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Enhancing the effectiveness and efficiency of the Tanzanian Regulatory Framework to combat the distribution of fake Agricultural Inputs.

EXECUTIVE SUMMARY

This policy brief examines shortfalls and proposes measures to enhance effectiveness and efficiency in the regulatory framework of the Tanzanian agricultural inputs supply system.

At this point in time, the input supply system is negatively affected by (i) weaknesses at policy and regulatory level (overlap of different regulatory authorities who operate similar controls on similar inputs, with insufficient internal capacity of and coordination between regulatory authorities); (ii) non-mandatory membership of private sector associations, weak capacity of these associations to ensure members' adherence to laws and regulations, (iii) mushrooming of counterfeit inputs due to insufficient peer review and law enforcement, low levels of transparency and insufficient flow of information; (iv) Producer still have inadequate knowledge and skills and their current low productivity/income levels constitute an incentive to look for cheap, frequently counterfeit, inputs .

In this context, it is difficult to strengthen the input supply system because: (i) the pressure is more on the formally registered businesses who try to comply with regulations and have to deal with many authorities than on the actors who choose to skip the controls, cheat the other supply chain actors and introduce fake/counterfeit products, (ii) the focus of most actors is on (tough) profit-focused competition rather than collaboration to set up efficient supply channels and to provide optimal services and (iii) farmers operate in an environment that does not incentivise them to invest in increased agricultural productivity (knowledge, inputs, equipment, etc.).

Therefore, ACT should advise the government to (1) take deliberate efforts to address structural policy and regulatory bottlenecks (remove overlaps of regulatory authorities, enhance

collaboration and coordination, turn traceability systems mandatory), (2) promote collaboration between private sector actors and peer review through membership based associations and (3) complement the efforts for eradication of counterfeit inputs with increased efforts to unlock the agricultural value chains, promote productivity and enhance farmers' overall profitability.

The recommendations if implemented would significantly impact (a) on producers' incomes (evolve from the average 1.5 USD/day/person income base to higher levels), (b) on the actors of the input supply chains (expand their businesses beyond the current low level of satisfaction of the potential market), (c) on Tanzania overall food security and economic development (by putting 11 million farmers back at the centre of the development dynamics).

CONTEXT AND IMPORTANCE OF THE PROBLEM

Insufficient and counterfeit inputs have negative impact on farmers' productivity and income. Data shows that if a farmer used improved seeds, DAP and booster fertilizer as well as insecticide (e.g. karate) his yield per Acre could rise from 10-12 bags to 18-19. However, if with this same package of inputs, he used toxic counterfeit karate, he could lose his whole expected harvest of 18 to 20 bags per acre (maize) as well as the entire production costs (land preparation, planting, fertilization, improved seeds, etc.) of about TZS 400,000/acre. He would also miss out on the gross profit he could have expected (TZS 270,000/acre). In addition, he will have to buy maize (TZS 200,000/year) for household consumption (food insecurity) and may even have to find another plot where to plant maize next season if the counterfeit agro-chemical used polluted the soil (TZS 500,000/acre). Overall, his losses could be as high as TZS 1.3 million per acre.

CRITIQUE OF PRESENT POLICY OPTION(S) AND POLICY RECOMMENDATIONS

a. Overlapping among regulatory authorities

Since the early 1960s the government of Tanzania has invested heavily in setting up policy and regulatory frameworks that governed the flow of agricultural inputs and resulted with the creation of specific inputs supply regulatory bodies:

- The Fertilizers Act of 2009 and Fertilizer Regulations of 2011 that replaced the Fertilizers and Animal Foodstuffs Act of 1962.
- The Seed Act No 29 of 1973 marked the start of the formal seed system through the establishment of the Tanzania Official Seed Certification Agency (TOSCA) a public seed company (Tanzania Seed Company Ltd.) and government seed farms. The Seed Act No 18 of 2003 replaced the previous one via Gazette Notice 37 2007.
- The Plant Protection Act of 1997 and the Plant Protection Regulations of 1998 that governs plant quarantine and phytosanitary issues. The Protection of New Plant Varieties Act (No. 22 of 2002 with its regulations developed in 2008).
- The Tropical Pesticides Research Institute Act of 1979 together with the Pesticides Control Regulations of 1984, which governs the flow of agro-chemicals along the supply chain.

