Child labour in the Tanzania tobacco industry: An analysis of the value chain

Leonie Theuerkauf and Emma Allen
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ILO Country Office for the United Republic of Tanzania, Kenya, Rwanda and Uganda
CoopAFRICA
Kazi House, Maktaba Street
P.O. Box 9212
Dar es Salaam
United Republic of Tanzania
Tel: +255.22.2196700
Fax: +255.22.2122597
E-mail: coopafrica@ilo.org
www.ilo.org/coopafrica

International Labour Office
Cooperative Programme (EMP/COOP)
4, route des Morillons
1211 Geneva 22
Switzerland
Tel: +41.22.7997445
Fax: +41.22.7998572
E-mail: coop@ilo.org
www.ilo.org/coop
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Leonie Theuerkauf and Emma Allen

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Series on the status of cooperative development in Africa
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<thead>
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<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOTTL</td>
<td>Alliance One Tanzania Tobacco</td>
</tr>
<tr>
<td>ATTT</td>
<td>Association of Tanzania Tobacco Traders</td>
</tr>
<tr>
<td>CoopAFRICA</td>
<td>Cooperative Facility for Africa</td>
</tr>
<tr>
<td>ECLT</td>
<td>Eliminating Child Labour in Tobacco</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>IPEC</td>
<td>International Programme on the Elimination of Child Labour</td>
</tr>
<tr>
<td>MKUKUTA</td>
<td>Tanzania National Strategy for Growth and Reduction of Poverty</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NSGRP</td>
<td>National Strategy for Growth and Reduction of Poverty</td>
</tr>
<tr>
<td>OSH</td>
<td>Occupational Safety and Health</td>
</tr>
<tr>
<td>TFC</td>
<td>Tanzania Federation of Cooperatives</td>
</tr>
<tr>
<td>TLTC</td>
<td>Tanzania Leaf Tobacco Company Limited</td>
</tr>
<tr>
<td>TZS</td>
<td>Tanzanian Shilling</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>UTSP</td>
<td>Urambo Tobacco Sector Project</td>
</tr>
<tr>
<td>WETCU</td>
<td>Western Tobacco Cooperatives Union</td>
</tr>
<tr>
<td>WFCL</td>
<td>Worst forms of child labour</td>
</tr>
</tbody>
</table>
Acknowledgements

The Authors gratefully acknowledges the support of the ILO’s Cooperative Facility for Africa (CoopAFRICA), the ILO’s International Programme on the Elimination of Child Labour (ILO/IPEC) and the reading committee in the undertaking and completion of this working paper. In particular, comments, suggestions and other inputs provided by Loretta Bass, Fredrick Batinoluho, Kathleen Beegle, Federico Blanco, Jacob Lisuma, Peter Hurst, Sophia Karanda, Eva Majurin, Sam Mshiu, Elizabeth Mwakalinga, Adelaida Mwambalaswa, Sudan Ndessi, Nadine Osseiran, Mathieu de Poorter, Guy Tchami and Philippe Vanhuynegem are gratefully acknowledged. The Authors also thank the Tanzania Federation of Cooperatives. Gloria Maganga, from ILO/IPEC in Dar es Salaam, deserves thanks for her role in supporting the research, which included accompaniment of researchers to the field and translation of data collected in the field. Without her very valuable contribution, this working paper would not have been possible.

About the Authors

Leonie Theuerkauf is working as a freelance consultant in the fields of cooperative development, child labour and youth employment. Further areas of interest include European affairs, especially employment and social policies. Educated at the University of Portsmouth (UK), University of Bremen (Germany) and the Catholic University of Leuven (Belgium), she is currently working in Germany.

Emma Allen is currently completing her PhD in Economics from the University of Newcastle, Australia. She is currently working for the International Labour Organization (ILO) in areas of cooperative enterprise development and employment intensive investment. Her research interests include employment policy, public works, enterprise development, local economic development, employment impact assessment, spatial analysis and survey research methods. She has worked for ILO in South Africa, Tanzania, Indonesia and Geneva.
Executive summary

In comparison to other rural areas in Tanzania, Urambo - a rural tobacco growing district of the Tabora region of Tanzania - is one of the more wealthy districts. However, wealth in Urambo is not spread evenly. Poverty amongst smallholder tobacco farmers in Urambo persists and there is concern that producer’s share of border prices does not provide sufficient income to lift households out of poverty. In order to minimize cost of production, a large portion of which is comprised of the cost of labour, producers resort to child labour.

It has been estimated that approximately 2.5 million children in Tanzania engage in child labour and of this 2.5 million nearly 600,000 engage in hazardous child labour. Child labourers most commonly work in the agricultural sector in Tanzania. In the tobacco sector it is estimated that children comprise approximately 45 per cent of the labour force. Due to the various pesticides used in growing tobacco, labour intensive farming tools and lack of access to protective clothing, child labour in the tobacco sector is largely considered to be hazardous.

In Tanzania, many involved in agriculture are organized into cooperatives for the marketing of crops. Cooperative networks are extensive with approximately 23 per cent of Tanzania’s population directly connected to cooperatives through household membership. As the network of cooperatives is extensive, and cooperatives operate in economic sectors where child labourers are found, it has been suggested that cooperatives could be used as a point for dissemination of awareness-raising activities and activism related to child labour.

This study undertakes a situational assessment in order to understand the state of child labour and cooperatives in Urambo. The study showcases the situation of stakeholders in the tobacco industry and undertakes a value chain assessment in order to understand the relation between distribution, poverty and child labour. The study identifies that there is a problem with smallholders not being adequately included in decision-making processes and revenue distribution within the value chain. Data collected indicates that in order to improve their living situation, producers try to minimise costs associated with production. As labour is a large component of producers’ margin, use of cheap child labour allows producers to reduce the cost of production. It is clear that this strategy is short-sighted, as it results in the overall productivity and earning capacity of the child reduced in the future. However, despite all the evidence that indicates that child labour is not economically viable in the long run, for the smallholders in Urambo it is the only economically viable solution for overcoming their need for labour.

Conclusions from the analysis indicate that there can be no sustainable improvement to the situation of the children in Urambo without improvements to the income of the smallholders themselves. The study concludes with a number of strategic recommendations that focus on economic empowerment and awareness-raising. Consideration is given to how cooperatives could increase their bargaining power...
within the value chain so that they could effectively represent the interests of their members and improve economic situation of their members, while also supporting sustainable solutions for the elimination of hazardous child labour.
1. Introduction

Many children undertake a variety of domestic and economic activities as they grow up, much of which could be considered to contribute to their development and the welfare of their families. However, there is a point at which work can begin to impact on the overall development of a child, impacting on their dignity and potential. This situation is described by the term ‘child labour’. More specifically, child labour is a term that refers to work that is dangerous or harmful and/or work that interferes with schooling. In its worst form child labour can refer to slavery, child trafficking, use of children in illicit activities and work that harms the health, safety or morals of children.

Estimations from the ILO’s International Programme on the Elimination of Child Labour indicate that in Sub-Sahara Africa during 2004 just under 50 million children (26.4 per cent) between the ages of five and 17 were economically active (Hagemann, Diallo, Etienne & Mahran, 2006). In Tanzania it has been estimated that approximately 2.5 million children engage in child labour, and of these 2.5 million nearly 600,000 engage in hazardous child labour (NBS, 2006).

Child labourers most commonly work in the agricultural sector in Tanzania. In the tobacco plantation sector it is estimated that children comprise approximately 45 per cent of the labour force (Masudi, et al., 2001). Due to the various pesticides used in growing tobacco, labour intensive farming tools, lack of access to protective clothing and location of plantations in proximity to schools, child labour in the tobacco sector is largely considered to be hazardous.

Many involved in agriculture in Tanzania are organized into cooperatives for the marketing of crops. It is estimated that 23 per cent of Tanzania’s population are directly connected to cooperatives through household membership (Maghimbi, 2009). The network of cooperatives is extensive in Tanzania, as cooperative operate in economic sectors where child labour is present, it has been suggested that cooperatives could be used as a point for dissemination of awareness-raising activities and activism related to child labour.

Cooperatives can help to tackle the use of child labour in their own business operations, as well as in the areas and communities where they operate. Firstly, cooperative businesses operate in most of the economic sectors where child labourers are found. Secondly, cooperatives are important employers; and in stimulating decent youth and adult job creation they can help eliminate the use of children as cheap labour. Thirdly, cooperatives also run many training and education programmes where child labour components can be added to raise awareness on how cooperative members and their communities can tackle child labour. Fourthly, cooperatives can add their voice, and lend their support, in national, regional and

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1 A cooperative is an autonomous association of persons united voluntarily to meet their common economic and social needs through a jointly owned and democratically controlled enterprise.
international forums dealing with the elimination of child labour. Finally, in a world where consumers are increasingly interested in ethics and product development, it makes good business sense for cooperatives to commit to the elimination of child labour.

