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# CRACKING TANZANIA'S YOUTH EMPLOYMENT CONUNDRUM:

**USING RAPID MARKET ANALYSES  
TO IDENTIFY POTENTIAL IN THE  
HORTICULTURE, TOURISM/HOSPITALITY  
AND APICULTURE SECTORS**

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## Executive Summary

Tanzania has a rapidly growing population, of which, 64 %<sup>1</sup> are under the age of 25 years old. And as comes with such a young and rapidly growing population, more and more youth enter the labour market each year, many of which quickly find themselves staring at a bleak reality of few employment opportunities, particularly for females.

The United Nations Development Assistance Plan (UNDAP), currently under revision, is in the process of developing programming which supports the government from the United Republic of Tanzania in their effort to address this employment deficit for youth and women. The analysis performed as a part of this study was conducted to provide a strong basis for developing informed programming to support the UN and government in addressing this issue.

The analysis performed in this study was prefaced by a sector selection study which resulted in the selection of three sectors: horticulture; tourism and hospitality services; and apiculture. From the evaluated sectors, these three sectors were assessed to be the most relevant for youth and women, with high potential and opportunity, and feasible for the UN to implement effective programming.

Rapid market assessments were performed to better understand the constraints that limit employment opportunities and decent work for youth and women within the value chains and corresponding market systems within the three selected sectors. From this analysis, future programming can be better designed to address the underlying causes to these constraints such that changes to the market system are systemic and focused on job creation for youth and women.

From the rapid market assessments, the prospects in horticulture sector were assessed to be promising. The sector is rapidly growing and has strong employment potential for youth. However, a number of symptoms indicate that market system is functioning poorly, such as high post-harvest losses, poor collection and marketing networks and poor input supply. Many of these market systems constraints can be addressed by stimulating private sector partners to begin offering profitable and inclusive services which target a growing market of small-scale farmers.

The hospitality segment of the tourism sector holds much potential for creating youth employment but the quality of training services is poor and working conditions undesirable, limiting the attractiveness of employment, particularly for qualified labour. If the constraints to training services and working conditions are addressed in a systemic manner, the strong forecast sector growth has potential to translate into quality employment opportunities for youth and women.

In consideration of the increase in global demand for honey, beeswax, and other apiculture products, the prices associated with such products have increased to a level where small-scale apiculture farming can be sufficiently remunerative and thus, attractive for rural youth. However, the sector, which is still in its commercial infancy in Tanzania, lacks general support infrastructure such as reliable input supply, quality market information, and appropriate processing facilities, among others. Through addressing the root causes to such limitations, the sector has much potential to bring youth into the sector.

1. CIA World Factbook (2016)





# 1

## INTRODUCTION: OBJECTIVES AND SCOPE

Youth unemployment, which at 38% is the highest of any age demographic<sup>2</sup> is a national problem. And unemployment for women is even more of a challenge, as unemployment rates for women are nearly double those for men<sup>3</sup>. In considering that an estimated one million young people enter the work force annually and that economic growth does not generate opportunities in the labour market to keep up with the arrival of these youth, it is obvious that there is a need to create employment opportunities. The research and analysis performed for this report has been conducted to identify employment creation opportunities for women and youth employment opportunities through programme interventions in three sectors: horticulture, tourism and hospitality and apiculture<sup>4</sup>.

The need to conduct such a study emanated from the implementation of the UN Joint Programme on Youth Employment<sup>5</sup>, an 18-month programme funded by the Swedish Embassy which completed at the end of June 2016. The programme was implemented by the International Labour Organization (ILO) United Nations Industrial Development Organization (UNIDO), Food and Agriculture Organization of the United Nations (FAO), and UN Women in ten sectors.

With a view to create a more systemic engagement in selected value chains and increase employment opportunities for young women and men in Tanzania, a sectoral mapping of UN interventions in Tanzania was conducted revealing engagement in the ten sectors with little direct focus on employment creation per se. Instead, pursuing varied goals including income creation, productivity improvement and overall goal of inclusion of the vulnerable people including youth. Such programme interventions were generally characterized by a narrow geographical scope, focus on stand-alone projects at one level in the value chain,

2. Shamchiyeva, Leyla, Takaaki Kizu, and Godius Kahyarara. Labour market transitions of young women and men in the United Republic of Tanzania. ILO, 2014.

3. Ibid.

4. For further information see Sector Selection Study for the UNJPYE, March 2015.

5. This programme was conceived under UN Development Assistance Plan I (2011-2016) as part of the Economic Growth Working group and was implemented from January 2015-June 2016. The key result areas for the programme were a consolidation of what the UN planned to do under UNDAPI with direct or indirect impact on youth employment.

often with smaller groups, and little orientation towards scalability. (Annex C illustrates where the current UNJPYE agencies are implementing projects). As a result, a number of UN agencies were found to be implementing various interventions in the same value chains and in the same geographic areas with limited coordination.

These findings compelled the UN to re-examine its goal to support the government of the United Republic of Tanzania in creating more opportunities for youth employment through more coordinated value chain development. Taking advantage of the transition from UNDAP I to UNDAP II (2016-2021)<sup>6</sup> and under the technical guidance of the ILO, the UN agencies in Tanzania agreed to refocus on fewer value chains particularly selecting three sectors which could optimise the impact of its interventions on employment by having a more concerted and integrated approach to the implementation. Such a coordinated approach will enable the implementing agencies to draw on one another's relative strengths to implement more effectively and coherently across each value chain.

To identify the sectors with the highest potential for youth employment and gender inclusivity that UN agencies could practically intervene in, a Sector Selection Study<sup>7</sup> was conducted using the ILO guideline for value chain development for decent work<sup>8</sup> as a basis. Six sectors were suggested for evaluation with selection criteria and a grading scale developed with a view to assess the sectors related to their relevance to youth and gender, opportunity for inclusive growth and feasibility for UN agencies to effectively implement in such sectors. Based on this assessment, the sectors were ranked with the three highest ranking sectors being horticulture, tourism and apiculture. The sector selection study was shared with UN agency stakeholders and feedback provided to strengthen the report as well as validate findings.

6. One of the key outcomes of UNDAP II is to support the government of Tanzania to ensure that the economy is increasingly transformed for greater pro-poor inclusiveness and improved opportunities for decent and productive employment.

7. Sector Selection Study for the UNJPYE, March 2015.

8. ILO, Value Chain Development for Decent Work – How to create employment and improve working conditions in targeted sectors, second edition, 2015.

The sector selection exercise was followed by the rapid market assessments, which were developed to identify potential areas for further focus, which should be further supported by a later value chain analysis. The rapid market assessments (RMAs) have been performed on each of the three shortlisted sectors to provide a “first-look” analysis of the market systems constraints, growth potential and potential opportunities to intervene. In view of the transition from UNDAP I to UNDAP II, the report provides the UN in Tanzania with a solid foundation for its programming with respect to creating opportunities for youth employment through value chain development.

