BEST-Dialogue

Business Environment Strengthening for Tanzania

IMPACT WRITE-UP CASE STUDIES

2019


3

Contents

Abbreviations

ACT	Agricultural Council of Tanzania
AMCOS	Agricultural Marketing Cooperative Societies
ANSAF	Agriculture Non-State Actors Forum
BEST	Business Environment Strengthening for Tanzania – Dialogue
BoT	Bank of Tanzania
BRELA	Business Registration and Licensing Agency
CBT	Cross Border Trade
CTI	Confederation of Tanzania Industries
DED	District Executive Director
EAC	East African Community
ESRF	Economic and Social Research Foundation
FAO	Food and Agriculture Organization of the United Nations
FBOs	Farmer Based Organizations
FCC	Fair Competition Commission
FDT	Forest Development Trust
GDP	Gross Domestic Product
IGP	Inspector General of Police
LGAs	Local Government Authorities
LME	Liquid Milk Equivalent
M&E	Monitoring and Evaluation
MFNs	Most Favored Nations
MIT	Ministry of Industry and Trade
MIVARF	Market Infrastructure, Value Addition and Rural Finance
MNRT	Ministry of Natural Resources and Tourism
NBS	National Bureau of Statistics
NFP	National Forest Policy
NTBs	Non-Trade Barriers
OSBP	One Stop Border Post
PAYE	Pay as You Earn
PPDs	Public-Private Dialogues
PSOs	Private Sector Organizations
REA	Rural Energy Agency
ROTCO	Rungwe Organic Tea Cooperative
RSTGA	Rungwe Smallholder Tea Growers' Association
RUDI	Rural Urban Development Initiative
SACCOS	Savings and Credit Cooperative Societies
SADC	Southern African Development Cooperation
SAGCOT	Southern Agriculture Growth Corridor of Tanzania
SFP	Sao Hill Forest Plantation
SHFs	Smallholder Farmers
SMFEs	Small and Medium Forest-based Enterprises
STDF	Smallholder Tea Development Trust Fund
STR	Simplified Trade Regime
TAMPA	Tanzania Milk Processors Association
TATO	Tanzania Association of Tour Operators
TAT	Tea Association of Tanzania
TBS	Tanzania Bureau of Standards
TCCIA	Tanzania Chambers of Commerce Industries and Agriculture
TCT	Tourism Confederation of Tanzania
TDB	Tanzania Dairy Board
TFDA	Tanzania Foods and Drugs Authority
TFS	Tanzania Forest Services Agency
TPSF	Tanzania Private Sector Foundation
TP	Transit Pass
TRA	Tanzania Revenue Authority
TTB	Tanzania Tourism Board
TWLB	Tanzania Warehouse Licensing Board
WRS	Warehouse Receipt System
ZATI	Zanzibar Association of Tourism Investors
ZNCCIA	Zanzibar National Chamber of Commerce Industries and Agriculture
ZRB	Zanzibar Revenue Board

Introduction

The private sectors can be very effective at improving the business enabling environment when they can identify issues that inhibit private sector growth and job creation, when they can support public officials by providing detailed and objective research evidence, when they can articulate compelling proposals to reform public policy. Many private sector organizations (PSOs), however, do not have the skills or resources to be able to do this and that is the need BEST-Dialogue addresses.

BEST-Dialogue's purpose is to build the capacity of PSOs so that they are competent and well-informed and thus able to engage effectively in public private dialogue and public policy advocacy. BEST-Dialogue started in 2014 succeeding the Business Environment Strengthening for Tanzania – Advocacy Component (BEST-AC) programme which started operations in 2004. To date, BEST-Dialogue has supported over 65 PSOs with grants, training and technical assistance. More detailed information about the BEST-Dialogue programme can be obtained from our website – www.best-dialogue.org and Knowledge Management (KM) unit www.businessinsight.org.

This booklet offers a selection of exemplary advocacy cases undertaken by private sector organizations highlighting success in influencing public policy that have been supported by BEST-Dialogue. The booklet contains 16 cases out of almost 60 advocacy initiatives across all of BEST Advocacy Component/ BEST-Dialogue work arranged alphabetically by PSO name.

The BEST-Dialogue (2014-2019) fund is supported by the Danish Government and the European Union.

Acknowledgment

Thank you to the researchers Apronius Mbilinyi, Emmanuel Sulle, Hosea Mpogole, Kaihulaa Bishagazi, and Shauri Timothy who prepared these impact case studies. We also thank the government officials, private sector representatives who provided data for the cases, and all those whose research work has helped to produce the reports.

Special thanks to BEST-Dialogue quality assurance consultant, David Irwin.

ANSAF

AN ENABLING LEGAL FRAMEWORK FOR INCREASING CASHEW NUT FARMERS' INCOME

Introduction: Why is cashew nut production important to Tanzania?

Tanzania is the fourth largest producer of cashew nuts in Africa behind Nigeria, Ivory Coast and Guinea-Bissau, and the ninth biggest grower in the world. However, before 2012, farmers in the leading regions in cashew nut production were not earning significant income due to bureaucratic and regulatory hurdles. To address this situation, ANSAF engaged in advocacy efforts to establish a business-friendly environment for the cashew nut sector. This brief assesses the impact of ANSAF's advocacy against the estimated costs. ANSAF has been successful in bringing about significant reforms in the cashew nut sector by spearheading dialogue between government authorities, the private sector and investors, and the financial sector.

Since 2012, ANSAF has convinced the government to review legislation in the cashew nut sector, and remove numerous levies and fees on cashew nut products previously paid by farmers and traders. As a result of these reforms, farmers have doubled both their productivity and income (see Figure 1 and 2). Government revenue has largely increased despite the removal of unwanted levies due to increase in the volumes of exported cashews as a result of diversified markets for both raw and processed cashews from Tanzania. The lack of processing capacity within the cashew nut industry was the major hurdle for both farmers and the country to earn significant revenue from cashew nuts. For example, because of inadequate capacity to process cashew nuts locally it is estimated that, over the past five years (2012–2017) the country lost about US$550 million in value addition alone.[1]

The contribution of the cashew nut sector to the national economic growth and employment, income and revenue cannot be overestimated, especially in poverty reduction and livelihood improvement. Cashew nut exports contributed almost US$341 million to Tanzania's economy in 2017, up from US$186 million in May 2016.[2]

It is estimated that over 700,000 Tanzanian households directly engage in cashew nut farming, with the number of beneficiaries reaching over 2.5 million people.[3] Cashew nuts are grown in over 40 local government authorities (LGAs) countrywide, particularly in the southeastern part of the country. Mtwara region, the biggest producer of cashew nuts, accounts for about 70%.

Despite these inroads, ANSAF and its members are worried about the impact of a recent government decision to amend the Cashew Nut Industry Act (Cap,203) scrapping 65% of the cashew nut export levy currently received by the Cashew Nut Board. As per the amended law, the treasury now receive 100% of the cashew nut export levy.

This brief provides an overview of the cashew nut sector in the country, it elaborates on ANSAF and its members' interventions, which resulted in successful public-private sector dialogue, removal of some taxes and fees, and benefits to farmers. The brief also touches on the costs of such interventions, ending with conclusions and recommendations for further primary research.

1 ANSAF. 2013. Advocating for effective regulation of the Cashew Nut Industry in Tanzania. http://ansaf.or.tz/wp-content/uploads/2015/05/Cashew-Research-Jan2013-1.pdf

2 BOT (Bank of Tanzania). 2017.Monthly Economic Review. June. Dar Es Salaam: BOT; pp 7

3 Personal communication, ANSAF Director, 6 November 2018

What has ANSAF achieved?

Using evidence from the assessment for advocacy and dialogues, government reformed the Warehouse Receipt and the Cooperative Development Acts. The reforms resulted in improvements in the cashew nut sector including:

1. Increased price and cashew nut yields;
2. Increased transparency and competition among cashew nut buyers;
3. Improved delivery of inputs – especially sulphur dust whose production increased from 150,000 metric tons in 2012/13 to about 265,000 metric tons in 2016/17;
4. Increasing cashew nut production from 150,000 metric tonnes in 2012 to 300,000 metric tonnes in 2018;
5. Timely payment to farmers;
6. Removal of the shrinkage[4] cost previously charged on farmers;
7. Removal of some taxes formally imposed on smallholder producers; and
8. Formation of committees of MPs from cashew growing areas to engage directly with ministers on a regular basis.

In addition, government revenue of 15% of the value of total raw cashew nuts exported has increased due to increased yields and export volumes. The reforms strengthened cooperatives and their leadership, leading to more profitable, effective cooperatives.

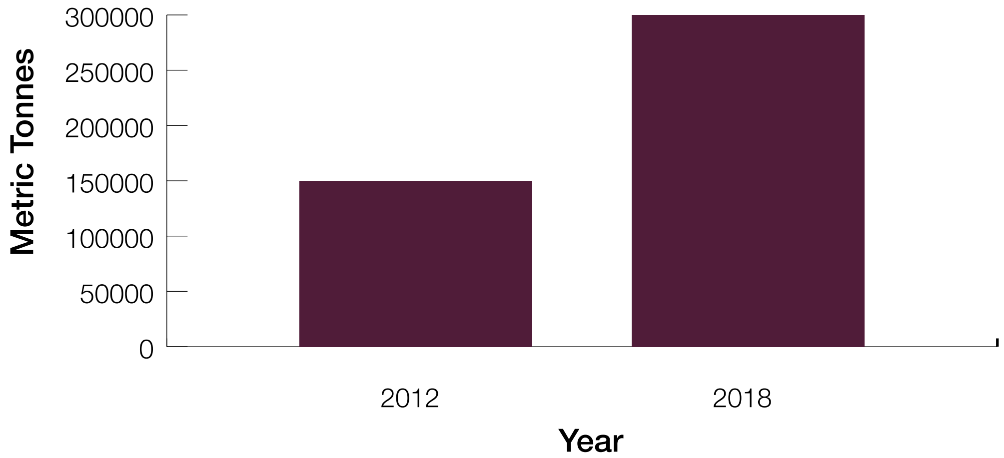
The Bank of Tanzania's Quarterly report of March 2018 shows that the volume of cashew nut exports increased from 16,800 tonnes in March 2017 to 24,700 tonnes in March 2018 – an increase of 47%.[5] Indeed, currently the cashew nut industry is stable, with production steadily increasing from 150,000 metric tonnes in 2012 to 300,000 metric tonnes in 2018 (see Figure 1). The price of cashew nuts went up from TZS 1,200 per kilogram in 2012 to an average of TZS 4,000 per kilogram in 2018 (see Figure 2).[6] The increase in production is the result of higher prices of cashew nuts incentivising farmers to improve their yields by increasing use of fertilizers (sulphur) and better weeding of cashew nut trees. Price is a key motivator for farmers as producers prioritise crops that have a better price. The increase in price is the result of private sector and government efforts to diversify the market for cashew nuts instead of relying on India as the main buyer of raw cashew nuts from Tanzania.

4 Shrinkage here loosely refers to the reduction in the weight of nuts as a result of moisture loss during roasting – a common practice by rural farmers.

5 BOT. 2018. Economic Bulletin for Quarter Ending March 2018. Vol. L No. 1. Dar Es Salaam; Bank of Tanzania; pp 1 retrieved from: https://www.bot.go.tz/publications/QuarterlyEconomicBulletins/MARCH%202018%20APPROVED.pdf accessed on 03 August 2018

6 Telephonic interview, ANSAF Director, 12 June 2018

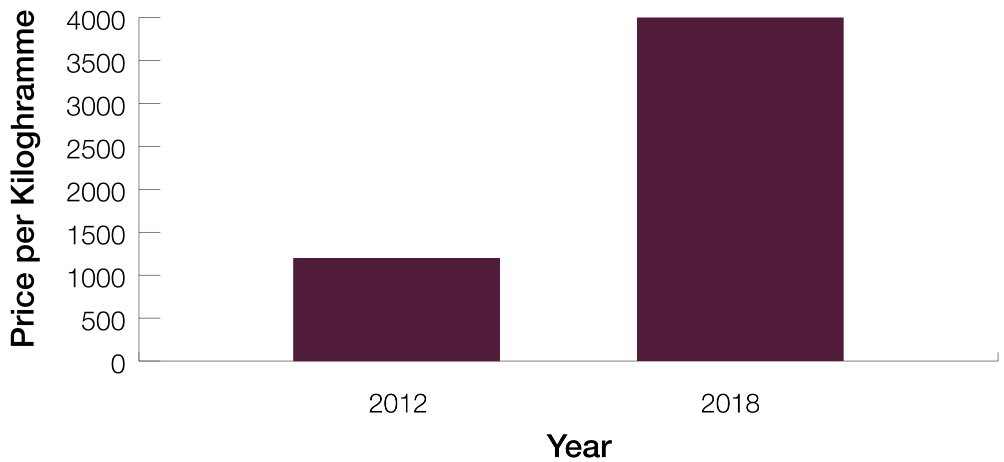
Figure 1: Cashew nut production in metric tonnes in 2012 and 2018



Source: Personal communication with ANSAF's director, 12 June 2018

Each of the above reforms, along with increases in production and price have significantly increased the crop's benefit to farmers. For example, using the above yield figures in 2018, the total savings of removing the shrinkage cost formally charged to farmers is about $122 million. After the introduction of warehouse receipts, some local processors withdrew from business, but now there are new investors working with old processors in 14 districts. ANSAF is currently working together with the Cashew Nuts Board to ensure defunct processing plants are rehabilitated and the new bag and other necessary packing tools are effectively distributed to local processors. ANSAF further wants to end the monopoly of cooperatives to be the sole supplier of inputs to farmers to enable fertilizer producers to sell their inputs straight to farmers. This would ensure efficient and timely delivery of inputs to farmers particularly on farming season.

Figure 2: Price of cashew nut per kilogramme in 2012 and 2018



Source: personal communication with ANSAF's director, 12 June 2018

Furthermore, since September 2017, following continuous advocacy efforts by ANSAF and its stakeholders, seven more levies on cashew nuts were removed, including TZS56 per kilogram for gunny (handling) bags, TZS12 per kilogram for fumigation, TZS17 per kilogram for storage and warehousing, and TZS5 per kilogram as cost of cash distribution by Agricultural and Marketing Cooperative Society.[7]

7 ANSAF unpublished reports; personal communication with ANSAF Director, Mr Audax Rukonge, 12 June 2018

What does ANSAF advocacy cost?

To execute its advocacy activities, ANSAF and its members were supported by BEST-Dialogue whereby in the first phase of 2012 they spent about TZS60 million for research and feedback sessions.[8] In 2013, TZS300 million was spent on a high level stakeholder engagement including international investors. Funding also came from the Tanzania Investment Bank (TIB), Tanzania Investment Centre (TIC) and National Microfinance Bank (NMB) since the activity was co-organised by the government agencies. This second major event was highly successful and since then, ANSAF and its members continue to invest in advocacy mobilisation events with farmers, processors and investors. For example, in 2014, TZS60 million was invested in members meetings with district councillors so that they support farmers' initiatives to increase their productivity, efficiency and earn higher prices.

To keep up ANSAF activities to mobilise farmers at community level and ensure fair and effective policies at the national level, ANSAF and its partners need TZS100 million per year for the next three years. These funds would allow ANSAF to go beyond the 80 districts currently producing cashew nuts to encourage more districts to start or revive cashew nut production.

The loss to government for scrapping many nuisance taxes, deductions and fees in the cashew nuts sector is minimal because most of the fees were actually going to inefficient cooperatives. Therefore, the overall cost of advocacy investments is much lower than the losses resulting from exporting in shelled cashew nuts for processing in Asia, particularly India.

Conclusion

Since agriculture remains the leading provider of livelihood and jobs in Tanzania, ANSAF's intervention in the cashew nuts sector from 2012 to date had significant impacts on the lives of many smallholders. As a result of ANSAF's efforts and those of other actors in the sector, cashew nut production has increased and cashew nut export is increasingly generating a significant share of the foreign currency earnings. Available data show that farmers have earned significant revenue since ANSAF and its members embarked on advocacy and awareness-raising campaigns among policy makers and communities at large. Since cashew nuts are mostly produced by small-scale farmers, the price increase has improved the earnings of smallholder farmers. Such boost for smallholders is a key to poverty alleviation and bringing about sustainable and inclusive growth in rural areas.

In an attempt to conduct more evidence-based advocacy, ANSAF's research has and continues to unearth problems constraining the cashew nut industry, including lost economic opportunities through raw cashew export which leads to the export of jobs and revenue loss; limited market opportunities; low farmers' share of the export (CIF) price; weak enforcement of regulations on product quality; higher input prices; late delivery of inputs; exploitative cost structures through the warehouse receipt system; manipulative auction systems; and poor management of cooperative societies and farmers' associations.

Despite these impressive achievements, stakeholders in the cashew nut sector are concerned that the recent parliamentary approval of the government's decision to scrap the sharing model of 65% to 35% of the cashew nut export levy for the Cashew Nut Board/farmers and government respectively threatens the sustainability of these achievements, unless government reduce many other taxes in the sector.

8 Information in this section is heavily reliant on telephonic interview with ANSAF Director, Mr Audax Rukonge, 12 June 2018 and subsequent personal communications with him.

ATE

LOW SKILLS DEVELOPMENT FOR TANZANIA'S BUSINESS COMPETITIVENESS

Introduction:
What is the Skills Development Levy and what is it for?

While the government considers the Skills Development Levy as its source of revenue for workforce training purposes, businesses consider it as an additional cost of doing business in Tanzania.The Government introduced the Skills Development Levy (SDL) through the Vocational Education and Training Levy Act of 2001, which required every employer to pay 6% of their wage payroll to the Tanzania Revenue Authority (TRA). Ideally,SDL contributionsareto be used to develop the skills and knowledgeofemployees and potential employees in occupations such asmanufacturing, hospitality, and other economic sectors. In developing skills and knowledge, the governmentseeks to tackle the shortage of effective and productive labour in the country.

But,employers have argued that too much of their contributions goes to train people other than employees and indeed disappear into paying for the bureaucracy, rather than servicing businesses. For example, statistics shows that one third of the 5% of SDL, which is about 1.67%, goes to vocational education and the rest goes to the Prime Minister's Office, Labor and Employment (PMO-LE), and the Higher Education Student Loans Board (HESLB).[1] The allocation of revenue accrued from SDL collection to higher learning education institutions althoughaimed at financing loans and grants for these institutions, is not the original intended use of the skills development levy.[2]

The Association of Tanzania Employers (ATE) has, since the introduction of SDL,lobbied the government to reduce the SDL,and it has since been reducedfrom 6% to 5% in 2013 and to 4.5% in 2014. However, ATE still considers the SDL of 4.5% as high compared toother countries in the region such as Kenya where SDL is below 2%. Currently, ATE is lobbying the government to lower SDL to 2%.

This brief assess the impact of ATE and its members' efforts to have SDL reduced, costs incurred during the advocacy processes, and the cost of having higher SDL for employers and the national economy at large.

What's the problem with Skills Development Levy in Tanzania?

The SDL is an additional cost incurred by businesses in Tanzania. Internationally, SDLs range from 1% to 3% compared to 4.5% in Tanzania. The high ratemakes Tanzania uncompetitive in the East African labour market because, apart from Kenya's 2% levy on the tourism sector, other countries such as Rwanda, Burundi, Uganda, and South Sudan do not charge SDL[3]. The high SDL rate is viewed as a disincentive for doing business among Tanzanianemployers as it adds to business operation costs.

Although employers are paying a high SDL rate, they are still incurring employees' training costs. Therefore, the high SDL is seen as an additional cost, whichincreases business costs and impedes competitiveness.

Some employers haverefused to pay SDL as they argue that they need the money to train their employees. The National Bureau of Statistics (NBS) Enterprise Survey of 2007/8 found that only a handful of companies were complying with the required payment of 6% SDL. As a strategy to avoid paying SDL many companies avoided doing formal business and instead optedto be informal establishments.

To evade SDL payment, some companies also do not hire permanent staff, as they do not have to pay a levy on temporary employment. This impacts on the employment rate in the country and the amount of revenue the government would have collected.

1 World Bank, 2016: The United Republic of Tanzania Education and Skills for Productive Jobs Program-for-Results. Washington DC, Word Bank. pp 38

2 World Bank, 2016: The United Republic of Tanzania Education and Skills for Productive Jobs Program-for-Results. Washington DC, Word Bank. pp 10

3 The Citizen 2018. Skills development levy hits employers. The Citizen Newspaper 14 June :http://www.thecitizen.co.tz/magazine/Skills-development-levy-hits-employers/1840564-4612804-10sijhiz/index.htmlaccessed on 20 June 2018

In a 2012 study, ATE estimated that due to lack of compliance among companies, government was only able collect a tiny fraction of SDL (TZS 120 billion in 2010/11).[4] One loophole companies may have used to avoid paying SDL was not registering with relevant authorities. However, this situation is somewhat changing because in2016, NBS estimated that about 79,583 (51.5%) businesses are registered, while 75,035 (48.5) of businesses remain unregisteredin Tanzania mainland up to 2015.[5] Unlike NBS statistics, however, theBusiness Registrations and Licensing Agency (BRELA) report indicates thatfrom 1999 to 2016 about 150,000 companies were registered in Tanzania.[6]

This increase in the number of registrateredbusinesses is attributed to the BRELAefforts to educate business owners about the importance of getting their establishments registered.Registration not only helps businesses pay government required taxes, but also allows businesses to access financial and in-kind support from both the government and financial institutions.

However, since the statisticsfrom the above institutions are not aligned,let us use the NBS data which shows that among the 154,618 surveyed establishments in the financial year 2014/2015, about 35,110 establishments have employed more than four staff and therefore qualify to pay SDL. Taking the average number of 59[7] employees per private sector establisment at the average salary of TZS353, 589 per month, at the 4.5% SDL these establishments pay a total of TZS 33 billion($14.5 million) to the government. That is an annual contribution of TZS 396 billion ($174 miillion). Comparing these SDL estimates, which could have been collected from registered establishments and the TRA's actual collection as shown in Figure 1 below, it looks like TRA is collecting far less revenue and this may be due to either corruption, fraud or widespread evasion by business.

As ATE and its members have argued that although the current SDL rate is very high, skills training does not meet their needs, and the revenue obtained by the government is not transparently used and distributed among its members.Until 2017, SDL discriminated against private sector employers, because they were the only employers required to pay the levy. Government institutions, fully funded government agencies, and non-profit making organisations did not pay SDL. However, following disscussions between the government and private sector led by ATE, from the financial year 2017/2018 all employing government institutions and agencies that qualify for SDLare paying it as aretheir counterparts in the private sector.[8]

Photo: shutterstock.com

4 ATE. 2012. Position paper for reduction of skills and development levy. Submitted to Secretariat of Task Force for Tax Reform Ministry of Finance and Economic Affairs, Tanzania.

5 NBS (National Bureau of Statistics). 2016. Statistical business register report, 2014/2015: Tanzania Mainland National. Dar Es Salaam: NBS, Ministry of Finance and Planning http://www.nbs.go.tz/nbs/takwimu/Br/2014_15_SBR.pdf. Accessed on 25.06.2018

6 The Citizen Newspaper. 2016. Brela to unlist 37 000 businesses. The Citizen Newspaper 8 Septermber. http://www.thecitizen.co.tz/News/1840340-3373766-k4mky4z/index.html. Accessed on 13.06. 2018

7 59 is an average number of employees employed by the range of business studied by NBS. See NBS 2016 page 15 – 23.

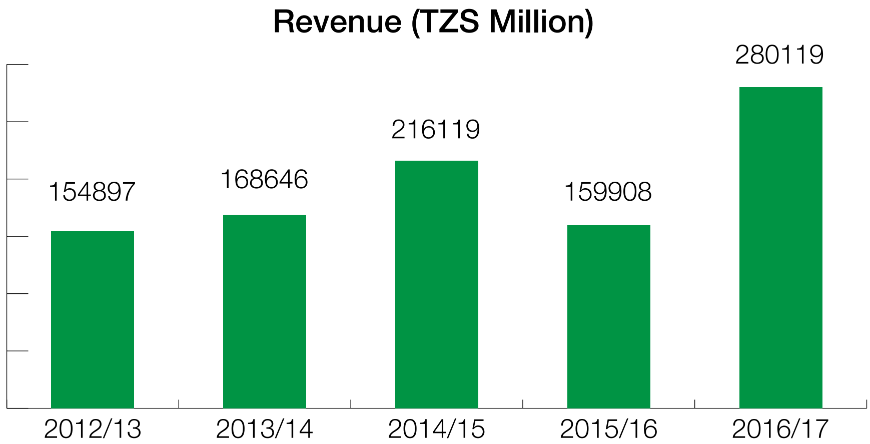
8 Personal communication with ATE official, 13 June 2018

What has ATE and the government achieved?

While ATE and its partners are yet to achieve their desired rate of 2% SDL, their investments in research and advocacy have resulted in the reduction of SDL by 1.5%. Considering the 35,110 qualifying businesses as shown by NBS report above, the lower SDL rates have resulted in an estimated saving of TZS TZS 88 billions and TZS 132 billions by businesses in 2013 and 2014 respectively. At the same time, as this brief has shown, government revenue from SDL increased by TZS 14 billion in 2013 and TZS 47 billion in 2014.

Indeed, from the time the SDL was further reduced in 2014, the TRA revenue collections data with exception of the general election year 2015 shows an increase in its total revenue collected from businesses paying SDL totaling TZS 280 billion in financial year 2016/2017 (Figure 1).

Figure 1: Government revenue from SDL collections from 2012/13 - 2016/17



Source: Tanzania Revenue Authority Database, 2018[9]

ATE and other actors in the business sector also lobbied for several other SDL-related reforms. For example, the private sector believesthat joint training between the public and private sectors can deliver on the need for employees to have the right skills and knowledge necessary for many Tanzanian businesses. Joint training could be an effective utilisation of collected SDL. As a result of these concerted efforts, ATE has successfully convinced government to implement new public-private skills development initiatives.

In respect of the discriminatory practice of collecting the levy only from the private sector, persistent lobbying by ATE, TPSF and CTI,led to government agreeing that from the 2017/18 financial year all its institutions and agencies which are employers will also pay SDL.The agreement that government employers will pay SDL will contribute significantly to revenue generated, because the government is still the main employer in the country. Also, in the financial year 2017-2018 the government excused all private schools from paying SDL.[10]

9 Accessed at https://www.tra.go.tz/index.php/tax-collection-statistics

10 Personal communication with ATE official, 13 June 2018

Cost of interventions

Despite the reduction in the SDL rate, the government did not lose any significant share of its income because as Figure 1 above shows, the total TRA collections in increased from about TZS 160 billion to about TZS 280 billion in financial year 2016/2017. While there may be other factors that contributed to this increase in revenue, one possible explanation is that the lowered rates of SDL resulted in many more businesses complying with SDL requirements.ATE and other stakeholders continue to lobbythe government that reducing SDL to 2% will likely encourage many more businesses to comply.Cutting the SDL rate could therefore improve trends in doing business in the country and further improve government revenue collection.

Moreover, in the event the the government revenue does not increase as a result of lowering SDL to 2%, ATE and its members have proposed alternative models of offering skills development training. Their key recommendation is for the government and private sector to develop public-private partnership model to ensure financing of skills development in the country. The private sector believes this model could work if the current legal framework is amended to accommodate a new system.

Conclusion

The 1.5% reduction in the SDL rate is one of the key impacts of ATE and its partners'investments in research and advocacy. The reduction in SDL has not only saved businessess' income but at the same time increased government's revenues from the SDL collections. As a result of continued dialogue between the government and the private sector, SDL contributions are now paid by all qualifying government agencies and institutions, removing the sense of discrimination where only private sector businesses were paying SDL since it was introduced in the country.

Yet, since the 4.5% of the SDL currently paid by employers in the country is higher compared to other countriesin the region that charge SDL of between 1-2%, ATE and its members need to continue to devise more strategic approaches in convincing the government not only to lower SDL, but to effectively allocate SDL revenue to its original goal of training workers and not otherwise.Reducing SDL will allowdomestic industries to compete regionally by reducing the high cost of operations and improvingtheir competitiveness in the region and around the globe. Moreover, with lower rate of SDL, as shown in this brief, many more business are likely to pay SDL, this will in turn increase government revenue.

CTI

ASSURED ELECTRICITY TO MANUFACTURERS IN TANZANIA

Introduction

Unreliable electricity supply was among the key challenges constraining manufacturers in Tanzania since the 1990s, after the economic liberalization. In 2010, CTI wanted to persuade the government to take action on the unreliable electricity problem to manufacturers. BEST Dialogue (formerly BEST-Advocacy Component) supported CTI with a grant of $50,000 for the advocacy intervention in improving the availability and quality of electricity supply in Tanzania.