However, it is important to understand the constraints that cooperatives and their members face in responding to child labour and what needs to occur to enable lasting reductions in child labour. Therefore, this working paper seeks to provide recommendations on how cooperatives can address the challenge of developing sustainable solutions for the elimination of child labour. In order to progress this objective this study undertakes a situational assessment to shed light on the state of child labour in Urambo - a rural tobacco growing district of the Tabora region of Tanzania. The working paper showcases the situation of stakeholders in the tobacco industry and ultimately undertakes a value chain assessment in order to understand the relation between distribution, poverty and child labour. It becomes apparent that the economic empowerment of smallholders is a central issue in the elimination of child labour.

1.1 Rationale for the study

This study seeks to contribute to both national and international movements for the elimination of child labour. At the national level, Tanzania’s Strategy for Growth and Reduction of Poverty 2005-2010 includes the elimination of the worst forms of child labour (URT, 2005). The strategy commits to reducing prevalence of children engaging in child labour to less than ten per cent by 2010 and also focuses on improving educational attainment of vulnerable children, including child labourers.

At the international level, the International Labour Organization’s (ILO) Cooperative Programme and the ILO’s International Programme on the Elimination of Child Labour (ILO-IPEC) have been working together to address child labour through cooperatives. This partnership seeks to mainstream the idea of eliminating child labour through cooperatives or “cooperating out of child labour”. The mandates for the activities are based on the ILO’s Worst Forms of Child Labour Convention, 1999 (No. 182) and the ILO’s Promotion of Cooperatives Recommendation, 2002 (No. 193). To date, the collaboration has involved the exchange of experience and expertise among African cooperative leaders through different means, including production of publications and advocacy materials and facilitation of workshops and seminars. To further develop this partnership and progress the movements for the elimination of child labour, the current study seeks to understand the constraints that cooperators face in responding to child labour. In order to do this, this study undertakes a situational assessment, investigating the penetration and/or impact of policies and activities of national and international cooperative stakeholders at the local level.
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1.2 Methodology

Urambo is by comparison one of the more wealthy districts in the Tabora region, while at the same time it has high incidence of child labour and poverty amongst farmers. It seemed that the farmers who produce the wealth of the Urambo District do not receive adequate income from the tobacco trade and subsequently resort to use of child labour to minimize the costs of production. Urambo district within Tabora region was purposively selected as the focus of this working paper based on the above facts, plus several other motivating factors, including:

- the existence of the ILO/IPEC UTSP project;
- the labour intensiveness of tobacco production;
- the high organizational level of the tobacco farmers in primary cooperatives;
- primary cooperative membership in the tobacco cooperative union.

The study draws upon qualitative methods, which primarily consist of structured interviews that allowed the collection of grid data. Interviews were undertaken with nine primary cooperatives and other stakeholders and/or organizations from the cooperative movement and child labour movement in Urambo District. More specifically, structured interviews were undertaken with nine primary cooperative leaders in the tobacco sector in the Urambo District. In addition to structured interviews, many semi-structured interviews occurred amongst the primary cooperative members and the researcher during the field visit.

Questions asked by researchers investigated activities concerning the elimination of child labour and demand for sensitizing cooperatives on the issue of child labour. The cooperative’s activities that relate to education and training as well as the number of members benefiting from these activities were considered. Knowledge and attitudes towards child labour was investigated. The income of farmers and the cooperative as well as average selling prices for tobacco were considered. Interviewees were also asked about access to microfinance and how this relates to supply of agricultural inputs. Data collected for value chain analysis explored several questions, including the bargaining power of cooperatives, barriers to penetration of key markets, impact of government policy and the prominence of tobacco companies within the value chain.

Each village in the Urambo District has at least one primary cooperative that organizes the local farmers. The primary cooperatives sampled in this study comprised of between 76 and 356 members. The average number of members of primary cooperatives was 200. These primary cooperatives form a union known as Western Tobacco Cooperatives Union (WETCU).

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2 See Annex I
1.3 Guide to the working paper

Section one has outlined the rationale for this study and provided discussion of the methodological approach to research. Section two provides an orientation to the socio-economic context of Tanzania, with consideration given to social indicators, economic and labour market characteristics and child labour. Section three focuses on the situation of cooperatives in Urambo, and discusses cooperatives and sensitization to child labour, the characteristics of child labour in Urambo and access to credit and child labour. Section four considers the local economy of tobacco in Urambo and provides an assessment of the value chain. Section five provides recommendations that relate to the economic empowerment of the producers and their cooperatives, as well as awareness-raising. Section six provides conclusions.

2. Overview of social and economic context

2.1 Social setting

Urambo district is situated within Tabora Region and has an estimated population of 370,796, constituting 62,633 households (see Table 1). The average household in Urambo has 5.9 members, in line with the national average. The population density of Urambo is low, with approximately eight people per square kilometer (Masudi, et al., 2001). The Urambo district has a high population growth rate (4.2 per cent) when compared with the national rate (2.9 per cent), which is largely due to migrants seeking employment on tobacco farms. Urambo district is located within a region that has a younger population and lower degree of urbanization when compared to the national average. The Tabora region is home to approximately 5.1 per cent of Tanzania’s population (UTR, 2002). The mean monthly consumption per capita in Tabora is considerably lower than that which is found in Dar es Salaam. However, the average life expectancy is higher in Tabora than it is in Dar es Salaam (see Table 2).

Table 1: Selected demographic variables for Tanzania, 2002

<table>
<thead>
<tr>
<th>Census variable</th>
<th>Urambo</th>
<th>Tabora</th>
<th>Tanzania mainland</th>
<th>Tanzania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>370,796</td>
<td>1,717,908</td>
<td>33,584,607</td>
<td>34,569,232</td>
</tr>
<tr>
<td>Population density (per sq. km)</td>
<td>8</td>
<td>23</td>
<td>38</td>
<td>29</td>
</tr>
<tr>
<td>Average household size</td>
<td>5.9</td>
<td>5.9</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Urban population (per cent)</td>
<td>N/A</td>
<td>12.9</td>
<td>22.6</td>
<td>23.1</td>
</tr>
<tr>
<td>Population aged 0-14 (per cent)</td>
<td>N/A</td>
<td>46.9</td>
<td>44.2</td>
<td>44.2</td>
</tr>
</tbody>
</table>

Sources: URT (2002) and Masudi et al., (2001)
Statistics on education in Tabora indicate considerable disparities when compared to the national average. For instance, in 2004 the average enrolment rate for primary school education for Tabora was 68.2 per cent, while the national average was 90 per cent (see Table 2) (Hoogeveen, 2008: 257). These disparities are also reflected in literacy rates, with the national literacy rate at 69.4 per cent, while the rate for Tabora was 65 per cent and the rate for Dar es Salaam was 91 per cent in 2004. Moreover, the quality of education available to students in Tanzania requires improvement, as only 62 per cent of students in pass their primary school leaving exam (Ministry of Education and Culture, 2006 cited in Hoogeveen, 2008: 259).

However, there are many supply-side factors associated with the delivery of quality education, including high teacher-student ratios, teacher absenteeism and inadequate infrastructure to support learning, which need to be overcome. Subsequently, enrolment rates in secondary education are low, at 16 per cent nationally for 2007 (Ministry of Education and Culture, 2007 cited in Bastien, 2008: 399). However, it is noted that considerable gains have been made in secondary enrolment (up from two per cent in 2002) and results of the primary school leaving exam (up from 22 per cent in 2000).

### Table 2: Selected socio-economic statistics for Tabora and Dar es Salaam, 2004

<table>
<thead>
<tr>
<th>Social indicator</th>
<th>Tabora</th>
<th>Dar es Salaam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Literacy Rate (per cent, 15 and above)</td>
<td>65</td>
<td>91</td>
</tr>
<tr>
<td>Life expectancy at birth</td>
<td>53</td>
<td>50</td>
</tr>
<tr>
<td>Number of secondary schools</td>
<td>41</td>
<td>87</td>
</tr>
<tr>
<td>Total net enrolment rate (per cent)</td>
<td>68.2</td>
<td>93.1</td>
</tr>
<tr>
<td>Mean monthly consumption per capita (TZS 1000) (2000)</td>
<td>10.4</td>
<td>21.9</td>
</tr>
</tbody>
</table>


Access to health care in Urambo is very limited. For many services the people of Urambo need to travel to Tabora, which is two hours away by car (approximately 90 kms) and can only be reached via use of gravel roads. Malaria and diarrhea are common in Urambo, especially in the rainy season (Masudi et al., 2001; Authors’ own analysis). Statistics from the Tanzania Demographic and Health Survey 2004/05 indicate that Tabora, in comparison to the national average, has poorer health statistics, with more women and children classified as having anemia and less children under five sleeping under a mosquito net (see Table 3).
Table 3: Selected variables from the Tanzanian Demographic and Health Survey, 2004/05

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tabora</th>
<th>Tanzania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children aged 6-59 months classified as having anemia (per cent)</td>
<td>75.1</td>
<td>71.8</td>
</tr>
<tr>
<td>Women aged 15-49 classified as having anemia (per cent)</td>
<td>53.5</td>
<td>48.4</td>
</tr>
<tr>
<td>Children under five that sleep under a mosquito net (per cent)</td>
<td>10.7</td>
<td>31.4</td>
</tr>
<tr>
<td>Households with at least one or more mosquito nets (per cent)</td>
<td>53</td>
<td>46.3</td>
</tr>
</tbody>
</table>


Since 2006, the District has been connected to the national electrical grid. Prior to this people in Urambo depended on firewood for energy, and this resulted in deforestation and environmental degradation in the area (Masudi, et al., 2001; Authors’ own analysis). The development of Urambo continues to be crippled by insufficient infrastructure and poor basic services. For instance, access to piped water is poor and many use wells bored by the householders themselves.