The data collection for the RMAs were conducted 18th-29th April 2016. It combines review of secondary data, consultations with key stakeholders in the three sectors and a final validation workshop. The three Rapid Market Assessments each present suggestions for a number of potential intervention areas that can remedy some of the market systems constraints in three sectors while creating employment opportunities for youth and women<sup>9</sup>.

9. It should be noted that these are not interventions that the UN will directly implement. rather in partnership with local organisations and other development partners. The potential interventions are potential ideas and will need to consider if available, able, willing and incentivised partners can implement as well as geography and potential benefits that engagement and intervention can provide to youth and women.

# 2



## HORTICULTURE: RAPID MARKET ASSESSMENT

The horticulture sector is a key employer of poor people in Tanzania. The Tanzania Horticultural Association (TAHA) estimates that the sector employs 450,000 people<sup>10</sup>. Most of these jobs are in production, with horticulture more labour intensive than staple crops such as maize and cassava, and generating considerable employment for planting, weeding and harvesting<sup>11</sup>. Most of this production, at least of fruit and vegetable, is carried out by small-scale farmers with plot sizes of 0.1-2.0 hectares. Many off-farm jobs are created as well—both more skilled high-paying jobs, such as in processing, and low-paying and casual daily work, such as carriers at wholesale and retail markets and handcart drivers on the markets.

### 2.1 Relevance of the sector for youth employment

No figures were available on percentage of young people working in horticulture, but interviewees believed that the number is high. At the farm level, horticulture provides a number of advantages for young people over other agricultural sectors due to its shorter growing times, high returns and limited land requirement. That said, responses from focus group discussions and key informant interviewees noted generally low youth interest in agricultural production, with the growing number of roles in processing likely more appealing. This suggests potentially two programme approaches. One, to focus on production, where many young people with less education are working and have limited opportunities to leave, supporting those already in horticulture and those in staple crops to move over. This is likely to take the form of general support to the sector, with a focus on the challenges disproportionately affecting young people. Two, to focus more on finding ways to build up the capacity of the agribusinesses to which university graduates are more likely to be attracted and increasing their employment of youth, for instance through linking to universities and train-

10. Horticulture Value Chain in Tanzania, 2011, TAHA.

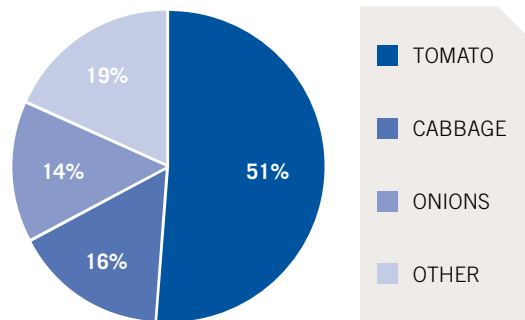
11. Towards unlocking the hidden potential of Horticulture in Arusha Tanzania, 2015, Mwandima.

ing providers - and working with the latter to develop more appropriate training offers. The former approach may take longer and require more resources, but is likely to impact more young people, in particular poor young people. The latter may have more immediate results and have a larger impact on those reached, but new employees are less likely to be from the poorest segment of the population and numbers may be smaller. As such, this assessment focuses more on the former approach. However, there is demand for both increased production and local processing and the two approaches are not unconnected and broadly support each other, for instance through supporting new processors, linked to training providers, to buy produce from out growers.

**Horticulture also provides many opportunities for women.** TAHA<sup>12</sup> notes that 65 to 70% of people employed in the sector are women. Most of these are likely to be at the production level, and TAHA<sup>13</sup> notes that there are many more women than men attending its training events on farming technologies. There are opportunities, though, across the value chain. Koenig et al<sup>14</sup>, for instance, note the many jobs for women in retail, with hawkers mostly female and kiosk owners or market retailers both male and female<sup>15</sup>. However, a study of the horticulture market in Mozambique suggests power dynamics need to be understood, highlighting that decisions on which crops to plant, responsibility for selling the produce and managing income are still dominated by male household members<sup>16</sup>. Cultural factors can also weigh in horticulture's favour as well. For instance, it is more culturally acceptable for women to manage small plots of land than large, which is typical for horticulture more than staple crops.

## 2.2 Opportunity

### Fruit and vegetable production in Tanzania



**The sector is growing rapidly.** Horticulture is a key agricultural sector in Tanzania. Data on the sector is not up-to-date and there are numerous definitional issues, as such data is presented to be indicative of trends rather than definitive. However own calculations suggest potentially a conservative sector size of 3,500 million USD<sup>17</sup>. The PASS Trust<sup>18</sup> notes production of 1,709,622 tons of fruit, 656,513 of vegetables and 9,390 of flowers annually. Match Maker Associates<sup>19</sup> (using 2003 data) find that tomato production is higher than any other fruit and vegetable crop in Tanzania with a total production of 129,578 tons, which represents 51% of the total fruit and vegetable production. This is followed by cabbage with 41,495 tons (16.3%) and onions with 36,087 tons (14.2%). The production of other fruit and vegetable crops is relatively small. More importantly, horticulture is a rapidly growing sector. TAHA<sup>20</sup> notes that it is the fastest growing sub sector within agriculture recording an annual average growth rate of 11% over the last five years.

12. Horticulture Value Chain in Tanzania, 2011, TAHA.

13. Magazine Horticulture in Tanzania, Issue 1, 2016, TAHA.

14. Koenig et al, Market-driven development and poverty reduction: A value chain analysis of fresh vegetables in Kenya and Tanzania, 2008.

15. Market-driven development and poverty reduction: A value chain analysis of fresh vegetables in Kenya and Tanzania, 2008, Koenig et al.

