



ULIMWENGU WA

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FROM THE DIRECTOR'S DESK



Dear Readers,

There are growing fears that the recent escalation of food prices will increase food insecurity and poverty. We are potentially facing yet another food crisis which comes after a global financial meltdown which in fact was also preceded by an abnormal price rise of

commodities.

The 99th session of the Governing Body Session of the International Labour Organisation included a discussion on “Unleashing the Potential for Rural Development through Decent Work”. That discussion has helped to further explore areas of technical assistance that ILO can target to support rural employment.

We thought, against this backdrop, it is important that we take a closer look at the rural economy in East Africa. Considering the higher incidence of poverty in rural areas as compared to urban areas, it is fair to say that poverty in Africa is mainly a rural phenomenon. The unemployment figures may not necessarily capture that because people in rural areas are often under-employed.

As we have seen in many emerging economies, rural development including a more productive agriculture sector

has provided a solid platform for diversification of the economy and job creation.

With the signing of the Comprehensive Africa Agriculture Development Programme (CAADP) and various national initiatives, there is renewed interest in Africa to promote agriculture and rural development as means to pursue the ideals of pro-poor growth and decent work. *Kilimo Kwanza* “Agriculture first” has been the major focus for Tanzania since 2010.

In our feature article, we will explore the relationship between labour markets and rural employment, particularly as it relates to agriculture. We also look at some interesting cases about strategies to promote rural employment through enterprises and use of labour based technologies. We will also see how cooperatives can help address barriers and facilitate delivery of financial and business services in rural areas.

It is our hope that this issue of *Ulimwengu wa Kazi* will further spur debates and help guide future rural development strategies needed to promote employment-rich growth in East Africa.

Enjoy reading.

Alexio Musindo

Director

ILO Country Office for Tanzania, Kenya, Rwanda and Uganda

Exploring the Interplay between Agriculture Productivity and Employment in Tanzania

By Owais Parry, UN Senior Advisor on Economic Growth & Poverty Reduction

In this article we will explore the heterogeneity of livelihoods in rural areas of Tanzania and potential impact from agriculture productivity on employment creation and underlying effects it can transmit to the non-farm sector. These effects, are not easy to predict owing to the complexity of rural labour markets and lack of data. However, global experience and limited analysis in Tanzania does call for a more customized support in rural development to reflect the asset base of target population and labour shifts from agriculture to non-agriculture sectors.

Structural Changes

Agriculture is the main source of livelihoods for approximately 86 percent of rural men and women¹. Understandably agriculture is considered as strategic area for promoting jobs and poverty reduction.

In recent years the total share of agriculture in the economy has shrunk, but Tanzania is still predominately an agriculture-based economy. Agriculture sector absorbs 77 percent of the labour force. The unemployment rate (22.6 percent) in rural areas of Tanzania is considerably lower than urban areas (7.5 percent) which in fact masks the extent of decent employment deficits.

Typically, as the economy grows, the share of the agriculture sector in the GDP and number of people directly engaged in it decreases. That often happens owing to greater productivity in the agriculture sector while the economy diversifies through structural changes. Many countries that have “graduated” from low income to middle or high income countries have seen this transformation in which agriculture productivity has played a vital role.

Driver for Poverty Reduction

There is ample global evidence which shows that growth in the agriculture sector has had a much higher impact on poverty reduction². Firstly, agriculture productivity can stabilize food prices making it more affordable to poor people. As food constitutes a major part of spending for poor, there is a direct impact on household consumption. Secondly, greater farm

productivity enables small farmers to have surpluses which they are then able to sell in the market for cash. The combined effect of reduced prices and additional cash increases household income which directly impacts their poverty status.

Conversely, if agriculture productivity is not able to keep pace with the increasing demand for food- as we are seeing now with the steep rise in global food prices- low income households can be confronted with situations of food insecurity.