2.2 Economic and labour market characteristics

Approximately 60 per cent of Tanzania’s GDP is associated with the informal economy and most of these enterprises are unregistered, lack accounting and administrative skill, and do not pay taxes (Schneider, 2004, cited in Skof, 2008: 169). The Integrated Labour Force Survey (NBS, 2006: 43) reveals that 40 per cent of households were active in the informal economy; this is up from 35 per cent recorded by the same survey in 2001. Subsequently, productivity is generally considered to be low and employment conditions are poor.

The key reasons for seeking employment in the informal sector include lack of work opportunities outside the informal sector and the need to provide additional income to the household. Due to the high level of economic activities that are undertaken in the informal economy, unemployment in Tanzania is relatively low. In 2006, the unemployment rate for Tanzania was estimated at 11 per cent (NBS, 2006). Rural areas in Tanzania had the lowest unemployment rates (including Urambo), averaging at 7.1 per cent. Unemployment is also high amongst youth, although youth that have completed secondary education and undertaken skills oriented training are more likely to be employed than those have not.

In Tanzania gains have been made in reduction of urban poverty, but there has been little improvement in the situation of rural dwellers (Conforti & Sarris, 2007: 2). In the rural areas of Tanzania, 39.9 per cent of households live below the basic needs line.
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Tabora region is responsible for approximately four per cent of Tanzania’s GDP (mainland). In Tabora, per capita income is lower than the average for Tanzania mainland (see table below). However, the Urambo district produces the largest quantity of tobacco within the Tabora region (approximately 40,000 farmers are involved in the tobacco sector). The Urambo district also produces the highest quantity of tobacco within the Tabora region. Therefore, compared to other rural districts in Tanzania, Urambo could be considered wealthy.

Table 4: GDP for Tabora and Tanzania mainland, 2005

<table>
<thead>
<tr>
<th>GDP variable</th>
<th>Tabora</th>
<th>Tanzania Mainland</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (TZS Millions)</td>
<td>560,574</td>
<td>13,063,317</td>
</tr>
<tr>
<td>Per capita income (TZS Millions)</td>
<td>296,992</td>
<td>360,892</td>
</tr>
</tbody>
</table>

Source: NBS (2005) National Accounts (at current prices)

Urambo district is primarily a tobacco farming area in rural Tanzania, with few sources of income outside tobacco farming within the district (i.e. low level of diversification). The few alternative economic activities are mostly associated with agricultural production, and include crops such as cassava, groundnuts and to a lesser extent maize, sesame seeds, beekeeping, mangoes, and animal husbandry (Masudi et al., 2001; Authors’ own analysis). Most agricultural production is undertaken on a small scale, operating on less than three hectares of land. Many activities are highly labour intensive, but there is potential to introduce labour saving technologies. However, thin access to credit and leasing services is a barrier to this.

According to the Household Budget Survey (NBS, 2007), agriculture constitutes the main source of income for Tanzanian households, absorbing 57 per cent of employed adults. Primary agriculture and agribusiness combined account 45 per cent of GDP (Conforti & Sarris, 2007: 2). All activities associated with agriculture employ approximately 70 per cent of the labour force and provide approximately 80 per cent of the population with a means for livelihood. Women and children account for at least 70 per cent of those working in agriculture.

In Tanzania, crop production accounts for 36 per cent of GDP (Gordon, 2008: 98). Export crops (including tobacco) account for 12 per cent of total crop production (Conforti & Sarris, 2007: 2). The major traditional export crops of Tanzania include coffee, cotton, cashew nuts, tea and tobacco. Many of these crops are grown by small and medium scale subsistence farmers in the rural areas of Tanzania. Tobacco farming is found in Iringa, Kagera, Kigoma, Mbeya, Rukwa, Ruvuma, Shinyanga, Singida and Tabora regions and is typically marketed with the assistance of cooperative unions (Masudi, et al., 2001). In Tanzania, the majority of tobacco is sold through cooperatives. For example, in 2006/07 50.6 metric ton of tobacco was sold, and 42.2 of this tonnage was sold through cooperatives (Bank of Tanzania, 2008; Maghimbi, 2009) (See Table 5).
Table 5: Income of tobacco cooperatives in Tanzania

<table>
<thead>
<tr>
<th>Coop Unions</th>
<th>Primary coops</th>
<th>Tobacco Growers</th>
<th>2006/07 Production (Kg)</th>
<th>Value In USD</th>
<th>2007/08 Production (Kg)</th>
<th>Value In USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1WETCU LTD</td>
<td>129</td>
<td>39,676</td>
<td>24,367,911</td>
<td>23,568,643</td>
<td>23,142,134</td>
<td>27,045,333</td>
</tr>
<tr>
<td>KACU LTD</td>
<td>43</td>
<td>8,735</td>
<td>5,217,250</td>
<td>5,740,540</td>
<td>5,017,845</td>
<td>6,062,809</td>
</tr>
<tr>
<td>LATCU LTD</td>
<td>48</td>
<td>6,954</td>
<td>4,831,883</td>
<td>4,996,650</td>
<td>5,002,289</td>
<td>6,188,166</td>
</tr>
<tr>
<td>CETCU LTD</td>
<td>11</td>
<td>2,500</td>
<td>1,335,177</td>
<td>1,193,247</td>
<td>1,770,799</td>
<td>1,911,574</td>
</tr>
<tr>
<td>CHUTCU</td>
<td>6</td>
<td>9,327</td>
<td>5,140,409</td>
<td>4,631,508</td>
<td>6,026,585</td>
<td>6,465,458</td>
</tr>
<tr>
<td>SONAMCU LTD</td>
<td>20</td>
<td>6,500</td>
<td>1,380,070</td>
<td>1,034,983</td>
<td>2,739,379</td>
<td>2,420,432</td>
</tr>
<tr>
<td>TOTAL</td>
<td>257</td>
<td>73,692</td>
<td>42,272,700</td>
<td>41,165,573</td>
<td>43,699,031</td>
<td>50,093,774</td>
</tr>
</tbody>
</table>

Source: Maghimbi (2009)

In general, the productivity of labour in agriculture in Tanzania is low, largely due to inadequate access to inputs, technology and microfinance; high production costs; poor agri-business management skills; poor infrastructure and environmental factors (Gordon, 2008; Conforti & Sarris, 2007). In Urambo, traditional tobacco growing methods are labour intensive, with many smallholders manually ploughing the land. There is need for the introduction of labour saving technologies; however access to credit and leasing services needs to be improved first.

In the rural areas of Tanzania, income derived from agriculture provides 60.4 per cent of the household income (Skof, 2008: 171). Given the persistence of poverty in rural Tanzania, there has been concern that the producer’s share of border prices does not provide sufficient income to lift households out of poverty. Analysis undertaken using a Social Accounting Matrix by Conforti and Sarris (2007) found that reducing the marketing margins of border prices (farm-gate and wholesale prices) would have a substantial impact on growth, welfare and distribution on all households in Tanzania. Gordon (2008: 118-119) notes that despite improvements that have been made in producer’s share of border prices, prices for services and marketing remain significant relative to the final price. For instance, in the Tabora tobacco trade the marketing margin account for over 40 per cent of the border value. By comparison, the marketing margins of coffee and cotton are on average marginally higher than that of tobacco, while the marketing margins of cashew can be up to ten per cent lower than that of tobacco.

The most noteworthy cost components of marketing margins of the border price for tobacco farming in Tabora (when compared to other cash crops in Tanzania) relate to transport, processing and the tobacco trader’s margin; taxation and packaging fees are comparatively minimal (Gordon, 2008: 120). The comparatively large
margin of tobacco traders is attributed to risk, logistics and transaction cost. It has been suggested that the marketing costs associated with tobacco could be reduced through public sector investments in transport infrastructure and utilities (water/electricity) that would support processing.

The cost components of the producer’s margin are dominated by the cost of labour (Gordon, 2008: 121). Transportation of the crop between the farm and the depot point can also be hidden components of the producer’s margin. Given the significant share of the marketing margin of the final price and the persistence of poverty in rural Tanzania, producers try to minimise costs associated with production. As labour is a large component of their margin, seeking cheaper labour, such as child labour, is an alternative that tobacco farmers have employed in Urambo.