CTI used this grant for several interventions including conducting a research study to gather evidence on the impact of unreliable electricity to the manufacturing sector and for suggesting recommendations to the government. The goal was to influence the government for more investments to the energy sector and propose reforms to the sole electricity supply company i.e. TANESCO.

The Confederation of Tanzania Industries (CTI) is the membership of business associations that among other things, it advocates for the creation of a good business environment within which Tanzania's businesses, specifically the manufacturing sector become competitive at the domestic, regional, and international markets (www.cti.co.tz).

Outcome

CTI hired a consultant who conducted a research study on the impact and challenges of unreliable electricity supply to manufacturers in Tanzania. The objective of the study was to present researched facts on the challenges and impact of unreliable electricity supply particularly to manufacturers in Tanzania for facilitation of dialogue and decisions.

The study came out with a number of findings; among others it concluded that, regardless of several efforts made by the Government of Tanzania to improve power supply in the country, serious challenges still existed. A few key study findings that were documented included:

1. The manufacturing sector still experiences obstacles of an intermittent power supply, frequent power rationing, outages, poor service quality, and power cuts without notice.
2. Producers sometimes use their own costly power generators leading to income loss to manufacturers which was estimated to be around TZS 31 billion per annum.
3. Unplanned power cuts, shortages, rationing or prolonged blackouts led to excess capacities in some manufacturing firms.
4. The Government tax loss resulting from the intermittent electricity supply was estimated to be TZS 9.5 billion per year.

The study also indicated that the major root causes of unreliable electricity to manufacturers are:

1. The existing worn out infrastructural systems (for production, transmission, and distribution);
2. Shortage in electricity production due to too much dependence on hydro-production which is prone to vagaries of weather, notably drought.
3. Policy hindrances leading to poor coordination and hindrance for private investors' effective participation in the energy sector and;
4. Lack of competition where the power company operates in a monopoly market structure.

At the same time, manufacturers were also complaining about the country's uncompetitive power tariff rates. Therefore, CTI included this aspect in its investigations and a tariff rates comparison was done in the EAC region. The study came to the conclusion that Tanzania's power tariff rates are still competitive in the EAC region. Further to this study, the Parliamentary Committee for Energy in 2011 conducted another study that indicated that the country was bearing a high-cost burden for electricity due to ineffective contracts and projects in the power sector.

Following CTI's study findings, several consultative meetings with its membership and stakeholders were held, and on the basis of findings CTI started lobbying for reforms in the energy sector, holding meetings with membership and the government.

When the impact was well known by the stakeholders, other organizations such as TPSF and TCCIA supported CTI in advocating for more energy sector financing and reforms. For instance, some of the CTI study findings were taken up and cited by Parliamentarians for demanding more accountability in the energy sector as the country was believed to be in the energy crisis by then. One of the very notable reforms done by the government was the formulation of the Rural Energy Agency (REA) to deal with rural energy transmission and distribution as TANESCO could not effectively supply electricity to both urban and rural areas. However, TANESCO remained the single electricity provider which was already overloaded with power generation and transmission and supply to urban customers. Stakeholders continued to argue for more reforms so that some of these roles would be assigned to other institutions.

The dialogue forums CTI organized increased communications among stakeholders and as a result TANESCO started communicating effectively with its customers including the manufacturers, especially to inform them of upcoming power challenges. To effectively serve its customers, TANESCO also created a special department for large electricity consumers such as manufacturers or mining companies. Information from reports and public media indicates that generally, TANESCO's services provisions, customer care, and attitude has greatly improved over the past years (CTI 2018).

To cope with electricity shortages, some manufacturers decided to take the initiative to proactively work with TANESCO and to help them solve power challenges in the areas such as purchasing electricity equipment that could not be provided by TANESCO due to resource constraints. Others resorted to incurring a cost for connecting to natural gas as a power source to produce their own electricity for running their manufacturing machines.

Impact

Qualitative Impact Analysis

Following interventions by CTI and other private sector actors, necessary actions were urgently taken by the Government of Tanzania and Development Partners to solve the critical power challenge in the country. First, since 2005 the Government has given priority to energy sector investments. Second, the Government had short, medium, and long-term plans to address the power problem in Tanzania. Third, alternative energy sources were exploited to enhance power generation, including hydro power, natural gas, bio-fuels, wind, coal, and solar energy to necessiate the increase in power supply. It should be noted that the advocacy campaigns, among other things, had led to the legal sector reforms that allowed private sector participants to provide electricity and thus increasing power supply to manufacturers and other users.

Additionally, the Government had increased the budget for the energy sector to cater for infrastructural investments such as power generation and distribution. Consequently, electricity generation and distribution increased, especially in rural areas from 12% to almost 30% of the rural Tanzanian population by the end of financial year 2017/2018.

With the energy sector reforms suggested by CTI and other stakeholders, the private sector participation in the electricity generation had significantly increased over the period while hydro power dependency has been significantly reduced from 90% in the past 10 years to almost 45% in Financial Year 2017/2018. To curb this problem, a huge amount of extracted natural gas is being utilized for power generation (e.g. From Songosongo Islands, Mnazi Bay and Madimba natural gas plants)

Between 2015/2016 and 2017/2018, natural gas plant projects such as Kinyerezi I and II, with 150 MW and 240 MW were added in the national grid; and in December 2018 the Government signed the hydro power contract to re-establish the 1970's Stigler's Gorge Hydro electric Power Station (SGHPS) with an anticipated 2,100 MW.

Quantitative Impact Analysis

The analysis presented below attempts to show the impact of the efforts made by CTI and other stakeholders to advocate for reforms and more energy investments. Following the above interventions, the Government came up with a number of quick solutions for power supply problem in Tanzania. The government invited the private sector, both local and foreign, to invest in the abundant investment potential of power generation and supply in Tanzania.

According to TANESCO, the huge investments in alternative power sources such as natural gas had resulted into the increase in power supply over the period from 697 MW in 2007/2008 to 1,750 MW in year 2017/2018. At the same time, its demand in year 2017/2018 was 1,607 MW, making excess generated power of 143 MW. However, the excess of supply over demand is a result of many rural communities are yet to be connected in the national grid, hence many customer connections are still taking place in rural areas through the Rural Energy Agency (REA).

Below is the table showing the electric power generation increase over the period between 2005/2006 to 2017/2018:

Year	2005/6-2007/8	2008/9-2013/14	2014/15	2015/16	2016/17	2017/18
Supply (MW)	697	1,156	1,361	1,582	1,648	1,750
Demand (MW)	769	1,275	1,249	1,362	1,548	1,607
Surplus/deficit (MW)	(72)	(119)	112	220	100	143

Source: TANESCO 2018

The table shows that while the power generation and supply had increased by an average of 22 percent per year between the year 2007/2008 and 2017/2018, the demand had also increased by an average of 19 percent, making a surplus power of 9 percent; implying a decrease in power shortages and increased industrial production time.

One impact of increased power generation was a reduction in power interruptions measured in hours per month. Before 2013/2014, power shortage had resulted in a decline in work-force time lost/production time lost (per year), implying that the GDP was lost in proportion to the production lost due the regular power shortage. With the increased electricity generation (Table 1), such losses had been reduced significantly (see Table 2).

Year	2008/2009	2009/2010	2010/2011	2017/2018	2016/17	2017/18
Average number of power interruptions	15	15	18	10	1,648	1,750
Average hours of power interruptions per month	24	25	26	8	1,548	1,607
Work-force time lost/ production time lost (per year) due to power loss	7.9%	8.2%	8.5%	2.6%	100	143

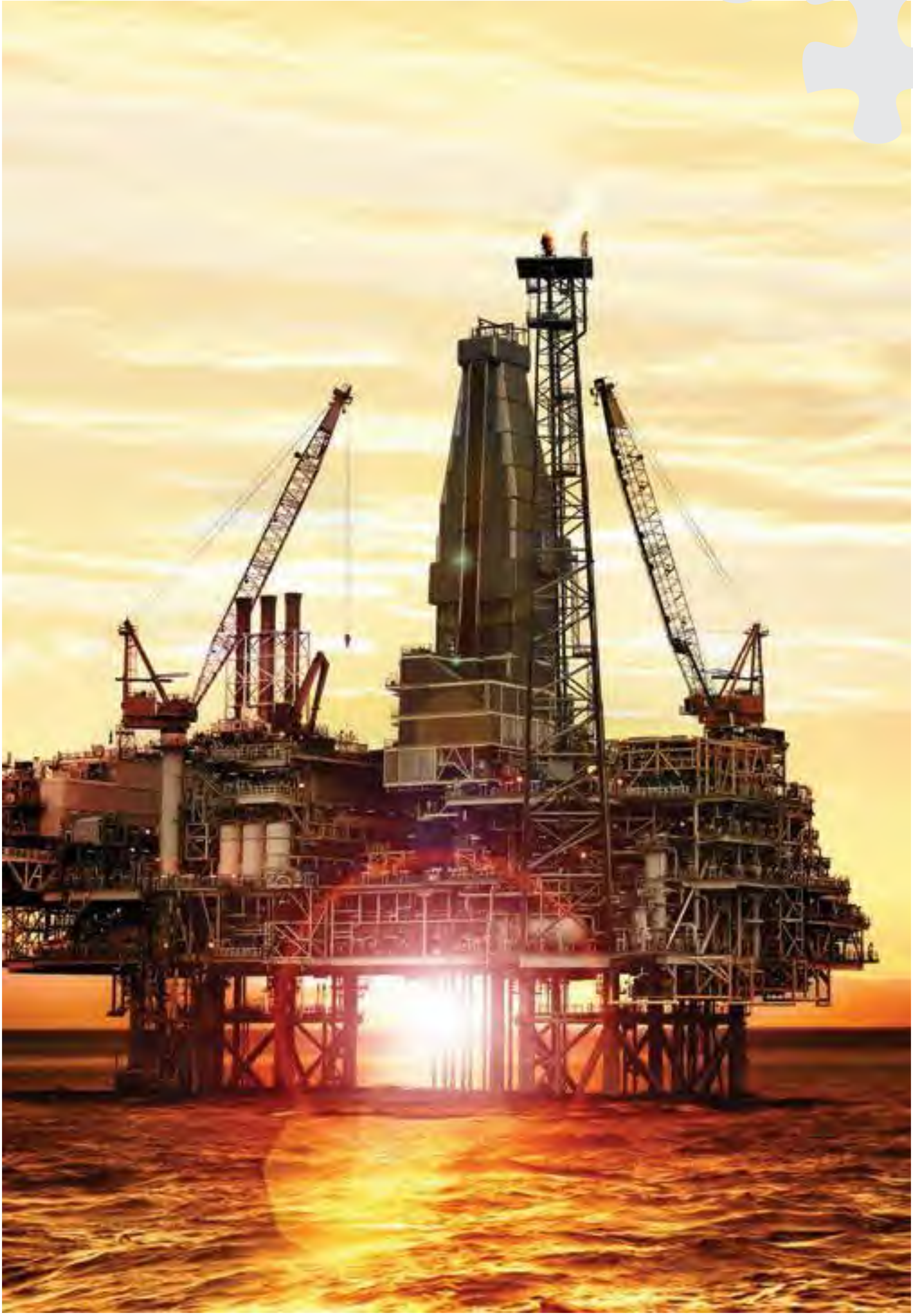
Source: CTI 2018 and own calculations.

Table 2 presents a weighted number of interruptions and average hours of power interruptions per month. The CTI study indicated that by 2008/2009, on average there were 15 power interruptions and 24 hours of power interruption per month. This had increased to 26 hours and 18 interruptions in 2010/2011. This had later significantly declined to 10 interruptions and 8 hours per month in 2017/2018.

Consequently, the workforce time lost due to unreliable power sources was also significantly reduced from 7.9% of the working time in 2008/2009 to 2.6% in 2017/18; implying that more production is achieved with increased power reliability in 2017/2018 whereby the number of power interruptions was reduced to 10 hours per month.

With the available GDP figure for manufacturing in 2017/18 (TZS 2,777 billion) and 2.6% of the working time of the workforce being lost due to power shortage; the manufacturing GDP lost due to power can be arrived as 2.6% x 2,779 billion = TZS 72.3 billion. This implies that when the 2.6% of the working time loss for the manufacturing sector due to unreliable power is translated to a manufacturing GDP, TZS.72.3 billion is lost in GDP in 2017/18. However, with increased power generation, the working time loss has been reduced from 7.9% in 2008/2009 to 2.6% in 2017/2018, saving 5.3% of the manufacturing working time. Therefore, when the saved time is translated into a GDP value, TZS 147.3 billion had been saved (i.e.5.3% x 2, 779 billion).

The implication of the above facts is that, efforts to reduce power shortage from 2008/2009 to the present time have managed to save the manufacturing GDP loss by approximately TZS 147.3 billion by 2017/2018. This is because the working time loss in manufacturing has been reduced from 7.9% of the working time to 2.6%. However, the 2.6% working time loss to manufacturers may also increase over time and also translate to more GDP loss in the country; if such efforts to curb the power shortage are not maintained. This also means that, a lot has to be done in future to eliminate this working time loss; otherwise the country’s industrialization dream may not be realized.



CTI

CUT COUNTERFEITS TO PROMOTE ECONOMIC GROWTH

Introduction

Counterfeit products are imitations of authentic products, with the intent to steal, destroy, or replace the original for use in illegal transactions. In 2017, it was reported, counterfeit products made up 5-7% of world trade; and in Tanzania they accounted for about 20% of the traded commodities (FCC, 2018). Substandard products are goods which are below an established or required standard. Both counterfeit goods and substandard goods can be harmful, as consumers have no assurance of what is actually in those products.

The Confederation of Tanzania Industries (CTI) is an umbrella business association for the industrial sector responsible for strengthening manufacturers' competitiveness, advocacy, and lobbying for a good, friendly, and conducive business and investment environment, ensuring there is fair competition in Tanzania.

After the market-based economic reforms in 1990s, there was no common understanding of the free market (soko huria- in Swahili) economy and how it operates. Some businesses used this opportunity to supply goods, regardless of their quality and authenticity, and this led to the flooding of the domestic market with counterfeit and substandard goods. By year 2008, almost all shops, markets and street stalls were filled with counterfeit and substandard goods which included electronic equipment, motor vehicle spare parts, pirated music, cosmetics, clothing, footwear, pharmaceuticals and medical equipment, to mention only a few.

BEST-Dialogue (formerly BEST-Advocacy Component) supported CTI with project grants aimed to counter the effects of counterfeit and substandard goods in Tanzania through various advocacy interventions. The total grant support amounted to $185,000 (the first grant was $83,650, the second grant was $76,351, and the third grant was $25,000).

CTI used these grants for undertaking research, organizing validation meetings, engaging with government and hosting awareness events. CTI's purpose for these advocacy interventions was: reducing counterfeit and substandard goods in Tanzania's market will not only protect the health of the consumers and promote the economy but will also improve government revenues, industrial outputs, and trading in the country.

Outcome

To understand clearly the problem and therefore advocate for reforms, the Confederation completed several studies in 2007, 2012, and 2017 which aimed at determining the size and impact of the problem in the country; understanding how the national laws, regulations, and procedures work to reduce or remove existence of counterfeit and substandard goods in the market in Tanzania; and providing an update on the state of counterfeit goods in Tanzania respectively.

Table 1 below shows some of the key findings from the studies on the effects of the presence of counterfeit and substandard goods in the economy, particularly, to the government, manufacturers, and consumers.

Table 1: Impact of counterfeit goods on the government, manufacturers, and consumers.

Effects of counterfeit goods on Government	Effects of counterfeit goods on manufacturers	Effects of counterfeit goods on consumers
a. Loss of revenue: It was estimated that in 2010/2011 the Government lost revenue from Import Duty and VAT amounting to USD 731 million. b. Loss of employment: as they distort competition leading to unemployment, income loss, and poverty. c. Loss of investment: as investors may shy away and take their investments to other countries with lower incidences of counterfeit goods.	a. Damage of companies' brand image and the value of the business. b. Increased marketing expenses for brand protection. c. Loss of market share for the domestic industries. d. Closure of domestic industries. e. Reduction of sales volume and profits.	a. Endanger health and safety as many of these goods are manufactured using unsafe, untested or sub-standard ingredients. b. Spend more on repair and maintenance of counterfeit and sub-standard goods.

The following interventions were held to address the issues:

1. Ellis de Bruijn, an international expert in criminology from COMPOL Company played a key role in enhancing the quality of the advocacy research report with supporting case materials, producing a policy position paper, leading various discussions and presentations, and lobbying for reforms and actions by government agencies.
2. CTI shared the study findings to the high-level government officials, policy and law makers including the Parliamentarians.
3. CTI worked with government quality enforcement institutions such as the Fair Competition Commission (FCC), Tanzania Bureau of Standards (TBS), and Tanzania Foods and Drugs Authority (TFDA) to increase awareness campaigns against the importation of counterfeit and substandard goods.
4. CTI sensitized its members to work closely with the FCC's Anti-counterfeits department which normally conduct searches and impound imported counterfeit goods in the markets.
5. CTI also engaged with quality control institutions and drafted a new anti-counterfeit law and submitted to the Government for further steps.

Following CTI initiatives, the Government of Tanzania and its agencies took a number of reform measures against counterfeit and substandard goods. These included:

1. Amendment of the Merchandise Act of 1962, and the Tanzania Bureau of Standards Act No.3 of 1975. This empowered the Fair Competition Commission (FCC) and the Tanzania Bureau of Standards (TBS) to deal effectively with counterfeit and substandard goods in the country.
2. The Government amended other related laws and intensified the punishments for each case of offense and anybody dealing with counterfeit and substandard goods (i.e. subsection 3, 6, and 10 of the Merchandise Act 2008).
3. Other laws related to the problem were also highlighted, and other key stakeholders were recognized in the formulated regulations to control counterfeit and substandard goods in the country.

Other Reforms

The Ministry of Trade and Industry formulated an Anti-Counterfeit Task Force Department while FCC established two special departments to deal with counterfeit and substandard goods. The two departments are Consumer Protection and Education; and Anti-Counterfeit Campaigns and Investigations.

These institutions work with CTI members through various interventions to reduce the effects of counterfeits in the economy. These include:

1. Use of media such as TV and radio programs in educating consumers, manufacturers, and traders on the problem and thus increased awareness level.
2. Conducting periodic raids, seizing, and compounding of counterfeit goods.
3. Advising manufacturers to report on the infringed product mark, brand, trade name, or signs.
4. FCC and other quality enforcement agencies issuing several press statements as warnings against dealing with counterfeit.
5. Some CTI members conducting market searches to determine infringed brands and informed the required institutions for further actions (e.g. FCC and TBS).
6. FCC has also been working together with other stakeholders and agencies such as TBS, TFDA, Police Force, and the Interpol to deal with counterfeit goods.

The Confederation of Tanzania Industries, Fair Competition Commission, and other enforcement agents are of the view that; the seizing and destroying of counterfeit products and displaying in the media works as a warning. Such incidences had increased the consumer awareness levels and perceived business risks on dealing with counterfeit and substandard goods.

To address the problem further, the government substantially increased the financial budget and human resources allocations for standard enforcement institutions leading to the increase in daily and night inspections, raid operations, and awareness campaigns. These are believed to have increased the capacity for the institutions to deal with such goods.

Table 2 shows anti-counterfeit interventions conducted by the Anti-Counterfeit Task Force between 2012/13 and 2017/18.

Day inspection 2012/13 -2017/18	Night inspection 2012/13-2017/18	Raid operations in collaboration with brand owners 2014/15-2017/18	Joint operations 2011/12-2017/18	Awareness campaigns and seminars 2013/14 – 2017/18
1,164 inspections were conducted, 11,340 containers had been inspected, and 928 containers were seized.	570 inspections conducted, 298 containers inspected and 47 containers were seized.	93 raid operations conducted countrywide	14 joint operations conducted countrywide in collaboration with TBS, TFDA, Police Force, and Interpol.	CTI, FCC and other enforcement agents carried out 149 awareness campaigns through seminars, articles, commercial advertisement, and discussions with various stakeholders.

Source: FCC, 2018

The Confederation of Tanzania Industries and the quality control agents claim that the outcome of the above efforts was an increased awareness of the problem amongst stakeholders. The other point that is said to have intensified the efforts was the high inspections and trade controls by the Government in both official and unofficial borders. Although this was conducted in the spirit of reducing tax evasion by importers; it is believed to have helped to reduce a number of counterfeit and substandard goods in Tanzania.

Impact

The Anti-Counterfeit Task Force and CTI members have claimed a reduction in the amount of counterfeit and substandard goods in the Tanzanian market. Regular inspections and seizures conducted in shops, manufacturing areas, and border entry points have increased the public awareness level and the perceived risks of dealing with counterfeit goods by traders. Such goods are believed to have significantly decreased in the Tanzania market from 40% in 2007/08 to around 20% in 2016/17.

The FCC also claims that one impact of the campaign against counterfeit goods is assessed by the decrease in numbers of submitted complaints on infringed trademarks from brand owners' or manufacturers. The number has decreased from an average of 244 complaints per year between years 2008/09 and 2013/14 to around 106 between years 2015/16 and 2017/18; marking a 56% decline (FCC 2018).

At the same time, manufacturers have been informing their customers on how to identify and detect the original product against the counterfeited product. Nevertheless, FCC and other quality enforcement agencies report the emerging new sophisticated techniques for counterfeiting, making it difficult to identify the original and counterfeited products (See an example below).
`

Source: https://www.bitzer.de/ae/en/press/fake-oils-discovered-in-asia.jsp

Additional Advocacy work

CTI is still advocating for an increased capacity to detect and investigate counterfeit cases and effectively prosecute offenders. At the moment, inspections of counterfeit and substandard goods are conducted daily at Dar es Salaam port, airport, and Inland Container Depots (ICDs) while periodic inspections are conducted in upcountry airports and borders. Counterfeit and substandard goods may penetrate in the country using other unofficial entry points.

CTI continues to advocate for reforms including:

1. Harmonizing the legal framework relating to counterfeit and substandard goods in mainland Tanzania, Zanzibar, and at the EAC level.
2. Enhancing cooperation and coordination among quality enforcement agencies such as FCC, TBS, TFDA, etc;
3. Creating awareness to consumers on how to identify counterfeit and substandard goods.

Lessons Learned

The key lessons learned by CTI during the project implementation include:

1. Effective stakeholders' collaboration and engagement provides quick wins for proposed reforms.
2. Well coordinated anti-counterfeit measures help to raise public awareness and the perceived risk by traders to deal with counterfeit and substandard products, thus reducing its incidences in the markets.
3. The efforts to reduce counterfeit and substandard goods are jeopardized by the presence of high poverty levels, inadequate awareness amongst consumers, enforcement agents and the general public at large.

RUDI

OPERATIONAL MODALITIES FOR PUBLIC VILLAGE WAREHOUSING IN KILOMBERO, TANZANIA

Introduction

Rural Urban Development Initiatives (RUDI) observed that unclear operational modalities of village warehouse facilities hindered the competitiveness of grain trade and income of smallholder farmers. Warehouses are regulated through the Warehouse Receipts Act, No. 10 of 2005, and Warehouse Regulations of 2006 and governed by the Tanzania Warehouse Licensing Board (TWLB). The Warehouse Receipt System (WRS) was established to address challenges related to quality, price stability, bargaining power, tax collection and aggregation of produce for collective selling by smallholder farmers hence; improving their incomes. Due to these potential benefits, the government has continued to construct new warehouses in rural areas through various projects and support such as Market Infrastructure, Value Addition and Rural Finance (MIVARF). However, the ownership structures and operational modalities of warehouses at the village level were not well defined causing conflicts and misuse.[1]

Examples of problems and conflicts surrounding the warehouses at the village level include malicious exchange, theft of produce, and high rental charges to farmers and cooperatives societies which increased transaction costs. Some individuals who rent the warehouses used them for purposes other than grain storage, denying farmers the opportunity to store their produce and sell collectively. Moreover, unclear ownership of warehouses between cooperative societies and village governments, has resulted in conflicts and limited utilization of such warehouses. Due to past history, cooperative societies believed that the warehouses which were apparently under the custodian of village governments were theirs. Therefore, they believed that they were not supposed to be charged in order to use them.

About RUDI

Rural Urban Development Initiatives (RUDI) is a private sector development organization which empowers micro-small enterprises and farming communities through improved market linkage and distribution channels for their products. RUDI activities are targeted towards building strategic partnership and strong business associations especially within the farming communities that can:

- Formulate and advocate policy reform measures
- Improve market linkage through information sharing
- Facilitate access to credit
- Expand (crop) production through business skills management training.

RUDI received financial support from Business Environment Strengthening for Tanzania - Dialogue (BEST-Dialogue) to study the accessibility, operation and ownership of village warehouses in Iringa, Mbarali, Kilolo and Kilombero Districts. In 2015, RUDI engaged a consultant to undertake the study, with the following objectives:

- First, identify the number of warehouses under conflict,
- Second, identify the sources of conflict between farmer groups and respective village governments based on legal ownership and operation of warehouses,
- Third, explore ways in which such conflicts could be solved,
- Fourth, estimate the level of warehouse demand in the study areas,
- Fifth, provide recommendations on demand, accessibility, operation and ownership of warehouses in the study areas.

1 RUDI (2016). Challenges faced by smallholder farmers in using Warehouses: A case study of Iringa, Mbarali, Kilolo and Kilombero Districts.

Methodology

This case study was undertaken mainly through desk review of grey literature and limited key informant interviews. The consultant reviewed available documents such as the study on accessibility, operation and ownership of village warehouses in Iringa, Mbarali, Kilolo and Kilombero Districts; proceedings of dialogue meetings; policy briefs and position papers; communications between RUDI and LGAs; and the draft by-law of June 2017 on Ownership and Operation of Warehouses in Kilombero District.

The desk-based review was guided by an evidence template which was structured according to 10 evaluation questions (shown in the side box) and extracted and synthesized appropriate information. Gaps in the existing documents were supplemented with limited phone interviews with RUDI staff and representatives of Kilombero LGA who were involved in the project.

The case study commenced with inception meetings over the phone with BEST-Dialogue M&E Project Officer, the designated staff for this assignment and PSO Executive Directors/Officers. The aim was to attain a full picture of the BEST-Dialogue relationship with RUDI and other key stakeholders in this project.

Content analysis was used to analyze the reviewed grey literature of project reports and documents. Limited quantitative analysis was used to estimate the quantitative impact of warehouses to farmers' income.

Case Study Questions

1. What issues were addressed?
2. What was the relevance/rationale of the addressed issues?
3. When and how were the issues addressed?
4. What were the key outputs/achievements?
5. What are the key outcomes or policy wins?
6. What are the qualitative impacts (or prospective impacts) of the project/s?
7. What are the quantitative impacts (or prospective impacts) of the project/s?
8. Were the issues/projects addressed sustainable or are there sustainability plans?
9. What were the unintended consequences of the project/s if any?
10. What were the lessons learnt by the project/s

Outcome

The RUDI study documented warehouse conflicts, sources of conflicts, and the magnitude and effects of the warehouse conflicts in Iringa, Mbarali, Kilolo and Kilombero Districts. The aim was to provide evidence of challenges facing the village warehouses in order to advocate the establishment of by-laws to govern ownership and their use at LGA level. This would potentially enhance the successful operationalization of WRS by creating well-managed warehouses to reduce the aforementioned challenges.

The conducted study revealed a number of issues surrounding warehouses and WRS in Rural areas of the four studied Districts as follows:

1. Only 45 out of 96 (47%) of existing warehouses in the study areas were operational. Mbarali District had the highest percentage (86%) of warehouses in use followed by Iringa (54%), Kilombero (48%) and Kilolo (21%). The picture aside shows one of the warehouses that has become dilapidated due to lack of use and maintenance.
2. Some warehouses, especially in Kilolo District, were transformed into schools or training colleges. In Kilolo, farmers were reluctant to use the warehouses due to failure of cooperatives in the past.
3. About 68% of the warehouses were owned by the village governments while about 16% were owned by cooperatives. However, the distinction of ownership between village governments and cooperatives was not clearly defined, thus causing continued conflicts between the two parties.
4. About 68% of the warehouses were under conflict. Kilombero District was leading in incidences of warehouse conflicts (86%) followed by Iringa District (80%).
5. Most of the conflicts were between the village governments and cooperatives. Also, village governments and farmer based organizations (FBOs); and, partly between cooperatives and other FBOs such as Savings and Credit Cooperative Societies (SACCOS), Agricultural Marketing Cooperative Societies (AMCOS), and Farmer Associations.