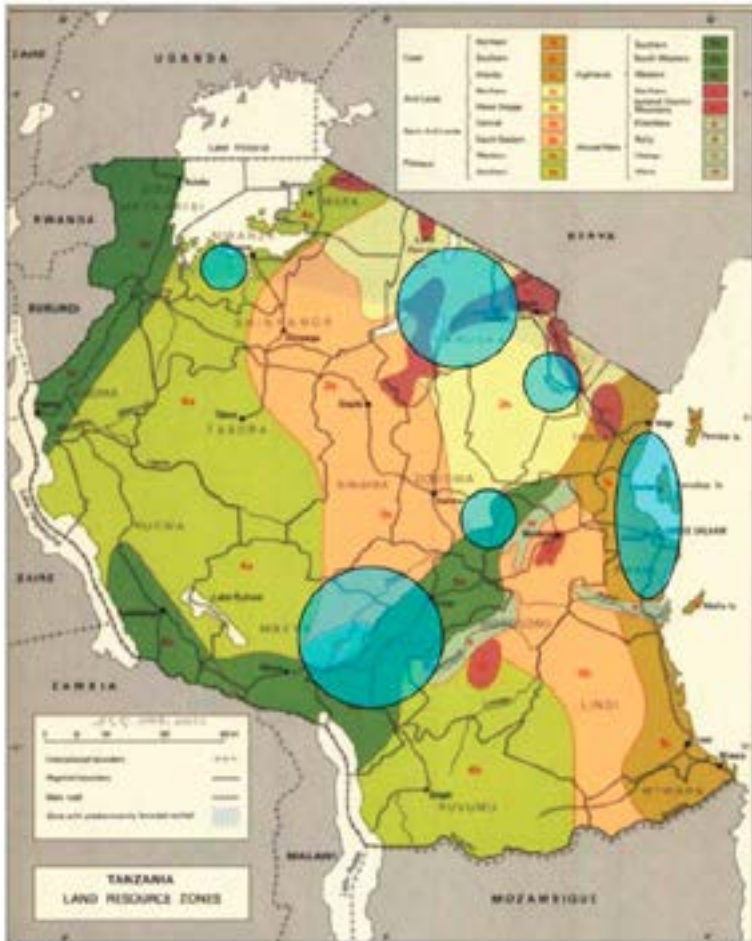
16. Main baseline study findings, 2013, Hortisiempre.

17. These build on export figures from 2014 and estimate exports to be 15% of total production using historical data and with a sector growth rate of 11% (these assumptions are sourced in the following paragraph, apart from the 15% which is taken from TAHA, Horticultural Value Chain in Tanzania to provide a more conservative figure). A very conservative estimate by UNCTAD (2015) of sector size provides a much lower figure, with horticulture the ninth most valuable agricultural commodity at by value at 331 million USD. However this is seen as very conservative as it takes 2012 data and does not seem to include floriculture, spices and potentially fruit; and it is less than TAHA figures for sector exports alone.

18. Draft investment potential for horticulture and floriculture industry, 2013, PASS Trust.

19. Fresh fruit and vegetable sub sector/ value chain analysis Tanzania, 2008, Match Maker Associates.

20. Magazine Horticulture in Tanzania, Issue 1, 2016, TAHA.



**This growth follows from increasing end market demand.** The horticulture industry registered export revenue of 477 million USD in 2014, up from 212 million USD in 2010, making it the main contributor to foreign income earned from agriculture at 38% of total agricultural exports. Exports are led by vegetable which in 2014 accounted for 48% of total export value<sup>21</sup>. Interviewees noted though that most exports were regional within East Africa rather than beyond, for instance with large onion exports to Kenya<sup>22</sup>. However though likely more profitable, onion exports have tended to not count for more than 8% of production<sup>23</sup>, with most going to **domestic markets**. Trends here are positive as well with local horticulture consumption expected to increase with rising

21. Towards unlocking the hidden potential of Horticulture in Arusha Tanzania (2015) Mwandima. The source does not say if figures include both exported processed good and fresh produce and so it is assumed to include both as there would no clear reason to include one. The proportion of processed goods in exports though would likely be low, with imports of processed goods high.

22. Market analysis for onions produced at Mpwapwa District, 2015, Marealle et al.

23. Towards unlocking the hidden potential of Horticulture in Arusha Tanzania (2015) Mwandima. Averaging data for 2006/7 to 2010/11.

incomes and urbanisation. Increasingly, as discussed below, local horticultural products are being processed in Tanzania, meeting the growing demand. Moreover, there is a niche but growing market in the hotel and restaurant sector servicing tourists and more wealthy Tanzanians as many upmarket establishments currently import fruit and vegetables, which could be supplied by local producers if higher quality standards are met. This growth is on the back of many **sectoral strengths**. The Horticultural Development Council of Tanzania<sup>24</sup> (HODECT), for instance, notes favourable, diverse climatic conditions that allow for cultivation of wide range of horticulture products; wide access to water; competitive costs; and a large East African market with opportunity for tariff-free and user friendly rules of origins and less cumbersome health compliance requirements. In the map to the left<sup>25</sup> the key growing clusters are highlighted in blue. HODECT notes that the northern highlands zones represent the highest potential for diverse horticulture investments, due to a conducive climate, adequate infrastructure, proximity to markets, supporting technical institutions in Tanzania and neighbouring Kenya, and an already established cluster of activity. However, appropriate climatic conditions suggest the Southern highlands hold the highest long-term potential, but further development is needed of existing infrastructure e.g. Mbeya airport, trunk roads and cold chains. The coastal zone is well-suited for off-season production of tropical fruits and benefits from proximity to Dar-es-Salaam, a key market in itself and distribution channel to expanding markets such as the Middle East and India. The central and lake clusters are also seen as emerging production areas for horticultural crops for the region.

**The potential for decent work** lies much in the opportunities for income generation in new or current jobs. In addition to the high number of jobs the sector creates, incomes are likely to be higher in horticulture than staple crops and include more diversification (as multiple vegetables and fruit are grown on different plots)<sup>26</sup>. This said, many

24. Tanzania Horticultural Development Strategy 2012-2021, 2010, HODECT.

25. Ibid.

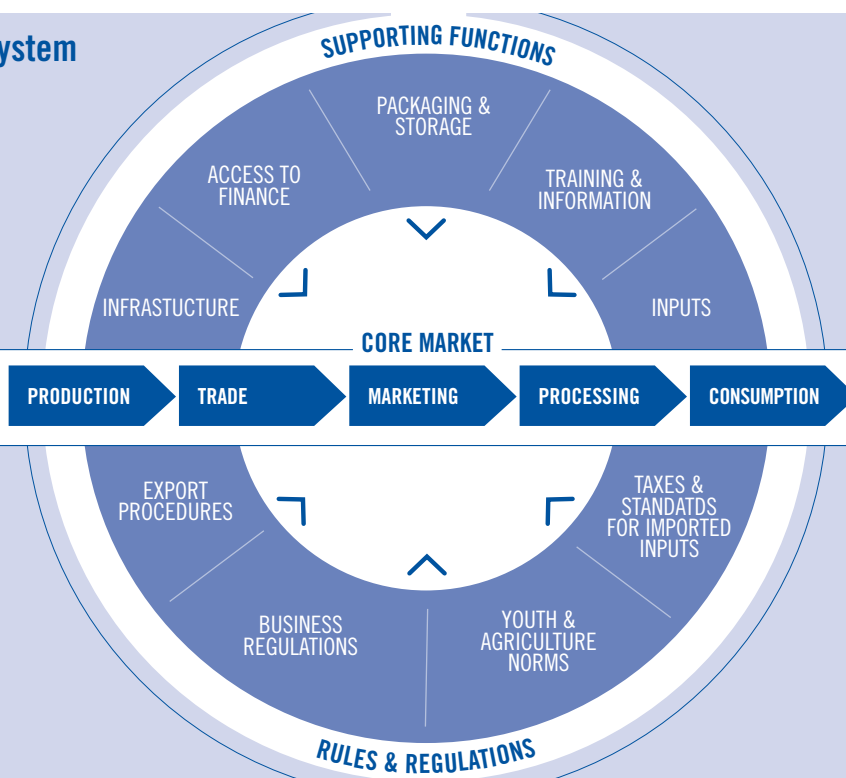
26. Kenya's Flying Vegetables, 2009, Muuru.

of the jobs involved are informal casual labourer jobs- in particular farm workers and porters- with limited job security and no social insurance. Farmers are often in weak bargaining positions due to the need to sell perishable goods fast, which means they often have no choice but to take buyer prices. The sections below will explore this further, in particular the role of farmer associations and ways to share market information.

