scope of the work is broken down into the following tasks:

- *The consultant will review the 2007/08 study report, summarize and translate the study on regulatory burden for dissemination among TAMPA members and other dairy stakeholders.*
- *The consultant will gather evidence on the impact of the issues identified and establish opinion and attitude of policy makers*
- *The consultant will study the relevant laws and regulations (e.g. The Dairy Industry Act, 2004 and the Standards Act, 1975) to determine their adequacy for consumer protection and quality assurance.*
- *The consultant will plan, facilitate and coordinate stakeholders' workshop to achieve the intermediate objectives listed above. The consultant will therefore present the draft proposal to stakeholders to their get consensus and make sure that comments are incorporated to develop issue proposal for effective engagement.*
- *The consultant will gather comments of stakeholders, incorporate and develop policy proposal for effective engagement.*

5.0 Deliverables

The consultant is expected to deliver the following:

- *A power point presentation summary based on the 2007/08 study report*
- *A draft policy proposal for change of the regulatory framework.*
- *A final policy proposal for change of the regulatory framework.*
- *Draft and final strategy to advocate the report with Government.*
- *Draft and final fact sheets with compiled findings from the workshop.*

6.0 Qualification Requirements of the Consultant

The consult should have at least five years experience of facilitating private sector organizations in advocacy processes. He/she should also have knowledge and experience with legal reform and complex process of change. The consultant should have excellent report writing and presentation skills. Familiarity with the Tanzania dairy industry, livestock and agriculture sectors will be an added advantage.

7.0 Timing

The assignment will be completed in two calendar months starting from April 15th to June 15th 2010.

8.0 Reporting

The consultant will report to the Executive Director of TAMPA and the Designed BEST-AC staff who is supporting the project.

9.0 Budget and Payment Conditions

The Budget

The consultant will prepare draft budget which will be discussed with the Project Coordinator in collaboration with BEST-AC. Although it is open to the consultant to define how many days are needed and what the fee and the costs are to be incurred, the consultant should note that a maximum total budget (fee and costs) set aside for the project is US$ 15,400, and the maximum fee per consultant day is US$ 350.

Payment Conditions

The payment conditions will be in accordance to TAMPA and BEST-AC procurement guidelines.