

## Policy Brief



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## STREAMLINING THE MULTIPLE REGULATIONS IN THE AGRICULTURAL INPUTS SUB-SECTOR IS CRITICAL FOR IMPROVING AGRIBUSINESS ENVIRONMENT

### 1.0 EXECUTIVE SUMMARY

Agriculture is the mainstay of Tanzania's economic and social wellbeing as it contributes about 25% of the GDP, 75% of employment, 30% of foreign exchange and more than 90% of food requirements. The sector has been growing at less than 4% behind the national annual GDP growth and MKUKUTA II/CAADPs target for agriculture of 6% per annum. The sector is beset by a number of constraints including very low application of agro inputs that has a direct impact on crop yield. The factors that limit access to inputs include higher prices, price drivers include cost of compliance to the law that is the highest in East Africa. A typical business in agro-input supply chain is regulated by more than **eight ministries** those responsible for Agriculture, Industry and Trade, Science and Technology, Labour and Employment, Home Affairs, Regional Administration and Local Government, Finance, Communication and Transport, etc. The regulatory bodies are not coordinated, there is limited transparency, charges are quite high. It costs USD 5,150 to fully register an agro-chemical product in Tanzania compared to about USD 1,935 in Kenya, in seeds annual compliance cost is about USD 3,000 compared to USD \$423 in Uganda and USD\$159 in Zambia. Too restrictive laws have hampered adoption of innovative technologies available in the markets, some companies have been scared to invest the

country as a result. It is against this backdrop that stakeholders call for reforms to harmonize regulatory services that will reduce transactional cost, improve services to businesses and ultimately contribute to vibrant agriculture sector.

### 2.0 STATEMENT OF THE PROBLEM

One of the main causes of poor performance of the sector is low application of improved agriculture inputs, the 2007/08 Agriculture Census showed that only 17% of farmed land used improved seeds, the National Panel Surveys estimated that in 2010/11 18% of farming households applied improved seeds, 16.8% applied inorganic fertilizers and 13.2% applied agro-chemicals. The levels are far below recommended rates.

**Table 1: Percent of farmers who applied a certain type of improved inputs**

Type of Input Used	2008/09	2010/11	Average
Any fertilizer	30.1	32.6	31.35
Organic fertilizers	22.1	16.8	19.45
Inorganic fertilizers	12.9	16.8	14.85
Pesticides/insecticides	14.7	13.2	13.95
Improved seeds	21.4	18.0	19.7

Source: National Panel Survey 2012-13.

It is an **undisputed fact** there is **very strong relationship** between the level of inputs application

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**and crop yield**, the green revolution we cherish in Asia and elsewhere upon which our Kilimo Kwanza Resolve is premised testify, there is no alternative route to agricultural revolution without improving access to and application of agriculture inputs. This will be achieved if there is a competitive environment for investment and distribution of inputs as well as education to farmers. One of the major constraints that limit application of inputs is the higher farm gate price mainly attributed to high cost of doing business due to multiplicity of regulators (overregulation), lack of coordination and inadequate services from the regulators.

This policy brief summarizes key issues that constrain agricultural inputs business in Tanzania, the issues have been widely documented by various programmes and organizations including ACT itself. It also proposes some policy options that if adopted will lead to improved business environment and ultimately encourage investors.

### 3.0 PRESENT POLICY OPTIONS

#### 3.1 Relevance of Regulatory Bodies

It is acknowledged that agro-input businesses have to be regulated to safeguard farmers, businesses themselves, the general public on one hand, and on the other, to comply with international standards as the country is increasingly becoming an exporter of agricultural produce. However, there are more than necessary core and ancillary regulators, multiplicity of charges, limited services and poor coordination among the regulators. The Laws are less flexible to accommodate rapid technological change in the input trade.