**The environmental implications** in supporting the sector are assessed as limited, but further analysis is needed.

On the one hand, market development is likely to lead to increased use of chemical inputs, such as fertilisers and pesticides. However generally the carbon footprint of Tanzanian horticulture is low, with little machinery as it is labour intensive and less energy needed as there is year round sun<sup>27</sup>. This said, the programme should strive to be cognisant of farm expansions or the establishment of new farms as this may signify deforestation and any signs of large-scale increase in water consumptions across the value chain.

### Horticulture Market System Diagram



27. Ibid (refers to Kenya, but argument appropriate for Tanzania).

## 2.3 The value chain and the market system

Following on from the analysis above, this section now focuses on vegetables and fruit which are seen as having more opportunities and more feasible to support than flowers or spices. At this stage, the analysis does not make any recommendations on which specific plants to support. This requires a more in-depth analysis of the market, in particular, end market demand. This said, based on reviewing the literature and speaking to key informants, key plants are likely to include tomatoes, cabbage and onions, with the potential as well to support more high value plants such as pineapple, avocado or mango where specific opportunities reveal themselves (these opportunities are unlikely to be production related due to the longer time needed for trees to grow). The image on the following page provides an illustrative mapping of the market system<sup>28</sup>.

The horticulture core value chain starts with **production**, which is mainly carried out by small-scale farmers, together with about 30 larger commercial farms in the country<sup>29</sup>.

These producers oversee farming - preparing fields, weeding, planting, irrigating where applicable, spraying pesticides and harvesting plants. Few farmers provide grading - and this tends to just be removing rotten or misshaped fruits<sup>30</sup>. Concerning farm productivity two trends seem likely:

- Productivity is increasing: Reviewing the onion sub-sector, for instance, Marealle et al<sup>31</sup> note that with improved agronomic practices and availability of inputs, average yield per hectare almost doubled between 2013 and 2008 from an average of in 5.2 tons/Ha to 10.1 tons/Ha
- Nevertheless, productivity remains low: TAHA<sup>32</sup> suggests most vegetable yield levels could reach the range of 25 to 45 tons/

28. The core value chain in the map above is adapted (e.g. to include processing) from Koenig et al (2008).

29. Towards unlocking the hidden potential of Horticulture in Arusha Tanzania, 2015, Mwandima.

30. Fresh fruit and vegetable sub sector/ value chain analysis Tanzania, 2008, Match Maker Associates.

31. Market analysis for onions produced at Mpwapwa District, 2015, Marealle et al.

32. Magazine Horticulture in Tanzania, Issue 1, 2016, TAHA.

Ha. However, Zanzibar's horticulture produce, for example, has an average yield of 5-7 tonnes/Ha. (while, as noted, a yield of 10.1 tons/Ha with onions).

**Trade is managed by a number of actors.** The dominant trade model is for local brokers – dalali- to negotiate deals between farmers and wholesale market buyers - wanunuzi. Buyers usually transmit the order by phone to the local brokers and the local brokers negotiate with farmers to fulfil the order. Farmers receive the payment directly from brokers. The brokers' profit is the difference between what was paid to the farmer and the payment received from the buyer after deducting the costs for packing material and loading the goods for transport. The buyer hires a truck to carry the goods to their wholesale markets but the hiring is arranged through a local transport broker - dalali wa magari- who coordinates the transport. On arrival at the regional wholesale market, the load is passed on credit to market brokers, who sell it in smaller quantities to retail traders or directly to restaurants and accommodation services (i.e., hotels). There are some cases of these steps being bypassed, with farmers, for instance, organising their own sales and taking their crops directly to regional wholesalers, retail markets and even end-buyers. Alternatively, buyers can buy direct at farm gate and leave out the brokers. These more direct routes are more likely for high-end market destined goods, for instance to be marketed as organic or export. This may be as certification of quality or origin is required, as opposed to the mix of produce generally found at wholesalers. The markets themselves potentially offer significant leverage points. For instance, working with the large onion markets in Singida and Arusha (Kilombero) to improve storage capacity, especially important for the rainy season, or with packaging or input companies to provide more embedded services, could have a significant impact.

**Processing fruit and vegetables.** Though most produce skips this stage and goes straight to the market, increasingly food and beverage products are being processed in Tanzania with domestic fruit and vegetables. A number of processors were identified, including Darsh Industries which produces honey, jam and tomato paste under the brand 'Red Gold'; Bamagan producing chilli

paste in Iringa; Bakresha, a leading processor of fruit juices, based in Dar es Salaam; ASAS in Iringa, producing fruit flavoured yogurts; and Matoborwa in Dodoma, producing mango slices and sweet potato crisps.

**Marketing** involves a number of actors, such as retail market sellers, kiosk sellers, hawkers and supermarkets which buy fruit and vegetables, store them, sort them, and sell them to final consumers. Koenig et al estimates that more or less half of all fresh fruit and vegetables in the Arusha region are sold at two retail markets, with the other half distributed between local markets, kiosks, and hawkers. Less than 1 % is sold in supermarket. Though supermarket sales have been growing since the research of Koenig et al, interviewees highlighted that they remain mainly used by tourists and the better off.

**Final consumption** is carried out by private consumers, but there are also a number of institutional consumers that buy in large amounts. Though these make up a small amount of sales, a growing high-end market could help push up standards across the sector. Of these, a number of organisations are working to connect hotels and restaurants to local sources – which work could either be built on (for instance looking to work with the new association of chefs which is interested in increasing local procurement), or future work could look to less-high end but more bulk buyers such as government departments, schools and hospitals. Overall the large majority of plants produced locally are sold on to the domestic markets (interviewees suggested around 80% to 90%), with much of the rest destined for regional export market and a small amount going to international exports.

Looking across the chain, a number of challenges stand out. **Interviewees generally noted that farmers lacked market access and often receive low prices for their goods.** Due to the data issues highlighted above, it is challenging to get a sense of the flow of money in the chain. However, Koenig et al provide useful data which indicates:

- Farmer profit margin: Farmers actually on average make a loss for tomatoes (production costs of 0.14 USD a KG and selling at 0.13) and break even for onions (0.08 USD production costs and selling price) in the high season when most pro-

duction is carried out. Profit is high per KG produced in low season (tomatoes cost 0.1 to produce and selling at 0.5, with onions 0.06 and 0.31 respectively), but quantities are significantly less. These figures seem likely to be inaccurate as they are unsustainable and other studies show profit, however they are at the very least indicative of the low margins receive<sup>33</sup>.