Higher prices of food can also serve as an incentive for farmers to grow more food crops, but often small farmers are not able to respond to price incentives owing to limited asset base and also information asymmetry. The demand pull emanating from price incentives can, however, create jobs in the medium and larger sized farms as more people may be needed for expansion. But, this view has been somewhat contended by findings in some Sub-Saharan African countries which show that small land holders are forced to take up wage employment in larger farms because they can no longer maintain their own farms³.

Potential for Job Creation

Contrary to the popular image of a rural economy being driven mainly by farming, there is growing body of knowledge which suggests that rural livelihoods are quite complex and households do not only rely on farm produce⁴. The household budget survey from Tanzania somewhat echoes this finding. For example, household income of smallholder farmers derived from agriculture declined from 60 percent in 2001 to 50 percent in 2007. Labour productivity in agriculture also shows a reasonable improvement (2.8 percent per annum)⁵ but that is partly as a result of labour movement from agriculture to non-agriculture sectors.

Some of increase in the overall agriculture production has also been attributed to higher proportion of output from large mechanized farms. In total there are 400 large commercial farms that primarily target the export market. The Tanzania Plantation and Agricultural Workers Union alone has 100,000 members, many of

¹ The World Bank, World Development Report, 2008

² ILO, Promotion of Rural Employment for Poverty Reduction, International Labour Conference 97th Session, 2008

³ Oya, Carlos. Rural Labour Markets in Africa: The Unreported Source of Inequality and Poverty, 2010

⁴ Davis, B. et. al. A cross country comparison of rural income generating activities, 2010

⁵ ILO Analysis of MDG Employment Indicators in Tanzania Mainland, 2010

whom are employed on large tea, coffee, sugarcane and sisal plantations. A USAID study on regulatory environment in agriculture suggests that labour conditions in large plantations is much better than small farms where labour may also be employed on a temporary basis⁶. There is however very little data to show if higher demand for agricultural output results in proportional rates of job creation and better remuneration for workers.

Increased productivity in the agriculture sector can also be accompanied by jobs losses in on-farm activities. As productivity increases through capital intensification and use of improved technology, fewer people may be needed to deliver the same level of output. This may appear somewhat contrary to the notion that agriculture is a pro-poor growth sector owing to its job creation attribute. While it is true that there are on-farm job losses, increased productivity in agriculture often feeds into growth of new industries and sectors, many of which are, at least initially, directly linked to farm produce such as agro-processing.

A study using the 2007 social accounting matrix in Tanzania looks at potential impact from *Kilimo Kwanza* (Agriculture First) on jobs⁷. It shows that with an efficiency gain of 4 percent in agriculture, there is loss of 0.4 percent jobs in maize and 18 percent in cotton sub-sectors. The same model however shows employment gains in coffee, cashew nuts, and fisheries thereby underlining the potential of offsetting job losses and even adding new jobs. Obviously, there are limitations using a theoretical model which does not allow us to observe all the dynamic variables of a real world economy. The study however does convey an important message: jobs can be lost if productivity increases in agriculture do not happen alongside economic diversification so that people are able to take gainful employment in new areas of economic activity. The forward linkages of agriculture productivity are thus very important for job creation.

Way Forward: Measures to promote job-rich agriculture growth

After the success of the Green Revolution that had a huge impact on agriculture productivity in Asia, funding- both in terms of public and development aid- for agriculture has seen a constant decline⁸. In Sub-Saharan Africa investment to improve agriculture infrastructure, extension services, and research has been a major constraint. Support to the farmers has

been mainly provided in the form of subsidized seeds, fertilizers, and in some cases farming implements and machinery.

Overall, it is fair to say that the support farmers have received has been unresponsive to their needs, and it has not always resulted in better utilization- a fact reflected by poor absorption rates in the use of improved seeds and fertilizers. In some cases agriculture subsidies have created moral hazards and targeting of these subsidies has been a major challenge⁹. Additionally, the government has intervened in the agriculture market to maintain food stocks and price stability. These measures have at times been counterproductive and acted as disincentives for farmers.

