

# **The Role of Contractual Arrangements in Strengthening Systems of Innovation in Africa: Lessons from the Tanga Dairy Innovation System in Tanzania**

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## **Abstract**

The case study method was used to examine the evolution of the Tanga dairy innovation system, as well as the mechanisms used to foster and sustain strong links among actors, such as connecting local dairy farmers with Tanga Fresh Ltd. (a milk processing firm). It was found that the Tanga-dairy innovation system has evolved into a competitive innovation system over the last three decades, passing through four stages. These phases are as follows: dairy farming capability development (from 1985 to 1992), Tanga Dairy Cooperative Union establishment (1993), milk processing capability (1996/1997 to 2007), and the fourth phase (2008 to the present), which is characterized by improved overall system innovation capability. It was also found that formal and informal contractual arrangements involving the Tanga Dairy Cooperative Union were the main mechanisms used to foster and sustain strong links among actors, such as connecting local dairy farmers with Tanga Fresh Ltd. in the region. Such arrangements promote coordination and supportive learning, which improves the dairy farmers' and Tanga Fresh Ltd.'s production capability. The paper suggests policy interventions to strengthen and harness the linkages between producers and processors through contractual arrangements to maximize technological capability building and strengthen the existing weak innovation systems in African countries.

**Keywords:** *Innovation System, Linkages Capabilities, Dairy farming, Tanzania, Africa*