- The Farmer Selling Price as a proportion of Final Selling Price: This is 45% high season and 61% in low season for tomatoes and 19% in high season and 38% in low season for onions. The higher values for the produce in the low season indicates a stronger farmer negotiating position and less supply. However, as Koenig et al point out, wholesalers' profit share is actually much larger than that of the farmers and retailers as they trade 10-15 times more per season.

Farmers receive low prices for several reasons. **The nature of production itself causes challenges.** The perishable nature of horticultural goods means that they often have little choice but to take the prices offered to them. Further, the tendency of farmers to harvest their crop at the same time in high season following rains leads to a bumper harvest allowing buyers to offer low prices. Profits for farmers are significantly higher in low season due to lower production and market supply, which is in part due to very low levels of irrigation and unreliable rains.

Farmers are **many steps away from the consumers (or even processors)**, and have little information on market prices for goods, and what consumers want, the quality and quantity (the role of farmer groups is considered in the next section). They are reliant on a large number of powerful middle men who, while adding valuable services, take their margin. As noted above, buyers take a large chunk of produce profit. The brokers are also very powerful. Market Makers notes that "The middlemen and brokers are definitely the key actors in the vegetable trade. At first sight middlemen often are judged negatively. They manipulate weights and measures, they mislead farmers, they monopolise (market) information etc. Though

33. E.g. Value Chain Analysis of the Fruit and Vegetable Market for Smallholder Farmers in Zanzibar, 2015, VSO.



their practices are sometimes dubious they also take huge risks and perform important functions.” UNCTAD (2015) note that market brokers work closely together, forming a cartel and making it difficult for newcomers to enter the market. This reinforces farmer dependence on other market actors. There are some examples of more organised producer groups sourcing directly to end buyers- for instance, Shoprite (via outsourced purchases) purchases fruit and vegetables from a number of farmer groups, with its Dar es Salaam procurement manager visiting the supplying farms on a regular interval to monitor the production and to discuss problems<sup>34</sup>. However, these are rare examples as market actors would face significant risk from the bypassed middle men, who would presumably look for ways to block them out of other trade. The high-end market where this direct sourcing brings particular value is also limited.

Further, **high-end buyers, retailers and processors struggle to source locally**. A VSO study, for instance, notes how Stone Town hotels in Zanzibar source produce from existing suppliers. The number one reason is high reliability, followed by (of equal importance), quality, able to supply daily, convenience and price. These challenges are faced by many other buyers as well. Buyers have limited relations with producers or traders, and are concerned that promised good may just not turn up. Or if they are available, they are only for certain periods of the year due to a lack of irrigation or greenhouses, meaning buyers have to revert to imports the rest of the year. Processors and high end buyers also demand higher quality than typical on local markets which local sources can rarely provide. Restaurants and hotels may require certain sizes and high cleanliness. Producers may require fruit and vegetables to be at particular stages of maturity. And for all the extra work that needs to go in to get good plants, their needs to be a business payoff - in particular, that they are cheaper than imports.

A further major constraint to the sector is the **degree of post-harvest loss**, with estimates as high as 70% for fruits and vegeta-

bles<sup>35</sup>. Focusing on Kenya, the Global Cold Chain Alliance<sup>36</sup> notes there are four simple pre-requisite postharvest technologies that should be adopted before more advanced technologies are implemented – field packing, improved containers, shade from farm to market, and evaporative forced air pre-cooling. However, from interviews and observations, little good practice or technology was applied. Beyond these basics, there are few cold storage facilities in Tanzania, including limited facilities at Tanzania’s airport and none at Dar es Salaam port, vital to extend produce life for international export. Airports and the port are owned by the government, with interviewees suggesting progress here would be a challenge/lengthy process.

### 2.3.1 Support functions

**Input supply.** Interviewees noted that fertiliser, pesticide and seeds were generally available across the country, though access is still limited in more remote areas. Interviews instead highlighted other challenges. Firstly, prices are high leading to low use. The problem of taxes on imported inputs, partially behind this, is explored in the next section. Secondly, farmers lack knowledge on how to best use products- in particular for pesticides and fertilisers, with examples of too much being used. This suggests, though it has not been verified<sup>37</sup>, that input suppliers are not providing embedded information or training on application to buyers – whether farmers themselves, farmer groups or retailers. Few input suppliers have strategies to promote their products in rural areas. Yara-Mila was noted as an exception, while TAHA is also starting to work with input suppliers to provide extension services. Thirdly, there are many counterfeit products, and the government is not carrying out checks in input shops. Interviewees noted this was more serious for seeds, with seed development and sales not keeping up-to-date with climate change, and a higher degree of counterfeits (one interviewee noted an instance of this

34. Fresh fruit and vegetable sub sector/ value chain analysis Tanzania, 2008, Match Maker Associates.

35. National Agricultural Policy, 2013, Ministry of Agriculture Food Security and Cooperatives.

36. Kenya Cold Chain Assessment, 2016, Global Cold Chain Alliance.

37. But was observed with comparable input providers in Northern Mozambique. See Main baseline study findings, 2013, Hortisiempre.

happening with a purchase direct from an input supplier rather than just a retailer). In-depth analysis into the demand for input supply, its constraints and the roles of different actors, such as agro-dealers, would be valuable. This should include further analysis into the process around seed certification, the quality inspection process would be valuable and capacity of the Tanzania Official Seeds Certification Agency would be valuable.

**Limited infrastructure** is a more widespread issue in Tanzania, in particular for horticulture, irrigation channels and the road network. In regards to the former, out of 10.8 million hectares under cultivation only about 450,392 hectares are currently under irrigation<sup>38</sup>, limiting most farmers to one or two seasons a year of rain fed harvests and producing when prices are lowest. Irrigation development is constrained by low government investment, with the Ministry of Water and Irrigation lacking resources to heavily invest in infrastructure- with what it does invest focusing on staple crops. Roads are often very low quality, which can lead to large increases in transportation costs (for, instance due to longer costs or higher vehicle wear and tear) and lower value goods (due to perishability and damage through road bumpiness). This was noted as an issue not just for roads from farms to markets, but even between more rural markets, while interviewees highlighted how some regions primed for produce development are particularly constrained by this infrastructure as distances to urban markets are so large.

