Formalizing the informal: Experiences from a training and certification scheme in the dairy sector in Assam (India) and Kenya

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Background

- About 80% milk in India and 86% in Kenya is traded by informal market actors
  - This provides greater market access to producers
  - Creates employment for many poor market actors
  - Milk in informal sector not necessarily unsafe just as milk in formal sector not necessarily safe
- But milk traded often does not meet national food safety standards
- Raw milk is a major source of foodborne and zoonotic diseases
- No effective regulatory system to ensure hygiene and quality
Objectives

• To identify health risks from milk in informal milk value chain
• To increase knowledge and capacity of informal market actors
• To improve hygiene and quality of milk marketed by them
• To help legitimize the informal sector in view of authorities
• To advocate for enabling policy environment
Map showing the project sites

Project site: Eldoret and Kisumu in Kenya
Guwahati and Jorhat in Assam
Background of dairying

Kenya
- Dairying relatively new activity: introduced in last 100 years
- High turnover of traders and no associations
- Powerful, well connected formal sector which opposed informal sector
- Informal sector actively discouraged
- Traders had to pay large bribes because of informality
- Strong influence of donors and NGOs

Assam (India)
- Dairying age-old traditional activity
- Milk trading often long-term activity and traders already in associations
- Formal sector relatively weak and did not actively oppose informal sector
- Informal sector suffered ‘benign neglect’
- Paying bribes is not common
- Relatively less influence of donors and NGOs
Key components of training and certification (T&C) scheme

Kenya
- Customized training manuals developed by ILRI and endorsed by government authorities
- Recruitment and accreditation of private sector trainers (business development service providers, BDS) by authorities
- Training of milk traders by BDS, upon payment of fee by traders
- Obtaining certificate of training
- Certificate facilitates access to a licence
- Only traders were trained

Assam (India)
- Training manuals were adapted to Assam’s context
- Dairy officers were trained as trainers
- Trained producers and traders were monitored for 6 months
- Issued training certificate only after monitoring
- Both traders and producers were trained
- No licence was issued
- Consumers’ awareness building was part of the initiative
Implementing partners

Kenya
- Ministry of Livestock and Fisheries Development
- Kenya Dairy Board
- Kenya Agricultural Research Institute
- Kenya Bureau of Standards
- Ministry of Health
- Civil society organizations
- International Livestock Research Institute

Assam (India)
- Dairy Development Department
- Animal Health and Veterinary Department
- Department of Health Services
- Municipal Corporation
- Farmers’ and traders’ associations
- International Livestock Research Institute
A comparative analysis of the program

Kenya
• Licensing of trained traders was emphasized
• Tried to make a demand-driven, trader-funded initiative
• No joint committee among the partners
• Kenya Dairy Board led the initiative with technical support from ILRI
• Policy facilitation was an important part of the initiative

Assam (India)
• Licensing was not emphasized
• Adoption of improved practices was emphasized more
• Tried to make publicly owned initiative with strong community participation
• Dairy Development Dept. led the initiative with technical support from ILRI under ‘JCMC’
• Policy facilitation was not top of agenda
Keys drivers that helped in implementation

Kenya

- Endorsement of the project by the government
- Adjustment of government regulatory environment allowed for the scheme to be embedded in the legislative context
- Engagement with local NGO and financial support from donor in the initial project stages
- Interest created among BDS and incentives for all partners clearly identified

Assam (India)

- All responsible government departments came under a common platform: JCMC
- Producers’ and traders’ associations were made integral part of the initiative
- Instead of showing the fear of rules and regulation, producers and traders were treated as friends
- Monitoring was done at regular intervals to encourage the market actors
- Training certificates were issued only after monitoring
- Increased social recognition and self esteem were emphasized
### Economic consequences on milk trading - Assam’s example

Comparison of quantity, costs and prices of milk sold by milk traders between with and without training in the exposed group  
(Source: ILRI’s impact assessment study, 2012)

<table>
<thead>
<tr>
<th>Exposed (Kamrup)</th>
<th>With training</th>
<th>Without training</th>
<th>p value</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Mean</td>
<td></td>
</tr>
<tr>
<td><strong>1. Total milk procured per day (litre)</strong></td>
<td>146.79</td>
<td>86.03</td>
<td>0.09</td>
</tr>
<tr>
<td><strong>2. Total milk sold per day (litre)</strong></td>
<td>151.56</td>
<td>90.15</td>
<td>0.09</td>
</tr>
<tr>
<td><strong>3. Cost of milk procured per day (RS)</strong></td>
<td>4129.70</td>
<td>2236.20</td>
<td>0.08</td>
</tr>
<tr>
<td><strong>4. Cost of operations per day (RS)</strong></td>
<td>260.47</td>
<td>153.68</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>5. Total cost/day (3+4) (RS)</strong></td>
<td>4390.17</td>
<td>2389.88</td>
<td>0.07</td>
</tr>
<tr>
<td><strong>Cost/litre milk sold (RS)</strong></td>
<td>28.97</td>
<td>26.51</td>
<td>0.56</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>With training</th>
<th>Without training</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price/litre at consumers’ place</strong></td>
<td>31.01</td>
<td>30.20</td>
</tr>
<tr>
<td><strong>Cost/litre</strong></td>
<td>28.97</td>
<td>26.51</td>
</tr>
<tr>
<td><strong>Margin</strong></td>
<td>2.04</td>
<td>3.70</td>
</tr>
</tbody>
</table>
Limitations

Kenya

- Promotion of the scheme nationwide hasn’t been strong
- Requests for licenses have not been as many as expected
- No higher government revenue as expected
- Government has not given strongest support possibly due to pressure from big business players
- Lack of external encouragement and involvement in the project in the long run

Assam (India)

- In the absence of any policy support, the fate of the project depends more on the interest and commitment of key government officials
- Frequent transfer of key government officials affects the normal pace
- Traders expect more direct incentives from the initiative
- Lack of continuous flow of funds from government to the sector
Outcome of the initiative

Kenya
• Improved business skill of market actors
• Improved milk quality among trained traders
• Reduced milk spoilage and losses
• Traders better able to judge milk quality
• Growth in consumer confidence
• Behaviour change of key stakeholders
• ‘Milk War’ in Kenya
• Kenya Dairy Board framed a policy to support the initiative
• Replicated in other East African countries

Assam (India)
• Increased coordination and cooperation among relevant government departments
• Increased trust between informal market actors and government officials
• Government of Assam allocated funds for improvement of the informal sector for the first time
• Increased knowledge and capacity
• Improved hygiene
• Behaviour change of key stakeholders
• Increased demand and profit margin
• Increased productivity of milk by 11.7%
• Reduced incidence of sub-clinical mastitis
Lesson learned

• True incentives for ALL PARTIES are essential for sustenance
• Policy advocacy and pressure on governments should be maintained
• Continuous financial support from the government or donors is essential
• Informal market actors need representation in policy advocacy
• Traders’ associations need to take a more proactive role to expand the scheme
Conclusion

- We should be responsible and accountable to remaining 80% of consumers
- Instead of penalizing informal market actors, should try to help them to rectify their wrong doings
- Need to build their knowledge, capacity, confidence and accountability
- R&D on informal sector should be emphasized more
- Government should frame policy to regulate not to stop them
- Informal sector should be supplementary or complementary to the formal sector
Thank you