2.3 Child labour

Child labour is a global phenomenon and is found in all regions of the world, in both developing and industrialised countries. Data from Tanzania’s Integrated Labour Force Survey (NSB, 2006) indicates that approximately 31.2 per cent of children aged five to 17 years are employed (using the standard definition) for an average of 23 hours per week, while 5.78 million of 11.7 million children aged five to 17 years engage in domestic activities (ILO, 2006: 102-103). Despite the official statistics it has been argued that estimates of child labour derived from household surveys can underestimate the extent of child labour, as many child labourers, particular those who are orphaned or vulnerable may not live in households or have a permanent residence (Kidolezi et al., 2007).

Analysis from the Integrated Labour Force Survey (NBS, 2006) indicates that children who are undertaking economic activities are more likely to not attend school than those undertaking domestic work. Similarly, these children are likely to have an educational attainment lower than the average. Children who undertake economic activities are most prevalent in rural areas and it is more common for males to engage in economic activities than females. The most common economic activities that children engage in are within the agricultural sector (82.4 per cent) and much of the wage that is earned is given to their parents.

Reasons given for letting children work include (soft and hard) skill development, supplementing the household income and assisting with household enterprise. Much of the work that is considered to be ‘child work’ entails light activities and may be beneficial as it has the potential to increase the bargaining power of the child with the family unit.

Child labour is quite different, as it encompasses activities that are exploitative, hazardous or inappropriate, which may have a detrimental impact on the child’s educational outcomes and development in general. In terms of hours of work, children who engage in more than 14 hours of work per week are considered to be child labourers, and children who work more than 43 hours per week are
considered to be engaged in hazardous work (NSB, 2006: 112). Child labourers are an important subset of economically active children. Much of the work done by the economically active children, especially in agriculture, is likely to be hazardous and therefore considered to be child labour. In Tanzania approximately 2.5 million children engage in child labour, and of this 2.5 million 591,846 are considered to be engaged in hazardous child labour (NBS, 2006: 112). In percentage terms, 21 per cent of children aged five to 17 are considered to be child labourers, while five per cent are hazardous child labourers.

The overarching goal, as outlined by the ILO, is for the progressive elimination of all forms of child labour, with priority given to the immediate elimination of ‘the worst forms of child labour’, including all forms of slavery, trafficking of children, use of child soldiers, commercial sexual exploitation, the use of children in illicit activities and hazardous child labour. The child labourer is more vulnerable to the demands of employers due to lack of representation, lack of experience and social hierarchy, among others.

Research undertaken by Masudi et al., (2001) on behalf of ILO/IPEC indicates the main causes of the worst forms of child labour in tobacco farming relate to poverty. It is recognized that the poverty of smallholders involved in tobacco farming is exacerbated by their share of border prices. The study found that 84 per cent of the parents working in tobacco farming were poor or very poor, with average earning just over USD $100 per annum. Both parents and child labours cited destitution as the main cause for engaging in economic activities. For Urambo District, the study reported that child labourers sampled worked an average of 12 hours per day, with no time given for breaks.

Despite this it is important to acknowledge that resolving poverty may not necessarily entail an automatic decrease in child labour. For instance, assets possession (land availability) can increase the marginal utility of family work and therefore result in an increase of child labour. Child labour can also be influenced by credit rationing, economic shocks, access and quality of primary and secondary education (including direct and indirect costs), household educational attainment and agricultural technology, among others. For instance, in Tanzania there is a tendency for child labour to increase significantly when households are affected by agricultural shocks (Beegle, Dehejia & Gatti, 2006). Child labour can also be intermittent due to seasonality associated with the agricultural cycle.

Studies undertaken on child labour in Tanzania indicate that participation of children in labour market activities is casually associated with lower education attainment (Beegle et al., 2008; Kidolezi et al., 2007). In the long term, it has been demonstrated that child labour can have a negative impact on the future earning capacity of the child (Beegle, Dehejia & Gatti, 2003).

Further research undertaken by the World Bank in Tanzania considered the impact of credit constraints on child labour and found that child labour is one of the mechanisms used by households to smooth income shocks (Beegle, Dehejia & Gatti, 2003). The study suggested that increasing access to credit might be an
effective strategy for smoothing household income and therefore leading to a potential reduction in child labour. Another World Bank study on child labour in Tanzania found that child labour had a significant negative effect on educational attainment (particularly for males) and labour productivity ten years later (Beegle, et al., 2008). The study also found that child labour increases the probability of early marriage and this subsequently leads to an increase in the child labour of females when households are experiencing a shock primarily.

3. **Situational analysis**

From data collected and literature analyzed, it is possible to summarize key elements of the situation in Urambo as follows:

- tobacco growing is generally undertaken by smallholder farmers, who are contracted by tobacco companies;
- farmers are organized in a producers’ cooperative, titled the ‘Western Tobacco Cooperatives Union (WETCU)’, which represents 150 primary cooperatives;
- WETCU itself does not sell the farmers outputs on the world market, but rather organizes the interaction between the farmers and tobacco companies.

The Urambo district produces the highest quantity of tobacco within the Tabora region. Traditional tobacco growing methods are labour intensive, requiring more than 300 days of activity on farms. It is estimated that children comprise 45 per cent of the labour force in Tanzanian tobacco growing (Masudi, et al., 2001).

3.1 **Cooperatives and sensitization to child labour**

Some cooperative members were members of child labour committees, which were originally set up by the District Council and ILO/IPEC. However, cooperative members on these committees were not representing the primary cooperatives in an official capacity. Village committees existed in all but one village visited. The village that did not have a committee was outside the area served by the ILO/IPEC project. In some of the villages, the work of the child labour committees had contributed to discussions at meetings of primary cooperatives. In most cases (seven of nine), cooperatives have received information on child labour from the community, but had not discussed the issue of child labour formally among its members. There was one exception, with one primary cooperative sensitized to child labour issues by a Non-Governmental Organization (NGO) funded with the assistance ILO/IPEC. At this cooperative, six needy children ceased work activities and were enrolled in a Vocational Education Training Centre.

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3 However, it is important to note that a grower’s contract is normally signed between the primary cooperative and the respective tobacco company. In this contract there is anti-child labour clause, indicating a commitment that the primary cooperative will not use children as labourers. In actually there is limited monitoring of this requirement.
The primary cooperatives interviewed were very receptive in regard to the need for further information and sensitization on the topic of child labour (see Box 1). Indeed, the cooperative members expressed that there was a need for sensitization to child labour, as part of the cooperative’s commitment to the communities’ welfare. There was recognition of the connection between child labour, educational outcomes and how this might influence the productivity of rural labour in the future.

However, it became apparent during discussions with farmers that they believed that the tight economic situation left them little alternative but to use child labour to varying extents (see Box 2). Barriers to addressing child labour included:

- the producer’s share of the border price;
- access to credit;
- affordability of adult wages;
- cultural factors see child labour as a private matter.

The degree to which child labour used is shown indirectly by the fact that eight leaders of the primary cooperatives stated that children should work four-to-five hours a day. One leader emphasized that this is a decision which should be taken solely within the family. This statement underlines the fact that for many people, child labour is seen as an issue for family businesses and not a challenge for society.

**Box 1: Cooperative leaders on the importance of sensitizing cooperatives on child labour**

“As most farmers are cooperative members it is good for those who belong to cooperatives to play part in fighting against child labour.”

“There is a need for those who belong to cooperatives, as members of society, to support the government and other stakeholders in the fight against child labour because child labour is a violation of the rights of the child, including their right to education, rest and recreation, among others.”

“The idea is good because apart from the fact that children help us on farms, they also need to go to school and receive education for their benefit and the benefit of their future children.”

**Box 2: Cooperative leaders on barriers to elimination of child labour**

“Cooperative members need to be empowered economically in order to eliminate child labour.”

“We cannot employ adults because we cannot pay them. But if the price of the agricultural inputs will go down, the tobacco price goes up and if there will be fair grading of tobacco then life can be a little bit better.”
on the whole. This reflects a contradiction in terms of what legislation permits and what cooperative leaders perceive to be appropriate. It also is revealing of attitudes towards child labour. For instance, while the child’s engagement in four hours of work a day could theoretically permit the child labourer to attend to school, it is a substantial amount of time when taking into account the distances that many children have to travel (by foot) to reach their schools and the impact that engaging in such activities has on leisure and recreation. This problem is even more chronic for the few children who are able to attend to secondary school, as there are few secondary schools in the district, meaning that commuting distance may increase substantially. While development of educational infrastructure has been expanding (see Annex I), the demand for dormitories outweighs supply. The compulsory four hours of work might make the children more prone to end their schooling prematurely.

It was also identified that cooperatives are organized networks and could therefore be used as instruments for raising awareness on child labour (See Box 3). All but one of the cooperatives interviewed agreed to include child labour on the agenda of their next general meeting. However, all expressed doubt as to whether this would trigger a positive reaction from the members, as the members cannot see that there is a viable alternative.

In spite of the wealth generated from the Urambo District, the farmers remain in a very feeble economic situation. Data collected from cooperative leaders in this study indicates that cooperative members are willing to change their behaviour, but need an enabling environment. The low income of smallholders, agricultural shocks and lack of access to technology create conditions that allow both poverty and child labour to persist in rural Tanzania. However, before cooperatives can become a vector of awareness-raising on child labour issues, it would be important for their leaders and members to be sensitized and trained on child labour issues.