#### 3.2 Challenges with the current regulatory framework

**(a.) Multiplicity of regulators:** While upstream businesses in the agro-inputs supply chain may specialize in one type of product, the large part of midstream and downstream agro-inputs businesses are integrated i.e. they deal in agro-chemicals, fertilizers and seeds collectively. Upstream companies with multiple products (agro-chemicals and seeds)

include Syngenta, Monsanto, Bayer CropScience, etc. Midstream companies that supply agro-chemicals, fertilizers, seeds include Bytrade, Balton, Tanzania Farmers Association, Triachem, etc. Under the existing regulatory framework the businesses have to face many regulators from different Ministries as follows:-

- i.) Tanzania Pesticide Research Institute for agro-chemicals; (ii.) Tanzania Fertilizer Regulatory Authority for fertilizers; (iii.) Tanzania Official Seed Certification for seeds;

The three regulators above are under **Ministry of Agriculture, Food Security and Cooperatives**.

- ii.) Tanzania Bureau of Standards for standards on agro-chemicals and fertilizers. Some importers have complained that TBS does inspect quality of seeds as well; Weights and Measures Agency for certification of weights and measures;

The two regulators are under the **Ministry of Industry and Trade**.

- iii.) Tanzania Atomic Energy Commission under the **Ministry of Science and Technology**.
- iv.) Occupational Safety and Healthy Authority that inspects and certifies workplaces that is under the **Ministry of (b.) Labour and Employment**.
- v.) Commission of Fire and Rescue Services under the **Ministry of Home Affairs**.
- vi.) Surface and Marine Transport Authority under the **Ministry of Communication and Transport**.
- vii.) Local Governments to get cess clearance for seeds in transit, LGAs report to **Prime Minister's Office – Regional and Local Government**.

The cumulative impact of multiple regulators acting upon one business entity has led to Tanzania being among the most expensive country to do agro-inputs business. The costs are passed over to the final input price making them less affordable to the majority of smallholder farmers, higher prices encourage counterfeiting, under packaging and flourishing of difficult-to-monitor informal distribution channels.

**(b) Lack of coordination among regulators:** As noted in 2.(a) above an agro-inputs business has to attend staff from at least ten regulators, from **eight** Ministries, each regulator visiting the business premises at their convenience. It would have been cost-effective if the

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regulators coordinated their activities as suggested under recommendation section.

**(c) Low awareness on the regulators roles and responsibilities by the business community:** There have been limited initiatives by regulators to educate the business community on regulatory issues to improve compliance as suggested in the Executive Agency Act (1997, amended in 2009) that call for Agencies *“to ensure that their operations are designed for the provision of the best service to their customers and maintaining a high degree of responsiveness to their needs”*. This problem was raised as far back as 2006 in one of the studies by Business Environment Strengthening for Tanzania-Advocacy Unit. Related to the above has been weak communication on development of EAC/SADC initiatives to harmonize regulatory frameworks among member countries.

While there are few cases where the businesses have been fully involved in setting the rates in many instances they have not.

**(d) Relatively higher service charges against limited services:** Regulators focus on product testing overlooking that they also have to build the capacity of their clients. For example (Tanzania Seed Act, 2003 - Section 18. Article 7. G.) says TOSCI has to *“...train seed producers, seed inspectors and seed analysts”*. The Tanzania Fertilizer Act, 2009 – Section 4 directs TFRA that *“In collaboration with Local Authorities, conduct public educational campaigns on the sound application and management of fertilizers and fertilizer supplements; and conduct regular training of stakeholders on fertilizer matters”*.

*The case of Avocado Industry:* Avocado is a new crop in Tanzania’s horticulture export basket, significant development has been registered from 2012. The crop however, faces a problem of overregulation of pesticides, consumers in Europe prefer biologically controlled fruits over those treated with chemicals. To comply with the Law avocado exporters will have to **invest tens of thousands of dollars** to register several bio-pesticides and micronutrients demanded by the market despite that these materials have been certified all over the World including our neighbors.

**(e.) Unexploited Potential Synergies:** Due to lack of coordination the Regulators have failed to harness potential synergies among themselves. Industry players call for a one-stop centre modeled on the Tanzania Investment Centre setup where various functions (BRELA, TRA, Land Officers, Immigration, etc) are housed under one roof. Other synergies include development of multi-discipline inspectors at District level, currently TOSCI and TFRA have been deputing LGA staff to carry out the inspections. Another potential area for joint implementation include inspection of agro-inputs, training, awareness raising, as well as having common electronic media platform, etc.