6. The main source of conflict was unclear ownership of the warehouses, high rental fees charged to farmers, cooperatives and other FBOs by village government, change of warehouse use, and absence of legally binding agreements for warehouse use.
7. Private companies were alleged to payoff village government officers in order to use the warehouses, thereby denying farmers and other FBOs the opportunity to bulk their produce and do collective marketing to enhance their bargaining power. The study cited specific warehouses and companies involved.
8. The demand for warehouses in the study areas was still high for the most part. The study cited some warehouses (as shown in the picture aside) that were operating at the maximum capacity.
9. Although there was a demand for warehouses, the study noted the reluctance of some farmers to use WRS as a marketing tool for their produce, mainly due to high operation costs and associated bureaucracy in access to credit.
10. The effects of warehouse conflicts included idleness of warehouses, which further led to dilapidation and inaccessibility, as some warehouses were operating under capacity, notwithstanding the demand.
11. Despite some efforts, most conflicts were not yet resolved, especially those involving ambiguity in ownership, high rental fees and those that had been hired by private companies for purposes other than storage of crop grain.
12. There was limited or no follow up on the use of warehouses and associated challenges in the villages by the LGA officers at the District level.

A detailed analysis of the difference that warehouses which were operational made to individual farmers is presented in section four under quantitative impacts.

Photo: Shutterstock.com

Recommendations from stakeholders

As a result of study findings on the accessibility, operation and ownership of the village warehouses, RUDI together with the consultant team, conducted stakeholder and validation meetings in Kilombero[2] and Iringa[3] Districts. The areas were selected purposely because they had highest cases of warehouse conflicts. Participants included representatives of LGA (Kilombero District Council and Kilombero Town Council for Kilombero and Iringa District Council), including the District Executive Directors (DED), cooperatives and farmer groups, village governments and representatives from the District Commissioners' Offices. These dialogue meetings aimed at disseminating the study findings and discussing, agreeing and developing action plans on what was to be done at the LGA level with regard to identified challenges in the use of public warehouses among the Farmer Groups. The following were the recommendations of stakeholders in addressing the mentioned challenges:

1. LGAs to prepare guidelines for the use of public warehouses in the villages. This would prevent the current misuse of many rural public warehouses.
2. LGAs to conduct seminars for the village governments on how to handle warehouses, especially in a situation of cooperative societies or farmer associations decline or collapse;
3. LGAs to assign enough staff to deal with warehouse issues, including follow-up on the development of FBOs, for the purpose of economic empowerment to those groups.
4. LGAs to collaborate with RUDI to raise awareness amongst FBOs on the importance of using warehouses for quality control, storage and collective marketing for better prices.
5. RUDI to advocate to TWLB to recognize public village warehouses and give them a special category with minimum possible conditions to operate, especially in the forthcoming Tanzania Commodity Exchange Market.

RUDI requested LGAs to develop by-laws which will govern the ownership and operations of warehouses in areas of their jurisdiction. Two task forces, one for each District Council, comprising of five representatives (LGA, Farmer Associations and RUDI), were formed to follow up on the implementation of the agreed recommendations.

Development of draft by-laws on ownership and operation of warehouses

The most notable achievement is the development of a draft by-law of June 2017, on Ownership and Operation of Warehouses in Kilombero District. On March 22nd, 2017, the DED of Kilombero District Council wrote to request RUDI to solicit funds to support the District in the development of the said by-law. In the letter, the DED acknowledged the fact that due to absence of guidelines at the LGA level, a number of warehouses were used for different purposes, including community ceremonies such as weddings; religious worship services; school or training centres; and, private companies. RUDI, with funds from BEST-Dialogue, supported the Kilombero District Council to develop the by-law. By June 2017, the draft By-Law on Ownership and Operation of Warehouses in Kilombero District was developed. The author cited the draft by-law, which addressed the key challenges, as follows:

1. Section 2 of the by-law outlines the roles and responsibilities of key stakeholders in the supervision of the warehouses including the role of the Kilombero LGA itself.
2. Section 3 addresses the issue of ownership of warehouses. The articles under this section clearly define the warehouses which are owned by village governments on behalf of all villagers; warehouses owned by cooperative societies or other FBOs; and, warehouses owned by private individuals or companies.
3. Section 4 of the by-law outlines the guidelines on the operation and use of warehouses. The section states that the official system of operating warehouses will be the WRS for all public warehouses under village governments except when users have not met the requirements in accordance with the Warehouse Receipts Act, No. 10 of 2005, and Warehouse Regulations of 2006. Also, the section outlines other issues such as market information center, food security, registration of agents, establishment of buying centers, and other operation guidelines.
4. Section 5 outlines consequences for wrongdoing and associated penalties.

2 Proceedings Report: Stakeholder Dialogue Meeting on Challenges Faced by Smallholder Farmers in using Public Warehouses. Kilombero District, August 23rd, 2016

3 Proceedings Report: Stakeholder Dialogue Meeting on Challenges Faced by Smallholder Farmers in using Public Warehouses. Iringa District Council, August 25th, 2016

Although the by-law is not yet approved by the Full Council, the Kilombero LGA is optimistic that when it becomes operational, it will address the gaps in the Warehouse Receipts Act No. 10 of 2005. Interviews with representatives of Kilombero LGA showed that the by-law will benefit warehouse users in the following ways:

1. Mitigation of conflicts resulting from unclear ownership and operation of public village warehouses;
2. Control of malicious exchange and theft of produce, which was very common in the absence of guidelines and control systems.
3. Quality control for better prices. The LGA will introduce the use of moisture content measuring gauges to control moisture content of the produce and other sorting, grading, packaging and branding practices.
4. Enhance access to market by improving packaging and branding.
5. Address the issue of statistics in the District. Apparently, there were no reliable statistics of crop production and marketing. The use of warehouses will ease collection of data on crop production and marketing.

Impact

Table 1 shows the difference in estimated household gross rice incomes for using and not using warehouses. According to the study,[4] farmers lacked storage space or facility at their household premises to store produce for better prices. They were therefore forced to sell their produce at farm gate prices. As seen, if farmers could wait for better prices by storing their produce in warehouses, they could earn prices twice the farm gate price. For the same amount of produce, the estimated gross rice income per household per season without using a warehouse was TZS 4,705,000 and about TZS 7,500,000 if their produce could have been stored in a warehouse to wait for better prices. This means that farmers were missing as much as 37% of potential income due to the inaccessibility of public village warehouses. Due to limitation of data this case study could not establish the number of farmers who would benefit if all 29 warehouses in Kilombero became operational.

Table 1: Estimated household gross rice income with and without warehouses

Item Description	Unit	Amount without warehouse	Amount with warehouse
Average household rice production	Kg	6,000	6,000
Average storage capacity	Kg	1,700	6,000
Average amount of rice sold directly at farm gate	Kg	4,300	0
Percentage of rice sold directly at farm gate	%	72	0
Average selling price	TZS/100kg	60,000	125,000
Estimated gross rice income per household	TZS	4,705,000[5]	7,500,000
Opportunity cost of selling at farm gate prices	%	37	-

4 RUDI (2016). Challenges faced by smallholder farmers in using Warehouses: A case study of Iringa, Mbarali, Kilolo and Kilombero Districts.

5 About 4,300kg (or 43 bags) sold directly at farm gate price of TZS 60,000 per bag and 1,700kg (or 17 bags) stored at home to wait for better price of TZS 125,000 per bag.

Progress

The draft by-law on Ownership and Operation of Warehouses in Kilombero District has been sent to stakeholders in the respective villages for comments and recommendations. The LGA has already received comments from the stakeholders. However, more comments came from farmers than owners or operators of warehouses who wanted to maintain the status quo. At the time of writing this report, the Legal Counsel of the Kilombero District Council was incorporating useful comments from the stakeholders. After incorporation of stakeholders' comments, the revised draft will be tabled before the Finance Committee of the Full Council and later to the Full Council for further approval. It is expected that the draft by-law will be approved by Full Council in early 2019. RUDI continues to collaborate with Kilombero District Council to ensure that the draft by-law is approved and becomes operational in early 2019. It is also expected that the case of Kilombero will be used as an example for other LGAs, including Iringa District Council.

Lessons learned

Notwithstanding the identified challenges, warehouses are still important to farmers. Thus, the use of warehouses among the farmers should be advocated parallel with the removal of associated bottlenecks. Raising awareness on operation of public village warehouses as well as WRS should be conducted to maximize usage and minimize conflicts. Key lessons learned by RUDI include:

1. Blending warehouses with WRS, financial services and milling/processing plants enhances optimal use of warehouses. RUDI (2016) cited such a warehouse that operated at maximum capacity at Mang'ula 'A' village in Kilombero District as shown on the picture aside.
2. Sharing and presenting research findings to relevant authorities enhance participation, acceptability and action taking to address identified challenges.
3. Engaging relevant government authorities and other key stakeholders enhances success and sustainability of the project.
4. The process of development and approval of the by-law has taken longer than expected because some stakeholders expected to profit from it. RUDI has continued to collaborate with the Kilombero LGA to outline the benefits that farmers and operators of warehouses will get when the Guideline is completed and approved.
5. Consumers were alleged to associate the quality of rice, for instance, with the place where it was grown rather than the type or variety of rice. So, when Kilombero starts packaging and branding their rice it might fetch lower prices compared to rice packed and branded in Kyela in Mbeya, for example. It was learned that rice retailers labeled their rice as Kyela even when it came from an area other than Kyela. Through the use of market information centers and other media, RUDI will collaborate with key stakeholders to raise awareness on distinguishing rice based on quality rather than the place from which the rice was grown.

STDF

ENHANCING MORE INCLUSIVE SMALLHOLDER TEA GROWERS PARTICIPATION IN MARKET

Introduction

For smallholder farmers, tea is an important and unique crop. The uniqueness of the tea is mainly due to the fact that it is harvested all year round. This makes it a dependable source of income to smallholder farmers. In Tanzania, it is estimated that over 30,000 households depend on tea farming for their livelihood.[1] Despite the important role of tea, the Smallholder Tea Development Trust Fund (STDF) observed that smallholder tea growers had low productivity and limited market participation. As such, in 2015 smallholder tea growers contributed only about 32% of the total output while estates contributed about 68%.[2] Although the rate of increase in tea production (11% between 2013 and 2015) among smallholder farmers is higher than that of estate production (7% between 2013 and 2015),[3] the actual production of smallholder farmers is still minimal compared to other countries.

Experience from neighboring countries, including Kenya shows that smallholder growers contribute about 56% of the national tea output. In terms of productivity, smallholder tea growers in Kenya harvested about 2.3 times more yield per hectare than smallholder tea growers in Tanzania (STDF, 2015). Moreover, the quality of green leaf tea produced by smallholder growers in Tanzania is comparatively low. For instance, tea from Kenya is priced at an average of 25% higher than the tea from Tanzania. Transport vehicles and poor transport infrastructure in general take a toll on the green leaf quality. Worse yet, the green leaf buyers/processors do not collect all the produced green leaves in time, resulting in loss of quality and farmers' income. This trend indicated that smallholder tea growers were aggrieved by consistent exclusion from effective market participation in the tea value chain.

About STDF

The Smallholders Tea Growers Development Trust Fund (STDF) was established in 2010 under the Crop Laws (Miscellaneous Amendments) Act of 2009 and registered under The Trustees Incorporation Act in 2012 as the private sector organization to provide support necessary to sustain the development of smallholder tea growers in Tanzania.

STDF is entrusted with providing support for the sustainable development of tea industry in Tanzania. The organization strengthens and empowers the organized tea growers to participate commercially and competitively in all stages of value chain.

Currently, STDF consists of 18 members from the farmers' organizations; reaching to 30,000 tea growers from different parts of Tanzania. It provides a range of services to its members such as advocacy and lobbying; capacity building; access to information; provision of loans; fund support and management services.

STDF wanted to analyze the regulatory mechanisms of the tea sub-sector and interplay among stakeholders of the tea value chain with the aim of improving the regulatory system and advocating for better tea sub-sector business environment in order to enhance smallholder participation in the value chain. Consequently, STDF requested and received financial support of USD77,000 from Business Environment Strengthening for Tanzania - Dialogue (BEST-Dialogue) to conduct a study for collecting policy based-evidence on smallholder tea growers' market participation impediments and to develop a policy proposal for advocacy. Additionally, STDF received financial support of USD 44,000 from BEST-Dialogue to advocate for policy and regulatory mechanisms that would ensure an inclusive and equitably shared tea industry development proceeds by all players along the tea crop value chain. STDF commissioned a consultant to undertake the study.

The main objective of the study was to provide evidence on constraints and challenges hindering the participation of smallholder farmers in the tea value chain for the purpose of stimulating dialogue that will address impediments against smallholder tea growers. The findings of the study were expected to provide policy recommendations for advocacy on strengthening the business environment for more inclusive participation of smallholder tea growers in the sector.

1 STDF (2015). A Study for Collecting Policy Based Evidence on Smallholder Tea Growers Market Participation Impediments. Smallholder Tea Development Trust Fund (STDF) and BEST-Dialogue.

2 FAO (2016). Report on the tea industry in Tanzania. http://www.fao.org/fileadmin/templates/est/COMM_MARKETS_MONITORING/Tea/IGG22/16-CRS7-TanzaniaMktReport.docx.

3 FAO (2016). Report on the tea industry in Tanzania.

Methodology

This case study was undertaken mainly through desk review of grey literature. The consultant reviewed project reports, fact sheets, and other publications. Also, the consultant reviewed similar studies conducted by Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) with the support of BEST-Dialogue. Impacts were established by using available secondary data as well as phone interviews.

The desk review was guided by an evidence template which was structured according to 10 evaluation questions (shown in the sidebar) and extracted and synthesized appropriate information. The gaps in the existing documents were supplemented by limited phone interviews with STDF staff who were involved in the project.

The case study commenced with inception meeting with STDF, which was conducted over the phone. The inception meeting aimed at obtaining a full picture of the BEST-Dialogue relationship with STDF and other key stakeholders in this project.

Case Study Questions

1. What issues were addressed?
2. What was the relevance/rationale of the addressed issues?
3. When and how were the issues addressed?
4. What were the key outputs/achievements?
5. What are the key outcomes or policy wins?
6. What are the qualitative impacts (or prospective impacts) of the project?
7. What are the quantitative impacts (or prospective impacts) of the project?
8. Were the issues addressed sustainable or are there sustainability plans?
9. What were the unintended consequences of the project, if any?
10. What were the lessons learnt by the project?

Outcome

Results and Recommendations of STDF Study

The STDF study identified a number of issues impeding smallholder tea growers' participation in the value chain. Some main issues impeding smallholder tea growers' market participation included the following:

1. Poor quality tea and low productivity of smallholder farmers (SHFs) due to limited extension services as well as access to finance.
2. SHFs are not vertically integrated in the value chain activities where they could maximize market participation and margins.
3. High production and processing costs, which is unmatched with the selling price of green leaf tea mainly caused by high input costs, tax structure, poor infrastructure and use of poor processing technology.
4. Conflict management among value chain actors. Failure to resolve conflicts among actors in the tea value chain by the regulator. This has led to major losses to SHFs, the government (in terms of revenue) and processing factories.
5. Inadequate regulation, control and follow up in important matters in the tea sector. Institutions such as Tea Board of Tanzania (TBT), Tanzania Smallholder Tea Development Agency (TSHTDA) and Tea Research Institute of Tanzania (TRIT) were weakened due to limited funding resulting in their inability to perform their functions.
6. Limited processing capacity and capacity utilization efficiency among the processing firms.
7. Limited transparency on direct market selling prices, variation in conversion ratio among processors and controversy in price determination and proceeds sharing ratio. The proceeds sharing ratio of 35:65 was contrary to global trends of 75:25, 70:30, 68:38, and 60:40.
8. Market failures caused by the asymmetric information, low bargaining power, poor organization and representation of SHFs in decision-making processes such as setting indicative prices.

The government efforts through TBT in addressing market imperfection by setting price determination mechanisms is also characterized by a number of issues including representation of SHFs. The representation of SHFs in price determination and in setting price sharing ratio is limited. Even when SHFs participate in such negotiations they lack the necessary bargaining power, mainly due to an absence of records indicating the costs of production of green leaf tea. Poor record keeping practices limit SHFs from achieving optimal prices to cover production costs and earn a profit margin. Nonetheless, the STDF study showed that even when SHFs kept records of production costs, it was difficult to attribute to a specific harvest period because tea is a perennial crop. This allowed tea factories or processors to have power over farmers in setting prices based on their own processing and marketing costs.

The above issues resulted in lower green leaf prices offered to farmers, which further exacerbated their inability to maintain tea farms to produce quality green leaf tea. The pictures on the sidebar show the difference in terms of farm management between estate and smallholder maintained tea plots.

Based on the findings, the STDF study came up with several policy recommendations to address the impediments of SHFs in tea market participation. Some key recommendations included:

1. Fair representation of SHFs or farmer groups in all institutions and decision-making processes.
2. Review of price determination processes considering agreeable conversion efficiency and costs of production for both farmers and factories/processors.
3. Enforcement of the disbursement of second payments.[4]
4. Organizing and strengthening SHFs groups or associations.
5. Strengthening the institutional framework by establishing clear functions and reducing overlaps among existing institutions such as TBT on one part and TSHTDA, STDF and TRIT on another part.

4 First payment is usually given to farmers on sale of raw green leaf tea. When the tea is processed and sold, tea companies/factories determine whether additional payment, commonly known as second payment, be given to the farmers. This happens especially when the processed tea is sold at a higher price than originally estimated.

Outcome of Advocacy Meetings and Enlightenment of SHFs

The STDF study findings were validated at the stakeholder workshop which was held in Njombe in February 2016. The validation workshop, among other things, aimed at sharing and disseminating the study findings to key stakeholders, including the government, private sector organizations (PSOs), SHFs, tea factories/ processors, and other stakeholders. Representative SHFs were enlightened with challenges facing tea production and marketing, some of which were due to farmers' own practices and arrangements such as weak producer groups and associations. Following the validation meeting, STDF conducted several dialogue meetings and consultations with the government, private sector organizations as well as smallholder tea growers.

Dialogue meetings and consultations with government

STDF conducted dialogue meetings with three sector Ministries namely: Ministry of Agriculture, Ministry of Industry, Trade and Investment and President's Office – Regional Administration and Local Governments whose legal and strategic interventions could make impacts on addressing the identified smallholder tea growers' market participation impediments.

Although the three sector Ministries were inspired by the STDF study findings and recommendations, there appears to be no concrete deliberations or actions other than promises to address the identified challenges. For instance, the Ministry of Agriculture expressed its commitment to address the tea production related impediments as highlighted in the National Development Policy, Legal and Strategic Framework especially those related to access to finance for supporting SHFs.[5] The Ministry of Industry, Trade and Investment expressed its commitment on policy reforms for conducive business environment for SHFs and supporting small- and medium-scale tea processing factories. Also, the President's Office – Regional Administration and Local Governments was committed to strengthen extension services and mapping areas that could be used for establishment of small and medium-scale tea processing plants. Nevertheless, there is no readily available evidence of whether the expressed commitments were or are being implemented. Moreover, no immediate action plan or follow up mechanism was developed to ensure that the commitments of the government are fulfilled.

Enlightenment of SHFs and producer groups/associations

Apart from the consultation meetings with the government, STDF conducted similar meetings with representatives of smallholder tea growers (mainly through producer groups and associations), tea factories or processors and buyers if green leaf tea from SHFs through Tea Association of Tanzania (TAT), and other PSOs such as Tanzania Private Sector Foundation (TPSF) and Agricultural Council of Tanzania (ACT). While there is no evidence of immediate outcomes on those meetings, smallholder tea growers were enlightened on factors impeding their effective participation in the tea value chain. As a result, smallholder tea growers passed a unanimous declaration to transform, register and strengthen their existing organizational entities as Cooperative Societies/Unions. This goes along with the government intention to revamp Agricultural Marketing Cooperative Societies (AMCOS) with the view of enabling farmers to market their crops and to access production services at acceptable and affordable prices.

Transforming smallholder tea farmer groups into formalized associations such as Cooperatives or Unions is expected to enhance their bargaining power over buyers/processors. Examples of strong smallholder tea growers' associations such Rungwe Organic Tea Cooperative (ROTCO) and Rungwe Smallholder Tea Growers' Association (RSTGA) exist. RSTGA organizes farmers to enhance bargaining power with buyers and processors. For instance, RSTGA owns a Radio station known as Chai FM, which is used to provide information, awareness and education programs to tea farmers. Also, RSTGA owns 30% shares of the Wakulima Tea Company (WATCO). For this reason, RSTGA has a lot of influence on production and selling prices of green leaf tea. Also, RSTGA provides education and training services to the youth who are sons and daughters of tea farmers as shown in the picture on the sidebar. The aim of this youth training is to encourage them to start agricultural and business activities in the villages instead of moving to urban areas in search for salaried jobs. This also helps the youth to take over tea farms from their parents as they age up.[6]

5 STDF (n.d.). The success story on addressing the market participation impediments faced by smallholder tea growers in Tanzania: A brief report submitted to BEST-Dialogue in line with achievements of the ongoing advocacy project

6 Mpogole, H., Mlasu, S. & Mwakatobe, N. (2018). Stakeholder Issue Potential Scoping (SIPS): Sustainable Private – Public Dialogue at Loacl Government Authorities for Improving Local Economic Development. Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) Mbeya, BEST-Dialogue.

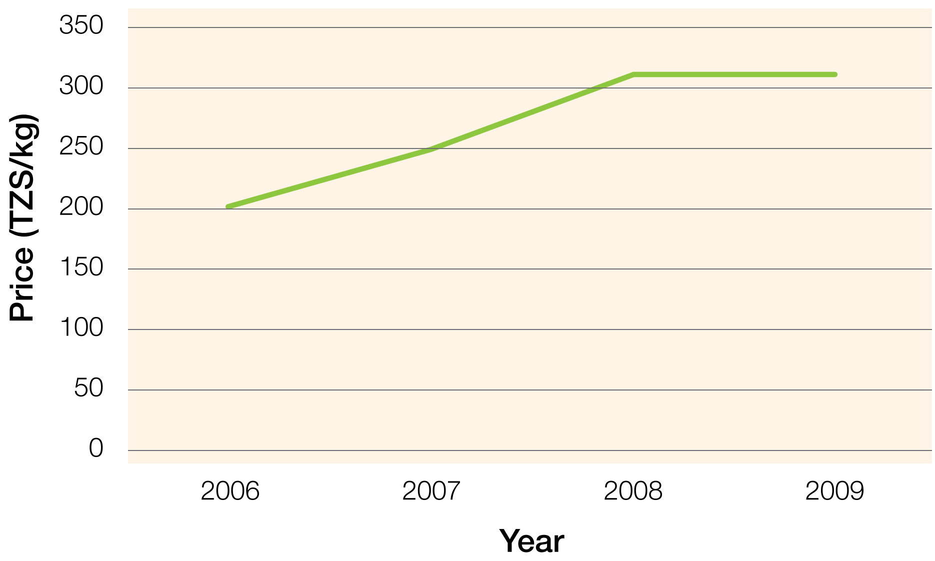
Strong associations such as RSTGA, have become part of the decision-making processes of the processors because of owning shares of tea processing companies. Being part of the decision-making processes they stand in a better position to negotiate realistic prices than other farmer groups. When smallholder tea growers are organized into larger groups with significant production, their voices are unlikely to be ignored. Thus, the indicated commitment of smallholder tea growers to transform their organizational entities into Cooperatives/Unions is seen as key step in enhancing market competitiveness and bargaining power with processors.

Impact

Although direct impacts could not be established due to availability of data, there are certain indications of success especially on indicative green leaf price negotiations. As a result of enlightenment and enhanced capacity of smallholder tea growers, the negotiations on indicative prices were more effective. For first time in history, in 2017 the price sharing ratio increased from 35:65 to 40:60.[7] Although the current price of green leaf tea does not cover the estimated production cost TZS 347 per kilogram, trends show that price has been increasing since 2016 as shown in Figure 1.

Figure 1 shows that in 2019, price of green leaf tea did not go up mainly due to delays in VAT refund by the government. Because of delays in VAT refund and other upfront payment, industries faced serious cash flow problems and other liabilities,[8] which made them unable to offer higher buying prices to farmers. According to M. Ndungi (Personal Communication, 2019), when the government asked buyers/tea processors to increase buying price of green leaf tea such buyers/tea processors demanded VAT refunds from the government for them to be able to increase buying prices. As a result, the government failed to enforce better green leaf tea prices for farmers. This indicates that the issue of indicative price setting is multifaceted, in which voiceless farmers stand to lose.

Figure 1: Indicative price of green leaf tea



Source: M. Ndungi, Personal Communication, 2019

7 STDF (n.d.). The success story on addressing the market participation impediments faced by smallholder tea growers in Tanzania: A brief report submitted to BEST-Dialogue in line with achievements of the ongoing advocacy project.

8 Confederation of Tanzania Industries (CTI) (2018). Executive summary of draft report study on delays in tax refunds. https://www.cti.co.tz/articles/executive-summary-of-draft-report-study-on-delays-in-tax-refunds.

Progress

STDF planned to conduct further dialogues through meetings with Parliamentary Standing Committees and Members of Parliament representing tea growing constituents. Such dialogues were expected to culminate into the joint stakeholders meeting as the project implementation gets to its end. Also, STDF was committed to continue to raise awareness and to sensitize smallholder tea farmers through radio and television programs.

Lessons learned

Addressing the market participation impediments among smallholder tea growers is necessary in increasing production, quality and competitiveness. When organized into cooperatives/unions, smallholder farmers are able sustainably to produce and do collective marketing. The STDF project has contributed to raise awareness to smallholder farmers of factors that impede their participation in market and what is required of them if they were to enhance their competitiveness and bargaining power with buyers/processors.

The lesson learned by STDF is that organizing smallholder tea growers into strong Cooperatives/Unions is key in enhancing competitiveness. With examples of ROTCO and RSTGA, STDF has learned that competitiveness and bargaining power of smallholder tea growers is enhanced when they are strongly organized into formal organizations such as Cooperatives or Unions. As aforementioned, RSTGA with over 13,000 farmers has developed a stronger voice and partly owning a tea processing company (WATCO). This arrangement enables farmers to demand second payment when it is due.

SUGECO

YOUTH SPECIAL INCENTIVES SCHEMES IN TANZANIA

A Cost-Benefit Analysis

Introduction

According to UNFPA (2018), youths (i.e.15-35 years) account for 35% of the population in Tanzania which is currently estimated to be 56 million people (NBS, 2019). It is estimated that by the year 2050, 70% of the country's population will consist of youths (LO/FTF, 2018). Furthermore, around 850,000 youths enter the country's formal labor market annually, but only 50,000 to 60,000 formal sector jobs are created each year (ILO, 2018). This results in a large number of high-potential educated yet unemployed youths to remain idle across Tanzania which presents an important economic development challenge for the government and the country in general.

To address this challenge, engaging youths in agribusiness is regarded as an important strategy to create employment opportunities because agriculture remains the principal employer in the country. According to the Integrated Labor Force Survey (2017), youths constitute about 60% of the total labor force in Tanzania and this is a key factor to transform the agricultural sector through innovation and entrepreneurship. The government in collaboration with development partners have implemented various interventions to facilitate youth engagement in agribusiness. Despite the efforts, the level of youth engagement in agribusiness has remained low compared to the high attention given to the youth agenda at the international, regional and national levels. For example, by the year 2014, there were only 800 youth groups that were involved in agribusiness and only 10% have successful agribusiness projects (MI, 2014).

A study by SUGECO (2014)[1] found that low involvement of youths in agribusiness was caused by inadequate access to land, grants and finance for start-ups in agribusiness projects which was enhanced by poor policies/strategies/laws. For example, available guarantee schemes like PASS (i.e. Private Agricultural Sector Support Trust), ACG (i.e. Agricultural Credit Guarantee), and SAGF (i.e. Sustainable Agricultural Guarantee Fund) were not designed to support start-ups and pressure on land was thus high making it difficult to start new farms by youths interested in primary agricultural commodities.

SUGECO's Advocacy Role

To address the gap, SUGECO sought funds from BEST-Dialogue and carried out a six-month advocacy project from January to June 2015 which aimed to ensure that: (a) youths interested in agribusiness had access to land and start-up capital; (b) new policies/laws were designed to improve and ease access to land and startup capital to youths for agribusinesses; (c) the existing policies/laws relating to access to land and finance by youths were sensitized to key stakeholders and implemented by the government.

The advocacy project involved dialogues between the public and the private sector, official roundtable sessions, multi-stakeholder platforms, and so on. Key stakeholders included local communities, youths, Local Government Authorities (LGAs), village councilors, Members of Parliament (MPs), ministers, Tanzania Investment Centre (TIC), National Irrigation Commission (NIC), Rufiji Basin Development Authority (RUBADA), and commercial banks such as the CRDB Bank Ltd.