Box 3: Cooperative networks and sensitization to child labour

“There is a need for cooperatives to join hands with other stakeholders to take action against child labour.”

“A cooperative is already an organized group, it is easy for us to agree on certain issues and work together efficiently as a team. We think that cooperatives can help in the field of child labour.”

“Cooperative members can use their meetings to discuss the measures to be taken to reduce child labour.”

3.2 Characteristics of child labour in Urambo

When asked about tasks that could acceptably be carried out by children, all interviewees agreed that carrying heavy logs and firewood was not acceptable; equally unacceptable was the carrying of tobacco leaves. Seven out of the nine interviewees believed that digging should not be undertaken by children. Five out
of the nine interviewees thought that clearing bushes should not be undertaken by children. One cooperative leader stated that fetching water and weeding were also tasks which should not be given to children.

Activities that cooperative leaders deemed unacceptable reveals an understanding of the work tasks that should not be undertaken, as they might be harmful for children. Notably, the usage of chemicals and pesticides was not included in the list of activities deemed to be unacceptable for children. This causes great concern as these tasks are especially harmful for children, and are considered to be amongst the worst forms of child labour. Tobacco growing is well known for its high usage of pesticides and there had even been reports of a child in one of the sampled villages dying as a consequence of pesticide poisoning in the previous year. When informed of the risks of using children to spray pesticides some of the cooperative members showed some understanding, however there remains a lot of work to be done to highlight the vulnerability of children and a great need for sensitizing cooperatives members on both issues related to child labour and occupational safety and health. For instance, there are a number of additional negative consequences that may appear only in the middle or longer term which may affect children for the rest of their lives.

Moreover, many tobacco farms are quite a distance from the village centre. Some cooperative members stated that the tobacco fields can be a long distance from the village, and stated that they therefore go with their child labourers to the field in the morning and spend the whole day there working. This means that the children often spend eight hours or more working in the field. A situational analysis reveals that even if children were working for only four hours a day, many children in this situation would not be able to attend school regularly.

Masudi et al., (2001: 2) found that the most common children’s work in tobacco growing included (thought not limited to):

- cultivation (digging, clearing, ploughing) of land;
- sowing, upkeep (weeding, watering) and transplanting of crops;
- harvesting of produce;
- manual transportation of leaves for curing;
- collecting firewood for curing.

Such work is extremely labour intensive and can be hazardous and risky due to:

- usage of pesticides;
- usage of tools and equipment that are inadequate;
- animal attacks/snake bites;
- transportation of heavy loads, which can lead to spinal injuries;
- long hours of work with insufficient and/or inadequate meals.

According to the cooperative leaders interviewed in this study, all of the above tasks
Children working in the tobacco sector in Urambo worked for longer hours than those in Iringa (another rural district of Tanzania) and did not receive wages within a reasonable time period - often experiencing an interval of six months between wage payments (Masudi et al., 2001). Moreover, when compared to those paid on a daily or weekly basis, their wages were lower. The wages paid to child labourers working on tobacco farms is far less than the prescribed minimum wage, and is often less than one third of the minimum payment. There is also a great difference between the child labourer’s gross and net wage, as the employer deducts payments for food, medical expenses, fines and other expenses that are unclear.

Tobacco planting is highly labour and time intensive, requiring more than 300 days of activity on farms. If extra workers are hired, they need to be paid between TZS 200,000 (USD $157) and TZS 250,000 (USD $196) per annum. Workers need to be housed and fed throughout the year, which increases the costs further. As the farmers have an average yearly income of TZS 441,666 (USD $358), hiring an extra adult employee is often an unaffordable luxury. One interviewee noted that adult migrant labourers from other regions in Tanzania seem to have a higher reservation wages than local workers. In comparison to adult workers, children are more vulnerable and will agree to lower wages. They do not have the same bargaining power and subsequently may only receive food and shelter in exchange for their labour.

3.3 Access to credit and child labour

Traditional tobacco growing requires high inputs of fertilizer and pesticides. In Urambo, these inputs are provided through tobacco companies issuing loans. The producers are organized in a group and the members of the group can then access loans. If one producer is unable to pay, the rest of the group is responsible for repaying the entire loan. Repayments are for the costs of inputs are later deducted from payment for the harvest.

Analysis of data collected indicates that one of the main problems influencing the economic situation of farmers relates to the availability of credit facilities that are not derived from the tobacco industry. As microfinance opportunities in Urambo are non-existent or inherently constrained, there is a low level of mechanization and low overall circulation of money and financial services within the district. If savings and credit cooperatives (SACCOs) do exist at village level, they are mostly inactive due to insufficient start-up capital. None of the villages visited had an active SACCO. Without adequate access to finance and financial services that operate within a competitive market, modernization of agricultural tools and techniques (e.g., oxen ploughs) that would reduce manual work load remain inaccessible and unaffordable for farmers in Urambo and many other parts of rural Tanzania.
The introduction of ox ploughs and the reforms that this would entail in agricultural practice was regularly mentioned in the interviews. To illustrate, it was explained that an ox plough can plough three acres a day, while it takes 10 to 15 days to dig one acre by hand using child labour. Here the impact of functional and competitive microfinance systems on the elimination child labour becomes more apparent.

On a positive note, one of the primary cooperative leaders stated that a tobacco buying company had made 50 oxen available as loans to cooperative members. This had allowed 30 cooperative members to gain access to the oxen. The members were trained usage of ox ploughs and although the quality of the oxen and the ploughs was poor, it still was seen as a positive engagement. Similar initiatives would be welcome.

Nevertheless, the persistent poverty and use of child labour amongst smallholder farmers within a region that is quite wealthy when compared to other rural districts in Tanzania deserves further consideration. Analysis of data indicates that closer examination of the producer’s share of the border prices and access to competitive financial services may provide a better understanding of the persistence of poverty and the use of child labour amongst smallholder farmers within the Urambo district.

4. Analysis of the local economy of tobacco in Urambo

In order to better understand the economic pressures facing farmers that see them rely on child labour, the local value chain of the tobacco sector in Urambo was further investigated. This includes consideration of the processes, activities of different actors and the price repartition between producers, intermediates and consumers, with the purpose of understanding the particular characteristics of the local economy of tobacco in Urambo. This working paper does not provide a complete value chain analysis - from the producer to the final consumer - rather it provides a localized analysis of the economy of tobacco in Urambo to determine the functionality of the local market. More specifically, the focus is on why smallholder farmers do not overcome poverty in spite of the considerable profit margin within the local market.

As seen in Figure 1, there are a great number of stakeholders that hold high importance in the tobacco trade in Urambo. All stakeholders have different interests. The farmers receive pressure from all sides. The tobacco trade is the major income for the district government and the national government relies heavily on export tax associated with tobacco. The existing system sees government adequately compensated, therefore there is currently little incentive for reform in trade procedures from government. The primary cooperatives aim to represent the interest of the farmers, however they are at present not able to effectively advocate for policy reform.

4 “A value chain is a sequence of target-oriented combinations of production factors that create a marketable product or service from its conception to the final consumption. This includes activities such as design, production, marketing, distribution and support services up to the final consumer. The activities that comprise a value chain can be contained within a single firm or divided among different firms, as well as within a single geographical location or spread over wider areas” (Herr, 2007: 7).
As it seems that the poverty of smallholders is related to the high level of child labour, analysis of the uneven distribution of the profits within the value chain may reveal information essential for finding a sustainable solution for the elimination of child labour in Urambo. Therefore, focus is given to why primary cooperatives do not fulfill their market function effectively and which stakeholders benefit from the current local economy of tobacco in Urambo.

According to the figures provided by WETCU, the 150 primary cooperatives that they represent produce approximately 27 million kilograms of tobacco in 2008. The average price ranged between TZS 1200 (USD $0.94) and TZS 1400 (USD $1.10). These prices are considerably higher than in previous years.

### Table 6: Tobacco prices and annual income of a sample of smallholders in Urambo

<table>
<thead>
<tr>
<th>Tobacco price per kilogram</th>
<th>No. of smallholders</th>
<th>Annual average income</th>
<th>No. of smallholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000-1200 TZS</td>
<td>3</td>
<td>300,000- 500,000 TZS</td>
<td>2</td>
</tr>
<tr>
<td>1200-1300 TZS</td>
<td>3</td>
<td>350,000- 500,000 TZS</td>
<td>5</td>
</tr>
<tr>
<td>1200-1400 TZS</td>
<td>3</td>
<td>400,000- 600,000 TZS</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>500,000- 600,000 TZS</td>
<td></td>
</tr>
<tr>
<td><strong>Average: 1216 TZS per Kilo</strong> (equivalent USD $0.95)⁵</td>
<td>3</td>
<td><strong>Average: 441.666 TZS per annum</strong> (equivalent USD $359)</td>
<td>1</td>
</tr>
</tbody>
</table>

**Source:** Authors’ own data - Figures provided by the 9 interviewed farmers.

⁵ USD $1 is equivalent to TZS 1278
A simple calculation based on a price of TZS 1216 (USD $1.00) per kilogram, the total amount of tobacco purchased in Urambo amounts to approximately TZS 32.4 billion (USD $25.4 million). On average, each of the 150 primary cooperatives should trade approximately TZS 216 million (USD $169,000) worth of produce, and distribute these profits to the 40,000 tobacco producers (see Figure 2).