**(f.) Too restrictive and outdated laws:** There are a number of regulations formulated in the past that are now out of phase with advances in farming technologies. For example the requirement that each input molecule should be subjected to field test for three seasons before approval does not encourage use of location-specific blended products and micro-nutrients. The Laws discourages innovations in newer crops that require different types of inputs. The Seed Policy restricts private seed companies from accessing plant materials developed by domestic researchers using public funds to the disadvantage of the whole industry.

### 4.0 POLICY RECOMMENDATIONS

#### 4.1 Short Term Recommendations

In drawing up the short run there is a need to focus on reforms that guarantee quick wins with impact in multiple areas by focusing on reducing the number of regulators interacting with agro-inputs businesses along the supply chain and particularly midstream and downstream where the adverse impact of multiple regulators is stronger.

- i. The Ministry of Agriculture, Livestock and Fisheries should work with other regulators and representatives of business associations such as CropLife, Tanzania Fertilizer Society and Tanzania Seed Traders Association to **setup a one-stop shop** for handling activities related to lodging,

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processing and issuance of permits/certificates modeled on Tanzania Investment Centre services. This will improve coordination among regulators, enhance joint publicity and awareness raising.

- ii. Assess the **feasibility of bundling of regulatory services** such that; fertilizers and agro-chemicals are handled by one organization and OSHA and Fire Services can be handled by just one organization.
- iii. Assess the **feasibility establishing a position of agro-input inspectors** instead of each input having its own inspector at zonal/regional/district level. The multi-discipline inspector will improve delivery of regulatory services cost effectively through shared overheads. To reduce the workload for multi-discipline inspectors, there is a need to explore the use electronic devices to monitor counterfeits.

Other areas for short-term reforms revolve around implementation of regulations already in place but not implemented by regulators because they may reduce their revenues, they include:-

- iv. **Empower TOSCI** to be the sole organization responsible for both domestically produced and imported seed quality testing and certification, TBS certificate should not be mandatory through issuance of a Ministerial Circular.
- v. Implement the waiver granted on **NPK fertilizer formulation being exempted** from three seasons of field trials before certification by TFRA. The intervention does not require significant resources since the background work has been done already.
- vi. Recognize **certifications by regional bodies**: Tanzania imports significant amount of agro-inputs from EAC and SADC member countries and there is potential for Tanzania to also get a market share in the regions. There is a need for recognition of certificates from partner institutions in the region.
- vii. Engage and raise **awareness to local governments on compliance** with the Law that exonerates seeds from cess in those Districts where seeds are being multiplied and shipped through to processing centres. Where possible advocate a room for **legal recourse** when LGAs opt not to comply with the Law.

- viii. Engage with regulators to **guarantee clients professional services** as required by the mother Law, the Executive Agency Act. It is recommended that each regulator should put in place the **Customer Service Charter** for the purpose of self benchmarking and improved accountability.

### 4.2 Medium term recommendation

Medium term reforms require deeper situation analysis, wide consultations for stakeholders buy in to implement. The reforms involve the **consolidation of regulatory functions under fewer institutions**. The Government should assess the costs and benefits of **consolidating most of the regulatory functions** into possibly one institution, respective roles by type of agro-input can be designated at department and section levels. The consolidation will have, *inter alia* the following advantages and disadvantages:-

**Advantages:** Reduced operational costs as administrative layers are scaled down hence reduced burden on businesses and ultimately farmers. There will be improved coordination of functions and institutional effectiveness towards serving the businesses along the supply chain. This will allow regulators to harness synergies inherent in their functions.

**Potential risks:** Resistance from members of staff to forego their titles and positions; Development of physical infrastructure to accommodate the institutions; and Pooling of scientific equipments from existing locations to a new centre, note that TPRI is in Arusha, TFRA in Dar es Salaam and TOSCI in Morogoro. The streamlined body will hire technical services from specialized institutions on demand basis instead of the burdening of businesses and ultimately farmers with overheads irrespective of the level services. To overcome staff resistance it is important to educate them on the potential of increased investment in the sector and cost savings that in turn can improve staff welfare. Further, since regulators are in short supply of experts, technical staffs are guaranteed their positions.