There is now a renewed interest in the state of African agriculture development. The African Union through its Comprehensive Africa Agriculture Development Programme (CAADP) has already made a commitment to increase national agriculture budgets to 10 percent. In 2010, Tanzania increased its overall spending on agriculture to 6 percent of the total budget as part of its effort to support the realization of the *Kilimo Kwanza* vision.

To maximize impact from expansion in the agriculture sector through better jobs and poverty reduction, future strategies should carefully consider the heterogeneity of the rural labour market. This will require a better profiling of types of work that people are involved in and assets that they have at their disposal. The issue of labour productivity in agriculture and other economic sectors needs to be further analyzed because that may hold the key of explaining the weak relationship between growth and poverty reduction. Institutional arrangements also need to be reconfigured to ensure that support services reach a diverse target group in rural areas who may have different needs.

⁶ USAID Ag. Clir Report: Commercial Legal and Institutional Reform in Tanzania's Agriculture Sector, 2010

⁷ Kinyondo, G. Agriculture and Employment: Presentation at Employment Studies Forum, 2010

⁸ Fan, S. et. al. Setting Priorities for Public Spending for Agriculture and Rural Development in Africa, 2009

⁹ Generally agriculture sector- both in developed and developing countries- has received subsidies in one form or another. Here we are discussing SSA and recent results e.g. in Malawi the fertilizer subsidy program has worked well as compared to Tanzania.

Case Study

How Cooperatives contribute in Rural Employment

By ILO's Cooperative Facility for Africa, Coop^{AFRICA}

Unlike in the cities, population in rural areas is dispersed and with poor infrastructure this makes service delivery all the more challenging. For the private sector, reaching rural population inevitably involves higher costs and in some cases, such as credit for agriculture, banking institutions perceive there are greater risks. Naturally, these barriers stun the growth of rural enterprises. Here, we have two successful cases - one from Kenya and the other one from Uganda that show how cooperatives can help rural businesses improve access to services.

Economy of Scale

The Limuru Dairy Farmers Cooperative Society Ltd. (LDFCS) in Kiambu district of Kenya was founded fifty years ago. The cooperative caters to smallholder dairy farmers in the area. Its current membership stands at 9,600 of whom 56 percent are women. Over the years the cooperative has been providing extension services to its members that include training on cooperative governance, animal nutrition and health, hygiene, disease control and other veterinary services. It also runs a milk processing plant that handles over 30,000 litres of milk which is delivered by its members daily. The cooperative was also procuring and supplying animal feed and other dairy farm inputs to its members.

The LDFCS used to source animal feed from various stockists, but the products did not meet the recommended standards. Often the feed was adulterated and contaminated. Moreover, the price of the feed had been increasing very rapidly. For example, between 2007 and 2009 the price of the feed increased by 94 percent. As such, many members of the cooperative had to resort to cheap supplements that provided little nutrition to the animals. As a result, milk production was low and the quality of the milk was also poor.

But this has changed now. With support from the ILO's Cooperative Facility for Africa (Coop^{AFRICA}), Limuru Dairy Farmers Cooperative Society set up an animal feed plant. The objective of the project was to improve income of the cooperative members by supplying them with high quality animal feed which they could buy at a competitive price. The total cost of the project was USD 69,141 of which USD 50,000 was granted by the ILO- Coop^{AFRICA} Facility, while the rest was raised by the cooperative society.

The project started in November 2009. Construction work and installation of equipment was completed a year later. Mr Joseph Nyagah, the Minister for Cooperatives and Marketing in Kenya, inaugurated the mill on 3rd December 2010. Currently, the daily production is 11,200 kg of high quality animal feed which has won the approval of the Kenya Bureau of Standards. The LDFCS now provides animal feed to its members on credit for

which repayment is deducted from proceeds realized from members' milk deliveries.