According to this simplified equation (which excludes individual variables relating to quality and quantity), at the end of each year (only one tobacco harvest per year) each farmer could achieve an average net income of TZS 810,000 (USD $634). However, analysis of survey data reveals that the average annual net income per farmer only amounts to TZS 441,666 (USD $359). While the total amount of TZS 810,000 excludes taxes, agricultural inputs (fertilizers, seeds and pesticides) and transportation, there nonetheless still seems to be a great discrepancy of TZS 364,334 (approximately 45 per cent) between the produce border price and the amount of the money tobacco producers take home to feed their families.

Figure 2: Tobacco trade pyramid in Urambo

Source: Authors’ own calculation; Maghimbi (2009)

Therefore it is important to discern between the producers’ share of the border price and elements that influence the margin between the farm and the border price. According to figures from WETCU in 2008, 25 million kilograms of tobacco was sold for USD $24 million. The margin between the farm and the border price comprised of the following:

- approximately USD $13 million (54 per cent) was paid for input loans from the tobacco traders (i.e., the ATTT - Association of Tanzania Tobacco Traders)
- approximately USD $1.2 million (five per cent) was deducted as tax for the district’s council’s fund for rural development;
- approximately USD $720,000 (three per cent) was paid to WETCU in compulsory contributions.

The above figures do not include fees for membership of producers to their primary cooperatives, transportation costs or any other loans that the farmers might still be repaying from previous years. In spite of the many limitations, this preliminary analysis reveals that individual farmers receive less than 38 per cent of the border price (see Figure 3).

**Figure 3: Profit distribution of the tobacco trade in Urambo**

![Figure 3: Profit distribution of the tobacco trade in Urambo](image)

**Source:** Authors’ own calculations

The agricultural inputs are the highest share of the costs for producers. The traders of these agricultural inputs play a powerful role within the value chain and have essentially created a buyer-driven value chain. It is worth noting that this problem is not unique to Urambo; it is an issue present in many cash crop industries.

The analysis indicates that lack of competition and ineffective regulations do not produce even outcomes for producers. To further illustrate, almost all producers receive the agricultural inputs as loans and access to finance is usually provided by tobacco traders. The loans then get deducted automatically from the profit of the harvest. During interviews many farmers voiced their dismay in regard to these practices and called attention to the terms of finance given by the traders. First, as microfinance institutions in Urambo are virtually non-existent or inherently
constrained, there is no mechanism to drive competitiveness of interest rates for loans. Subsequently, loans are provided by tobacco traders and the interest rates for their input loans are set at high levels. Second, the farmers are then bound to sell their harvest to the company that has provided the input loan. Therefore, the price of produce is controlled by the tobacco companies, as no competition is possible. Third, the agricultural inputs are provided to a group of farmers, which increases the risks for the individual farmers, but reduces risk of the supplier. This means that if one farmer in the group is unable to pay back the agricultural input, all others have to cover for the losses of the respective company. Fourth, tobacco is graded into 64 different quality grades. Not only is this a very complicated system, which includes a blender from the government and quality control on behalf of the tobacco companies. The tobacco companies have the power to randomly decrease the quality level, which creates a problem when the farmers cannot sell their products in an open and competitive market.

The only realistic chance to overcome these challenges is for the producers to collaborate and take measures to collectively empower themselves. However, to date the producers have found themselves powerless against their trading partners. A strong alliance of producers would have a much greater bargaining power when dealing with the companies and the government.

The relation between terms of finance and the process of tobacco grading (quality control) seems to leave producers in a disempowered situation. This dynamic is of key importance, as in the trading system a higher quality harvest equals a much higher amount paid per kilo. This quality system could be outsourced to a third partner, which does not profit economically from any of the partners. The system at the moment is very open to bribes and nepotism, which serves to further reduce the disposable income of the producers.

Naturally, and in many cases around the world a cooperative fulfills this role. The cooperative would usually provide the agricultural inputs at reasonable prices an economy of scale. They usually organize transportation and warehouses for storing of the harvest, and then sell the harvest on behalf of their members, thereby increasing the bargaining power of the farmers. A cooperative union in Urambo already exists, however it does not execute these functions. One reason for this is that the financial incentives for the cooperative support the current system. To illustrate, the cooperative union currently gets a compulsory levy from all the producers’ outputs without fulfilling agricultural and marketing functions. According to the General Manager of WETCU, the cooperative union had been set up to buy and export tobacco, but was unable to do so because of a lack of funds.

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6 At the time this research was conducted, there were only two tobacco companies (Tanzania Leaf Tobacco Company Limited – TLTC and Alliance One Tanzania Tobacco –AOTTL) licensed to purchase tobacco from farmers through their primary cooperatives. The Association of Tanzania Tobacco Traders (ATTT) was formed by the two tobacco companies (AOTTL & TLTC) in order to help both companies provide agronomy extension services and distribution of inputs only. The tobacco buyers are AOTTL & TLTC only.
Some of the primary cooperatives and some individual producers have attempted to leave this system (i.e., agro input suppliers - companies supplying producers with inputs as loans before the harvest, on the condition that they have the right to purchase the entire harvest afterwards and deduct loans repayments from the border price). In doing so, they faced many different challenges and many have ultimately failed for various reasons. The first obstacle they faced was accessing outside funding. However this is only the first obstacle. The agro input suppliers buy the entire national stock of a costly fertilizer that is needed for the planting of tobacco. Independent local producers need to import the fertilizers from neighboring countries, which means that the local producers are not able to access the Tanzanian Government’s subsidy (30 per cent) available for the national stock of fertilizers. One of the participants of this study recounted that they had overcome all obstacles and had produced the tobacco without the agro input supplier, only to find that no one would purchase their harvest.

None of the nine primary cooperatives claimed to have much knowledge about the supply chain of tobacco. However, informally many cooperative members expressed great knowledge about the different stakeholders, including tobacco companies, the tobacco industry, cooperative unions, District Council and the Government and what share they get from the profit of the tobacco sector.

Analysis reveals that all stakeholders, with the exception of the individual farmers, benefit from a healthy profit derived from tobacco trade in Urambo. The Urambo District Council receives a five per cent levy, the Government receives healthy tax revenues through the export of tobacco, WETCU gets a compulsory charge without providing members with quality services and the tobacco companies can dictate prices, thereby insuring high profits. In summary, local economy of tobacco within Urambo sees disparity between the producers’ share of the border price and the marketing margins associated with the border price. If the producers are to attempt to change the current practices, they will have to overcome great resistance from all other stakeholders in the value chain.

5. Recommendations

Taking the analyses contained within this working paper into account, it seems that addressing child labour within Urambo requires responses that can enhance the overall economic situation of producers, while simultaneously providing them with support to ensure transformation of agricultural practices that results in a marked decline in use of child labour (awareness-raising on child labour; access to credit). More specifically, such a solution should entail:

1) the economic empowerment of the smallholders and the empowerment of cooperatives (including members of cooperatives, primary cooperatives and cooperative unions), in order to increase their bargaining power within the market;
2) awareness-raising amongst all stakeholders of the value chain about the issue of child labour, with support given to smallholders to encourage reform of practices on the farm.

However, it is noted that these two broad recommendations are equally important, as awareness-raising is likely to be ineffective while the economic situation of farmers is poor - and vice versa. The extent of the problem, as indicated by the findings of this study, reveal that there is no quick fix. The goal of significantly reducing the child labour incidences in Urambo requires continuous efforts by all stakeholders and entails overcoming a variety of obstacles. Importantly, it should be remembered that ending child labour makes good business sense for cooperatives, particularly as global markets are screened more and more by consumers demanding child labour free products.

5.1 Economic empowerment

In order to ensure the economic empowerment of members, cooperatives in Urambo (and elsewhere) need to revisit their commitment to meeting the economic, social and cultural needs and aspirations of members. Cooperatives are member owned and controlled organizations that seek to empower their members. Improving governance and efficiency of both the primary cooperatives and the cooperative union (WETCU) is highly important if the role of the producer within the value chain is to be strengthened. If the collective bargaining power of cooperatives were to increase, they could advocate more effectively for increasing the producers’ price as a proportion of the border price and more effectively support the elimination of child labour within Urambo. At the moment the cooperatives are not involved in the fight against child labour, in spite of the fact that they are ideally placed to do so as they are affiliated with all tobacco growers.