1 SUGECO (Sokoine University Graduate Entrepreneurs Cooperative) is a Private Sector Organization which was established in 2011 at Sokoine University of Agriculture with the objective of assisting youths and graduates interested in agribusiness and self-employment by focusing on supporting them with business start-ups; access to capital, land, technology and human resource.

Outcome

After several dialogues, workshops, consultative meetings and media campaigns, the advocacy project made the following achievements:

First, the government in collaboration with private sector stakeholders designed the National Strategy for Youth Involvement in Agriculture (NSYIA for 2016-2021) which took into account most of the recommendations made by SUGECO during the advocacy campaign. The strategy aims at facilitating self-employment for youths and creating enabling environment for attracting the youths to participate in agricultural economic activities along the value chain.

Second, the LGAs started to enforce their bylaw of providing funds for youths for agribusiness start-ups whereby in the financial year 2016/2017, district councils established youth SACCOS and the government agreed to allocate Tshs. 4 billion per annum to 133 LGAs for start-up capital for youth agribusiness projects.

Third, youths secured access to land for agribusiness projects whereby the government set aside around 85,000 ha of land in areas such as Rufiji, Geita, Morogoro, and Singida. This move enabled youth to have access to land, thus allowing youth to engage in agricultural value chains. Other interventions that facilitated access to land were land rentals and leasing.

Fourth, youths gained access to competitive grants/loans, contractual agreements with business networks and funding agencies. For example, SUGECO managed to secure Tshs. 2 billion (equivalent to 1 million USD) from CRDB Bank Ltd for financing start-ups in agribusiness for youths.

Despite the achievements made by the advocacy project, these youths still faced hurdles in trying to earn a living from agriculture and agribusiness and, as a result, all youths who were involved in the initial pilot projects failed. Most young people in Tanzania are trained and prepared to take up “white collar” jobs in the government offices, hence they have no skills to help them start and sustain an enterprise let alone an agribusiness which is labor intensive with difficult working conditions and high risks.

Realizing this, SUGECO engaged in phase II of the project which involved sensitization and training to transform the minds of youth to become more creative, innovative, and entrepreneurial in order to stimulate successful agribusinesses. The project involved five phases which are as follows: (a) changing mindset; (b) technical capacity building; (c) entrepreneurship and business planning; (d) internship and apprenticeship attachments; (e) and incubation.

These training activities met the needs of the beneficiaries and served the purpose of building capabilities to pursue or strengthen an economic activity in the agricultural sector, to obtain a job or to start an MSME.

Thus, a combination of availability of start-up capital; access to land; and mindset and capacity building trainings has yielded positive outcomes in terms of bringing about attitudinal change toward engaging youth in agribusiness, thus enabling successful business start-ups and knowledge transfer. By April 2019, a total of 10,000 youths benefited from the project whereby 60% of them have established successful agribusinesses. Of those, 4,500 are women. It is estimated a further 3,400 youths will benefit from the project by the end of 2020 when the project is completely phased out.

Impact Assessment: Cost-Benefit Analysis

A Cost-Benefit Analysis (CBA) is a quantitative method that is widely used to determine the worth of a project or policy. The Cost-Benefit Analysis in this case is used to measure the impact of change in agricultural/ agribusiness policies, laws and strategies on the society as a whole and on the main beneficiaries of the advocacy project which for this case are youths. The analysis is based on the duration of the project which is 6 years (i.e. from 2015-2020).

In order to allow a meaningful comparison of present and expected future benefits, the stream of costs and expected future gains are discounted backward to the starting point of the project in 2015 as the baseline. Therefore, this CBA involves determination of the net present value (NPV) and the benefit-cost ratio (BCR)[2] at a discount rate of 12%.

The discount rate of 12% is appropriate because it is the discount rate used by most stakeholders such as the Bank of Tanzania (BOT), African Development Bank (ADB), and the World Bank (WB) to discount public projects in Tanzania. Moreover, it is assumed that a one-year lag was required for the training programme to be effective, hence the benefits started to accrue to beneficiaries in 2017.

Information used in this analysis is obtained from secondary data, previous surveys (e.g. FAO, 2014, Jamie et al., 2016; Touw & Mbwaga, 2018), and data from the National Bureau of Statistics (NBS). Apart from that, a study for impact assessment was carried out in April 2019 which involved interviews with key stakeholders such as SUGECO, LGAs, the CRDB Bank, and the ministry of agriculture. In addition to that, around 6,000 youths were reached through field visits, telephone and their social media platforms and networks such as WhatsApp groups, Instagram, Facebook, Twitter and Jamii Forum.

In 2017, 3,900 youths were trained whereby only 65% (i.e. 2,535) of them started agribusinesses. Of these, 58% (i.e. 2,262) were still in business by the end of 2018. It is estimated that by 2019 and 2020 the success rate will drop to 52% (i.e. 2,028) and 47% (i.e. 1,833) respectively. In 2018, SUGECO trained a total of 4,200 youths whereby 70% (i.e. 2,940) of them started agribusinesses. Information obtained during impact assessment study shows that 68% (i.e. 2,856) of these youths will sustain their agribusinesses by the end of 2019 and only 62% (i.e. 2,604) of them will be in business by the end of 2020. Moreover, SUGECO expects to train 3,500 youths by the end of 2019 whereby the success rate is expected to 69% (i.e. 2,415) and 65% (i.e. 2,275) in 2019 and 2020 respectively. In 2020, around 1,800 will be trained and only 74% (i.e. 1,332) of these trainees are expected to establish agribusinesses. In addition to that, only 70% of the successful agribusinesses are initiated as a result of youth involvement in the project. Table 4.1 below provides details of the number of successful businesses from 2017-2020.

Information obtained during impact study assessment shows that on average these start-up businesses generate annual net profit ranging from Tshs 900,000 to Tshs. 3,000,000 (i.e. USD 450-USD 1,500). The average annual net profit calculated is around Tshs. 2,000,000 (i.e. USD 1,000). Thus, the total generated net profit from these agribusinesses is obtained by taking the number of available agribusinesses during the year that resulted from the project multiplied by average annual profit. (i.e. number of successful agribusinesses per annum × USD 1,000).

2 -The Net Present Value (NPV) (also known as the Economic Net Present Value) is the average annual return to society on the capital invested over the entire life of the project. Mathematically, it is represented as follows:

$$NPV = \sum_{t=0}^{n} \frac{B_t - C_t}{(1+r)^n}$$

Where Bt represent benefits at time t; Ct represent costs at time t; r is the discount rate and n is the length of time for the project's benefit and cost streams

-The Benefit -Cost Ratio (BCR) is derived by calculating the total benefits over total costs; represented by the following model:

$$BCR = \sum_{i=0}^{n} {}^{B_t}/{}_{C_t}$$

Apart from that, these agribusinesses which have been established because of the project have created new employment for other youths. Data obtained during impact study assessment shows that beneficiaries who establish start-ups employ around 1-5 people leading to an average of 3 employees per agribusiness earning an average annual income of Tshs. 1,400,000 (i.e. USD 700) per employee. Therefore, the total annual income earned by these employees is determined by taking average employees multiplied by the average annual income per one employee (i.e. 3 employees × number of successful agribusinesses per annum × USD 700).

Table 4.1 below provides details of benefits accruing from both incremental net profit and incremental employment income. When the quantified benefits and costs are analyzed based on the duration of the project which is 6 years (i.e. from 2015-2020) at a discount rate of 12%, net present value (NPV) for the project becomes USD 29,000,000 with the benefit-cost ratio (BCR) of 440 whereby BEST-Dialogue incurred USD 65,000 to fund the project.

Year/Item	2015	2016	2017	2018	2019	2020
	0	1	2	3	4	5
No. of successful agribusiness resulting from the project	-	-	1,775	3,641	5,110	5,685
Incremental profits (no. of agribusinesses× USD 1,000) [USD]	-	-	1,775,000	3,641,000	5,110,000	5,685,000
Incremental employment income(3 employees ×no. of agribusinesses× USD 700) [USD]	-	-	3,727,500	7,646,100	10,731,000	11,938,500
Total incremental benefits (Profits+ Employment Income) [USD]	-	-	5,502,500	11,287,100	15,841,000	17,623,500
Cost of the Project [USD]	(65,000)	-	-	-	-	-
NPV	**USD 29,000,000**					
BCR	**440**					

Conclusion

To sum up, the advocacy project will lead to the personal development of 13,000 people, around 6,000 successful agribusiness start-ups, and more than 15,000 new decent jobs over the period of three years, resulting in a net present value of around USD 29,000,000 per annum. This implies that agriculture holds considerable potential to provide gainful employment opportunities to a large number of youth if it is supported with increased investment and conducive legal and policy framework at start-ups. Indeed, youth involvement in agribusiness is an engine driving new agriculture and agribusiness enterprises as well as rural transformations.

Reference

FAO (2014) Private and Public Partnership Model for Youth Employment in Agriculture: Experiences from Malawi, Tanzania, Food and Agriculture Organization of the United Nations (FAO), Rome, 2014.

ILO (2018) Youth Employment in Tanzania: Challenges and Solutions, International Labor Organization, Geneva.

Jamie, A., Marita, C., & Musiime D. (2016) National Survey and Segmentation of Smallholder Households in Tanzania: Understanding Their Demand for Financial, Agricultural and Digital Solutions, CGAP.

LO/FTF (2018) Labor Market Profile in Tanzania and Zanzibar, Ulandssekretariatet, Copenhagen, Denmark.

National Bureau of statistics (2017) Intergraded Labor Force Survey in Tanzania, Ministry of Labor and Employment.

SUGECO (2014) Cracking Tanzania's Youth Employment Conundrum, Sokoine University Graduate Entrepreneurs Cooperative, Dar es Salaam, Tanzania.

Touw, D., & Mbwaga A. I (2018) Youth Involvement in Agricultural Co-Operatives in Tanzania, AgriProFocus.

UNFPA (2018) United Nations Population Fund, Tanzania. Annual Reports

URT- The National Strategy for Youth Involvement in Agriculture (NSYIA for 2016-2021)

Appendix: summary of impact pathway

YOUTH SPECIAL INCENTIVES SCHEMES PROJECT

DIRECT OUTPUT

Public-Private Dialogues (PPDs), Workshops and Sensitization to key stakeholders (e.g. youths, LGAs, MPs) about youth involvement in agribusiness

INTERMEDIATE OUTCOMES

Access to Grants/Finances

-1 million USD from CRDB Bank Ltd for financing start-ups in agribusiness for youths.

-Allocation of USD 2 million by the government to finance start-ups for youth agribusi ness projects

Access to Land

-Allocation of 85,000 ha of land for youth agribusiness projects.

-Access to land were land rentals and leasing.

Law Adoption, New Laws/Policies formation

- National Strategy for Youth Involvement in Agriculture

-Enforcement of the LGA bylaw of providing funds for youths for agribusiness start-ups.

ADOPTION THROUGH CHANGE AGENTS

Enhanced Skills/knowledge from Capacity Building Trainings to Youths

Contribution to change of mindset

Establishment of Successful Agribusinesses 3,500 new agribusinesses

FINAL IMPACTS FROM CHANGED PRACTICES

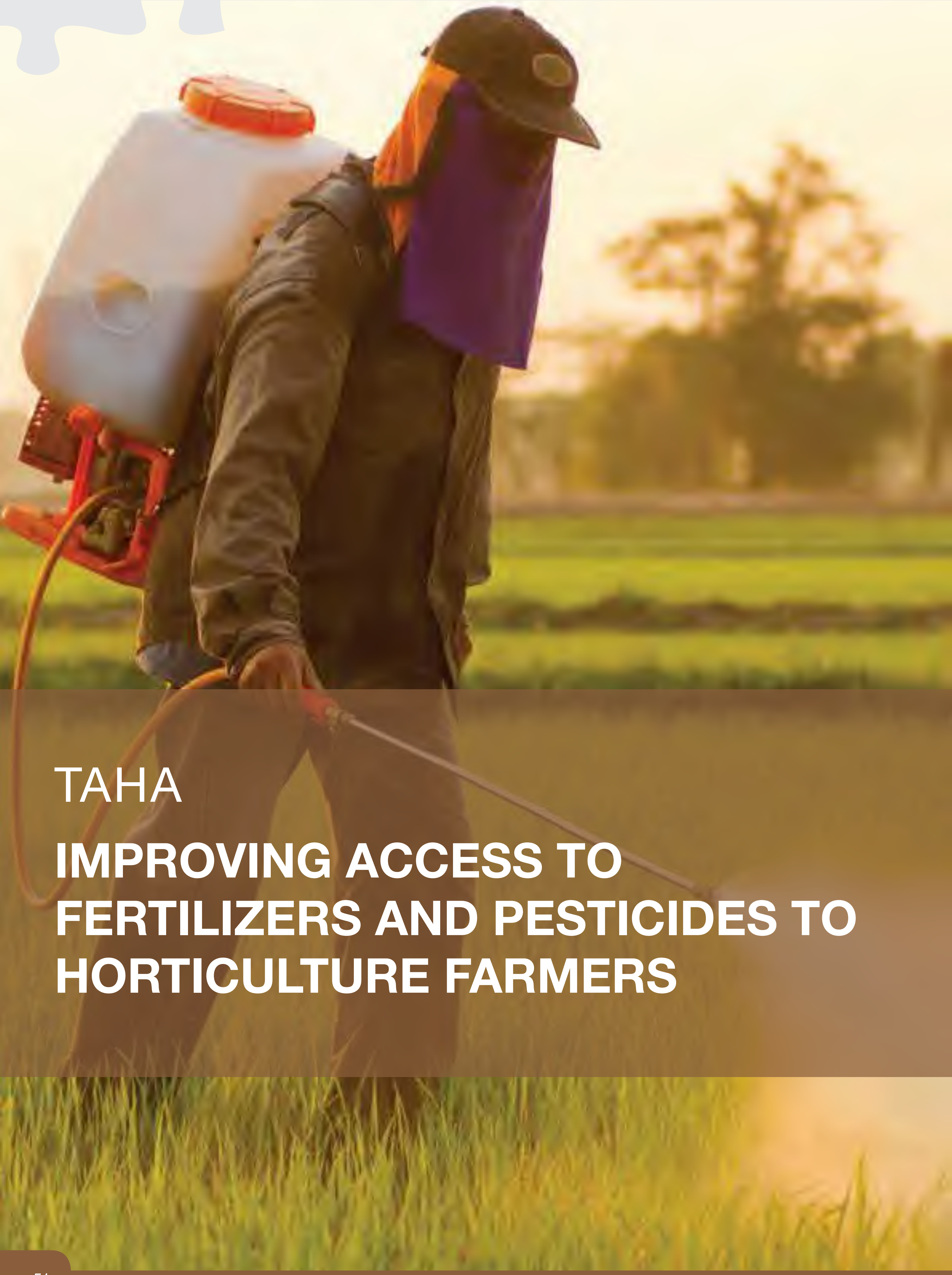
The Cost-Benefit Analysis (CBA)

Improvement in gross margins to Youths

Average benefit amounting to USD 3.5 million per annum

Creation of new employments

Average benefit amounting to USD 7.35 million per annum



TAHA

IMPROVING ACCESS TO FERTILIZERS AND PESTICIDES TO HORTICULTURE FARMERS

Introduction:
How can we improve farmers' access to fertilizer and pesticides?

Tanzania,as a leading African Union Member State, is currently implementing the Abuja Declaration on Fertilizer for an African Green Revolution initiative. The Declaration recognises that fertilizer is vital to Africa's economic growth, food security, and environmental health, amid rapid population growth and deteriorating soil fertility. The Declaration further aims to improve farmers' access to fertilizers by reducing national and regional procurement-associated costs, and by harmonising policies and regulations governing fertilizers.

Despite such initiatives, Tanzanian farmers still have poor access to fertilizers and pesticides because agro-dealers and manufacturers face multiple bureaucratic and marketing challenges. As a result, farmers either receive poor quality inputs and/or inputs arrive outside of the agricultural season. To address these and many others challenges in the fertilizer industry, the Tanzania Horticultural Association (TAHA) and its stakeholders mobilised to convince the government to undertake key reforms related to importing, testing and distributing fertilizers and pesticides.

TAHA's objective was to facilitate the availability of improved pesticides and fertilizers by ensuring (1) a quick and efficient registration process, and (2) the cost of registering inputs is affordable to applicants. Ensuring duty- and tax-free movement of inputs across regions would also improve farmers' access to fertilizers by reducing procurement costs at national and regional levels. Developing and scaling-up both private and community-based fertilizer (and other input) purchasing and distribution networks across rural areas could further improve access.

How do fertilizers and pesticides contribute to horticulture?

In recent years, the government in partnership with private sector has intensified its promotion of the use of agrochemical fertilizers and pesticides.[1] Agriculture, including horticulture, continues to play an important role in Tanzania's economy. The key produce from horticulture includes spices, herbs, flowers, vegetables, fruits and ornaments.[2]

Despite the significant economic contribution that horticulture makes to farmers and the economy at large, the important inputs for this industry other than seed – pesticides and fertilizer – are governed by long registration processes and high fees for registering new agrochemical products. Registration costs for pesticides and/or fertilizers exceed potential future revenue, limiting the economic incentive to introduce these inputs in Tanzania. In addition, Tanzania restricts the allowable chemicals in ways that do not reflect recent global shifts in horticulture produce demands. The lack of clear legal framework for registering pesticides further complicates business in Tanzania.

1 LemaE., R. Machunda, and K.N. Njau.2014. Agrochemicals use in horticulture industry in Tanzania and their potential impact to water resources.International Journal of Biological and Chemical Sciences; Vol 8 (2) available at: https://www.ajol.info/index.php/ijbcs/article/view/107210

2 ESRF (2010).Strengthening Micro-Enterprises in Tanzania: The Case of Small-Scale Vegetable Farmers in Arusha. Final Report, Economic and Social Research Foundation (ESRF). Retrieved fromhttp://www.tzonline.org/pdf/microenteise.pdf.

What is TAHA doing to improve access to pesticides and fertilizer?

After recognising several challenges facing its members, in 2015 TAHA launched initiatives on production, import, and registration of fertilizers and pesticides.TAHA and its members identified existing gaps in the current legal and regulatory framework. The lack of some of agricultural inputs (fertilizers and pesticides) resulted from the inflexibility of the Fertilizer Act of 2009 and the Fertilizer Regulations of 2011.

To address the policy gaps and inflexibilities, TAHA held consultative meetings with various agricultural input companies, government agencies such as Tropical Pesticides Research Institute (TPRI) and the Tanzania Fertilizer Regulatory Authority (TFRA), Local Government Authorities (LGA), the Prime Minister's Office (PMO), and the Ministry of Agriculture. These interventions led to amendments of the fertilizer regulations, and a new Fertilizer Regulation of 2017 was gazetted in February 2017. The new regulation reduces the bureaucracy of registering fertilizer and allows easy access to fertilizers. The regulation is aligned with TAHA's horticultural development strategy of 2012-2021 that requires increased investments in the input value chain to boost job creation within horticultural sector.

In the pesticides sector, TAHA engaged the TFRA (1) to reduce the registration period for new pesticides from three seasons to single season, (2) to reduce the registration period for the pesticides that have been tested in accredited laboratories, (3) to harmonise the laws governing pesticides registration in East Africa, (4) to reduce registration costs, and (5) to clarify the issue of pesticide registration.[3]

These advocacy efforts resulted in:

- Formulation of the Fertiliser Regulations of 2017.
- About 10 fertilizers being registered since the fertiliser law was amended.
- Reduced trial times for new fertilizers from three planting seasons to one season, although the trial must be carried out in parallel in three different locations.
- Annual renewal of licences for pesticide and fertilizer dealers was abolished.
- Separate trials for new fertilizer blends are no longer required.
- The cost of registration and field trials for new fertilizers was cut from $30,000 to $10,000[4] - a saving of $20,000 per fertilizer, totalling $200,000 savings to date for TAHA members.
- Government has also allowed urgent registration of pesticides needed to control disease and pest outbreaks.[5] In 2015 this decision saved tomato farmers millions of dollarworth of produce following the outbreak of TutaAbsoluta (locally called Kanitangaze Disease or tomato leaf miner), which destroyed tomatoes throughout the country. In 2015 it is estimated that the control of the disease prevented the country from losing TZS 300 billion ($176 million) of total tomato exports.[6]
- Agro-dealers are now able to register fertilizer at lower cost, enabling farmers to access inputs at much lower prices, increase yields, and raise their incomes.

Government's decision to register several high-demand pesticides for the first time has allowed five companies to export horticulture produce worldwide. These companies have earned about $20 million in export revenues over the past year. The country's annual horticultural exports earnings increased from $374 million in 2012 to $552 million in 2015, an increase of 42%.[7]

3 Elliot, A.2016. Registering and certifying agricultural inputs in Tanzania: An updated assessment of key constraints and recommendations for change Tanzania sector. A report commissioned by KPMG International Development Advisory Services (IDAS) Africa in its capacity as the Fund Manager of the AECFretrieved:https://www.aecfafrica.org/sites/default/files/201711/AECF_Tanzania%20Input%20Certification%20Update%20220117.pdf

4 Ibid

5 Personal communication, TAHA official, 21 December 2018

6 The Guardian. 2015. Tanzania: Tomato price soars 375% due to Tuta absoluta. The Guardian Newspaper Tanzania 2 August. https://iapps2010.me/2015/08/02/tanzania-tomato-price-soars-375-due-to-tuta-absoluta/accessed on 27 July 2018

7 TAHA. 2017. Horticulture in Tanzania. A Tanzania Horticulture Association Newsletter for October 2016 – January 2017.

The new pesticides and other chemicals used as preservatives have halved post-harvest losses[8] to farmers, which are generally estimated at around 40% of all horticulture produce. With these improvements, farmers have saved 20% more of their usual produce and thus earned more additional income. Overall, farmers are likely to have saved about $110 million annually based on the 2015 annual income of $552 million from horticulture sector exports.

The cost of interventions

TAHA's achievement in increasing the number of registered pesticides and fertilizers through activities such as research, feedback, stakeholder and follow-up meetings at a cost of about US$ 65,000 between 2015 and 2017. But TAHA is continuing with its advocacy work to ensure farmers and agro-dealers can access the required inputs. The remaining key issues for TAHA advocacy purposes are:

- Approving the Pesticides and Plant Protection Bill, which is at an advanced stage.
- Enacting permanent registration guidelines for pesticides used in horticulture.
- Introducing a food safety system in Tanzania since Tanzanians currently consume about 50% of unsafe fresh produce. Unsafe produce results from lack of oversight mechanisms to guide fresh produce producers and traders.

Conclusion

This brief has shown that TAHA's interventions in the horticulture sector have had significant impact not only for its members (farmers), but broadly to the national economy as a result of increased production and exports earnings. Government responses to TAHA's advocacy efforts and sustained engagement with government have enabled the growth of the horticulture sector, increased horticultural exports, improved farmers' incomes, and brought foreign currency into the national economy. Banking on these achievements, TAHA is advocating for further reforms, including permanent solutions for registering pesticides, with a consolidated Pesticides Policy that establishes a one-stop inspection and certification centre for agrochemicals.

Since much more needs to be done in the horticulture sector, TAHA should keep this momentum, and ensure that the Ministry of Agriculture reforms the policy and regulatory framework governing pesticides so as to clarify the roles and mechanisms for collaboration among regulatory institutions. TRPA should be given mandates to undertake approval, evaluation and testing of agrochemicals, since it has the technical capacity, experienced staff, laboratories, and equipment.

8 Personal communication, TAHA official, 20 June 2018

TAMPA

ENHANCING COMPETITIVENESS OF DOMESTICALLY PROCESSED MILK IN TANZANIA

Introduction

The dairy sector has great potential for economic development in terms of employment and income generation and improvement in nutritional status in Tanzania. The country is estimated to have over 22 million cattle of which over 720,000 are dairy cattle. Milk consumption per capita is 47 liters per year.[1] This consumption per capita is far below the rate of 200 liters per year as recommended by the World Health Organization (WHO) of the United Nations. The low milk consumption is attributed to low production among other factors. Tanzania imports more milk products than it produces locally, making it a net milk importer.[2] The Tanzania Milk Processors' Association (TAMPA) observed that the growth of the dairy industry was threatened by increasing imports of milk and milk products from countries whose milk infrastructure and technologies were of high standard and provided producer and export subsidies equivalent to the excess production on the world markets.

There was a concern from dairy stakeholders in the country about competition from cheaper imports due to poor regulation. Increased milk imports were a serious threat to survival of the Tanzania dairy sector in the short, medium and long-term development. For instance, during the period 2010 to 2014, milk imports doubled from less than 40 million liters Liquid Milk Equivalent (LME) per annum in 2011 to 70 million liters LME per annum in 2014. The milk import structure showed that the quantity of powder milk imported in the country was twice as much as liquid milk, rising from 28 million liters imported in 2010 to more than 46 million liters imported in 2014. Although the trend for both types had been increasing, the rate of increase in powder milk imports was quite alarming with an average annual increase being 15 % for the period 2010-2014.

About TAMPA

TAMPA, a member based organization representing milk processors in Tanzania was established in 2001 and registered in 2003 under the Societies Ordinance, 1954. The main objective of TAMPA is to promote the dairy industry by making it competitive, viable, profitable and sustainable. It brings together key actors in the dairy industry to speak with common voice and engage in effective advocacy with the government.

The association currently consists of 65 members that include micro, small and medium scale and large-scale milk producers and processors whose processing capacity ranges from 100 to 50,000 liters per day and input suppliers. Those members are located in the central, lake, northern, southern and coastal zones of Tanzania. Key services provided to its members include: capacity building; business management and market linkages; access to information and knowledge exchange and generic milk promotion.

The markets of liquid milk were largely informal and fragmented. The formal market, which was characterized by low level of capacity utilization and vertical coordination, was composed of a number of processors that face various challenges including competition from imported milk products. For instance, in 2011, milk processing capacity in Tanzania reached 112,400 liters per day with most processing plants operating at 30% of the installed capacity.[3]

1 Tanzania Milk Processors Association (TAMPA) (2016). Effects of milk imports on competitiveness of domestically processed milk in Tanzania. Business Environment Strengthening for Tanzania - Dialogue (BEST-Dialogue).

2 Malanga, A. (2019, February 26). Tanzania spends Sh30bn on imported milk. The Citizen Newspaper. https://www.thecitizen.co.tz/News/1840340-4999568-2ksd6/index.html

3 Katjiuongua, H. and Nelgen, S. (2014). Tanzania smallholder dairy value chain development: Situation analysis and trends. ILRI Project Report. Nairobi, Kenya: ILRI.

TAMPA sought financial support of USD 21,500 from Business Environment Strengthening for Tanzania - Dialogue (BEST-Dialogue) to conduct a study to establish the impact of importation of dairy products on Tanzania dairy markets and to develop a policy proposal with a particular focus on the competitiveness of domestically processed milk. In addition, the study was intended to assess the impact of likely policy and regulations responses to the increasing quantity of milk and milk products imports. The study was expected to come up with a policy to entice the government to take appropriate measures in order to facilitate cost-effective milk production, promote local processors and increase the local market share for dairy products. TAMPA commissioned the Economic and Social Research Foundation (ESRF) to undertake the study. The specific objectives of the study were fivefold:

1. First, determine the growth of dairy sub-sector and its contribution to the economy of Tanzania.
2. Second, assess the impact of policies, regulations and imported milk monitoring mechanism on diary industry competitiveness.
3. Third, determine the impact of imported milk, especially powder milk imports on competitiveness of locally processed milk.
4. Fourth, determine dairy stakeholder’s views on future dairy sub-sector development.
5. Fifth, produce dairy industry policy paper for the government intervention.

Methodology

This case study was undertaken mainly through desk review of grey literature. The consultant reviewed project reports, newspaper articles, and other publications. Also, the consultant reviewed other similar studies that were supported by BEST-Dialogue. Impacts were established by using available secondary information from the newspaper articles and other publications.

The desk review was guided by an evidence template which was structured according to 10 evaluation questions (shown in the sidebar) and extracted and synthesized appropriate information. The gaps in the existing documents were supplemented by limited phone interviews with TAMPA staff who were involved in the project.

The case study commenced with an inception meeting with TAMPA, which was conducted over the phone. This inception meeting aimed at obtaining a full picture of the BEST-Dialogue relationship with TAMPA and other key stakeholders in this project.

