



The United Republic of Tanzania  
Agriculture Sector Lead Ministries

# 4<sup>TH</sup> ANNUAL AGRICULTURAL POLICY CONFERENCE [AAPC]

## Integrating Food and Nutrition Security into Economic Transformation and Industrialization Agenda:

How can agriculture be the driver rather than follower of economic transformation in Tanzania?



**New Dodoma Hotel, Dodoma**

**14<sup>th</sup> - 16<sup>th</sup> February, 2018**



MICHIGAN STATE  
UNIVERSITY



Dalberg



AfricaLead  
Scaling up for food security in Africa



The United Republic of Tanzania  
Agriculture Sector Lead Ministries

## 4<sup>TH</sup> ANNUAL AGRICULTURAL POLICY CONFERENCE [AAPC]

# An Assessment of Economic Benefits of Reforming Issuance of Export Permit

Liston Njoroge (AGRA), Gungu Mibavu (MoA), Joseph Rusike  
(AGRA)



# THE ISSUES 1/2

- Procedure for obtaining export permits is fraught with challenges
- Regular and spontaneous export bans/export permit issuance suspension rendering cross-border trade uncertain and unpredictable
- Short duration of validity of export permit while more time is needed to aggregate and ship-out commodities- permits valid for one month
- Traders are forced to cancel contracts and compensate business counterparts in foreign countries creating financial loss and loss of business
- Tanzania is the only country in East Africa that formally restricts trade even though it is a signatory of EAC common market protocol (Stryker, 2012)



### The ISSUES 2/2

- Suspending export permits has same effect as export ban
- Delinking domestic food markets from regional and world markets creates increased price volatility and undermines the stated objective of promoting food security
- Applicants for export permits are required to travel to the district, regional and the MoA headquarters in Dar es Salaam for administrative procedures
- Only large traders have the capacity to comply with the regulatory requirements
- Procedures cumbersome and bureaucratic
- The additional direct/indirect costs resulting from the export permit system effectively add to the marketing costs



## CASE STUDY1

- Application process for export permit passes through a long process, resulting in delay
- Write a letter and submit to the director of food security
- The director may consults the PS for advice
- The PS may consult the minister
- Abrupt suspension of export permit with no prior notice
- Loss in export business e.g. the company lost \$1m because for a whole month it could not get an export permit
- Forced to refund foreign companies affected by contract cancellation
- Loss of international business because foreign importing companies cannot cope with delayed deliveries arising from lengthy export permit processing

### CASE STUDY 2

- Challenge getting export permit on time
- Permit is valid for a short period (one month) and this affects the quantity of commodity that is exported.
- Because of the short period when permit is valid, exporters struggle to collect enough of the export commodity – some commodities need up to 3 months to collect, therefore the 1 month permit is limiting
- Permit given for a specified quantity and only valid for 1 month
- Proposes that 3 months be the minimum validity period for export permit

## SUMMARY OF IMPACTS

Category	“Problem” Policy regulation	Potential impact on local agribusiness	Consequent impact on smallholder farmers	Consequent impact on the country
Food Export permit/Ban	Policy uncertainty	<ul style="list-style-type: none"> <li>•Export permits suspensions and cumbersome permit processes distort pricing and disrupt market access for</li> <li>•Constrains quantities exported and reduce profits for food exporters, small cross-border food traders</li> </ul>	<ul style="list-style-type: none"> <li>•Limits the potential opportunities smallholders have to sell to exporters and/or processing companies.</li> <li>•Reduce smallholders profits and opportunities to increase farm investments</li> <li>•The export permit procedure discriminates against smallholder farmers</li> </ul>	<ul style="list-style-type: none"> <li>•Reduced foreign exchange earnings</li> <li>•Delays efforts to reduce/remove rent seeking</li> <li>•Reduces the multiplier effects of food exports in the value chains and to the economy as a whole</li> <li>•Tanzania comparative advantage as food exporter is unexploited</li> </ul>

# METHODOLOGY

- Specify the set of alternatives
- Decide whose benefits and costs count (standing)
- Categorize and catalog the costs and benefits
- Predict costs and benefits quantitatively over the life of the project.
- Monetize (attach dollar values to) all costs and benefits
- Select a discount rate for costs and benefits occurring in the future
- Compare costs with outcomes, or compute the NPV of each alternative
- Perform sensitivity and distributional analysis
- Make a recommendation.
- (McDavid, 2013)





Permits are Issued for 6 months or scrapped in USD	Unit	Amount	Unit Cost	YR0	YR1 (mil)	YR2	YR3	YR4	YR5
Savings from reduced bureaucratic costs:	permit per quarter	3	400	1200	1200	1200	1200	1200	1200
No more costs of slippage of the 30-days permit validity:	tonne	400	2	4000	4000	4000	4000	4000	4000
Savings from reduced loss of sales revenue due to export ban	tonne	6000	430	2580000	2580000	2580000	2580000	2580000	2580000
Savings from elimination of extra storage costs at the port	tonne	2	400	2400	2400	2400	2400	2400	2400
Uninterrupted growth of business as confidence is built	tonne	2000	430	0	400	480	576	691.2	829.44
Reduced marketing costs	as above	1	3000	3000	3000	3000	3000	3000	3000
Enhanced utilization of previously idle capacity	year			0	11,145,600	11,145,600	11,145,600	11,145,600	11,145,600
Stream of benefits				2,590,600	13,736,600	13,736,680	13,736,776	13,736,891	13,737,029
Marginal Revenue Obtained				4,000	11,150,000	11,150,080	11,150,176	11,150,291	11,150,429
Ratio of Benefits to Costs				1.00	5.31	5.31	5.31	5.31	5.31

## IMPLEMENTING AN ON-LINE EXPORT PERMIT PROCESSING

### Online Application for Export Permits

no	Item	unit	qty	Unit cost in USD	Y1	Y2	Y3	Y4	Y5	Total, USD
1	System Analysis , Designing, consultations, stakeholder engagement and sharing of system architecture	man-day's	25	500	12,500	0	0	0	0	12,500
2	Server software's (Certificates, Pdf Convertors)	Lumpsum	1	2000	2,000	0	0	0	0	2,000
3	System development	man-day's	60	500	30,000	0	0	0	0	30,000
4	System Implementation	man-day's	20	500	10,000	0	0	0	0	10,000
5	Hosting & Domain maintenance	months	12	800	9,600	9,600	9,600	9,600	9,600	48,000
6	Training - Admin, Users	man-day's	15	500	7,500	0	0	0	0	7,500
7	Support and maintenance	months	12	300	3,600	3,600	3,600	3,600	3,600	18,000
8	Backup system	annual	1	360	360	360	360	360	360	1,800
9	Computers	pcs	40	700	28,000	0	0	0	28,000	56,000
	Total				103,560	13,560	13,560	13,560	41,560	185,800

# RECOMMENDATIONS

- Specify the food items whose export permits have been suspended and do so in good time for exporters to plan;
- Streamline export licenses required by traders;
- Strengthen coordination of various stakeholders in agricultural export commodities; and
- Promote Warehouse Receipt System and operationalization of commodity exchange, which is overdue.
- Develop a long-term strategy for key food crops to boost food security and remove export permits, in line with other EAC member States
- Establish online permit application
- Decentralize issuance of export permit to regional or district level
- Make follow up (Monitoring) of issued permit if they are utilized or not
- Strengthen food production/utilization data collection



# THANK YOU



MICHIGAN STATE UNIVERSITY



Dalberg