Transparent decision making and accountability of the leaders are important for keeping the cooperative members on board and committed to achieving socially just outcomes for both the farmers and future generations. Many informal discussions held with cooperative members raised the issue of poor cooperative governance and its lack of accountability to its members. Claims of corruption were made. One interview raised the issue of how to hold cooperative leaders to account and how to rid the organization of corruption. The primary cooperative leaders and cooperative members interviewed not only complained about bad leadership of the cooperative union, but also that the government was turning a blind eye to the flaws of the system. The smallholders interviewed were deeply disappointed by the lack of good leadership.

A complete and in-depth analysis of the tobacco industry value chain should be undertaken, with the aim of recommending improvements that could be made to the governance and efficiency of both cooperative unions and primary cooperatives. The analysis should also investigate whether there is room for an increase in the
producers’ margin, as a proportion of the border price or through increasing the border price. It is likely that a combination of these approaches would be most feasible. The analysis should also focus on how to enhance competition and efficiency within the value chain, in a way that enables farmers to achieve a better standard of living, while also reducing child labour.

Consultations should be held with tobacco companies (Tanzania Leaf Tobacco Company Limited – TLTC and Alliance One Tanzania Tobacco –AOTTL) and the Foundation for the Elimination of Child Labour (ECLT) and other concerned stakeholders. Like all stakeholders, the tobacco industry has an interest in eliminating child labour. Tackling child labour by addressing its roots requires the involvement of the Association of Tanzania Tobacco Traders. In these consultations consideration should be given to increasing producers’ margin as a proportion of the border price and/or increasing border price. As Gordon (2008: 119) notes:

“Reducing the large margins between the farm and the border will have a large positive effect at the farm level when markets are reasonably competitive, passing the savings through to farmers. Similarly, an increase in the border price has a potentially large positive effect on producers, because a given change in the border price represents a much larger percentage change in the farm price.”

It should be emphasized that reducing the marketing margins of border prices (farm-gate and wholesale prices) would have a substantial impact on growth, welfare and distribution on all households in Tanzania (Conforti & Sarris, 2007). Marketing costs associated with tobacco could be reduced through public sector investments in transport infrastructure and utilities (water/electricity). In addition, if the collective bargaining power of cooperatives were to increase, the cooperatives themselves may be able to advocate more effectively for increasing the producers’ share of the border price.

The microfinance facilities in Urambo are insufficient. SACCOs that exist are too small and lack start-up capital. WETCU could become a provider of microfinance; however they must first build their capacity for this. It should be noted that WETCU is in a prime position to provide microcredit and other activities associated with production that would benefit from greater economies of scale and increased connectedness to value chains, especially those activities associated with purchase of agricultural inputs, transportation, marketing and sale of produce.

It is highly likely that improving access to finance, especially finance that is used to enhance farming techniques, would improve the productivity of smallholders. For example, one tobacco buying company associated with a primary cooperative made 50 oxen available as micro loans to cooperative members. 30 cooperative members have been able to access this loan. Similar initiatives should be supported, especially as research indicates that when households are faced with credit constraints, child labour is one of the mechanisms used to smooth income shocks (Beegle, Dehejia &
Gatti, 2003). If access to credit were to increase, households may be able to employ strategies for managing household income that don’t rely on child labour.

Modernization of production facilities is linked to improving the financial facilities. Producers in Urambo do not necessarily need tractors or other expensive facilities, as the provision of ox ploughs would already greatly enhance productivity and could also entail significant reduction in child labour. Establishment of a warehouse storage system and reinvigoration of local cooperative finance would go a long way to improving the economic situations of smallholders in Urambo. This could be accompanied by programmes that provide incentives for reducing child labour. For example, loans for oxen ploughs could be offered at reduced/subsidized interest rates in exchange for improvements in school attendance of children.

The farmers need to diversify their crops, not only for economic motives but also to enhance environmental sustainability and food security. The environment in Urambo is rapidly declining, with the level deforestation associated with tobacco curing especially worrisome. In tobacco farming, it is difficult for the farmers to add value to their products. Diversification of crops could establish additional income generating activities and increase the environmental sustainability of production. Although it is noted that diversification into food crops would be difficult in Urambo, as water is not readily available on most farms. Food security is a major concern in Urambo, with 68 per cent of tobacco growing families not self-sufficient. However, improvement of food security would also entail development of storage facilities. In the past the Urambo community has experienced vulnerability due to food traders that have stored goods in order to capitalize on profit that can be made during supply short falls.

Recommendations for the economic empowerment of the smallholders and the empowerment of cooperatives (including members of cooperatives, primary cooperatives and cooperative unions), are provided in Table 8.
Table 7: Summary of recommendation for economic empowerment

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Strengthening cooperatives</strong></td>
<td>Improving governance and efficiency of both primary cooperatives and the cooperative union, WETCU, is of key importance, if the role of the producer is to be strengthened. If the collective bargaining power of the cooperative were to increase, the union leaders may have the requisite influence to address the issue of producer poverty and child labour.</td>
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<tr>
<td><strong>Governance and accountability</strong></td>
<td>Transparent decision making and accountability of all stakeholders is important for achieving equitable outcomes for all. Poor cooperative governance and lack of the accountability of cooperative to members needs to be addressed. Both the primary cooperatives and cooperative unions need to revisit their commitment to meeting the economic, social and cultural needs and aspirations of members.</td>
</tr>
<tr>
<td><strong>Value chain analysis</strong></td>
<td>A complete and in-depth analysis of the tobacco industry value chain should be undertaken, with the aim of recommending improvements that could be made to the governance and efficiency of both cooperative unions and primary cooperatives. The analysis should investigate whether there is room for an increase in the producers’ margin and how to increase competition.</td>
</tr>
<tr>
<td><strong>Stakeholders’ involvement</strong></td>
<td>Consultations should be held with all stakeholders that have an interest in eliminating child labour. Tackling child labour by addressing its roots requires the involvement of the Association of Tanzania Tobacco Traders. Consideration should be given to increasing producers’ margin as a proportion of the border price and/or increasing border price.</td>
</tr>
<tr>
<td><strong>Diversification</strong></td>
<td>Producers need to diversify their crops, not only for economic motives but also to improve environmental sustainability and food security. In tobacco farming, it is difficult for the farmers to add value to their products. However diversification could establish additional income generating activities and increase the environmental sustainability of their production.</td>
</tr>
<tr>
<td><strong>Microfinance</strong></td>
<td>The microfinance facilities in Urambo for the farmers are insufficient. SACCOs that exist are too small and lack start-up capital. WETCU could become a microfinance provider; however they must first build capacity to ensure sustainability of such an initiative.</td>
</tr>
<tr>
<td><strong>Modernization</strong></td>
<td>Modernization of production facilities is linked to improving the financial facilities. The producers do not necessarily need tractors or other expensive facilities, as the provision of ox ploughs would already greatly enhance their productivity and could lead to a significant reduction in child labour.</td>
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</table>

Source: Authors’ own analysis
5.2 Awareness-raising

The data collected reveals that there is very little knowledge within the tobacco farming community of Urambo concerning the danger of pesticides and implications that this has for the health of children. It was mentioned that one child in one of the villages had died in the previous year, and it was suspected that this was due to pesticide exposure. In addition, there are a number of additional negative consequences that may appear only in the middle or longer term which may affect children for the rest of their lives. It is therefore urgently recommended that smallholders within the tobacco industry be sensitized to the dangers of pesticides and receive Occupational Safety and Health (OSH) training at regular intervals.

It is important to note that the message about hazardous forms of child labour can be distributed through different channels, and these many channels should be exploited. One of the channels may be cooperative colleges. There is a campus of a cooperative college in Tabora (near Urambo), which could serve as a platform for awareness-raising. Other channels could be agricultural extension workers and schools. Yet another channel could be the Tanzania Federation of Cooperatives.

It is also important to note that the above mentioned channels that could facilitate information dissemination and awareness-raising, but would need further support (financial as well as capacity building) in order to effectively carry out this mandate. Importantly, before cooperatives can become a vector of awareness-raising their leaders and members need to be sensitized and trained on child labour issues.

WETCU reaches most of the tobacco smallholders in Urambo, and WETCU commitment to elimination to child labour could make a significant contribution its eradication within the district. Demand for sensitization on child labour from WETCU’s members is present. The leaders of the primary cooperatives, that are members of WETCU, have expressed their wishes to receive information and training for sensitization to child labour issues. Moreover, many of the smaller primary cooperatives do not offer any such training for their members. Four of nine of the primary cooperatives interviewed occasionally organized training sessions. These were usually held at the annual General Assembly or through extension officers that occasionally offer training in various agricultural practices. If WETCU is to play a more important role in the elimination of child labour, the board of directors, management and staff of WETCU first need to be sensitized to the issue.

Reducing child labour is one aim; a second one must be to improving school attendance and providing appropriate support to ensure that this is possible. Uniforms, books and school fees are very often expensive for families, with many having to seek loans from microfinance institutions in order to afford payments. For this problem different solutions need to be found. For instance, cooperatives could provide loans or grants for school uniforms, shoes and books, especially for needy members. Scholarships for secondary and university education could also be made
available possibly through a national system. For instance, Kilimanjaro Native Cooperative Union provides scholarships to orphaned and vulnerable children that are associated with families of members (Bee, 2009). Such initiatives would help to enable the rights of the child, which include the right to education, the right to rest and leisure, the right to be protected from economic exploitation, among others. It is noted that quality education, which is relevant and valuable to society, as well as the accessibility of this education, is highly important for providing an environment that is conducive to the elimination of child labour.