Outcome

Results and Recommendations of the TAMPA Study

The TAMPA study identified a number of issues on competitiveness of domestically processed milk and policy and regulatory framework. Some main issues of concern were as follows:

1. Production of fresh milk in Tanzania had been increasing over time reaching 2.1 billion liters per annum in 2015, yet the country was still a net importer of milk spending more than USD 45 million in 2014 to import more than 60 million liters of milk equivalent. More than 90% of total domestic milk production did not go through the formal market channels. Also, there were barriers to distribute milk from surplus to deficit regions due to poor transport infrastructure and seasonal variations, which created shortages in many parts of the country. This tended to attract unorganized imports to the extent that some imports were not officially recorded.[4]
2. Processing capacities of all dairies in Tanzania were underutilized. Only about 24% of the total installed capacity was being utilized. Out of 73 processing plants in the country, only two of them processed more than 40,000 liters while the rest produced less than 10,000 liters per day.
3. Significant quantity of fresh milk was wasted due to shortage of preservation facilities and poorly developed infrastructure that made it hard to transport milk to processing plants.
4. There were contradictory statistics from different entities about the imports of milk and milk products.
5. Weak institutional framework. Despite good policies and regulations, the Tanzania Dairy Board (TDB) did not function well and therefore, was not able to ensure effective enforcement of neither the Dairy Industry Act No.8 of 2004 nor the Dairy Industry Regulations 2007.
6. Imported milk created unfair trade in the domestic dairy market. The mismatch between milk products imports recorded by Tanzania Revenue Authority (TRA) and those recorded by UNCOMTRADE indicate that there was a lot of milk imports which entered the country illegally and therefore did not pay the required taxes and fees.
7. The negative impact of illegally imported milk on competitiveness of locally processed milk was directly transmitted to all activities along the dairy value chain. The demand for raw milk from farmers was reduced significantly while the income of traders of raw and processed milk also went down. Also, the government lost some revenue due to reduction in incomes of processors and traders of locally produced milk.
8. The Most Favored Nations (MFN) duties of 60% applied by Southern African Development Cooperation (SADC) on goods from SADC member countries, by itself did not help to protect the Tanzania dairy industry; nor did milk products from Tanzania penetrate the East African Community (EAC) dairy market when country and regional measures were not taken to stop illegal imports and the use of non-trade barriers (NTBs).

Case Study Questions

1. What issues were addressed?
2. What was the relevance/rationale of the addressed issues?
3. When and how were the issues addressed?
4. What were the key outputs/achievements?
5. What are the key outcomes or policy wins?
6. What are the qualitative impacts (or prospective impacts) of the project?
7. What are the quantitative impacts (or prospective impacts) of the project?
8. Were the issues addressed sustainable or are there sustainability plans?
9. What were the unintended consequences of the project, if any?
10. What were the lessons learnt by the project?

4 TAMPA (2016). Effects of milk imports on competitiveness of domestically processed milk in Tanzania. Business Environment Strengthening for Tanzania - Dialogue (BEST-Dialogue).

Based on the findings, the TAMPA study with subsequent stakeholders' validation workshop which was held in 2016, came up with several policy recommendations to enhance the competitiveness of domestically processed milk. Some key recommendations were as follows:

1. The government should strengthen the border posts and its monitoring system and revisit the country's import policies.
2. Strengthening the institutional framework. The country needs to strengthen capacity of local institutions mandated to govern the milk industry in Tanzania to enable them enforce regulations governing the industry. These institutions need to be empowered in terms of financial and human resources in order to make them function effectively and therefore improve incomes of the players in the milk value chain as well as improve collection of tax revenue.
3. Protect dairy industry against imported processed milk products. The dairy industry was still at infancy stage that required protection from the government against cheaper imported milk products. Due to poor protection, a significant amount of imported milk products entered the market illegally and created unfair competition with locally processed milk products.
4. Improve infrastructure such as power, water, roads, and communication to support the dairy sector. Poorly developed infrastructure was one of the critical barriers in the milk industry. The government needed to develop the infrastructure to support milk producing areas to reduce milk production and marketing (collection and distribution) costs from collection centers. This would also improve storage, transportation, and increase usage of improved dairy products.
5. Establish domestic demand for milk and milk products. Tanzania had not been able to establish its local demand and supply of milk and milk products due to the fact that significant quantities of milk produced in the country are not formally marketed. Information on potential domestic demand and supply is necessary for the sector as well as national planning system. This would, for example, help the sector to control unregulated imports and avoid unnecessary leakages.

Outcome of Advocacy Activities

Following the stakeholders' validation workshop, TAMPA used other platforms such as Agriculture Non-State Actors' Forum (ANSAF), Tanzania Private Sector Foundation (TPSF) and Agricultural Council of Tanzania (ACT) to raise awareness and to conduct advocacy activities against imported dairy products. Although a direct connection could not be established, in October 2018, the government introduced new regulations which require milk importers to pay 13 times more in milk import fees.[5,6] The newly signed Animal Diseases and Animal Products Movement Control Regulations require importers to pay TZS 2,000 per kilogram of imported milk. Previously, importers were charged TZS 150 per kilogram of imported milk.

According to the Citizen (2018, October 3),[7] the drastic increase in import fees is seen as a move to ban totally the importation of milk into the country. Although milk importers were unhappy with the new milk import fees, local processors saw the move as an opportunity for them to flourish. The government decision to raise milk import fees was perceived as a deliberate move to stimulate local processing in a country that has been spending TZS 30 billion each year on imports of dairy products (Malanga, 2019).[8,9]

5 The Citizen (2018, October 3). Milk import fee up by over 1,000 per cent. The Citizen Newspaper, Tanzania. https://www.thecitizen.co.tz/News/Milk-import-fee-up-by-over-1-000-per-cent/1840340-4789434-kxg8kvz/index.html

6 https://www.foodbusinessafrica.com/2018/10/06/tanzanias-milk-import-fees-increases-13-fold-amidst-a-series-of-bans/

7 The Citizen (2018, October 3). Milk import fee up by over 1,000 per cent. The Citizen Newspaper, Tanzania. https://www.thecitizen.co.tz/News/Milk-import-fee-up-by-over-1-000-per-cent/1840340-4789434-kxg8kvz/index.html

8 Malanga, A. (2019, February 27). Milk output soars after steep increase in import fees. The Citizen Newspaper. https://www.thecitizen.co.tz/News/Milk-output-soars-after-steep-increase-in-import-fees/1840340-5001528-fi8ufb/index.html

9 Malanga, A. (2019, February 26). Tanzania spends Sh30bn on imported milk. The Citizen Newspaper. https://www.thecitizen.co.tz/News/1840340-4999568-2ksd6/index.html

Impact

As a result of the introduction of new regulations, milk processors report that production has increased by up to 47% between October 2018 and February 2019 due to drastic decrease in imports (Malanga, 2019). For instance, according to Malanga (2019), Asas Dairies reported an increase in production by 8,000 liters per day between October 2018 and February 2019. Also, Tanga Fresh reported an increase in production from 40,000 to 57,000 liters a day between November 2018 and January 2019 (Malanga, 2019).[10] Given the large cattle population in the country, processing of dairy products is one of the investment opportunities especially in establishing dairy products processing plants and ranches (U.S. Country Commercial Guides, Tanzania, 2018).[11]

In the short-run, negative impacts have also occurred. Milk prices have jumped up between TZS 100 and TZS 2,000 per liter due to pressure on supply (Malanga, 2019, May 28). According to Malanga (2019, May 28), prices have been on the upswing since October 2018. This threatens the sustainability of the new regulations.

Notwithstanding the impact of the increment in import fee on local milk production and processing, the sustainability of this move is not evident. According to The Citizen (2018, October 3), some milk importers convened a crisis meeting to discuss their fate following the enforcement of the new regulations. As of now, Azam Dairy Products, one of the major importers of dairy-related products has received a waiver. It will only pay one eighth of the tax on imported dairy products (Malanga, 2019, March 9).[12] Azam needs to pay only TZS 250 per kilogram of imported milk-related products instead of TZS 2,000 that it was paying since October 2018 when the new regulations were enforced. This waiver applies only to imports by Azam in order to encourage the firm to continue investing in Tanzania Mainland, including in setting up a factory for processing raw milk from local livestock keepers.

Progress

TAMPA planned to conduct awareness raising to milk producers on the opportunities available as a result of the enforcement of the new regulations on imported milk products. Also, TAMPA continues to conduct dialogues with the government, financial institutions and other key stakeholders in enhancing access to finance by smallholder milk producers and processors. Investments in milk production will help to bridge the gap between demand and supply and increase the capacity utilization of processing plants at the same time.

Lessons learned

The key lesson learned by TAMPA is that the imposition of the new regulations on imported milk-related products has brought both positive and negative consequences. The pace of increase in production of milk does not match the demand, which has resulted into an increase in prices. Since producers are unable to meet the market demand for milk, there have to be strategies to link farmers with processors and financial institutions to increase supply.

10 Malanga, A. (2019, May 28). Agent fees push up milk prices. The Citizen Newspaper. https://www.thecitizen.co.tz/news/Agent-fees-push-up-milk-prices/1840340-5134418-yt1ri6/index.html

11 https://tz.usembassy.gov/wp-content/uploads/sites/258/Tanzania_CCG_2018.pdf

12 Malanga, A. (2019, March 9). Azam dairies secures huge tax relief on milk import inputs. The Citizen Newspaper. https://www.thecitizen.co.tz/News/Azam-dairies-secures-huge-tax-relief-on-milk-import-inputs/1840340-5016398-dmkf84/index.html

TATO

TOURISM SAFETY AND SECURITY IN TANZANIA

Introduction

The Tanzania Association of Tour Operators (TATO), which was established in 1983 to represent licensed tour operators, believes that the absence of a special unit of tourist Police Force threatened tourism safety and security. Tourism safety and security is the most important prerequisite for the growth of the tourism industry in any country. The reputation of a country to control crimes and to guarantee the safety of tourists and their properties is essential. Crimes in which tourists are victims can cause travelers to shift to other destinations perceived to be safer. In Tanzania, some crimes such as theft, rape, harassment and killings of tourists have been reported.[1] Such crimes threaten the growth and sustainability of the tourism sector in Tanzania, which is the largest foreign currency earner. In 2017, tourism contributed about 25 per cent of the county's foreign currency.[2]

Although Tanzania has various laws addressing security and safety issues, there are no specific provisions under the law that clearly address security and safety issues to the tourists in the country. Weak regulations, along with the sector's poor integration with broader national development goals, had contributed to poor tourism safety and security, which further damages the image of Tanzania as one of the best tourist destinations.[3]

With a financial support of USD 88,950 from BEST-Dialogue, TATO commissioned five reports to develop a broader understanding of factors contributing to crimes against tourists, impact of crimes on tourism, and the legal and regulatory framework on tourism safety and security. The reports included factors contributing to crimes against tourists, the impact of crimes on tourism in Tanzania, a tourism safety study, and a review of legal framework on safety and security for tourism in Tanzania. This came as a result of a tourism value chain study that was conducted by the Tourism Confederation of Tanzania (TCT) under funds from BEST-Dialogue. The TCT tourism value chain study identified tourism safety and security as one of the most important priorities for action.[4] The findings of those reports were expected to inform TATO's lobbying and advocacy decisions to address the issue of safety and security in the tourism industry. The fifth report, which was based on the findings of the other four reports, was a development of a concept note advocating the formation of a Tourism and Diplomatic Police Unit.

About TATO

TATO, an association of tour operators in Tanzania was established to foster the interests of the licensed tour operators. Those interests include lobbying and advocacy for and on behalf of its members and to coordinate public and private sector partnership. Also, TATO undertakes and publishes research in matters related to the tourism industry and operations and to distribute information to its members and relevant institutions. Currently, TATO consists of nearly 300 tour operators from both Mainland Tanzania and Zanzibar.

The overarching objective of TATO is to be an effective change agent for fostering an enabling business environment, and to promote the private sector's regional and global competitiveness in tourism trade and investment. To this end, TATO provides a national forum for tour operators to air their concerns at the national policy level, with the overall aim of creating a more conducive business environment through targeted policy reforms.

1 Sumila, V. (2013). Stakeholders want greater safety and security in tourism. The Citizen, February 28.

2 Namkwahe, J. (2018). Kigwangala: Tourism sector contributed Sh4.7trillion of Tanzania's GDP in 2017. The Citizen, January 11.

3 TATO (2012). Review of legal framework on safety and security for tourism in Tanzania.

4 BEST-Dialogue (2015). BEST-AC Longitudinal Impact Assessment. Fifth annual report: short case studies for publication.

Methodology

This case study was undertaken mainly through desk review of grey and scientific literature. The consultant reviewed available grey literature such as project reports, case studies, newspaper articles, fact sheets, and travel and tourism competitiveness reports. Also, the consultant reviewed one scientific publication on dialogue and advocacy initiatives for reforming the business environment of the tourism and hospitality sector in Tanzania.

The desk review was guided by an evidence template which was structured according to 10 evaluation questions (shown in the side box) and extracted and synthesized appropriate information. The gaps in the existing documents were supplemented by limited phone interviews with TATO staff who were involved in the project.

The case study commenced with inception meetings over the phone with BEST-Dialogue M&E Project Officer, the designated staff for this assignment and Executive Director/Officer of TATO. The aim was to attain a full picture of the BEST-Dialogue relationship with TATO and other key stakeholders in this project.

Case Study Questions

1. What issues were addressed?
2. What was the relevance/rationale of the addressed issues?
3. When and how were the issues addressed?
4. What were the key outputs/achievements?
5. What are the key outcomes or policy wins?
6. What are the qualitative impacts (or prospective impacts) of the project/s?
7. What are the quantitative impacts (or prospective impacts) of the project/s?
8. Were the issues/projects addressed sustainable or are there sustainability plans?
9. 9. What were the unintended consequences of the project/s if any?
10. What were the lessons learnt by the project/s?

Outcome

The report on factors contributing to crimes against tourists set out a series of issues to map the types of incidents, locations, profiles of victims, profiles of offenders, and police response. The report also made tentative recommendations such as the review of laws to provide for criminal offences, penalties and punishments to offenders and criminals who target tourists. Other recommendations included:

- The need for the government to work with the entire spectrum of the tourism industry to identify and address crimes related concerns;
- Establishment of a special unit with trained personnel entrusted to protect tourists;
- Development of a program to provide safety and security information to tourists.

The study on the existing policy, legal, and regulatory framework that apply to safety and security for the tourism sector in Tanzania used a desk review of existing legislations, policies and case studies, as well as consultation with key stakeholders. Consultations with key stakeholders were conducted through meetings and workshops to gather views on the critical reform measures that need to take place.[5] The objectives of the review were as follows, to:

- First, review the Tanzania safety and security framework; including policy, laws and regulations.
- Second, obtain stakeholder views on a new, safe, attractive and distinctive destination that has the support of all relevant public and private stakeholders.
- Third, obtain recommendations to develop a policy and legal framework proposal to convince the Government on the necessity of developing a unique policy as an attractive, safe and distinctive destination.
- Fourth, develop a plan to engage the public and private sector to dialogue and come up with best approaches on how to develop a safe, attractive and distinctive tourist destination.

The report suggested action points such as establishment of a special Police Unit that would deal with crimes committed against tourists and their properties; increasing punishment to offenders and criminals who target tourists; giving Park rangers and others a role in security; and, speeding up processing of cases for crime against tourists.

5 TATO (2012). Review of legal framework on safety and security for tourism in Tanzania

Recommendations from stakeholders

The review of the legal framework on safety and security for the tourism sector in Tanzania was followed by stakeholders' workshops, one conducted in Dar es Salaam and another in Arusha. Stakeholders from Government and the private sector participated in these workshops which aimed at developing joint recommendations and a way forward for improving safety and security in tourism. Stakeholders strongly supported the establishment of a special Police Unit that will deal with tourist cases, as one way of ensuring safety and security in the industry. The way forward of the stakeholder workshops were as follows:

- Establish the tourists' protection unit within the National Police Force, with specific responsibilities for visitors' security.
- Enhance collaboration between stakeholders and law enforcement agencies. A thorough understanding of the problem from all key stakeholders will make it easier to develop counter strategies.
- Train law enforcement and security officials on issues relating to crime against tourists. Strengthen the ability and capacity of relevant officials so that crimes against tourists can be deterred and interrupted.
- Enforce mandatory security measures for all establishments and places that cater for tourists.
- Increase uniformed police patrols and surveillance in tourist areas. Highly visible police patrol will deter potential offenders and provide a sense of security for tourists thereby reducing the risk of victimization.
- Educate tourists to reduce risk of victimization. Through brochures, leaflets, media and other means, tourists should be given safety tips as measures to reduce the risk of falling victims to property crime.
- Establish a tourist offender register. This register will contain the list of convicted tourist crime perpetrators. This will enable the Police to monitor these individuals and their whereabouts.

Since the workshops were attended by Government officers, this was an important first step where TATO had the opportunity to dialogue and to present their case to the Government. Other developments are discussed on the following sub section.

Establishment of Tourism and Diplomatic Police Station

Despite the fact that TATO commissioned the aforementioned reports, it decided to take a different approach after learning that legal reforms for security around tourism were not a prerequisite for a special unit of Tourism Police Force. While this raises questions on the efficacy of the commissioned reports, TATO was successful in establishing a Tourism and Diplomatic Police in Arusha. For the establishment of a special unit of Tourism Police Force, TATO had a strong backing from Tanzania Tourism Board (TTB), which had also been pursuing similar initiatives but without success.[6] According to BEST-Dialogue (2015)[7], TTB unsuccessfully tried to pursue this initiative for three years before selling the idea to TATO.

The process of establishing a special Police Unit for tourism started with lobbying the Inspector General of Police (IGP) who bought the idea and quickly appointed an Assistant Commissioner of Police for tourism to review approaches in other countries and head the new division when established. Also, the IGP set up a National Tourism Security Task Force to launch this process in 2012.

A few strides have been made, including a fully-fledged Arusha Tourism and Diplomatic Police Station, which was built by TATO to help cater for issues that concern of safety and the security of tourists (see picture aside). TATO mobilized about TZS 194 million from its members and stakeholders. The money was used to build the Tourism and Diplomatic Police Station in Arusha.

Speaking during the inauguration ceremony, Tanzania's President Dr. John Pombe Magufili expressed his satisfaction over TATO's decision to build an ultra-modern tourism police station in Arusha, calling on others to emulate such spirit to speed socio-economic development.[8]

6 BEST-Dialogue (2015). BEST-AC Longitudinal Impact Assessment. Fifth annual report: short case studies for publication.

7 BEST-Dialogue (2015). BEST-AC Longitudinal Impact Assessment. Fifth annual report: short case studies for publication.

8 Kasika, S. (2018). Magufuli launches new tourism police station in Arusha. The Guardian, April 9. https://www.ippmedia.com/en/business/magufuli-launches-new-tourism-police-station-arusha.

In addition to the construction of the Tourism and Diplomatic Police Station TATO has supported training of Police Officers to manage the station in Arusha. Ten Police Officers have been trained in customer care services and in English and French languages. TATO also supported the Police Unit by supplying them with 15 motorcycles worth TZS 27 million in a rare public-private partnership to fight crime against tourists.[9] *"Arusha needs tourism for it to prosper and for that to happen we need to equip our police officers in order to be effective to control crime in this important town."* This was said by Mr Willy Chambulo, the Chairman of TATO during the handing over of the motorcycles. Also, in December 2018, TATO bought a brand new Toyota Land Cruiser for Police operations in safety and security activities in the Northern circuit.

The President of the United Republic of Tanzania, Dr. John Pombe Magufuli officiating the inauguration of Tourism and Diplomatic Police Station in Arusha in April 2018.

Impact

The World Economic Forum's *Travel & Tourism Competitiveness Report,* which is used as an indicator for the tourism strategy, shows that Tanzania has improved from the overall rank of 110th out of 139 countries in 2011[10] to 91st position out of 136 countries in 2017.[11] In terms of tourism safety and security, the Country has improved from a position of 115th out of 139 with a score of 4.0 in 2011 to 92nd rank out of 136 with a score of 5.1 out of 7 in 2017 as shown in Table 1.

As seen, the reliability of Police services has also improved. Moreover, the National Bureau of Statistics (NBS) (2017) shows that the number of foreign tourist arrivals has increased by about 13 per cent.[12] Despite the improvement in tourism safety and security, TATO's efforts may not have been the only factor contributing to this improvement. It could, for example, be due to heightened awareness amongst tourists and tour operators coupled with some other factors.

Table 1: Ranking of Tanzania on Travel & Tourism Competitiveness

Indicator	2017		2011	
	Rank out of 136	Score	Rank out of 139	Score
Overall rank	91	3.45	110	3.42
Tourism safety and security	92	5.1	115	4.0
Reliability of police services	84	4.3	75	3.8

9 http://charlesngereza.blogspot.com/2014/03/tato-doantes-15-motorbikes-to-police.html.

10 The *Travel & Tourism Competitiveness Report* 2011. World Economic Forum

11 The *Travel & Tourism Competitiveness Report* 2017. World Economic Forum

12 NBS (2017). The 2016 international visitors' exit survey report. NBS and Bank of Tanzania (BOT)

The trend of crimes against tourists over the period could not be established. However, Anderson et al. (2017) found that the establishment of the Tourism Police Unit in various areas of major cities has reduced the robbing of tourists. Although Anderson et al. (2017)[13] did not provide statistics on tourism related crimes, they cited respondents explaining their perceptions on the usefulness of the Tourism Police Unit and the reduction in crime:

> *If you look closely, you will see that the number of robberies and tourists' claims of being robbed have declined significantly in recent years. We thank the Government for its efforts to protect tourists and their belongings. This Police station has been of value not only to the tourists but also to the people living in this area (Anderson et al. 2017; 57).*

Notwithstanding the absence of statistics showing the trend of crimes related to tourism over time, anecdotal evidence as observed by stakeholders shows that there has been a decline in such crimes. Also, the improvement of Tanzania on tourism safety and security as shown by the *Travel & Tourism Competitiveness Report* presents another evidence of controlling crime against tourists.

Progress

TATO has continued to work with the Government and other tourism stakeholders to ensure that safety and security of tourists is guaranteed. As aforementioned, TATO built the Tourism and Diplomatic Police Station in Arusha, trained Police Officers and has been donating equipment such as motorcycles and vehicles to enhance the capacity of the Police Force to control crime. Also, TATO has, from time to time, conducted public-private dialogues (PPDs) with the Government and other tourism stakeholders to discuss and develop sustainable ways of controlling crime against tourists. For example, Anderson et al. (2017) cite several PPDs that have been conducted to improve security at tourist destinations including protecting tourists and their belongings in National Parks, on roads and within the attraction areas.

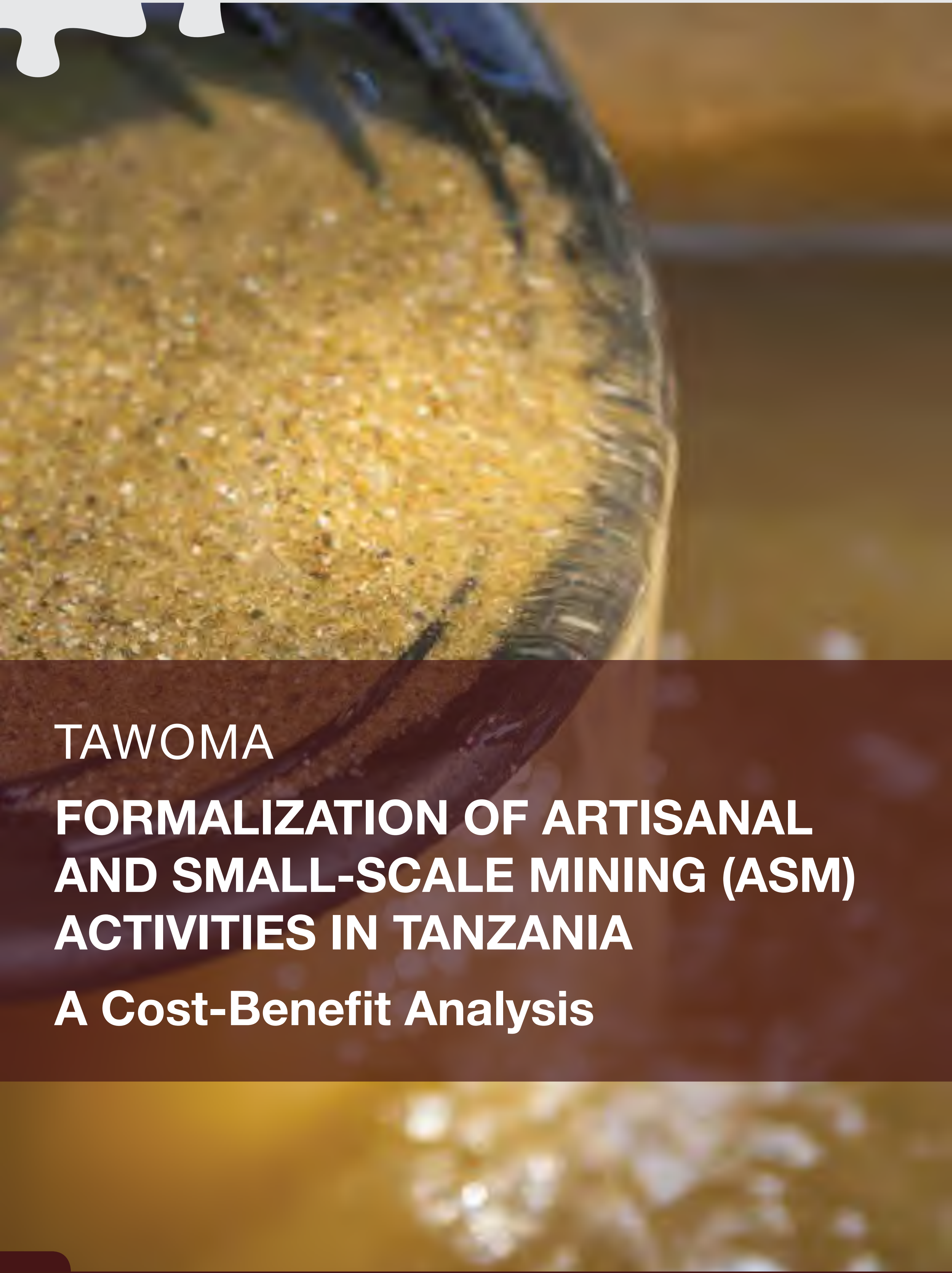
Lessons learned

Security in the tourism industry is a key issue that can have a major impact on tourist arrivals and receipts, as without it tourists shun the destination.[14] TATO's project has contributed to an improved tourism safety and security in the Northern circuit where tourism activities and tourism related crime were high. Key lessons learned by TATO include:

- Willingness of the Government to work with the private sector in addressing challenges in the tourism industry. This has led to a coherent cooperation between the Government and private sector in which TATO has influenced the establishment of a special Police Unit for tourism and the construction of Tourism and Diplomatic Police Station in Arusha.
- The shared objectives and positive possibilities for partnership between the public and private sectors. While figures on crime were missing, all stakeholders seem to have accepted the importance of improving the perception of safety for tourists.
- The challenges of seeing change on the ground – even if Government supports the project – if funding is not allocated, it is unlikely that results will be realized. The success of TATO's case relates to own efforts of mobilizing funds from stakeholders to ensure implementation of agreed upon action points. However, this raises issues of sustainability as PSOs such as TATO are unlikely to fund these activities to a larger scale. PSOs should promote PPDs for the Government to budget and fund such activities.
- The value of finding practical and pragmatic solutions rather than assuming that changes require regulatory reform. The success of TATO on this project has come more from its strong credibility on effective representation of the sector, and its mix of tactics, all designed around building strong relationships with the Government.

13 Wineaster Anderson, Theresia Busagara, Deogratious Mahangila, Maria Minde, Donath Olomi, Victor Bahati, (2017) "The dialogue and advocacy initiatives for reforming the business environment of the tourism and hospitality sector in Tanzania", Tourism Review, Vol. 72 Issue: 1, pp.45-67, doi: 10.1108/TR-09-2016-0036

14 Wineaster Anderson, Theresia Busagara, Deogratious Mahangila, Maria Minde, Donath Olomi, Victor Bahati, (2017) "The dialogue and advocacy initiatives for reforming the business environment of the tourism and hospitality sector in Tanzania", Tourism Review, Vol. 72 Issue: 1, pp.45-67, doi: 10.1108/TR-09-2016-0036



TAWOMA

FORMALIZATION OF ARTISANAL AND SMALL-SCALE MINING (ASM) ACTIVITIES IN TANZANIA

A Cost-Benefit Analysis

Introduction

Artisanal and Small-scale Mining (ASM) has been a source of livelihood for a significant number of people for decades in Tanzania. ASM currently accounts for 15% of the total gold production in the country employing around 2 million people (Ministry of Minerals, 2018). However, its potential in the economic development has not yet been fully realized due to informality in ASM activities. One of the initiatives to formalize (i.e. owning a mining license and complying with the Mining Act) ASM activities is to boost tax revenue from the sector, and to that end the government introduced the small-scale mining licensing system in 1998; however, by 2006 only 0.4% of the total 1,500,000 ASM miners had been formalized (STAMICO, 2010).