Although the mill has just started operating, it has already reached a break-even point and even made profit. The business model ensures that cost of production is kept minimal. Also, increased volume of sales by reaching a large number of clients gives it a clear advantage. Dairy farmers are now purchasing feed at prices that are much lower than what they used to pay before. Also, as a result of good quality feed, both the quality and quantity of milk has increased. In keeping with the cooperative practice, the net profit made by the cooperative is shared among the members.

The mill run by LDFCS is benefiting not only the cooperative members but also seven other cooperative societies located in Kiambu District and Kabete with a combined membership of 24,613. The high demand for animal feed may even outstrip current supply.

As such, LDFCS is looking into the possibility of expanding the current plant. It is considering setting up another processing mill for chicken feed. Word has started to spread; farmer cooperatives in the neighbouring areas are also starting to think about setting up their own processing units.



Milk weighing at LIMURU

Supporting inclusive finance: SACCOS show the way

Agriculture finance entails risks, more so than other business sub-sectors, but there are innovative ways that can minimize risks and enable lending to farmers on a competitive and sustainable basis. Here we learn from the experience of a saving and credit cooperative (popularly known as SACCOS) in Uganda and how they have managed to reach people who otherwise would have had no access to financial services.

The Rural Development NGO (ORUDE), based in Jinja, Uganda is working to improve the quality of life of rural communities, particularly women. ORUDE used to support women groups to open savings accounts with financial institutions from which they hoped their members could access credit. As it turned out, most of the financial institutions perceived agriculture credit, particularly to female borrowers, as a major credit risk. Even when women did manage to get loans from the financial institutions, they had to pay very high interest rates averaging 10 percent a month. Ironically, while they had to pay high interest rates on the loans, their savings accumulated no interest. The financial institutions treated their savings simply as a loan guarantee.

It was against this backdrop that ORUDE established the SUSALECO, a saving & credit cooperative. The idea was to help rural women not only to borrow, but also to provide them with the skills necessary to plan, organize, lead, and manage their cooperatives in an efficient, transparent and democratic manner. In addition, ORUDE supported the SUSALECO members to manage their own income-generating activities, often using loans that they could now take from the savings and credit cooperative.

In December 2009 ORUDE entered into an agreement with the ILO under the Challenge Fund Scheme of Coop^{AFRICA} Programme. The project aimed to assist 500 members from 20 women's economic groups in the sub-counties of *Mafubira* and *Busedh*, to form savings and lending cooperatives. Under this scheme 10 women groups from each of the two sub-counties would merge to form a sub-county savings and credit cooperative.

The project started in December 2009 with a total budget of USD 63,089 of which ILO Coop^{AFRICA} contributed USD 46,607, while the rest was raised locally. In implementing the project, ORUDE worked in close consultation with other institutions including NGOs and relevant government departments that have supported and complemented the efforts of the organization.

The project has helped to establish two registered SASULECOs. These two cooperatives now have a total membership of 493, including 380 female and 113 male members. Within a year the loan portfolio has increased to USD 31,109, while savings and shares now amount to USD 13,404. At the end of the project a total of 141 women had been able to access credit from their cooperatives, amounting to USD 23,997.

Owing to this project, women in Mafubira and Busedhe have been able to access financial services for the first time. Access to finance has also sparked an entrepreneurial culture in community. Unlike the past, when women in the area simply considered subsistence agriculture as the only source of livelihood, they are now talking about starting new businesses.



SACCOS members participating in a weekly leadership training

Promoting Employment and Women Empowerment in Infrastructure

By ILO's UN Joint Programme on Wealth Creation, Employment and Economic Empowerment (UNJP 1)

The benefit of good infrastructure in economic growth is critical. Infrastructure can attract private investment, boost productivity, and serve as a driver for growth. While these attributes of infrastructure are well recognized, there are also opportunities to promote more employment and participation of women in the implementation of infrastructure projects. We have one such example from Mtwara and Lindi in Tanzania.