The horticultural sector is also constrained by a limited **packaging sector** which constrains the whole sector, but in particular lead to high post-harvest loss. Very few businesses (A to Z in Arusha and Simba Plastics in Dar es Salaam were mentioned though) create packaging that can be used to effectively transport and store horticultural products, such as plastic crates, buckets, liners for packages, and clothes and umbrellas to provide shade. Few businesses provide packaging for processed fruit and vegetables and for retail where appearance becomes more important and there is a need for low cost labelling and smaller boxes, plastic bags and glass containers –

leading to sub-standard packaging and, where better quality is used, often a reliance on imports. For instance, one interviewee noted that only one company, Kioo Ltd, in Dar es Salaam produces glass containers – if they aren't the right size or in stock, he needs to go to Arusha to buy imports from Kenya. The reason for the lack of a market response is unclear and will vary between products. On the demand side, farmers and middlemen may be unaware of the value of good packaging materials, e.g. how much they can reduce post-harvest loss, and the improved marketability. Farmers may be particularly hindered by access to finance. On the supply side, businesses may be unaware of the high potential market demand, while required high start-up investment may discourage new entrants. Further coordination may be needed to develop the right business model e.g. for bulk purchases (to reduce prices - especially important for bespoke products, such as labels which tend to have a minimum order number), to buy machinery or to return equipment to owners after use (e.g. for plastic crates used in transporting vegetables). A number of organisations are supporting the sector. The Post-Harvest Training and Services Centre in Arusha has been exploring appropriate technologies, such as reusable plastic crates instead of traditional wooden boxes for tomatoes, and is looking at how to bring these to market. The Centre has established the importance of market traders approving new technologies for them to be accepted by the market. Incubators, such as ZTBI, are also active in generating product packaging solutions, while SIDO (Small Industries Development Organisation) also provides a basic services.

**Transportation services** are also limited. Transportation is carried out by: lorry drivers and owners, who are involved in the transportation of products from production areas to the markets; carriers, who mainly load and unload the trucks; and handcart drivers, who normally transport the commodities from the wholesale to the retail markets. Though market actors can often access lorry drivers, handcart drivers and porters, there are no specialised vehicles for transporting horticultural products. These general use vehicles lack cold storage capabilities and are often not washed down between use.

38. National Agricultural Policy, 2013, Ministry of Agriculture Food Security and Cooperatives.

Vehicles transporting food are supposed to be registered with government agencies to ensure standards, but they are not and this is not enforced. One notable exception was a new for-profit logistics company owned by TAHA which owns a number of cold storage trucks, though these are primarily meant for export or premium markets.

**Access to finance** is a significant constraint<sup>39</sup>. Horticulture businesses have very limited access to long-term finance in Tanzania. Few commercial banks finance agribusinesses and do so only with high collateral requirements and unaffordable interest rates<sup>40</sup>. This is unsurprisingly accentuated for small-scale farmer, who struggle to buy agricultural inputs and equipment such as drip-irrigation, pumps and pesticide sprayers. This is a particular barrier for young people, who are often more interested in labour-saving equipment. A couple of promising initiatives were noted. Savings and Credit Cooperative Societies (SACCOS) were highlighted as useful mechanism for small-scale farmers to access group savings, but few of these currently exist in Tanzania<sup>41</sup>. At the agribusinesses, SUGECO has developed a scheme with CRDB bank to lend to its trainees. A couple of schemes were highlighted to finance construction of greenhouses, including the greenhouse company UMI providing equipment on credit, and allowing buyers to pay in instalments.

**Information.** Perhaps the most recurrent sectoral challenge from interviews was the low knowledge levels of market actors, in particular (but not only) at the production level. This can be a particular challenge for young people who lack the experience and networks often built up over many working years. TAHA's CEO notes<sup>42</sup> most farmers lack knowledge on horticultural technologies and good agricultural practices making them unable to achieve the optimal yields. Interviews noted that education on agriculture generally is poor in schools, while young graduates moving into agribusiness-

es lack business and production skills. Government extension services were also seen as weak, as they are under-resourced but also they receive little training on the latest technologies and methods. As noted above, input providers are providing little information on product use. A number of providers are stepping into this gap. TAHA employs agronomists in different regions to support member small-scale farmers and help link them to the market. These agronomists also train leaders in more remote communities to become community based facilitators to train their neighbours and use their own plots as demonstration plots, and link them as well to extension services.

TAHA further has an **information** service where data is collected regularly on different market prices which its members can access on their phones. The service also includes buyer contact details and information on potential transporters. MVIWATA provides a similar service, providing capacity building to its members and information on market prices. Vodacom and Tigo also provide mobile based systems for users to obtain information on market prices. However, despite these, interviews noted that producers still lack information on market prices and good agronomic practices. An analysis of these different services – their usage by market actors, what users like and what could be improved - would be a valuable addition to the sector. In particular, interviews noted that many farmers may lack the numeracy and literacy skills to harness them. A number of incubators also exist to support agribusinesses, such as ZTBI and SUGECO. There could be value in expanding their reach throughout the country, but their results and financial sustainability are unclear, and further analysis would be valuable. Though with some exceptions, such as INUKA on Radio Free Africa, there appears to be limited use of radio and TV to promote good practice, with a focus more on buying airtime or promoting initiatives, rather than developing commercially viable relevant content.

39. This mirrors analysis on horticulture markets in Mozambique that show more access to other inputs than finance. See Main baseline study findings, 2013, Hortisiempre.

40. Tanzania Horticultural Development Strategy 2012-2021, 2010, HODECT.

41. Koenig et al notes that though 5,000 SACCOS are registered in Kenya, only 620 operate in Tanzania covering a large variety of sectors such as farmers, teachers or taxi drivers.

42. Interview, May 2015, Agribusiness Africa.

### 2.3.2 Rules and regulations

**Business regulations.** Before diving into specific areas of sector regulation, it is worth looking at the government role more broadly. The key ministries involved in overseeing the sector are the Agricultural Sector Lead Ministries which constitute the Ministry of Agriculture Food Security and Cooperatives, the Ministry of Livestock and Fisheries Development, the Ministry of Industry and Trade, the Prime Minister's Office-Regional Administration and Local Government. A number of other agencies have key roles, including the Tanzania Food and Drug Agency (TFDA) and the Tanzania Bureau of Standards (TBS). In addition, work to support and oversee the sector is carried out at national, regional and district levels. Though there is coordination between these bodies, informants generally thought the sector was over-regulated with too many government ministries and agencies involved and many doing similar work. This overregulation is associated with a multiplicity of taxes, fees, charges and levies, forms and processes and a significant time burden- one informant noted registered agribusinesses had to make around 42 such payments a year. Further most of these regulations have to be completed in Dar-es-Salaam, which creates significant additional costs for rural businesses.

**Quality standards:** Of particular importance to the horticulture sector amongst these bodies are the TFDA and the TBS. The TFDA needs to certify registered businesses before they start producing or processing food, while once produced or processed, businesses need to take food products to TBS laboratories for conformity testing (chemical and nutrient levels, production processes, etc.) and products need to be approved again by the TFDA. Once certified, they can be sold on the domestic market, while the TFDA and TBS in theory will carry out regular checks at premises and shops. Interviewees highlighted several concerns, including the similarity of the two, the high costs of their services<sup>43</sup>, and the capacity constraints at both agencies. A separate problem was noted of a lack of standards of measurements. Produce tends not to get weighed but rather

purchase is made in reference to number of buckets, etc. which provides opportunities for brokers to trick farmers. The government has created a Weight and Measurement Agency, but interviewees noted it had too few resources to make checks.