A survey by TAWOMA in 2007 concluded that there were a number of reasons why artisanal and small-scale miners continued to operate significantly within the informal sector despite the efforts taken by the government. First, most artisanal and small-scale miners were not aware of the legal requirements to become and remain formal. Second, those who were traditionally operating outside the formal sector became reluctant to be legalized because there were no incentives to do so especially where formalization involved more costs and payment of taxes.

Nevertheless, informal artisanal and small-scale miners were kept vulnerable and at the mercy of unscrupulous middlemen involved in money laundering who coerced these miners to sell their gold and other minerals significantly below the real market price. Apart from that, the unregistered volumes of gold were being used for all kinds of economic transactions in the grey and black markets (UNEP, 2012). Besides that, informal artisanal and small-scale miners were extremely marginalized, criminalized, and subject to human rights violations (ILO, 2011). Generally, without formal legal status, poorer artisanal and small-scale miners continued to be excluded from the training/education programs and government services; and lack of security of tenure in turn made local livelihood planning and resource regulation difficult.

Due to that, in 2007, TAWOMA took initiatives to sensitize and advocate for provision of appropriate legal incentives to attract formalization of the ASM sector. This involved advocating for the amendment of the 1998 Mining Act in order to create a conducive mining business environment for artisanal and small-scale miners

TAWOMA's Advocacy Role

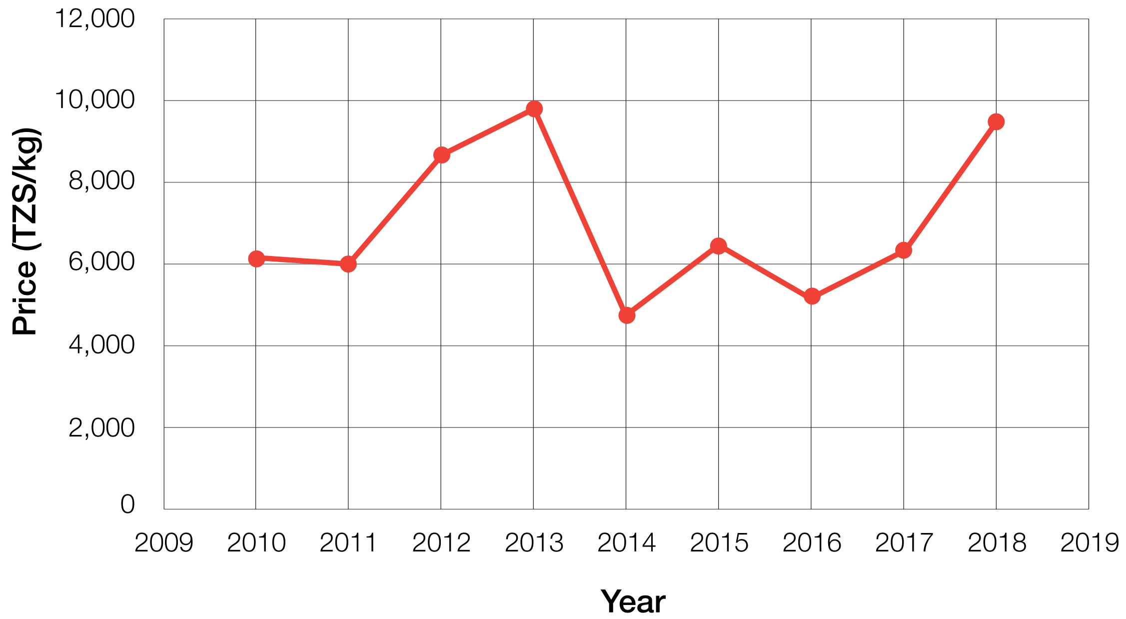
The "formalization project" sought to integrate ASM activities into the formal economy which required sensitization, integration and legalization of relevant mining laws/policies and incentives. To achieve this, BEST-Dialogue provided funds to TAWOMA to carry out an advocacy project with the aim of attaining the following: (a) sensitization for the formalization of the laws/procedures and their importance to artisanal and small scale miners ; (b) an extension of the renewal period for the primary mining licenses (PML) from 5 years to 10 years; (c) formulation of special laws/policies for allocation of land areas specifically for artisanal and small scale miners; (d) decentralization of the permitting process for the primary mining licenses; and (e) ensuring that small scale mining (including gemstone mining) is made exclusive for only Tanzanians.

For this to succeed, a cooperation of multiple stakeholders was required to accomplish effective and healthy dialogues between the public and private sectors. The main stakeholders involved in the dialogues included local miners, the Ministry of Minerals, Ministry of Industry and Trade, Ministry of Justice and Constitution Affairs, State Mining Corporation (STAMICO), Local Government Authorities (LGAs), members of the parliament, and so on. Sensitization of formalization of the laws and procedures to artisanal and small-scale miners was done through workshops, media campaigns, and informal engagements.

Outcome

The advocacy project started in 2007 whereby after three years of dialogue and lobbying, the government introduced a new Mining Act, 2010 which replaced the previous Mining Act, 1998. In the new Mining Act, 2010, the following amendments were made:

First, the government agreed to extend the length of ownership of primary mining licenses from 5 years to 7 years. Second, the Mining Act 2010 established designated areas for ASM activities. To date there are 36 such areas representing a total of over 300,000 ha for artisanal and small-scale miners. Third, small-scale mining for all minerals (including gemstones) was made exclusive for Tanzanians (Section 8 (2) of the Mining Act, 2010). Fourth, PML licensing process was decentralized to zonal and resident mines offices to make the ASM formalization process more efficient and more accessible to rural communities. As a result, currently, it takes only 1 month to process a PML; a standard of best practice in the region (IDA, 2012). To date, around 80,000 artisanal and small-scale miners have been formalized. Out of those, 50,000 miners have been formalized due to the advocacy project from 2010 and some 12,000 of those are women. Figure 3.1 below shows the trend of annual formalization of artisanal and small-scale miners from 2010-2018.



Source: Ministry of Minerals, 2019

Impact Assessment: A Cost-Benefit Analysis

A Cost-Benefit Analysis (CBA) is a systematic approach to estimate the short and long-term consequences of an advocacy project in terms of its costs and associated benefits. In order to allow a meaningful comparison of present and expected future benefits, expected future gains are discounted backward from 2010 when the new Mining Act, 2010 was introduced as the baseline to 2020 when the project is completely phased out.

Therefore, this CBA involves determination of the net present value (NPV) and the benefit-cost ratio (BCR)[1] at a discount rate of 12%. The discount rate of 12% is appropriate because it is both the discount rate used by most stakeholders such as the Bank of Tanzania (BOT), African Development Bank (ADB), and the World

1 -The Net Present Value (NPV) (also known as the Economic Net Present Value) is the average annual return to society on the capital invested over the entire life of the project. Mathematically, it is represented as follows:

$$NPV = \sum_{t=0}^{n} \frac{B_t - C_t}{(1+r)^n}$$

Where Bt represent benefits at time t; Ct represent costs at time t; r is the discount rate and n is the length of time for the project's benefit and cost streams

-The Benefit -Cost Ratio (BCR) is derived by calculating the total benefits over total costs; represented by the following model:

$$BCR = \sum_{t=0}^{n} {}^{B_t}/_{C_t}$$

Bank (WB) to discount public projects in Tanzania.

The main beneficiaries of the advocacy project are the artisanal and small-scale miners who mainly benefit from the improvement in selling prices of the minerals. In order to quantify accruing benefits to the ASM, it is thus important to determine the average annual production from the ASM sector.

Particularly, the analysis focuses on miners dealing with gold production because they are significant (e.g. see Merket et al., 2018; UNEP, 2012) and both primary and secondary data related to artisanal and small-scale gold miners are easily accessible. Data collected during impact assessment study in April 2019 reveal that, on average, 75% of the annual formalized miners seek primary mining licenses for gold production. Of those, only 50% are active. Table 4.1 provides the number of total active formalized gold miners from 2010-2020.

The most recent survey by Mutagwaba et al., (2018) concluded that the ASM sector produces 14 tons of gold per annum whereby one miner is estimated to produce 0.055 grams of gold per day (eg see: Peronius & Karlsson, 2015). Thus, on average, one miner produces 12 grams of gold per annum (i.e. 0.055 gm × 220 working days). A study for impact assessment in April 2019 revealed that most of the ASM gold is sold on site fetching Tshs. 80,000 or 40 USD per gram in the formal market and Tshs. 25,000 or USD 13 per gram in the informal market leading to improvement in gross margins to formal miners of Tshs. 55,000 or USD 27 per 1 gm (also see Merket et al., 2018). Most surveys (e.g. Ministry of Minerals, 2018) have concluded that an artisanal and small-scale gold miner loses around 10% of the gold due to adulteration of weighing scales by on-site buyers/brokers thus leaving him/her with only 11 gm of gold per annum (i.e. 12 gm – 10% of 12 gm).

Therefore, the total annual average improvement in formalized gold miners' gross margins is obtained by multiplying average quantity of gold sold by the incremental selling price per 1 gm of gold as shown in table 4.1 (i.e. 11 gm × total number of formalized active gold miners in a given year × Tshs. 55,000/USD 27).

It should be noted that the miners will pay a higher level of tax and land access but that will count as a benefit to the government so, to simplify the calculation, we have just considered the gross improvement in income achieved by miners.

As shown in the table 4.1, the results of the Cost-Benefit Analysis indicate that the net present value (NPV) for the project is USD 20,000,000 with a benefit cost ratio (BCR) of 400 whereby BEST-Dialogue used USD 52,000 to fund the project.

As shown in the table 4.1, the results of the Cost-Benefit Analysis indicate that the net present value (NPV) for the project is USD 20,000,000 with a benefit cost ratio (BCR) of 400 whereby BEST-Dialogue used USD 52,000 to fund the project.


Photo: Shutterstock.com

Table 4.1: Summary of the Cost-Benefit Analysis

Year/Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	0	1	2	3	4	5	6	7	8	9	10
No. of active formalized ASM gold miners	1,826	1,826	6,210	9,159	10,579	12,503	14,054	15,935	18,781	21,750	24,814
Total gold sold (11gm ×no. of miners)[gm]	-	39,776	68,310	100,749	116,369	137,533	154,594	175,285	206,591	239,250	272,954
Improvement in gross margins (USD 27 × qty of gold sold) [USD]	-	1,073,952	1,844,370	2,720,223	3,141,963	3,713,391	4,174,038	4,732,695	5,577,957	6,459,750	7,369,758
Cost of the Project [USD]	(52,000)	-	-	-	-	-	-	-	-	-	-
NPV	**USD 20,000,000**										
BCR	**400**										

Conclusion

Generally, over 11 years (i.e. 2010-2020), improvements in gross margins accruing to artisanal and small-scale miners, produce an NPV of around USD 20 million. Thus, in a country that ranks 151 out of 188 in the UN human development index with endemic poverty and youth unemployment, ASM offers an important opportunity for socio-economic development. Therefore, the integration of the ASM sector in the formal economy is crucial. The government and development partners need to cooperate to ensure more consistent policies are designed to attract more formalization of ASM activities.

References

ILO, (2011) Social and labor issues in small scale mines, International Labor Organization

Merket, H., Bouuaert, M.C, Doerner, E, & Verheijen, S. (2018) Mapping artisanal and small-scale mining in northwest Tanzania: A survey on its nature, scope and impact. Research report, The International Peace Information Services (IPIS), Belgium.

Ministry of Minerals (2015) Report on the baseline survey on artisanal and small-scale mining activities, Ministry of Minerals, Dar es salaam.

Ministry of Minerals (2018) Report on the baseline survey on artisanal and small-scale mining activities, Ministry of Minerals, Dar es salaam.

Mutagwaba, W., Tindyebwa, J.B., Makanta, V., Kaballega, D., & Maeda G., (2018) Artisanal and small-scale mining in Tnzania-Evidence to inform an 'action dialogue'. Research report, IIED, London.

Mwaipopo, R., Mutagwaba, W., & Nyange, D. (2004) Increasing the contribution of artisanal and small-scale mining to poverty reduction in Tanzania, based on an analysis of mining livelihoods in Misungwi and Geita Districts, Mwanza region. Department of International Development (UK).

Peronius, A., & Karlsson, Teemu. (2015) Assessment of the state of small-scale mining in Nachingwea area and a general nation-wide geochemical map of Tanzania. Research Report, Finland.

State Mining Corporation (2010) The state Mining Corporation Annual Report, Dar es Salaam.

Tanzania Women Association (2007) The Tanzania Women Association Annual Report, Dar es Salaam.

Appendix1: Summary of Impact Pathway

THE FORMALIZATION OF THE ARTISANAL AND SMALL SCALE MINING PROJECT

DIRECT OUTPUT

Public-Private Dialogues (PPDs), Workshops and Sensitization to key stakeholders (e.g. artisanal and small scale miners and their respective groups/unions) about formalization and the Mining Act, 1998

INTERMEDIATE OUTCOMES

Capacity Building through Training

-Capacity of Trainers.

-Capacity of artisanal and small scale miners (especially women miners).

-Capacity of dealers and brokers.

-Capacity of government officials.

Increase in the rate of formalization of ASM

50,000 miners have been formalized as a result of the project; out of those, 12,000 are women.

Accelerated Law Adoption

-Faster adoption of the Mining Act, 1998.

ADOPTION THROUGH CHANGE AGENTS

Enhanced Skills/knowledge from Capacity Building

Contribution to Policy Change-New Act (The Mining Act, 2010)`

Dissemination of the New Methods
(e.g. Land for ASM, new tenure for PML, decentralization of PML processing, ASM for Tanzanians only)

FINAL IMPACTS FROM CHANGED PRACTICES

The Cost-Benefit Analysis (CBA)

Improvement in gross margins to ASM

Increment of USD 13/gm in Selling Price with an NPV of USD 20 million


Photo: Shutterstock.com

TCCIA

CROP CESS IN NJOMBE REGION

A Cost-Benefit Analysis

Introduction

Tanzania is the largest country in East Africa with a land area of 945,087 km2 and a population of 56 million (NBS, 2018). It is set to be the fourth fastest growing economy in Africa with an average GDP growth rate of 6% - 7% over the last decade (World Bank, 2018). The Tanzanian economy is based mainly on agriculture whereby 80% of the sector is conducted on small scale by smallholder farmers in rural areas. These produce about 75% of the national agricultural output (Jamie & Wajiha, 2016). Agriculture is the most important sector in Tanzania employing 80% of the working age population and it accounts for 30% of the country's GDP and about 85% of the country's export revenue (BTI, 2017).

Despite its significance, the agriculture sector is lagging behind with a growth rate of 4% which is comparatively low. Tanzania ranks as the 33rd poorest country in the World (IMF, 2018). Eighty per cent of the Tanzania's poor live in rural areas, 89% of these depend on agriculture as the main source of income and employment. Taking into account what has been said, transformation of agriculture sector is one of the most reliable factors that is likely to spur poverty reduction. To attain this, among others, a review of fiscal aspects that impinge on the agricultural sector is needed.

One of the controversial agricultural taxation systems in Tanzania is the crop cess/produce cess. This levy is charged by the Local Government Authorities (LGAs) in accordance with the Local Finance Act, 1982 at the maximum rate of 5% of the farm-gate prices. It is a significant source of LGAs' revenue because it earns them about ⅓ of their total revenue. The main stakeholders in the agricultural sector argue that the rate of 5% (not taking into account other taxes such as the corporate tax, land rent, and fuel tax and payroll levies) is too high given that the agricultural sector is a low profitability industry. The situation is even worse for smallholder farmers who receive lower prices for their produce.

Apart from that, it is also a common practice for traders to pass all the 5% produce cess to producers/ smallholder farmers in terms of lower farm gate prices. Moreover, this tax is 17 times more than industrial producers have to pay (0.3%). In addition, revenues from the crop cess are actually used to finance general operations of the Local Government Authorities (LGAs) and are specifically used for the payment of sitting-in allowances to councilors and hence do not contribute directly to the development of the agricultural sector in the country.

BEST-Dialogue's Advocacy Role

BEST-Dialogue, being the fund for policy advocacy to improve Tanzania's business environment provided the financial assistance to facilitate dialogues between the public and private sectors to address this economic challenge in order to advocate a change of the laws. To achieve this, in 2013 TCCIA-Njombe engaged consultants with the financial aid from BEST-Dialogue in order to conduct a study that would provide insight about the produce cess regime in that region. Based on this, a proposal for improvements in the implementation and co-ordination of the produce cess in the region as well as the strategies that could be adopted in advocating policy/law reforms would be made.

Njombe region was selected because it is the leading region for agricultural produce, thus the problem had a wider impact in Njombe than in any other region in the country. The study was concluded in November, 2016 and the following main findings were tabled.

First, the study discovered that traders/ middlemen were transferring produce cess to smallholder farmers by offering lower prices for the produce justified by increasing the transaction costs.

Second, the 5% cess rate levied on the produce highly disadvantaged the farmers who earn very low gross margins and in this way it was simply an unbearable burden.[1] The burden borne by smallholder farmers has exacerbated for a long time their poverty and this inhibits endeavors that have been made towards agricultural revolution such as *Kilimo Kwanza*.

1 For example, the study found that in Ludewa district, a smallholder famer who is engaged in maize production obtains 16 bags of maize per each acre and incurs total costs (direct and indirect costs) of Tshs. 791,000/USD 360 per acre while obtaining sales revenue of Tshs. 798,000/USD 363; thus obtaining a low profit of Tshs. 7,000/USD 3 per acre.

Third, the study found that there were cases of cheating from revenue collection agents who provided deceitful statistics regarding crop cess collections due to inadequate monitoring, inspection, and auditing of agents' activities.[2]

The main policy recommendation from the study was that advocacy was needed for revision of the policies/laws in order to lower the crop cess which was then charged at the rate of 5%. Additionally, the study recommended close monitoring of crop collection by enforcing integrity, supervision, control and accountability measures. The study also recommended a revision of the tax mechanism to reduce the possibility of tax incidence shifting.

Outcome

Once study findings were disseminated, TCCIA-Njombe with the financial assistance from BEST-Dialogue, championed a serious advocacy program to lobby for change of the laws relating to crop cess administration and chargeability in Tanzania. Several Public-Private fora and meetings were held. These involved members of the parliament, LGA officers, smallholder farmers, cooperative unions, TCCIA and so on. Apart from that, the advocacy programme involved several media campaigns.

The advocacy initiatives achieved the following major outcomes:

First, in June 2017, the parliament of the United Republic of Tanzania passed a bill to reduce the crop cess charge stipulated in the Local Finance Act, 1982 from 5% to 3%. The implementation of the changes in the law was effected from the financial year 2017/2018.

Second, the government prohibited chargeability of cess on transportation of crops of less than 1 ton from one LGA to another. The measure was intended to increase income earned by farmers when selling their crops and to stimulate general economic growth in the country.

Third, from the financial year 2017/2018, Local Government Authorities (LGAs) replaced agents who were involved in cess collection with their own revenue collection officers. This is because agents were proven inefficient in administering the crop cess collection mechanism which led to significant loss of revenues by the LGAs. This move would ensure more control over revenue collection by the Local Government Authorities (LGAs).

Cost-Benefit Analysis

Cost-benefit analysis for this case involves an assessment of the impact of the change in crop cess policies. The benefits have been categorized in two ways. First, the reduction of crop cess from 5% to 3% has benefited all smallholder farmers countrywide. This is because the implementation of the changes in the crop cess policy was carried out by all Local Government Authorities (LGAs) in the country.[3] Second, the implementation of the recommendation to replace agents who were involved in cess collection with their own revenue collection officers improved the efficiency in revenue collection in all LGAs in the country.

The analysis begins with assessing how the changes in Local Government Finance Act, 1982 affected the smallholder farmers. As with most taxes, crop cess is a transfer between producers and consumers or those receiving the benefit and those losing as a result of the policy change in crop cess. Thus this approach will result to zero net benefits. Therefore, in order to measure effectively the impact of policy change, trends in production prices, and consumption levels are used to determine the costs and benefits accruing to smallholder farmers.

To determine the average production from smallholder farmers, national agricultural statistics for smallholder farmers are used. The National Smallholder Agricultural Survey of 2012 shows that, on average, annual production from smallholder farmers countrywide amounts to 13,400,000 tons (i.e. 13,400,000,000 kgs). Surveys by ACT (2012, 2018); Njombe District Council (2008); Nyange et al. (2014); and the World Bank (2009)

2 For example, the study found that in Matamba ward in Makete district, crop cess from 10 trucks loaded with Irish potatoes were not reported to the LGA. For a truck carrying 18 tons/180 bags of potatoes, the LGA lost crop cess of Tshs. 3,600,000/USD 1640.

3 Although the advocacy project was carried out by TCCIA-Njombe, all LGAs in the country were provided with circulars which required them immediately to implement the new tax rates. To put more emphasis on the implementation of the new tax policy, during the meeting of the National Business Council of October 2018, the President promised personally to deal with any District Executive Director (DED) whose LGA would charge higher crop cess rate on farm produce than the legal requirement.

show that only 40% (i.e. 5,360,000,000 kgs) of the farm produce by smallholder farmers is traded at the farm-gate level where crop cess was charged at the rate of 5% of the value of the produce.

In order to determine the farm-gate prices, information obtained from the scoping study for impact assessment and statistics from Farm-gate Price Monitoring-Tanzania report by VMA show that, the average farm gate price for farm produce in Tanzania is Tshs. 1050 per kg. Therefore, on average, the total value of the farm produce of smallholder farmers traded at the farm-gate level is Tshs. 5,628,000,000,000 (i.e. 5,360,000,000 kg × Tshs. 1050 per kg). On average, before the change in tax policy, crop cess charged on smallholder farmers' produce was Tshs. 281,400,000,000 (i.e. Tshs. 5,628, 000,000,000 ×5%). However, after the reduction of the crop cess rate to 3%, Tshs. 168,840,000,000 was collected as crop cess from smallholder farmers, a reduction of Tshs. 112,560,000,000.

Several studies and surveys have concluded that traders transfer the whole amount of the crop cess to smallholder farmers. Nonetheless, information gathered during the scoping study revealed that smallholder farmers do not benefit by 100% of the crop cess reduction. Smallholder farmers' gross margins have improved by only 30% of the amount of crop cess reduction. This is equivalent to **Tshs. 33,768,000,000** (i.e. 30% ×Tshs. 112, 560,000,000) or **USD 15,350,000.**

As explained above, the second benefit accrued to the LGAs. For LGAs, the main impact has been felt through the increase in efficiency of revenue collection as a result of non-renewal of the agents' contracts who were involved in the administration of the collection of the produce cess.

To quantify benefits accruing to LGAs, both secondary data and information obtained from District Trade Officers (DTOs) during the impact assessment scoping study reveal that efficiency in revenue collection from crop cess for the financial year 2017/018 has increased to 90%. Before 2017/2018, only 50% of the revenue collected at farm-gate level was submitted to LGAs by the agents. This implies that only 50% of Tshs. 281,400,000,000 was submitted to LGAs (i.e. Tshs. 140,700,000,000). After the change in policy, 90% of Tshs. 168,840,000,000 (i.e. Tshs. 152,000,000,000) is now submitted to LGAs. The incremental benefit is **Tshs. 11,300,000,000** (i.e. Tshs. 152,000,000,000- Tshs. 140,700,000,000 or **USD 5,100,000.**

Thus, the total annual amount of incremental benefit accruing per annum from the reform (i.e. for smallholder farmers and LGAs) is Tshs. **45,068,000,000** or **USD 20,485,000.**

BEST-Dialogue provided **USD 23,000** for the project. To determine costs and benefits over time, the net present value (NPV) is calculated from the time the project began in 2013 till 2020 when the BEST-Dialogue project is completely phased out. A discount rate of 12% is used. This is equivalent to the private investment lending rate. The results of the model[4] indicate that the **net present value for the project is USD 44,300,000** over 8 years, with a **benefit cost ratio (BCR) of 891** as shown in Table 4.1 below:

Table 4.1: Summary of the Economic Analysis

Unit	2013	2017-2020
Cost of the Project	USD 23,000	
Improvement of the gross margin of smallholder farmers (per annum)		USD 15,350,000
Increase in efficiency of revenue collection by LGAs (per annum)		USD 5,100,000
Net Present Value (NPV) for benefits over eight years		**USD 44,300,000**
Benefit –Cost Ratio (BCR)		**891**

4 Jelilov and Isik (2016) note that most of the studies investigating the effect of agricultural policies have used the net present value model. NPV is the difference between the present values of benefits and costs, calculated using the model below:

$$NPV = \sum_{t=0}^{n} \frac{B_t - C_t}{(1+r)^t}$$

Where Bt represent benefits at time t; Ct represent costs at time t; r is the discount rate and n is the length of time for the project's benefit and cost streams

Conclusion

A large proportion of the working population is still primarily engaged in agricultural activities whereby most of them live in rural areas with extremely poor conditions. Despite the current success of the advocacy programme that led to changes in the rate of crop cess and its administration, more efforts are needed to reduce crop cess accruing to smallholder farmers even further. Although this requires a combination of efforts from various stakeholders, TCCIA's initiatives are an important step towards achieving more reduction of the crop cess in order to increase the spillover effect in the economy.

Summary of the Impact Pathway

THE CROP CESS PROJECT IN NJOMBE

DIRECT OUTPUT

Policy Recommendations:
- Revision of the policies/laws
- Close monitoring of crop collection

INTERMEDIATE OUTCOMES

Capacity Building through Training for PPDs	Advocacy Programme to Accelerate Change of the Law

ADOPTION THROUGH CHANGE AGENTS

Introduction of New Methods for Crop Cess Administration	Contribution to Policy Change-Reduction of Crop Cess Rate

FINAL IMPACTS FROM CHANGED PRACTICES

Improved of Profit Margins of Smallholder farmers	`Increased in Efficiency in Revenue Collection by LGAs	Increased in Revenue Collection	Social Improvement through Poverty Reduction

Reference

Agricultural Council of Tanzania, ACT (2012). A Study of Produce Cess Taxation System in Tanzania. Report for Agricultural LGA of Tanzania.

Agricultural Council of Tanzania, ACT (2012). Multiple Regulations in the Agricultural Sector in Tanzania. Report for Agricultural LGA of Tanzania.

Bertelsmann Stiftung, BTI 2017- Tanzania Country Report. Gutersloh: Bertelsmann Stiftung, 2016.

Jamie, A., & Wajiha, A. (2016).Smallholder Diaries: Building the Evidence Base with Farming Families in Mozambique, Tanzania and Pakistan, CGAP.

International Monetary Fund Annual Report (2018). IMF

Jelilov, G., & Isik, A. (2016). The Impact of Tax Reforms and Economic Growth of Nigeria. The Empirical Letters, 15(5), 435-443.

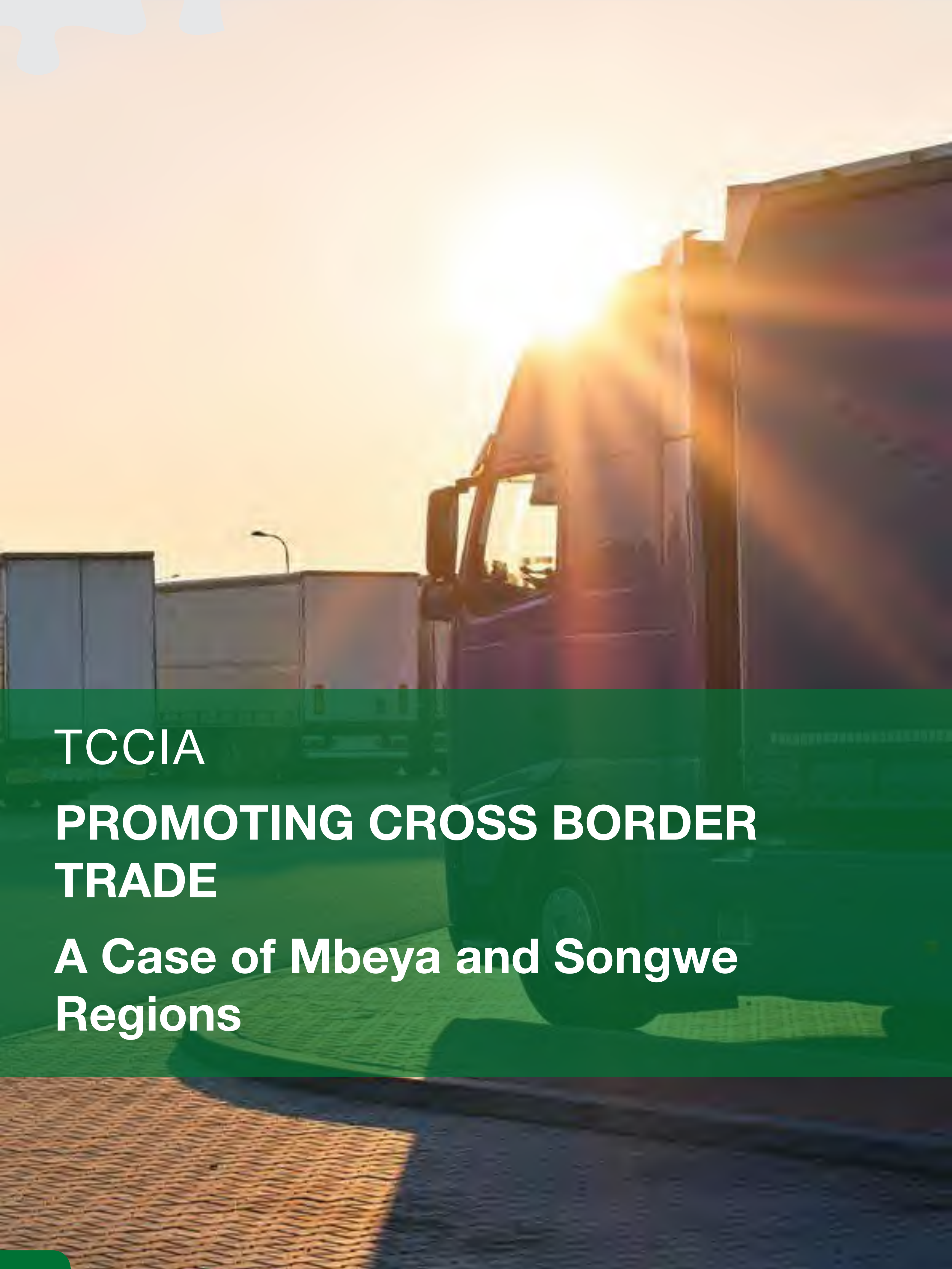
National Bureau of Statistics (NBS) [Tanzania]. 2018. Tanzania National Panel Survey Report (NPS).