Equally important to the elimination of the worst forms of child labour is access to work that allows families decent living conditions, as well as systems that can support family income in times of crisis. Further, smallholders need to be supported in behaviour modification to ensure that their economic empowerment translates to a reduction in child labour. To start with, access to low cost or free training and training materials that focus on the elimination of child labour should be made available in the local language (Swahili). More localized solutions to child labour need to be found.

Table 8: Summary of recommendation for awareness-raising

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Mechanisms for awareness raising</strong></td>
<td>The message about hazardous forms of child labour can be distributed through different channels. Cooperative colleges that are local to Urambo, as well as agricultural extension workers and the Tanzania Federation of Cooperatives could be effective awareness-raising facilitators.</td>
</tr>
<tr>
<td><strong>WETCU</strong></td>
<td>Training in sensitization to child labour issues could be facilitated through accessing the network of cooperatives associated with WETCU. The leaders of the primary cooperatives have expressed their wishes to receive information and training for sensitization to child labour issues.</td>
</tr>
<tr>
<td><strong>Training materials</strong></td>
<td>Training and training materials that focus on the elimination of child labour should be freely available in the local language (Swahili).</td>
</tr>
<tr>
<td><strong>OSH</strong></td>
<td>An Occupational Safety and Health campaign should be undertaken concerning usage of pesticides and implications of its usage for child health.</td>
</tr>
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</table>

Source: Authors’ own analysis.

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6 For instance, the ILO’s IPEC Urambo Tobacco Sector Project includes awareness-raising on child labour issues and supporting the income generating activities of the most vulnerable parents/guardians. It provides support through provision of scholastic materials to the withdrawn children and construction of classrooms, among others. WETCU and other stakeholders can extend good practices that have been shown to combat child labour in tobacco growing areas of Urambo District from this initiative.
6. Conclusions

In comparison to other rural areas in Tanzania, Urambo is one of the more wealthy districts. However, wealth in Urambo is not spread evenly. Given the persistence of poverty amongst smallholders in Urambo, there is concern that producers’ share of border prices does not provide sufficient income to lift households out of poverty. In order to improve their living situation, producers try to minimize costs associated with production. As labour is a large component of producers’ margin, use of cheap child labour allows producers to reduce the cost of production. It is clear that this strategy is short-sighted as it sees the overall productivity and earning capacity of the child reduced in the future (Beegle, Dehejia & Gatti, 2003). Moreover, as consumers become more aware of social issues associated with their purchases, the vulnerability of supply chains using child labour is likely to increase. Therefore ending child labour makes good business sense for cooperatives and can – with the right marketing tools - help to promote the sustainability of enterprises. Despite all studies which have been undertaken that conclude that child labour is not economically viable in the long run, for the smallholders in Urambo it is the only economically viable solution for overcoming their need for labour.

The problems found in Urambo are not specific to that region or to the tobacco sector; it is a problem endemic to cash crops. The buyer driven value chains lead to a marginalization of producers, which in turn creates a poverty trap that often leads to a high incidence of child labour.

Solutions to this situation, both in Urambo and other regions/sectors, should comprise of a set of localized, economically sound solutions that seek to improve the situation of the children and the producers. Solution should also consider how cooperatives can improve performance of their core functions; namely, meeting the common economic, social and cultural needs and aspirations of its members. The cooperatives, the buyers and traders, as well as the district council and the national government need to engage in a consultative process in order to devise a realistic action plan that is innovative for each stakeholder. Improving access to credit will be important. Family planning should also be included, as should increasing crop diversification, food security and mitigating the environmental impact of agricultural production.

Cooperative philosophy and their organizational structure emphasises equality, democracy and social responsibility. These values and principles lend themselves naturally to helping end child labour. As they are economically and socially significant actors in many countries around the world, cooperative could be effective partners in the dissemination of information, good practice, advocacy activities, and can thus ensure that the child labour issue remains high on both the entrepreneurial and political agenda. However, in order to take advantage of the benefits of the cooperative network, their leaders and members need to be sensitized and trained on child labour issues.
This study has uncovered some of the social consequences of buyer driven value chains in the tobacco cash cropping industry, which lead to producers living in poverty and relying on child labour. Findings from this study indicate that child labour in the tobacco industry within Urambo necessitates a policy response that is concerned with access to microfinance, distribution of profit within the chain of production and increasing the income of smallholder households.

The objective of this working paper has been to review the situation of child labour in a tobacco growing district of Tanzania, with a focus on the role of cooperatives. This is a useful vantage point, as it is local and provides a grounded understanding of the poverty that these producers and child labourers face - even while they work fulltime in the tobacco sector of Tanzania. Producers understand that there is a problem with their work not being adequately valued in the supply chain, and acknowledge that this is associated with the limited role they play in decision-making on prices within the value chain. Therefore in order to emphasize the disempowered situation of smallholders in Urambo, this working paper gives them the last word. The statements below come from smallholders and primary cooperative leaders and include their suggestions for reducing the incidences of child labour in their communities.

**Box 4: Cooperators in reducing the incidence of child labour**

“It is not easy to do away with child labour because of the poverty. We cannot employ adults because we cannot pay them. But if the price of the agricultural inputs will go down, the tobacco price goes up and if there will be fair grading of tobacco, then life can be a little bit better.”

“We ask our government to look at ways of helping the farmers to get good prices for their tobacco harvest. Tobacco companies give loans to farmers and charge them high interest, which instead of helping the farmers ends up exploiting them. Thus we ask the tobacco companies to look again at the interest charge. We also ask them to leave us free to buy the agricultural inputs where we can get them cheaply.”
List of references


Annex I: ILO/IPEC’s activities in the Urambo District

The ILO/IPEC Urambo Tobacco Sector Project (UTSP) ‘Combating Hazardous Child Labour in Tobacco Farming in Urambo District, Tanzania’ started in January 2004. A second phase of the project was initiated in 2007 and will run for four years, ending in 2010. Both projects have been funded by the foundation for Eliminating Child Labour in Tobacco (ECLT), which is comprised of tobacco stakeholders worldwide.

The main objective of the project is to reduce incidence of child labour in the tobacco sector through:

- providing services to children, their parents and communities;
- capacity building of communities and partner agencies in Urambo District.

The IPEC project covers two out of four divisions and nine out of 23 wards. Altogether the project covers 36 villages in Kaliua and Urambo divisions. A major achievement during the first project phase was capacity building of local government leaders and community members on issues of child labour, which increased their ability to:

- monitor trends in child labour;
- follow up on school attendance of children living in difficult circumstances;
- implement strategies to address the child labour problem in tobacco farming.

Phase I of the project ended in December 2006, however many outputs expected to be delivered during that phase were not achieved. In particular, only five of the 17 classrooms that were planned to be constructed during Phase I had been completed by December 2006. The construction continued during Phase II and additional classrooms are now operational. The remaining classrooms that are currently being built come under the supervision of the Department of Public Works.

Phase II of the ‘Urambo Tobacco Sector Project’ aims to utilize and build on skills and capacities developed by partners, and to use these assets to address the root causes of child labour in tobacco growing within Urambo and beyond. It also seeks to assist the government to achieve the national TBP and MKUKUTA (Tanzania National Strategy for Growth and Reduction of Poverty) goals for elimination of child labour and poverty eradication. The project is currently up-scaling its activities, targeting both regional and national level stakeholders, in order to maximize influence on relevant policy decisions, development of new structures and systems for addressing child labour issues in the tobacco industry.
In total the second phase aims to:

- withdraw/prevent 1,500 children aged 15 and under from engaging in hazardous child labour in the tobacco sector;
- provide vocational training to 200 child labourers between the ages of 14 and 18 years;
- train and support 300 parents in income generating activities;
- train district and community child labour committees, implementing partners, educators, and district official in child labour issues;
- sensitize 900 farmers to child labour issues and social responsibility.

The project operates through local implementing agencies (NGOs, Community Based Organisations and trade unions, among others) with whom it develops action programmes for specific activities with specific quantifiable outputs, determined by the numbers of children withdrawn or prevented from child labour.
Child labour is cheap. Despite all studies which have been undertaken that conclude that child labour is not economically viable, for many farmers it is the only viable solution for overcoming their need for labour. This study undertakes a situational assessment in order to understand the impact of national and international efforts to reduce child labour amongst cooperative stakeholders in Urambo, a rural Tobacco growing district of the Tabora region in Tanzania. The study showcases the situation of stakeholders in the tobacco industry and ultimately undertakes a value chain assessment in order to understand the relation between distribution, poverty and child labour. The study identifies that there is a problem with the work of farmers being excluded from the decision-making and revenue distribution within the value chain. The study concludes with a number of strategic recommendations on how cooperatives can address the challenge of developing sustainable solutions for the elimination child labour.