**Exporting procedures:** To export food products, further checks are needed. The receiving country will require certification up to its own levels. This does not represent a challenge within the East Africa community as requirements have been standardised and TFDA and TBS approval is sufficient. However, reaching markets where standards are higher raises challenges. For instance, EU standards are higher than those of Tanzania and TFDA and TBS approval are not sufficient. Approval from private labs in Kenya or South Africa may be needed, which increases costs (while, anyway, often the standards required are not reached.) Further paperwork is needed to export, including one off export permits and regular export licenses. These are expensive and require submission in Dar es Salaam rather than being managed at the local level. The government has established an export credit scheme, but interviewees noted that this was currently not supporting SMEs. Taking produce across borders is difficult per se as police, tax officials and migration staff are often unaware of the relevant export regulations.

**Land ownership:** Interviewees replied differently on whether or not land ownership and titling was an issue. Land is often informally leased from others. Where land assignment is needed, though purchases of more than 50 acres requiring approval from central government, the smaller plots typical of horticulture are overseen at the district levels. In some cases, though, accessing land can be a challenge in areas where availability is low and/or they have limited capital, while larger purchases further require central government approval.

**Taxes and standards for importing agricultural inputs:** The areas of regulation above are unlikely to affect small-scale farmers producing for the domestic market which is mainly informal. However, the whole horticulture sector is harmed by high taxes and onerous standards for imported inputs. After much sector lobbying, recently the gov-

43. See TFDA fees and charges at [http://www.tfda.or.tz/index.php?option=com\\_phocadownload&view=category&id=80&Itemid=326#](http://www.tfda.or.tz/index.php?option=com_phocadownload&view=category&id=80&Itemid=326#)

ernment added essential agricultural inputs such as seeds, pesticides, greenhouses and irrigation equipment to its VAT exemption lists- however this only covers complete kits not spare parts, meaning that spare parts for irrigation, greenhouses, packaging etc. are still taxed for VAT, pushing prices up. Registering new imported product lines is also very expensive and slow, which is reflected in input prices and importer resistance to bring in their latest products (e.g. new fertilisers).

**Input subsidies:** The government also has established an input subsidy scheme whereby farmers receive vouchers redeemable at input shops for seeds and chemical fertiliser. This scheme was only highlighted at the end of the assessment and as such, little information on its functioning was available. More research is needed as such schemes can have large impacts on agricultural programmes. However, in this instance it is likely not to have a very large impact as (a) the focus appears to be staple crops over horticulture (b) the scheme appears to be run in a more market friendly way, with the use of vouchers over direct provision of free inputs, while vouchers do not cover the full costs of inputs - farmers need to cover 50% of costs themselves (c) only one interviewee mentioned the scheme, suggesting a small impact in the sector.

**Farmer coordination:** Most farmers are not members of farmer groups (or where they are members, they do not negotiate with

buyers in groups). Farmer associations can provide real benefits to their members, including a stronger collective bargaining power and a ready source of agronomic information. However, considering that few farmers are members suggests that they potentially have not been promoted enough into new areas. But, as interviewees stressed, negative experiences in the past have reduced expectations, including negative historical experiences of cooperatives in Tanzania, ineffective association management, and too many donor and government projects creating unsustainable farmer groups that tend to end when the projects end. Less top down associations working more with the market (and without donor visibility) might be valuable, for instance, linking members to input suppliers, processors or markets.

**Norms:** Societal norms have a big impact on the horticultural sector as young people tend to have negative views on agriculture. In response, a number of organisations are trying to promote agriculture's image. The Agriculture Non-State Actors Forum, for instance, has created a number of videos showing young people who have large incomes from agriculture, and interviewees suggested future work could help promote opportunities for youth. More broadly, interviewees noted that farming generally seems to be a subsistence practice rather than for business, in part due to the socialist history in Tanzania which had little focus on commercialising farming.

| CONSTRAINTS  | UNDERLYING CAUSES   | OPPORTUNITIES  |
|--|---|--|
| <b>Core market</b>   |   |  |
| <p><b>Wholesale and retail markets</b> are providing insufficient services to users, such as bad sanitary and storage conditions, and have limited accessible services. This is hypothesised to be as they lack financial resources and management skills are low.</p> | <p>Further analysis is needed, but this is potentially as (a) they are undervalued by the regional governments that manage wholesale/retail markets, leading to low prioritisation (financial resources, training of staff) (b) market managers are not exposed to good market practice and not fully aware of the real impact of poor market conditions.</p> | <p>Improve functioning of markets, potentially through (a) making the business case to regional governments for more support and (b) capacitate market managers to improve management of markets- including ways to learn from other markets and developing alternative sources of finance</p> |

| CONSTRAINTS  | UNDERLYING CAUSES   | OPPORTUNITIES  |
|--|---|--|
| <p><b>High-end buyers and processors</b> are sourcing too little locally leading to high imports and lost opportunities for local market actors. Buyers and processors are unable to find local sources- direct or via traders- that are reliable, sufficient, high quality and competitively priced. In turn, producers struggle as they receive payments too late and are unaware of market demand. There is a lack of trust, commitment and knowledge sharing between market players.</p> | <p>There is a lack of coordination between market players at different levels due to (a) high levels of mistrust based following from negative past experiences and a lack of appreciation of the role of others, and (b) the high risk involved in partnering together - buyers in particular face high upfront costs in working with producers or traders to improve their capacity and uncertain returns in case producers choose to sell to other buyers.</p> | <p>Starting with an assessment of final demand, capacitate interested end-buyers and processors to develop relations and source from local sources, potentially cost sharing to mitigate risk levels. Use these as a demonstration for others.</p>   |
| <p>Support functions</p>   |   |  |
| <p><b>Fertiliser, seeds and pesticides</b> are not used properly leading to low yields. This is due to low farmer knowledge on use and large number of counterfeits</p>  | <p>Input suppliers often do not see the business value in improving their distribution systems to rural areas, training retailers and providing after-sale services. Contract farming is limited and hampered by mistrust between market players.</p>   | <p>Capacitate interested input suppliers to improve their distribution systems to rural areas, train retailers on product use, provide after sale-services (e.g. phone line to ask for use advice or check if counterfeit) and potentially develop contract farming models. Use these as a demonstration for others.</p>                             |
| <p><b>Post-harvest losses are very high,</b> due (a) lack of farmer and intermediary skills and capacity (b) lack of a private sector response to provide appropriate packaging products.</p>  | <p>(a) Information services do not reach more remote areas (see below) (b) Businesses are not aware of potential market demand. Coordination between market actors is insufficient to allow more complex business models needed for some packaging products, potentially due to low trust between market actors and low buy-in from brokers who do not necessarily gain from improved packaging.</p>  | <p>(a) On the demand side better information systems are needed (see below). (b) Support packaging companies to serve the market, through proving demand and co-investing to buy down risk in improved distribution chains and appropriate products. Make business case to brokers and involve broker associations, potentially as distributors.</p> |
| <p><b>Low levels of irrigation,</b> leading to rain-reliant farming and subsequently low production outside the high season and inability to generate multiple crop cycles.</p>  | <p>(a) Government has insufficient resources to invest in infrastructure. (b) Limited agribusiness access to finance for buying equipment or leasing schemes.</p>   | <p>(a) Identify sources of finance for irrigation (b) Study and assess the possibilities of introducing more drought resistant fruit and vegetable varieties – (c) Access to finance for equipment.</p>  |