Njombe District Council (2008), "District Taxation, Revenue Collection and Transaction Costs For the Agricultural Sector in Njombe", A Draft Report By The Institute of Continuing Education (ICE) of Mzumbe University.

Nyange, D., Tschirley, D., Nassoro, H., & Gaspar, A. (2014). Agricultural Produce Cess in Tanzania: Policy Options for Fiscal Reforms, Ministry of Agriculture, Food Security and Cooperatives, Tanzania.

The World Bank Annual Report (2018). The World Bank.

VAM, 2017. Farm-gate Price Monitoring in Selected Impact Countries-Tanzania Report. WFP



TCCIA

PROMOTING CROSS BORDER TRADE

A Case of Mbeya and Songwe Regions

Introduction

Improved business environment for Cross Border Trade (CBT) provides a basis for traders and the broader business community to comply, invest and participate in accelerating its growth. This could be attained by addressing business environment challenges that not only perpetuate informal CBT but also limit trade facilitation.

Mbeya and Songwe Regions are the country's transport route linking to the land locked Malawi, Zambia and Democratic Republic of Congo. Despite this, CBT performance has been relatively poor. The poor performance is linked to factors such as Government policies and procedures, quality of infrastructure, market incentive and behaviours of the private sector, as well as quality of business environment.

With hindsight, informal traders (who are often small-scale traders) have dominated CBT. Informal (unregistered) traders support livelihoods, particularly in remote locations. Thus, jobs are created, especially for vulnerable groups such as poor women and unemployed youth, and contributes to food security in that it largely features raw agricultural products and processed food items. Allowing cross-border traders to flourish, grow, and gradually integrate into the formal economy would boost trade and the private sector, in turn supporting growth and development, while increasing governments' revenues and therefore their ability to provide public goods.

Integration of informal CBT faces numerous challenges that are categorized into three groups: (1) Those associated with inadequate CBT and border infrastructure; (2) those related to border policies and regulations; and, (3) those related to trader support (see Table 1).

Table 1: Challenges facing Cross Border Traders in Mbeya and Songwe

Category	Challenge
CBT and Border infrastructure	• Poor water and electricity services, • Poor internet services, • Unimproved transport facilities (roads, bridges, cranes, and parking etc), • Insufficient market and storage facilities, • Inadequate office structures.
Border policies and regulations	• High and countless taxes, • High cost to cross the border (transport cost, visa, clearance charges etc), • Corruption and bribes, • Insecurity, violence, conflict and robbery, • Smuggling, • Confiscation of goods, • Early closure of the border post, • Harassment, • Delays, • Too many agencies or intermediarie
Trade support	• Lack of funding, • Inability to access finance/ credit, • Lack of knowledge and information on trade requirements, • Lack of market information.

The burden imposed by inadequate border infrastructure, unfavourable trade regulations and insufficient trade support to CBT mean that the majority of small and medium-scale traders do participate informally.

In this regard, TCCIA-Mbeya was supported with two grants by BEST-Dialogue, the first grant of US$17,250 was given to review regulatory framework governing the cross border trade and come up with clear recommendations on all issues that affect private sector with an emphasis on local traders in doing inter-regional trade, while the second grant of US$ 11,300 was given to facilitate dialogues on business environment challenges that limit ability of Mbeya and Songwe regions from taking full advantage of the CBT.

Key findings

The study conducted in Mbeya and Songwe identified the following challenges pertinent to improving informal CBT:

- **Leeway to operate informally: Although operating in the formal sector is more secure than the informal sector, it was found that many traders preferred informal operations because it is more profitable. Notable benefits highlighted include avoiding taxation, no need to go through a long bureaucratic procedure and selling at low prices because of low costs, which attracts more customers.**
- **The potential for increased CBT among small scale traders:** it was observed that there is an open chance for increasing the number of CBT participants through integration of informal players to formal systems. However, this is dependent on the political will and strategic mechanisms that encourage small-scale traders to switch from informal to formal trade by lowering the costs of formal import and export procedures and easing the official trade.
- **High cost of export permits:** Despite the efforts that have been done to reduce the bureaucracy in securing the export permits, delays in obtaining the permits are still a critical challenge. Further, the permit issued lasts for one month which is a very short time for CBT.
- **Lack of transparency in tax calculation:** Different traders are being taxed differently for the same unit of imported or exported goods. It is unclear to traders as to which formula is being used for taxation of commodities, including the criteria used.
- **Discomfort with export ban on cereals:** Frequent export ban of cereals are often put in place to secure national reserves in a context of raising regional demand. However, the ban does not consider the cost incurred during production neither does it provide an alternative to farmers. Largely, it affects competitiveness and investment prospects that have direct implications on agricultural productivity and poverty. Moreover, the ban entailed a requirement to seek an export permit, but the process of obtaining it is normally marred by heavy bureaucracy.
- **Need to introduce 'One Stop Border Post':** One Stop Border Post (OSBP) is a border facility that combines two stops for national border control processing into one and consolidates border control functions in a shared space for exiting one country and entering another. Given the business progress that has been made on the Zambian side of Tunduma – Nakonde, border traders and business communities in Mbeya and Songwe regions are keen to see accelerated development and operationalization of the OSBP on the Tanzanian side.

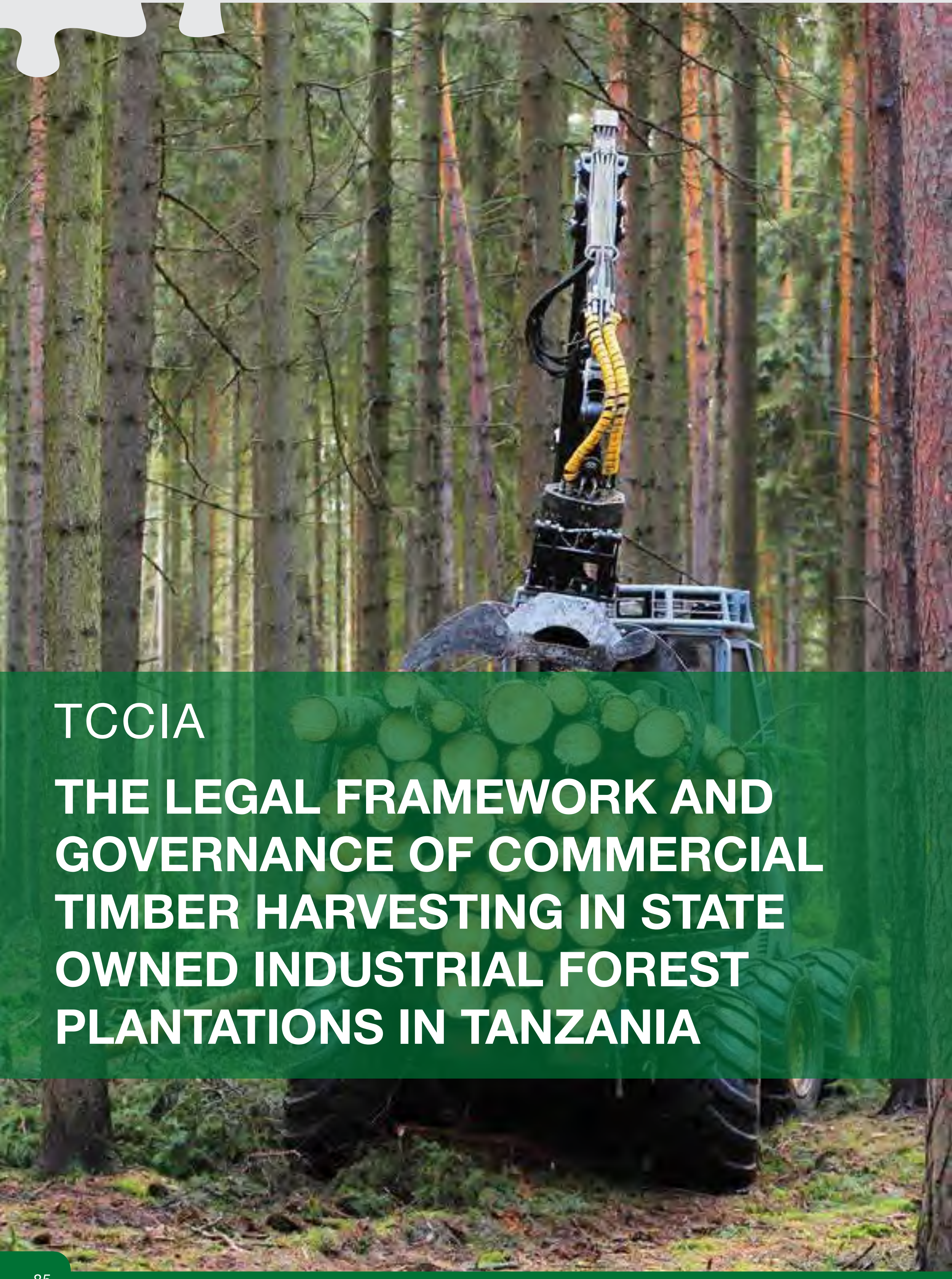
Impact of the intervention

- **Trade Information and Knowledge:** CBT knowledge on export and market requirements has been enhanced. This has been contributed by the trainings conducted by Tanzania Chamber of Commerce Industry and Agriculture (TCCIA) – Mbeya Region in collaboration with various stakeholders and donors. Further, to facilitate operational support to CBT and increase their participation, TCCIA-Mbeya has established an office at the border post.
- **Engagement in Public-Private Dialogue:** following series of dialogue sessions with the Regional Commissioner's office and various trade and business development partners, there is potential for improved business environment for cross border trade in Mbeya and Songwe regions.
- **Simplification of Trade Regime:** TCCIA-Mbeya together with other trade and business stakeholders are working with Tanzania Revenue Authority (TRA) to create a Simplified Trade Regime (STR). Currently, all consignments of goods that are valued at under US$ 2,000 on 23 cross-border items are exempt from clearing and forwarding procedures and from payment of import duty.

Lessons learned

- Knowing that small-scale traders are more likely to use informal routes as it is perceived more convenient than formal-route, then the potential of CBT growth and improvement is limited by the porous nature of borders as well as poor necessary facilities.
- Given the anecdotal information that CBT (both formal & informal) have become an easy prey for patrol police, hence there is a high chance of corruption and rent seeking, this will not only affect the trade and market forces but also the government revenues
- To have an effective PPDs for improving CBT, small-scale traders should perceive trade and government authorities not as threat but growth opportunity for their businesses, while for the government authorities (especially customs, immigration and patrol police) should see themselves as facilitators for the growth of CBT.
- The trade regulations are not favourable to small-scale traders, so this should be an agenda for reforming the customs management act or instituting procedures specific for small-scale traders as core input when establishing any Simplified Trade Regime.

Photo: blinkstarphotography.wordpress.com



TCCIA

THE LEGAL FRAMEWORK AND GOVERNANCE OF COMMERCIAL TIMBER HARVESTING IN STATE OWNED INDUSTRIAL FOREST PLANTATIONS IN TANZANIA

Introduction

Forest harvesting and timber production are a major business activity in the Southern Highlands of Tanzania, particularly in Mufindi District. Sao Hill industrial forest plantation is a major entity in timber production. It has a total area of 135,903 ha, which is about 46% of the total gazetted industrial forest plantations in Tanzania Mainland. In terms of planted area, Sao Hill Forest Plantation (SFP) has 52,070 ha, which is about 58% of all planted industrial forest plantations in Tanzania Mainland. In Mufindi District, SFP is the main supplier of wood material, which accounts for about 85% of all wood production in the District. About 83% of sawmills in Mufindi District are small-scale with rudimentary technology such as push benches mainly powered by diesel engines commonly known as 'dingdong' (see e.g. Picture 1&2; Table 1). These small-scale industries are the major consumers of the log supply from SFP. Despite the importance of small and medium based forest enterprises (SMFEs), the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) observed that the system[1] of harvesting of forest produce from public (state-owned) plantations had flaws, which limited effective participation of SMFEs.

According to TCCIA (2016), the malpractices in timber harvesting permits have created a rent seeking behavior among actors including forest officers, local and central government officials and politicians. Apart from denying the government their expected revenue, this practice has increased the price of wood and subsequently escalated prices of sawn wood in the market. Worse yet, the limited supply of wood coupled with malpractices in the issuance of timber harvesting permits has led to low utilization of sawmills among the micro, small and medium scale based forest industries. Most small-scale industries operated below 68% of their capacities. In order to enhance sustainable development of SMFEs, a credible system of forest sector administration with a clear legal basis and unambiguous procedures was needed.[2] According to the World Bank (2006),[3] a holistic view of forest sector management is important because law enforcement alone will not work unless the laws themselves, the processes and institutions that influence forest use are improved.

Table 1: Sawmill technologies being used in Tanzania

Technology types	Approximate extent of use	Characteristics
Mobile		
Pit and chain saw	Less than 3% of the milling operations in private plantation forests.	• Low recovery and productivity. • Poor product quality. • Suitable for individual trees with difficult access.
'Dingdong' saw	About 50% of sawmill operations in government forests and more than 90% of sawmill operations in private forests.	• Poor product quality. • Suitable for diameters of up to 35cm. • Suitable for scattered plots and low harvesting volumes per sit.
Kara type, circular sawmill	• About 20% of sawmills operating in government forests. • 1 sawmill in private forests.	• Product quality depends on an operator. • Suitable for logs of up to 35cm.
Band saw (Chinese and American models)	1% of sawmills.	• Suitable for logs bigger than 30cm diameter. • Product quality depends on an operator.
Stationary		
Vertical band saw (Chinese model)	About 5% of the sawmills using wood from government forest.	• Suitable logs size from 30cm.
Horizontal band saw (Chinese and Indian models)	About 5% of the sawmills using wood from government forest.	• Suitable for logs from 40cm diameter. • Product quality depends on an operator.

Source: FDT (2017; 80)[4]

1 i.e. application, screening and issuing of commercial timber harvesting permits and licenses and use of permits

2 Forestry Development Trust (FDT) (2017). Tanzania Wood Product Market Study. https://www.unique-landuse.de/images/publications/vereinheitlicht/UNIQUE_FDT_Market_Study_FINAL.pdf

3 As cited by TCCIA (2016; 16). A review of legal framework and governance of commercial timber harvesting in the state-owned industrial forest plantations in Tanzania. BEST-Dialogue

4 Forestry Development Trust (FDT) (2017). Tanzania Wood Product Market Study. https://www.unique-landuse.de/images/publications/vereinheitlicht/UNIQUE_FDT_Market_Study_FINAL.pdf

TCCIA Mufindi sought financial support of USD 65,000 from Business Environment Strengthening for Tanzania - Dialogue (BEST-Dialogue) to conduct a study to review the commercial timber harvesting legal framework and governance system in state-owned industrial forest plantations and to develop a policy proposal for advocacy. The TCCIA study was expected to come up with policy recommendations for advocacy to influence the government to either amend the Forest Policy of 1998 and its associated legal framework or enhance enforcement of the existing laws and regulations. TCCIA Mufindi commissioned a local consultant to undertake the study.

The main objective was to review the legal framework and the governance of commercial timber harvesting in state-owned industrial forest plantations in Tanzania and to identify gaps for improvement to ensure sustainable supply of forest produce and other forest services, the focus being to nurture SMFEs as active players in the economic development of the country. The specific objectives of the study were threefold:

1. First, review the national strategic documents, the forest policy and legal frameworks in order to identify gaps for improvement of the existing forest governance framework;
2. Second, engage key stakeholders (the government, non-government and private sector) to discuss the identified gaps and a proposed legal framework;
3. Third, facilitate public-private dialogue between the government and timber stakeholders on processes involved in issuing commercial timber harvesting permits, based on good forest governance and law enforcement principles.

Methodology

This case study was undertaken mainly through desk review of grey literature. The consultant reviewed project reports, Tanzania Forest Services (TFS) Agency, Forest Development Trust (FDT) and other publications. Also, the consultant reviewed similar studies supported by BEST-Dialogue. Impacts were established by using available secondary data from the TFS website.

The desk review was guided by an evidence template which was structured according to 10 evaluation questions (shown in the sidebar) and extracted and synthesized appropriate information. The gaps in the existing documents were supplemented by limited phone interviews with TCCIA staff in Mufindi District who were involved in the project.

Case Study Questions

1. What issues were addressed?
2. What was the relevance/rationale of the addressed issues?
3. When and how were the issues addressed?
4. What were the key outputs/achievements?
5. What are the key outcomes or policy wins?
6. What are the qualitative impacts (or prospective impacts) of the project/s?
7. What are the quantitative impacts (or prospective impacts) of the project/s?
8. Were the issues/projects addressed sustainable or are there sustainability plans?
9. 9. What were the unintended consequences of the project/s if any?
10. What were the lessons learnt by the project/s?

The case study commenced with inception meeting with TCCIA Mufindi, which was conducted over the phone. This inception meeting aimed at obtaining a full picture of the BEST-Dialogue relationship with TCCIA Mufindi and other key stakeholders in this project.

Outcome

Results and Recommendations of the TCCIA Study

The TCCIA study identified four main issues of concern regarding the legal framework and the governance of commercial timber harvesting in stated-owned industrial forest plantations in Tanzania. The four issues are outlined below:

1. First, the Forest Policy 1998, the Forest Act 2002 and the Forest Regulations of 2004 had no explicit sections to enhance and to regulate SMFEs, which are the major consumers of log supply from state-owned industrial forest especially SFP;

2. Second, the validity of a timber certificate of registration which expires on the 30th June each calendar year was too short for SMFEs to be credible in the eyes of financial institutions;
3. Third, there was a loss of revenue by Tanzania Revenue Authority (TRA) and Local Government Authorities (LGAs) which was caused by uncoordinated operations of the two institutions with Tanzania Forest Services (TFS) Agency. Revenue losses resulted due to:
    - Duplication in the use of transit pass (TP);
    - License fee was not collected for some harvesting permits; and
    - Number of tax clearance certificates did not reconcile with number of permits issued. In some cases, the number of permits did not tally with the number of respective licenses and tax clearance certificates offered by LGAs and TRA, respectively. For example, in 2015/2016 in Mufindi there were 964 registered harvesting permits but at the same time, there were 700 tax clearances and only 300 business licenses.
4. Fourth, although the guidelines on timber harvesting in natural forests were readily available on the TFS website and in print form, guidelines on timber harvesting in industrial forest plantations was not available.

Based on the findings, the TCCIA study with subsequent stakeholders' validation workshop which was held in July 2016, came up with several policy recommendations to address the issues in the legal framework and the governance of commercial timber harvesting in stated-owned industrial forests for enhancing effective and sustainable SMFEs participation. Some key recommendations were as follows:

1. First, the need to harmonize government documents, which are closely related, so that related issues such as SMEs across sectors are taken on board concurrently. This means that the review of the forest policy should be recalled in order to consider cross-cutting issues in the SME sector's policy and emerging issues geared towards nurturing of SMFEs.
2. Second, since the draft of the National Forest Policy (NFP) has statements on development of SMFEs and the draft of the National Forest Programme contains a SMFE subprogramme; while the Forest Act (2002) and Forest Regulations (2004) are not categorical on SMFEs, there is a need to harmonize the documents so that the SMFE subprogramme in the draft NFP is regulated by the law.
3. Third, provisions be included in the Forest Act and Regulations that enforce participatory processes in setting royalty and other fees, screening applications for permits and/or registration. There is therefore, a need to make forest regulations, preparation of tender/auction/private agreements and guidelines etc., mandatory. This is a responsibility of the responsible Ministries and stakeholders.
4. Fourth, since notable weaknesses in information sharing between TFS, LGAs, local community, and private sector were observed, an appropriate information management system is recommended to be done by TFS to link it with relevant stakeholders. In addition, the public-private dialogue should be formalized.
5. Fifth, the Ministry of Natural Resources and Tourism (MNRT), academia, Tanzania Bureau of Standards (TBS) and private sector organizations (PSOs) should collaborate to develop schedules for log and timber grading for the local market.
6. Sixth, TFS, Ministry of Industry and Trade (MIT) and Business Registration and Licensing Agency (BRELA) should institutionalize registration of property marks for timber dealers.
7. Seventh, TFS in collaboration with relevant stakeholders should develop an information management system to monitor transactions between TFS, LGAs and TRA in order to enhance revenue collection.

Outcome on Policy and Regulatory Framework

At about the same time in 2016 and 2017, the government reviewed the Forest Policy of 1998 and developed a guideline to govern issuance of harvesting permits in state-owned industrial forest plantations, including SFP. The government recognized that the current practices in issuance of permits did not foster investment in the sector due to an unreliable supply of wood. Also, the government recognized that forest-based enterprises are likely to use other means such as stealing or avoiding tax if wood is not supplied in clear and transparent ways.

Review of the forest policy

Available evidence shows that the National Forest Policy of 1998 has been under review since at least 2008, when a zero draft was developed.[5,6] A draft forest policy was circulated for stakeholders' comments in 2014. By the time the TCCIA study was concluded, a consultative process was under way in order to finalize the new Forest Policy. The author cited the new National Forest Policy, 2016 labeled as "Final Draft".

Although it cannot be claimed that the TCCIA study and subsequent dissemination/validation and advocacy workshops resulted in the review of the policy, it is evident that this may have sped up the consultative process with a wide range of stakeholders (TCCIA was also invited) that led to the release of the final draft in 2016. Moreover, the TCCIA study urged the recall of the draft to incorporate the aforementioned recommendations. However, there is no readily available information that could explain what happened afterwards or why the "Final Draft" version of 2016 has still not been published.

Development of guidelines for harvesting timber in State-owned forests

In 2017, the government developed a guideline to govern issuance of harvesting permits in state-owned industrial forest plantations, including teak trees. Among other things, the guideline specified the issuance of permits for teak trees (tectona grandis) and other industrial forest plantations. For other plantations, the guideline focused on harvesting of pine trees (pinus spp) and eucalyptus (eucalyptus spp), whose permits are issued to enterprises with timber/wood processing plants only. The volumes allocated to enterprises depend on the size of the sawmill plant, technology used, number of people employed by the plant, and the market demand. TFS verifies the sawmill plants/enterprises and upload their information in the TFS database. Only sawmill plants or enterprises whose information is available on TFS database are given the permits. The guideline urges small scale enterprises that use the 'dingdong' diesel powered engines to upgrade their technology in order to increase productivity.

Impact

The direct or indirect impacts of the TCCIA project could not be established due unavailability of data in grey literature or from scientific publications. As such, it cannot be ascertained whether access to harvesting permits by SMFEs has increased as a result of TCCIA project nor whether SMFEs have updated their technology to enhance productivity. Nonetheless, Table 2 shows the number and volume of pine tree (Pinus spp) allocated to different categories of enterprises in 2014/2015 and 2016/2017. As shown in the table, the number of micro and small enterprises that were granted with permits increased from 654 in 2014/2015 to 910 in 2016/2017. Also, the volume of wood allocated to micro and small enterprises increased from cubic meter 130,800 in 2014/2015 to 182,000 in 2016/2017.

Table 2: Permits issued and volume of pine sold at SFP in 2014/15 and 2016/17

Type of enterprises	Number of enterprises		Total volume allocated (m3)	
	2014/2015	2016/2017	2014/2015	2016/2017
Large enterprises with contract	3	4	168,000	320,000
Large enterprises with no contract	4	22	8,000	26,300
Medium enterprises	128	111	50,100	49,950
Micro and small-scale enterprises	654	910	130,800	182,000
Villages/groups	N/A	60	17,200	32,000
Religious institutions	10	N/A	2,000	1,200

Source: TFS (2015)[7] and TFS (2017).[8]

5 http://www.tfcg.org/wp-content/uploads/2018/05/TTCSNationalBiomassEnergyWorkshopReport2017FINAL.pdf

6 https://www.tnrf.org/files/E-MNRT-FBD_Zero_Draft_National_Forestry_Policy_Stakeholders_Version_2008.pdf

7 http://www.tfs.go.tz/index.php/en/resources/category/publications-and-reports/P24

8 http://www.tfs.go.tz/index.php/en/resources/category/publications-and-reports/P16

In 2016/2017 TFS conducted a verification of sawmill enterprises for issuance of harvesting permits. Consequently, in 2018/2019 TFS announced its intention to sell tree plots from various industrial forest plantations, including Sao Hill.[9] The announcement asked the verified sawmill enterprises, new sawmill enterprises and previously verified sawmill enterprises which had changed or upgraded their technology to apply for the permits. This is an indication that permit application and issuance processes have increasingly been transparent.

Progress

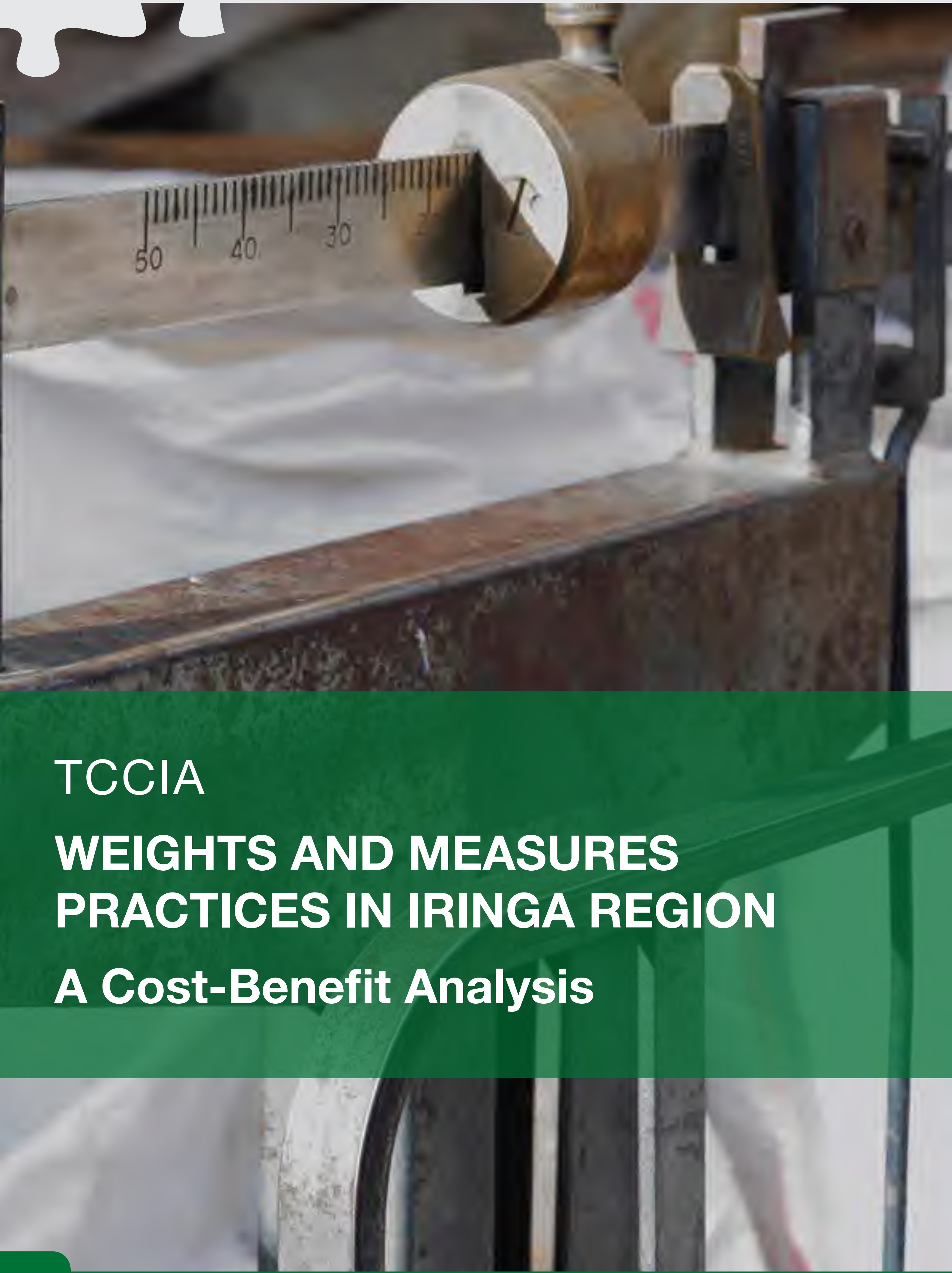
TCCIA planned to conduct further dialogues through meetings with the government, financial institutions and other stakeholders and to continue to raise awareness among SMFEs on access to finance for them to upgrade their technology. Upgrading the technology to increase productivity of especially the micro and small forest-based enterprises from pit and chain saw to 'dingdong' and from 'dingdong' diesel powered engines to modern technology requires access to finance. However, access to finance for a one-year valid permit is a challenge. Thus, TCCIA continues to advocate to the government for longer period permits for SMFEs.