It all began in 2001 with a training on labour based technology which was organized as part of the construction of low volume traffic roads in Mtwara and Lindi Regions. With support from the Finnish International Development Agency (FINIDA), the project was implemented with an added objective of sensitizing local people, and encouraging women in particular to participate in the construction of feeder roads in their locality. These feeder roads are essential in villages to improve accessibility and stimulate local economy and trade.



Angela talking with an ILO staff

The three month training program was conducted in Nachingwea district, Lindi region. Several women attended this training. Men were also encouraged to participate to learn how household incomes could improve if they also supported women to participate in road construction work. It was felt that in some families women face a lot of resistance from the male members who often do not allow them to work.

At the training, the participants were encouraged to form enterprises so that the groups could compete for future public works contracts. One of the participants of this training was Angela Clement. Following this training she, along with her two friends established M/s Tulinje Women Group. FINIDA assisted the groups to get registration in Class 3 Labour Based Contractors with the Contractors Registration Board. FINIDA also loaned the necessary hand tools to the groups. The terms of the loans were very flexible and required them to repay the loans after they had been awarded contracts and earned some income.

Besides training on construction and maintenance of low volume traffic roads, the project also coached these groups on management of companies including procedures for opening and operating company accounts, keeping transaction records, and managing their cash flows.

Angela clearly had a vision. She was determined to expand her business. Together with her business partners she decided to bid for civil work tenders. In 2007 she established a civil works company named M/s Masauko Investment in 2007. The company was registered in Class 7 with Contractors Registration Board.

As expected, the competition was very tough. Her company faced numerous challenges including inadequate equipment, capital, and difficulties in obtaining advance payments from potential clients. Despite these challenges, Angela managed to get several tenders for rural roads maintenance in Mtwara Region including more recently a contract from the UN Joint Programme on Wealth Creation (UNJP1).

With her Class 7 Civil Registration, on a single contract she can bid for work up to TSH 150 million. The company is mostly involved in labour intensive activities such as cleaning of road side drains, grass cutting and so forth, which requires a lot of manual labour.

With the economy growing in Tanzania, there has been a rapid expansion in the construction sector. Angela is very confident that her business will continue to grow and she will be able to get many more contracts.

Angela has proven that with strong determination a person can overcome a lot of odds. She has demonstrated that with little guidance and support she could not only improve her income but she also created employment for other people in a sector that traditionally attracted fewer women. In her own words, she says, "this is by no means an ordinary achievement in an industry which is so male dominated."

Creating New Opportunities: *The Story of Mize Juma*



Mize at her bakery

In rural areas, agriculture is the main source of livelihood. It is however important that rural economies diversify so that jobs get created in the non-farm sector such as agro-processing. In this story, we will see how an entrepreneur seized such an opportunity by starting her own business.

Ms. Mize Juma was born in 1974 at Kangani village in Pemba Isles, Zanzibar. She received her primary education at Kangani School. She had to drop out from school because her parents arranged a marriage for her. She moved to Unguja Isles and settled in Matemwe village with her husband. They soon had children. Mize devoted her time raising children, taking care of all the household chores, and farming.

In 2003, she heard about a project that was being run by the ILO Office to provide economic opportunities to women and address child labour in the village. She got interested and immediately joined a group that the project had helped to establish. The group had 50 members, all of whom were female. From the very beginning Mize was an active member and soon became one of the group leaders.

As part of the group, Mize received training on management of enterprises, savings and credit and basic record keeping. She also received training on making bread. Later, through a tripartite agreement between the Government, ILO and Akiba Commercial Bank, a Loan Fund was established to enable the groups to access capital. In 2004, Akiba Commercial Bank loaned TZS 50,000 each to the members of the group. With this loan, Mize and her friends started making bread.

The business did very well and in the same year they received a second loan of TZS 100,000 each. In the following year the members were able to get a third loan amounting to TZS 300,000 which enabled them to establish a small bakery. Sales improved further and the group was able to repay the loan on time.