In 2001, the Government defined its Agricultural Sector Development Strategy (ASDS / ASDP), implemented from 2006 onwards after the elaboration (2005) of the Agricultural Sector Development Program Framework and Process document. ASDP included a dimension of coordination of the agricultural sector that was seen as necessary to support agricultural development. However, ASDS/ASDP has not been utilized to articulate the regulation policies (listed above). Regulatory authorities thus suffer from a low capacity to regulate distribution and access to quality agricultural inputs, due to poor infrastructure, management, funding and human resources.

As a consequence, resources are inefficiently utilized as different regulatory bodies operate in separate spheres with insufficient coordination. For instance, TPRI, TFRA, TOSCI, TAEC, TBS and MALF's Seed Unit set up control missions independently from each other and do not share information on actors they deal with.

Frameworks for coordination among regulatory authorities remain unclear. This makes it difficult for them to oversee the sector and to identify and discipline rogue players. Overlaps and parallel interventions cause inefficiencies and wastage of resources due to duplication of costs. Private sector actors have to deal with several authorities for a single task. For instance, an importer (agro-chemicals) has to process import documentation (and supply samples for analysis) simultaneously at TPRI, TBS, TRA and Port Authority. This increases the levels and length of bureaucracy for importation, registration and clearing of inputs. Actors of the seeds sector reported that the resulting delays sometimes affect the quality of seeds when stored improperly for long periods at the port.

ACT to recommend to the Government of Tanzania to review the control mechanisms of every regulatory authority and scrap unnecessary overlaps. All controls and analyses should be placed under a single "Inputs Agency" that implements each test/analysis only once and submit its results to the respective regulatory authority. It might be necessary to concentrate equipment and staff in the best-placed laboratory in the country to avoid building a new laboratory. A maximum time limit should be defined to deliver the results of the analysis.

b. Fast-tracking of changes in agricultural policies

Despite the presence of policy and regulatory frameworks, there are many significant policy and regulatory issues and gaps, which call for interventions so as to increase efficiency of regulators. Equally important is to enforce an industry-wide code of ethical conduct. Many stakeholders have proposed improvements such as shorter times to register new seed varieties, pesticides or fertilizers, the authorization of blending, the levels of fines for actors caught cheating, the levels of compensations to farmers, gazetting the names of the inspectors for seeds, pesticides and fertilizer, just to mention a few. Adoption of these proposals has been slow; some of these decisions have been awaiting approval since 2012-13.

Although it was important to fast-track some legislation, especially those requiring extension staff to take a lead in the implementation e.g. production of quality declared seed (QDS) and

inspection of fertiliser and seed; there has been inadequate budget allocation to ensure full implementation. Consequently, fast tracking has had little impact.

ACT to recommend to the Government to set up a task force to fast-track amendment of the respective legislation with mandate to follow-up and press for quick and rigorous implementation. Quick interventions are needed in the following main areas:

- Gazette the nomination of district level inspectors for seeds, fertilizers and pesticides. Avail resources to train these inspectors and for their operations
- Facilitate easy access to information needed to register, import and trade products (for all agro-inputs)
- Authorize registration of agro-chemicals, seeds, and fertilizers after three simultaneous field trials
- Increase fines on lawbreakers and compensation for the victims of fake inputs.
- Finalize the regional integration process (EAC, SADC, COMESA, etc.) to facilitate the import of seeds, chemicals and fertilizers.
- Avail resources to TOSCI to set up an ISTA accredited laboratory to facilitate exports of Tanzanian seeds.
- Avail more means to TPRI and TFRA so that they can perform better
- Authorize blending of fertilizers (without need for new registration) on condition that blending corresponds to results of soil analysis.
- License importation of each foreign commercial brand to a single importer to avoid confusing farmers with products of different concentrations sold under the same brand name and to hold importers responsible for their brands.
- Define optimal packaging sizes that would allow farmers to get desired quantities of inputs based on need and affordability (to guard against storing or spilling in inadequate conditions).