Lessons learned

Nurturing forest-based micro, small and medium enterprises as key players in economic development is important. The importance arises due to the fact that forest resources are a source of income and livelihood to rural and urban people. Forests provide over 75% of all construction materials and the sector employs about 3 million people. However, forest-based enterprises have continued to face a number of challenges in accessing harvesting permits, high log prices as well as source of capital to upgrade their technology. Key lessons learned by TCCIA Mufindi include:

- First, access to harvesting permits alone will not solve the technological challenges that forest-based enterprises are facing. Even when SMFEs have access to permits, their production is limited due to poor technology, which has a low recovery rate of less than 30%.
- Second, access to credit facilities by SMFEs is limited. For SMFEs to reap the benefits of improved access to permits, they need access to affordable credit to upgrade their technology and increase productivity. Cost-effective technological support is needed to SMFEs in the District. TCCIA continues to conduct sensitization and advocacy meeting with the government, financial institutions and key stakeholders to ensure that SMFEs have access to affordable credit.
- Third, duration of the harvesting permits is one of the factors that limit SMFEs access to credit. The issued permits are valid for a maximum period of one year. This period is too short for SMFEs to access credit from formal financial institutions. As such, some SMFEs opt for informal sources of finance which have higher interest rates and shorter repayment periods than the formal financial institutions. This exacerbates their production and marketing challenges.

9 TFS (2018): http://www.tfs.go.tz/index.php/en/resources/view/tangazo-la-kuuza-miti-katika-mashamba-11-ya-miti-ya-kupanda



TCCIA

WEIGHTS AND MEASURES PRACTICES IN IRINGA REGION

A Cost-Benefit Analysis

Introduction

Despite the existence of the Weights and Measures Act No. 2, 1982, for decades, the persistent use of non-standard weights and measures in the agricultural products has become a broad-based agenda and a subject for research in Tanzania where the problem is rampant. The use of non-standard measures by primary traders is one among the leading causes of rural poverty in Tanzania where 80% of smallholder farmers contribute to over 75% of the total agricultural produce in the country (Jamie & Wajiha, 2016).

Equally, the use of non-standard measures in defiance of the law, leads to a substantial loss of Local Government Authorities' (LGAs) revenues. Apart from financial losses, it has been established that the overloading of bags in defiance of the law, is a health risk to those who handle cargo by moving the overloaded bags between locations or loading and offloading them (RLDC, 2013).

The government's efforts to address the problem included the establishment of the Weights and Measures Agency (WMA) in 1999 to replace the Directorate of Weights and Measures which was under the ministry of Industry and Trade. This move was also part of the Civil Service Reform Programme (CSRP) to increase efficiency and effectiveness of public service delivery.

The Weights and Measures Agency is an executive agency, responsible for fair trade transactions through certification of weights and measures. It is the sole agency in Tanzania for enforcing the Weights and Measures Act No. 2 of 1982. The Agency's main role has been to ensure that consumers, businesses, and manufacturers are protected from unfair practices through the enforcement of the use of accurate weights and measures.

Despite the government efforts that were designed to implement the applicable law, experts and researchers believed that the issues of weights and measures were yet to be effectively addressed since key stakeholders such as farmers and traders continued to use unauthorized weights and measures in defiance of the existence of the law and related regulations.

A survey done by ECi, Africa and DAI-PESA (2004) concluded that not only that there was no compliance with the government regulations on weights and measures of agricultural products in Tanzania but traders used non-standard sized bags. This led to an alarming variance in the bags' weights notwithstanding that this variance did not alter the prices at which these bags were traded. Farmers and traders were not using standard weights and measures largely because of lack of awareness of the Weights and Measures Act, 1982.

Farmers who perceived that traders exploited them engaged in malpractices by adding stones, water and other items to the crops bags in order to increase volume. These practices continued to deprive smallholder farmers as well as the local government authorities' significant revenues.

BEST-AC/Dialogue's Advocacy Role

The "weights and measures" issue is diverse and it requires the joint efforts of various stakeholders especially at local level where primary actors are found. To achieve this, BEST-AC/Dialogue provided financial assistance to TCCIA-Iringa in order to advocate the enforcement of the Weights and Measures Act and to address the challenges and the effects of selling agricultural produce without the use of a certified scale.

Iringa was selected as a case study because it is the leading region in the country in crop produce especially cereal/grain crops and it is the second highest region with per-capita GDP. Therefore, the level and impact of the "weights and measures" problem could be well analyzed in Iringa than any other region in Tanzania.

The advocacy project involved two phases. Phase I of the project was carried out from March 2006 to June 2006. It involved one-day sensitization workshops in 10 trade centers targeting 500 smallholder farmers, traders, and government officials scattered over 6 administrative districts of the present Iringa region. In phase II of the project (November 2007- January 2008), the approach targeted district level officers and Ward Executive Officers (WEOs). This phase aimed at reaching out to 276 participants in all Iringa wards. Both phases of the project involved 784 participants in total which was more than the project had anticipated.

Outcome

Despite such an advocacy program through trainings/workshops and sensitization regarding the importance of the implementation of the weights and measures laws, the problem of “lumbesa” in Iringa region persisted! TCCIA-Iringa in collaboration with BEST-Dialogue engaged IMED consultants to conduct a follow-up study in 2013 to evaluate the level of the enforcement of the weights and measures laws and to find out reasons for non-compliance.

The study concluded that the level of the implementation/enforcement of the weights and measures laws was still low and that both farmers and the LGAs were still facing significant loss of revenues from the malpractice. An IMED study in 2013 revealed that Iringa lost almost 1.2 million USD of crop cess annually when only maize and paddy are traded based on lumbesa-based calibration. If all crops are considered, the impact of lumbesa is much higher than it appears to be. The smallholder farmers’ annual income lost through the same practice in Iringa is over 6.7 million USD.

Among others, the IMED study identified that the main gap which hindered the successful enforcement of the Weight and Measure laws was the low rates of fines which stood between Tshs. 10,000/5 USD and Tshs. 20,000/10 USD for persons who failed to comply with the requirements of the Act. The study thus recommended an immediate lobbying for change of the then fines the Weights and Measures Act, 1982 stipulated.

TCCIA-Iringa with the financial and technical assistance from BEST-Dialogue lobbied the public sector and finally, on 08/11/2016, The Weight and Measure Act, 1982 (Cap 340) was amended with respect to fines which were increased from ranges of Tshs. 10,000/USD 5 – Tshs. 20,000/USD 10 to Tshs. 100,000/USD 50 – Tshs. 100,000,000/USD 50,000.

Impact

The amendment of the law was effective in reducing the rate of offences, which in turn has been an important step towards the adoption of standard weights and measures practices. Within six months of the amendment of the law, the rate of offences was reduced by 67%. By December 2017, the rate of offences was further reduced by 75%.

Using an un-weighted “Weights and Measures Index, the level of compliance with the Weights and Measures Act, 1982 was measured in November 2018 during an impact assessment scoping study. The results of the analysis revealed that the current extent of enforcement of and compliance with the Weights and Measures laws relating to agricultural produce in Iringa region is 89% , which is quite impressive considering the fact that it is not quite two years since the law was changed.

In addition, the improvement in the enforcement of the weights and measures law has had a positive impact with respect to porters’ health. This was observed during the scoping study for impact assessment. The use of non-standard measures caused muscular pains, headaches, tingling and numbness in the arms and legs to porters. Some of them even faced mobility problems. Besides, they still charge the same rate of Tshs. 1,000 (or 0.5 USD) but they save the cost for buying painkillers and other hospital charges.

Furthermore, enforcement of the weights and measures law has reduced the problem of overloading of vehicles, which caused serious damage to the road network that contributed to the road maintenance problem. Apart from that, heavy vehicle operators that did not overload were placed at a disadvantage, as they could not compete fairly with unscrupulous operators that deliberately overloaded their vehicles.

Table 4.1 below provides a summary of the trend of weights and measures practices for the leading crops in Iringa region since the beginning of the project in 2005 to date:

Table 4.1: Summary of the Weights and Measures Practices for the main crops over the period of the Project

Crop	Standard weight	Practices (2005-when the Project Started)	Practices (2013-During the IMED Study)	Practices (2018-During the Impact Scoping Study)	Measures Currently Used
Rice/Paddy	75 kgs	150 kgs	117 kgs	75 kgs-80 kgs	Plastic Buckets & Sacks
Rice	100 kgs	208 kgs	170 kgs	100 kgs	Plastic Buckets & Sacks
Onions	70 kgs	128 kgs	120 kgs	50 kgs -70 kgs	Plastic Buckets & netted bags
Maize	90 kgs	150kgs	126 kgs	90 kgs	Plastic Buckets & netted bags
Irish potatoes	70 kgs	170 kgs	120 kgs	70 kgs	Plastic Buckets & Sacks

Cost-Benefit Analysis

A cost benefit analysis is a method used to estimate all costs involved and possible benefits derived from funds injected into a project. Benefits accrued from the weights and measures project and assumptions made are quantified using secondary data (obtained from LGAs, WMA, TCCIA, and desk review) as well as the results of the survey done during the scoping study in November, 2018.

The main beneficiaries of the project are smallholder farmers in Iringa region; consequently, the quantification of the benefits accruing from the project is based on the improvement of the gross margins by smallholder farmers in the region after the enforcement of the weights and measures standards. To achieve this, net profits accruing to farmers were obtained based on household gross margin analysis for sale of potatoes, onions, maize and paddy and they are based on marketed quantities, prices and cash expenses. An average net profit of Tshs. 190 per kg was obtained for all crops in the analysis. These crops have been selected for the analysis because they are the leading crops in production in the region and thus they are more vulnerable to the lumbesa problem.

Total crop production in Iringa region is estimated at 481,000 tons/ 481,000, 000 kgs (80,000 tons for potatoes; 380,000 tons for maize, 3,000 tons for onions; 18,000 tons for paddy). Production statistics for the analysis originate from the National Bureau of Statistics (NBS), 2008. Although there has been a fluctuation of the production in the past 10 years, still the average production does not deviate much from the NBS, 2008 statistics which are the most reliable statistics. Bengesi (2018) concluded that 40% of the agricultural produce is traded at the farm gate in lumbesa; for this case, this is equivalent to 192,400,000 kgs. Based on past surveys (Bengesi and Rogers, 2016; ECi, Africa and DAI-PESA, 2004; IMED, 2013; RLDC, 2012) and the scoping study for impact assessment, on average, 50% of these kilograms represent overloaded amount. This amounts to 96,200,000 kgs. This implies that, the farmers in the region earned **Tshs. 18,278, 000,000** or **USD 8,300,000** more per annum (i.e. 96,200,000 kgs × Tshs. 190) as a result of the improvement in the implementation of the weights and measures laws.

Apart from farmers, secondary beneficiaries of the project are the local government authorities (LGAs) who hold the fate of local economies in the country. The improvement in enforcement of the weights and measures law has resulted in the increase in revenue collected by them in terms of crop cess.

To quantify the financial benefits that accrue to the LGAs in Iringa region, data obtained from the LGAs show that they charge an average crop cess at Tshs. 1,000 per sack/bag of 70 kgs. Hence, with 50% of lumbesa traded at traders' level, the analysis shows that the LGAs generated extra **Tshs. 1,400, 000, 000 or USD 640,000** (i.e. 96,200,000 kgs/70kgs × Tshs. 1000). Thus, the total amount of benefits that accrued from the project for both the smallholder farmers and the LGAs in the region is **Tshs. 19,678,000,000 or USD 8,940,000**.

The project costs are measured based on the US dollars that BEST-Dialogue invested in it. These costs were collected from TCCIA-Iringa's offices. A total of USD 108,000 was injected in the project to cover mainly training activities, PPDs, media campaigns and other administrative costs.

In order to determine the net present value (NPV) from the costs and benefits above, the adoption rate of the standard weights and measures is assumed to reach its maximum in 2020 implying that the maximum time horizon for the analysis is 16 years (from 2005 to 2020). Moreover, it is assumed that a one year lag was required for the training programme to be effective, hence the benefits started to accrue to beneficiaries in 2008 after the completion of the training in 2007.

In addition, the base model was calculated for a time period of 15 years, using the discount rate of 12%. The discount rate was considered to be equal to the marginal rate of return on private investment.

The results of the model indicate that the net present value (NPV) for the project is USD 25,600,000 over 16 years, with a benefit cost ratio (BCR) of 83. The summary of the analysis and results are provided in table 5.1 below:

Table 5.1: Summary of the Economic Analysis

	2005	2008-2020
Cost of the Project	USD 108,000	
Improvement of the gross margin of smallholder farmers (per annum)		USD 8,300,000
Additional revenue collection by LGAs (per annum)		USD 640,000
Net Present Value (NPV) for benefits over sixteen years		USD 25,600,000
Benefit –Cost Ratio (BCR)		83

Conclusion

The analysis shows that the advocacy in Iringa region with respect to implementation of the weights and measures practices has proven to be extremely effective. Nonetheless, it is important to note that at the main food market in Dar es Salaam, traders from Iringa are basically the only ones with bags/sacks in standard weights and measures. This puts them at a disadvantage relative to other traders from other regions of Tanzania like Moshi, Arusha, Mwanza, Kondoa and so on who still use lumbesa. A consumer in Dar es Salaam obviously will prefer to purchase a lumbesa bag than a standard weighed bag because a lumbesa bag gives him more kilograms at the same price. Therefore, advocating for standard weights and measures is needed for all the other regions in Tanzania.

Summary of the Impact Pathway

THE WEIGHT AND MEASURES PRACTICES PROJECT IN IRINGA

DIRECT OUTPUT

Trainings and Sensitization to key stakeholders (farmers, traders, government officers) about the Weights and Measures Law

INTERMEDIATE OUTCOMES

Capacity Building through Training

-Capacity of Farmers.
-Capacity of government officers.
-Capacity of WMA officers.
-Capacity of traders.
-Capacity of trainers.

New Methods

-The use of standard weights and measures.
- Efficiency Analysis.

Accelerated Law Adoption

-Faster adoption of the Weight and Measures Act, 1982.
-Follow up Research/ Further Studies.

ADOPTION THROUGH CHANGE AGENTS

Enhanced Skills from Capacity Building

Dissemination of the New Methods

Contribution to Policy Change-New Fines

FINAL IMPACTS FROM CHANGED PRACTICES

Knowledge and Capacity

Economically through increase in Income for farmers and the LGAs

Health Improvement

Social Improvement through Poverty Reduction

Reference

Bengesi, M.K. (2018). Factors Hindering the Use of Standard Weights and Measures Along Irish Potato Chain in Njombe Region, Tanzania. International Journal of Business Management, 13 (8), 196-206.

Bengesi, M.K., & Rogers, A. (2016). Non-Compliance to Standard Weights and Measures in Irish Potato Trade in Tanzania. Unpublished report presented during MVIWATA Annual conference in Morogoro Municipal on 8th-12th August 2106.

ECi, Africa & DAI-PESA (2004). A Study on Weights and Measures Practices in Tanzania. Retrieved from http://www.best-dialogue.org/wp-content/uploads/TCCIA-2004-05Tanzania-Weights-and-Measures-Practices-ECIDAI.pdf?×82837.

Jamie, A., & Wajiha, A. (2016). Diaries: Building the Evidence Base with Farming Families in Mozambique, Tanzania and Pakistan, CGAP.

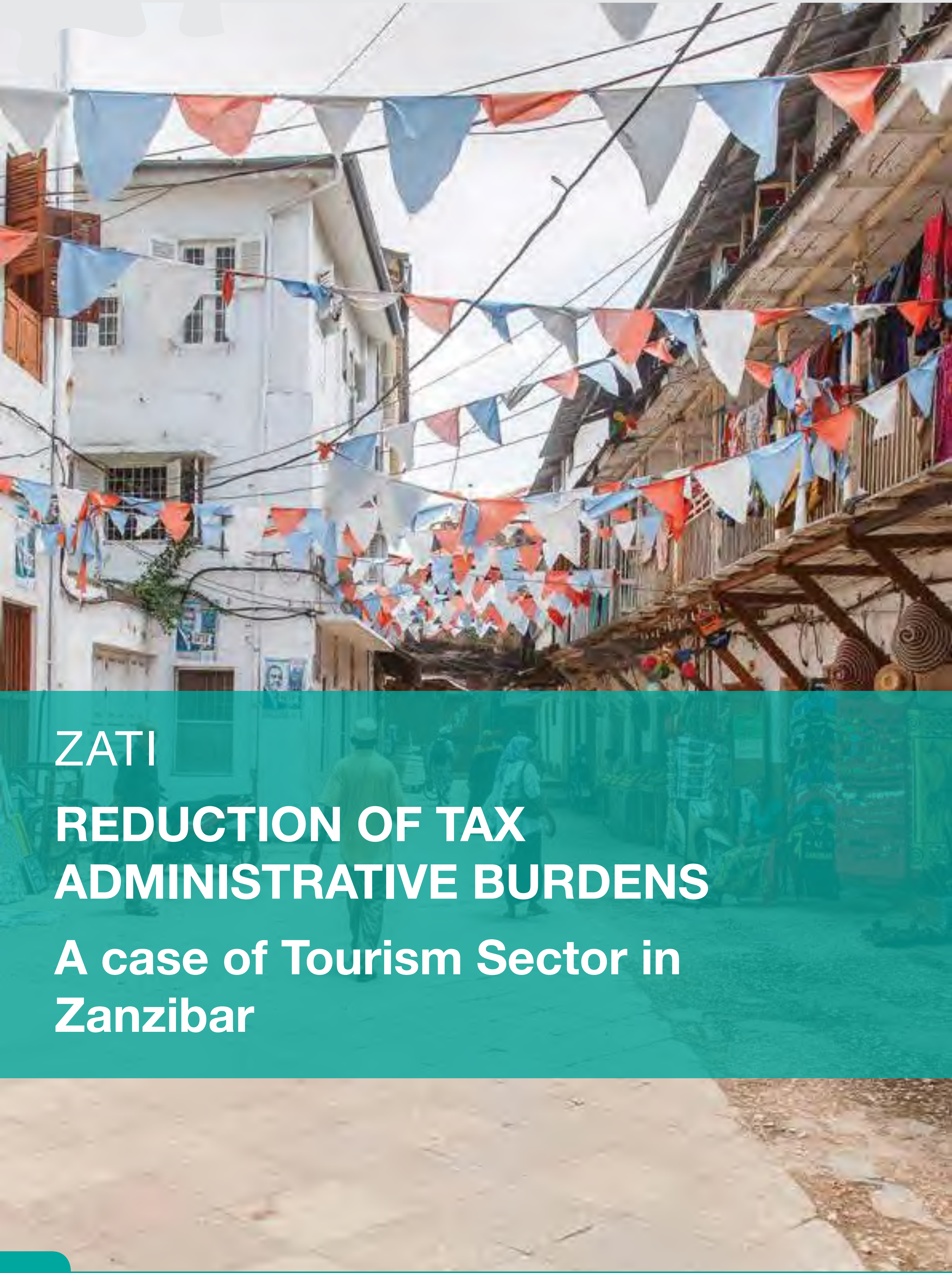
IMED (2013). Follow-up and Evaluation of the Weights and Measures Act of 1982 in the Piloted Regions of Iringa. TCCIA-Iringa.

Rural Livelihood Development Company. RLDC (2012). Assessment of Adherence to Recommended Weights and Measures and their Implication in Transaction Costs in the Agricultural Value Chains. Final report.

Rural Livelihood Development Company. RLDC (2013). Assessment of Adherence to Recommended Weights and Measures in Grain Value Chain Implication on Transaction Costs. Tanzania markets PAN. Policies that work for markets.

Tanzania Chamber of Commerce, Industry and Agriculture. TCCIA (2013). Iringa for the National Enforcement of Weights and Measures Technology and Procedures.

Photo: shutterstock.com



ZATI

REDUCTION OF TAX ADMINISTRATIVE BURDENS

A case of Tourism Sector in Zanzibar

Introduction

Tourism is a significant source of income for Zanzibar, and is the largest source of employment and foreign exchange. Currently, tourism generates 15,000 direct jobs and 50,000 indirect jobs while contributing about 25% of the isle's GDP and 80% of its foreign currency. Notwithstanding, tax payers have been complaining of the complex, uncertain regulations and associated administrative burden of the sector regime. It is evident that taxpayers use significant resources (time and money) in information management (retrieval, requests for new information that meet different requirements, storage of the information), logistics associated to filing returns, paying taxes, seeking clarifications and registering for tax purpose, seeking professional advice; and understanding new tax laws. These challenges emanate from weak payment and filing systems, uncoordinated taxes, levies and fees, too much paperwork, and uncertainty of tax laws caused by frequent amendment of tax laws.

Assessing the tax administrative burden in Zanzibar, Mahangila and Anderson (2016) concluded that a typical medium-size company in Zanzibar made 48 payments which accounts to 41% of its commercial profits, spent 158 hours per year on tax compliance – including 26 hours for corporation taxes, 60 hours for labour taxes and 72 hours for the value-added tax (VAT). In comparison, the average payments made in Sub-Saharan Africa tourism businesses is 38 payments (26% lower than Zanzibar). A good example of an efficient system is the Maldives Islands where they have one payment and only pay 9% of the commercial profits as taxes, and spend less than one hour per year on tax compliance.

Altogether, the tax burden in Zanzibar's tourism sector has resulted in a high level of discontent and thus threatens tourism business growth and entry, innovation, efficiency, and even tax compliance. Further, the situation has reduced competitiveness of the tourism destination, resulting in a decrease in the number of tourists, tourists' expenditure and revenue. Consequently, government loses revenue from consumption and direct taxes as well as from a decrease in social saving and increased unemployment level. Therefore, Zanzibar Association of Tourism Investors (ZATI) with support from BEST-Dialogue found it important to study the situation and propose solutions for improving the tourism business environment, increasing confidence of investors, stimulating revenue and ultimately promoting more economic growth for Zanzibar.

Progress

Situation analysis

In 2015, ZATI, with support of BEST–Dialogue, examined the impact of taxation on tourism sector performance. Specifically, the study examined:

1. The complexity and certainty of tax legislation in Zanzibar,
2. The impact of the two fiscal regimes for tourism sector in Zanzibar,
3. The extent to which overlapping tax laws created a heavy tax burden for taxpayers, and
4. The impact of current taxation on the tourism sector

In line with the above study focus, findings were used to update Zanzibar National Chamber of Commerce, Industry and Agriculture (ZNCCIA)and proposed amendments to the existing tax regime with an aim of improving efficiency, compliance and collection. The study surveyed tourism investors, relevant government agencies and collected secondary data to meet the study objectives.

Advocacy issues

In 2016, ZATI received a grant of US$ 52,500 from BEST-Dialogue to examine and analyse the impact of taxation on tourism sector in Zanzibar, and thereafter ZATI was supported another grant of US$19,250 to enhance Public-Private Dialogues (PPDs) that influence an efficient, effective, fairly, transparent and compliance of tax for the aim of reducing tax burden in Zanzibar's tourism sector. Specifically, in these PPDs, series of engagement meetings were conducted with Ministries, Departments and Agencies (MDAs) and proposed recommendations were presented. Subsequently in 2017, and as a result of engagement meetings, ZATI published a policy position paper focusing on the tax administration burden in Zanzibar. Recently, ZATI has initiated an apprenticeship program that is focused on educating youth entrepreneurs.

Key findings

The overall objective of the study was to examine the impact of taxation on tourism sector performance and deliver a proposal for tax rationalization. The following are the key findings:

- Since 2010, five major tax reforms have been introduced by the Ministry of Finance in Zanzibar. However, among those there is no specific tourism tax reform as all of them were targeting several sectors.
- Annual returns are filed to more than three entities including TRA-Zanzibar, ZRB, LGA, BRELA, and other regulatory bodies. This alone increases the administrative burden on business.
- There is a tremendous uncertainty of income tax laws centred on calculation of input taxes, input tax refund from the mainland, and registration procedures. For instance, there is lack of specific laws for tour operator levy, restaurant levy, and hotel levy that causes uncertainty in the Hotel Levy Act. Similarly, the uncertainty of infrastructure tax focused on absence of clear interpretations of certain terms used on the law and imposition of the tax of 1USD per day per guest staying in hotel.
- Furthermore, there were uncertainties about change of treatment of input tax paid in mainland Tanzania, calculation of penalty as well as offence and registration procedures. The results showed that many respondents identified the uncertainty of income tax laws centred on calculation of income tax liability from business, investment and employment.
- Although some of the laws were found to be simple in terms of policy complexity (i.e. number of relief and/ or exempts), readability (simple or difficult to read the legislation) as well as huge content (too many number of pages), the majority were found to be complex. This calls for minor modifications in the tax system so that it could be simple to users and TRA. Particularly, Section 56, second schedule, and section 7 of the income tax act 2004 were the highest complex areas while infrastructure tax was considered a simple tax law.

Intervention Outcome

- Despite reforms for general taxes, ZATI has managed to convince the government of Zanzibar to implement tourism specific tax reform.
- Single payment and reporting of tax payment such as PAYE, Pension Funds, and Health Contributions proposal have been accepted by the government. All these are payable within 15 days after the end of the month, so it will be more convenient for taxpayer to do it once.
- The government of Zanzibar has agreed to improve the coordination of tax authorities by having a single tax administration system for collecting both consumption and direct taxes. Further, enhance sharing of information of taxpayers so as to encourage efficiency and effectiveness of tax enforcement programs.
- Government has agreed to start consolidation of the e-general taxes and specific tourism taxes especially those under Zanzibar Revenue Board.
- Introduction of electronic tax system (Electronic Revenue Collection System) to allow taxpayers to complete necessary documentation online and speeds up filing of returns. According to the Zanzibar Revenue Board website, the system has doubled revenue collection within three months of its inauguration. However, the device is expensive which hinders some not using them.
- In an attempt to reduce administrative burden, the government has accepted the proposal of linking the systems and use the administrative data gathered by different government authorities such as TRA, ZRB, LGA, BRELA among others in updating tax-payers' information. This process reduces the administrative burden on business, in particular, with regard to reducing duplication in data submission.
- There is improvement in consultation with businesses on proposed tax reforms. For instance, some taxpayers are aware of introduced or discontinued taxes e.g. input tax paid in mainland Tanzania is no longer deductible in Zanzibar.

Lessons Learned

- Harmonisation of taxpayer information and the establishment of online tax registration, electronic issue of tax clearance, electronic filing of returns, and online payment has a huge potential to reduce the administrative burden if well utilised.
- Effective coordination state and non-state actors is necessary. An attempt to cross-link and share taxpayer's information from various government organs should be supported so as to reduce data submission 'fatigue' by the tax payers
- Successful reforms require broad political support; and most importantly high-level decision makers (Ministers, Permanent Secretaries, and Commissioners) must have the political will to do what is best for the sector.
- Consultations on proposed tax reforms can encourage government to take right actions for effective and efficient improvement and implementation of tax reforms.


SERENGETI
NATIONAL PARK

BEST-Dialogue

Business Environment Strengthening for Tanzania

The BEST-Dialogue (2014-2019) fund is supported by the Danish Government and the European Union.