With already a good track record, the group applied for a larger loan of TZS 500,000 which was also approved. With this money, they established a sewing business. As Mize explains, “we wanted to diversify our business and saw a new opportunity with sewing.”

It has been a long road to success for Mize and her friends who have shown that perseverance and hard work ultimately pays off. With these small businesses Mize and her friends now have additional cash which they are using for food and schooling of their children.

Country Office Updates

15th – 16th March, 2011: - Decent Work Agenda (DWA) Consultative meetings with ILO constituents, Zanzibar

ZATUC, ZANEMA, Ministry of Labour, Youth Development, Women and Children, and the Chief Secretary met to focus on the implementation of the DWA in Zanzibar and the role of social partners in the world of work in Zanzibar.

24th - 25th March, 2011: DWCP implementation Committee meeting/Employment Programme development, MGLSD Board Room, Kampala, Uganda.

The meeting was a regular quarterly monitoring of the implementation of a Time Bound Action Plan for the DWCP of Uganda. The partners presented the progress made from November 2010 to March 2011. The outcomes of the meeting were the progress report for implementation and the adoption of the TOR of Implementation Committee and the Resource Mobilization taskforce. Focusing on the development of the second DWCP (2011-2014), the Ministry agreed to form a task force that will prepare the roadmap for the development of the new DWCP.

28th – 30th March 2011: Decent Work Country Programme (DWCP) workshop, Edema Hotel, Morogoro, Tanzania.

A technical workshop was convened for the formulation of an Implementation, Monitoring and Evaluation Plan (IMEP) DWCP for Tanzania. The key outcome of the workshop was the identification of four priorities and key outcomes with outcome strategies identified for each priority area. This identification was led by constituents in collaboration with ILO project managers

4th – 9th April 2011: ABC/IPEC funded training workshop for the Child Labour Unit of the Ministry of Labour, Morogoro, Tanzania.

The workshop, which was convened by the Labour Department of the Ministry of Labour and Employment (MoLE)), brought together eighteen (18) Labour officers/Inspectors from Songea, Tanga, Dar-es-Salaam, Singida, Mwanza, Tabora and Lindi. The objective of the mission was to provide technical backstopping and support to the ABC/IPEC funded training workshop for the Child Labour unit of the MoLE

4th - 6th May 2011: Tripartite Task Force meeting for the Development of the Tanzania DWCP Dar-es-Salaam, Tanzania

The Task Force was tasked to draft the outputs and activities based on the identified priorities, outcomes

and outcome strategies. ILO will provide the draft narrative on the country context this will be drawn from the MKUKUTA/MKUZA II and UNDP processes. After the draft document will be finalised, it will be shared with the broader DWCP technical group for revision and comments.

9th – 13th May 2011: ILO DWCP Multi-Disciplinary Mission, Nairobi, Kenya.

The mission met with the Ministry of Labour, social partners, development partners, civil society and other government departments and UN agencies to lay the ground work for a major review of the Labour and Employment regulatory framework with the aim of linking it with the new constitution. It is envisaged that a reform programme will be proposed to the government for its endorsement

11th - 13th May 2011: DWCP Task Force retreat for the finalisation of the Rwanda DWCP, Gicumbi, Rwanda

The tripartite task force met to finalize the DWCP for Rwanda. In the process a decision was made to add one more priority area, Promotion of rights at work, to the three previously identified priorities, that is employment creation, extension of social protection and promotion of social dialogue.

Upcoming Events

May 23rd - 24th, 2011: Strengthening Social Dialogue and Tripartite Consultation: A High Level Meeting between Mainland and Zanzibar Ministries of Labour, Social Partners and ILO, Zanzibar, Tanzania

The aim of the meeting is to promote discussions amongst tripartite partners, focusing on the key topics of social dialogue, labour laws and international labour standards as well as the Tanzania DWCP.

The opinions expressed in this newsletter do not necessarily reflect views of the International Labour Organization (ILO).

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