In addition, it is important to involve farmers and agro-dealers fully in the process. The Government should increase extension services budgets to train farmers and agro-dealers.

The central government should tie its agricultural subsidies to LGAs to the ploughing back of

resources collected from crop cess back to the agricultural sector, which could be directed to quality control and training sessions.

c. Coordination of the actors in the input supply chains

Trade associations – such as TASTA for seed traders, CropLife for agro-chemical traders and Tanzania National Agro-dealer Association (TANADA) for agro-dealers – suffer from weak management capacity, are unorganized, do not provide (good) enough services to their members (e.g. training on technical and management skills) and do not work closely one with each other. This affects their legitimacy – internally and with the authorities – and makes it difficult for them to set up mechanisms to ensure compliance among members, hence to fight counterfeit agricultural inputs. The impact of these different associations on the coordination of supply chains is quite clear: from fair for seeds to bad for fertilizers and agro-chemicals. The fertilizer and pesticide sectors in Tanzania are described – both by public and private sector actors – as difficult to supervise.

As a consequence, the Authorities cannot find support in the trade associations due to their situation of weakness. Participation of private sector actors in the Seed, Fertiliser and Agro-Chemical Stakeholder Meetings is intermittent although an efficient supply chain normally requires coordination between actors, based on open communication. Poor attendance in stakeholder meetings affects understanding and cooperation between the stakeholders. For instance, the creation of a label to distinguish certified seeds was a good initiative but it led to misunderstanding among the seeds suppliers because it has not been well analysed with private sector actors: the price of the label was ten times higher than labels applied on other products. The entity that fixed this price assumed that the seed companies would quietly foot the cost of the label and of the process required to apply it on seeds. Logically, the seed companies pushed these costs on to farmers who saw this as a disincentive to buy labelled seeds. Such a problem is clearly the result of insufficient communication among stakeholders.

Unfortunately, the Authorities also take this weakness as a justification to limit the support to the trade associations. This is equal to a step away

from facilitation and towards more regulation, yet with insufficient enforcement capacity.

Laws and their corresponding regulations should document and use the best coordination practices as a benchmark (currently the seeds sector) and regularly makes sure the other sectors level up to the best practices. For instance, participation in the stakeholder meetings should be compulsory. Incentives for participating should be created e.g. through peer review mechanisms/entities (CropLife). District stakeholders should support agro-dealers to set up district networks and to facilitate the agro-dealers' participation in district stakeholder meetings. The stakeholder meetings should become the default forums to support the input supply chains with genuine Public Private Partnership approaches. Private sector actors should feel welcome as partners, not as threats. Developing the network of agro-dealers is vital for the farmers and also the importers but for this to happen, the Government should provide more funds and training to agro-dealers so that they can perform effectively.

d. Counterfeit inputs

Counterfeit inputs continue selling in the market despite enormous effort from government to protect farmers. This affects farmers in many ways, from partial loss of yield (in the best case) to financial ruin (in the worse case), when the farmers lose their capital, energy, expected profits, food reserves and even the land (in the case of severe pollutions). However, it is difficult to identify the causes and culprits of some of the problems that farmers face. Did a crop fail because of poor quality of the seeds/chemicals/fertilizers or because of poor handling by the farmer? This clearly shows that farmers' education on these inputs by extension agents is insufficient but also that the actors involved in law enforcement particularly input inspectors, research centres, extension agents, policemen and courts are performing below par.

District input inspectors do not have adequate budgets that some interventions require (mobilize a team to inspect storage facilities or pay for analysis of a lot of seeds, fertilizers or chemicals). Policemen do not have the required knowledge to control the quality of inputs or to survey farms. Courts are not trained to deal with cases related to fake inputs. The business of counterfeit inputs is extremely profitable, therefore adulterers are

able to mobilize large amounts of money to corrupt, threaten or simply continue operating even after paying fines. Altogether, this indicates that the fight against counterfeit products requires a much stronger effort from the central government.

Loopholes in the registration of actors allow unskilled and undesirable actors to continue operating. There is need for an easily accessible database and sharing of information on the cases of adulterers so that regulatory authorities and serious private sector actors can expel unethical actors.

ACT to recommend Government of Tanzania to adopt a "zero tolerance policy" on counterfeit products by combining increased prosecution of culprits with incentives to virtuous actors. On one side, the Government would increase means available to train farmers on procedures to lodge complaints, improve follow-up on cases, and increase fines and compensation. The government would also re-actualize the registration of the actors in order to expel suspected criminals. The Government would also set up a system of licenses for individuals working in the sector to permit expelling of the individuals that default, increase compensations to farmers (as part of the fines to be paid by defaulters). For such a process to operate, the Government would also create a central database of culprits and suspects that is accessible to all regulatory authorities and law-abiding private sector actors. This requires very close cooperation between the Ministries of Agriculture and Ministry of Constitutional Affairs and Justice.

e. Traceability

Importers and producers of inputs do not track where their products end up. If a farmer complains about some products in one part of Tanzania, the importers and input producers need to collect the lot number and packages to determine whether the input comes from their stocks or not. If the suspected adulterer copied the lot number and the packaging well enough, the input companies have a hard time proving their innocence. The input companies do not have traceability tools that would help them to record the route along the supply chain and successive actors for a given consignment went through. Similarly, the actors along the supply chains do not have means to check whether the inputs that

they get are genuine and from legitimate suppliers.

ACT to recommend Government of Tanzania / Ministry of Livestock and Fisheries to adopt Acre Africa's voucher system (operating in Kenya for seeds) to streamline the process for seed companies and progressively for fertilizer and agro-chemical companies. With Acre Africa's system farmers who receive a bag of seeds are asked to send through SMS a voucher number (contained in each bag of seeds) to a special line. In return the farmer is told if this bag of seeds is genuine. This is also an opportunity to progressively provide farmers with an insurance mechanism because when the farmer sends the voucher number, it activates an insurance service (full reimbursement if the seeds do not germinate within 8 days). Such system could be adapted to all inputs.

f. Increasing the commercial drive of agricultural development

There is insufficient commercial orientation for the development of smallholders' agricultural activities. Official statements in favour of such development did not lift the limitations resulting from:

- i. Contradiction between interventions in the food security policy and policies aimed at developing commercial agriculture. In essence, ensuring food security often translates in closing borders or releasing food reserves at subsidized prices. Such strategies help food insecure populations but also break the development of regional marketing channels on which the development of commercial agriculture directly depends, distort prices, create an unpredictable environment that is a disincentive to investments.
- ii. A quasi-absence of holistic agricultural and marketing development support to farmers at village level (simultaneous availing of extension, finance, insurance, marketing, infrastructure and inputs adapted to the farmers' prevailing operating systems). In the best case, only some of these vital goods or services are accessible to farmers. As a result, there is no incentive for farmers

to adopt good agronomy practice by investing in inputs and mechanisation to increase productivity and profitability. Developing input supply chains without developing farmers' demand base is illogical and thus both push and pull strategies should be combined.

Subsidy schemes are expensive largely due to high management costs and only generate short-term impacts for producers. As soon as the subsidies stop, the use of inputs and the national production return to the previous levels. Private sector actors have criticized the scheme as distortive including delays in orders, distortion of prices, hijacking by briefcase traders and a mismatch between types of inputs promoted versus types required when compared to the farmers' preferences, climate and soil characteristics.

Food security is a necessary policy. There are possible alternatives to the input subsidy schemes, discretionary limitations to trade and the NFRA system of food releases, which is currently practiced. Alternative solutions that could be tested include

- (1) Subsidizing the food insecure consumer by adapting the Brazilian system of "Bolsa Familia" With this system, revenue insecure families are provided with vouchers that they can utilise to pay for goods and services from pre-selected agents. The Government refunds these agents based on the prevailing market prices, which is a guarantee that the protection of the poorest doesn't depress prices, hence affect the financial viability of those small farmers who managed to produce when others failed. This system lifted over 40 million persons (farmers and urban poor people) out of poverty over a period of less than 8 years.
- (2) Using innovative Agricultural Value Chain Financing (AVCF) models that embrace information, communication and technologies for development (ICT4D) in the voucher scheme or
- (3) Improving regional integration to manage food stocks among neighbouring countries (ESA FoodTrade program).