| CONSTRAINTS   | UNDERLYING CAUSES  | OPPORTUNITIES  |
|---|--|--|
| <p><b>Access to finance:</b> Financial providers not providing viable credit to agribusinesses and farmers, restricting investment, including inputs and equipment such as greenhouses, pesticide sprayers and drip irrigation.</p>   | <p>Agribusiness seen as high risk and low profit (high transaction costs). Collateral requirements too large. Problem exacerbated for smallholders, where bank costs are high and chargeable bank services small, and who lack credit history, accounting history, bankable business plans and financial literacy. No large-scale workable model appears to have been developed.</p> | <p>Develop the business case for working with agribusiness and smallholder farmers. Work with interested financial institutions and agri equipment input providers to develop relevant inclusive products e.g. leasing models for equipment, paying in instalments. Work with potential agribusinesses to help develop a financial history, and/or well-articulated business plan.</p> |
| <p><b>Market information:</b> Knowledge flows to market actors weak, leading to limited knowledge on good practice and prices. IT systems reaching insufficient people/ providing insufficient value.</p>   | <p>Interviewees suggested that IT systems may be loss making business lines, financially supported by development actors, with little effort going in to their sustainability and ensuring their responsiveness to farmer needs (for instance to farmers with low literacy and/ or poor mobile network coverage in rural areas).</p>   | <p>Improve knowledge distribution services by key providers. Potentially analyse market actor use of such system- what works, what doesn't, willingness to pay. Develop business case for provision of responsive and profitable IT/media systems and work with interested providers to develop such systems.</p>  |
| <p><b>Farmer coordination:</b> Farmers receive low prices for goods as, in part, they negotiate with brokers as individuals rather than collectively, do not share information amongst themselves e.g. on market prices, do not work together to aggregate produce and send to market, and do not collectively purchase equipment. At heart, farmer coordination is very limited – as, for instance, most farmers are not members of farmer groups.</p> | <p>Farmer organisation and groups are not seen as providing clear benefits to their members. Interviewees note that farmer groups and cooperatives are often ineffective and set-up to access donor or government funds rather than due to inherent interest to collaborate.</p>   | <p>Take a facilitative approach to farmer groups. Find market actors who want to engage with farmers via farmer groups as a means to improve their business e.g. input providers, financial institutions and processors. Connect market actors to farmer groups and support market actors to develop appropriate products/ models.</p>   |
| <p><b>Training:</b> Agribusiness (including larger commercial farms, processors, etc.) are not fulfilling their potential due to limited quality business and agronomic training services.</p>  | <p>Trainers see limited market, while prices are likely to be too high for start-ups. Incubators not focused on horticulture, while their impacts and sustainability are unclear.</p>  | <p>Further investigate what holding back training market. Link training providers and incubators to (potential) agribusinesses, and support provider development of affordable training models.</p>  |

| CONSTRAINTS   | UNDERLYING CAUSES   | OPPORTUNITIES   |
|---|---|---|
| <b>Rules &amp; Regulations</b>  |   |   |
| <p><b>Business regulations:</b> Multiplicity of business regulations and fees and that resolution often involves travelling to Dar es Salaam hinders business establishment and growth, in particular for processors and exporters.</p> | <p>Unclear, but potentially due to (a) multiple ministries involved in regulation and each struggling for resources/ seniority (b) ministries not exposed to good international practice (c) wider lack of knowledge of impact on businesses of excessive regulation due to limited horticulture sector advocacy skills</p> | <p>(a) Potential to explore advocacy for one-stop-shops in regional locations e.g. pilot in one or two regions (b) support advocacy capacity of sector representative bodies in a sustainable way e.g. one-off support to advocacy training or market analysis to demonstrate value.</p>  |
| <p><b>Export procedures</b> are cumbersome and expensive, limiting exports. Quality of some foods too low for export to some international markets.</p>   | <p>Insufficient capacity of TBS and TFDA meaning reliance on expensive external certification. Quality issue due to multiple issues covered in rest of table.</p>   | <p>Capacitate TBS and TFDA to assist exporters better.</p>  |
| <p><b>Standards and taxes for parts for imports of agri inputs</b> high and cumbersome pushing up prices</p>  | <p>Unclear, potentially (a) the government has not carried out a cost-benefit analysis of procedures and is unaware of their true impact (b) advocacy skills of the horticulture sector are still low</p>   | <p>Support advocacy work of organisations such as TAHA to improve taxes and standards. This might mean supporting relevant organisations to do proper cost/ benefit analysis – here, through looking at standards and taxes on parts- and developing advocacy/ media strategies.</p>  |
| <p><b>Norms:</b> Agricultural is not held in high regard by young people, leading to them not being attracted to the sector.</p>  | <p>Limited knowledge on opportunities in horticulture, including potentially more appealing agribusiness/ processing roles.</p>   | <p>Link up sector associations and secondary schools and universities so associations can promote horticulture (as TAHA starting) (though as noted in the Opportunities section, university students are unlikely to be poor). Potential for entertaining programmes on agriculturists, but would need to be done in financially sustainable way.</p> |



### 2.3.3 Market system constraints, underlying causes and opportunities

The above analysis has been synthesised in the table on the following page, which shows the horticulture market system constraints alongside underlying causes to these constraints and potential opportunities to improve the functionality of the market system.

#### **Potential interventions:**

The potential interventions suggested below are opportunities which aim to address the causes to the market system's constraints identified in the table on the following page. Upon initial scoping and analysis, these interventions are viewed as viable with potential to create systemic change and employment opportunities for youth and women.

- Explore in depth the functioning of wholesale (and retail) markets. Decide interventions based on this analysis with the general goal of sustainably improving market management and resources, leading to improved facilities and increased services available for market actors. Likely options include (a) making the business case to regional governments for more support – support with co-investment (b) explore with market managers and regional government alternative sources of financing e.g. PPPs, credit schemes (c) improve management skills through developing guidance on best practice, exposure visits/ knowledge exchange between markets (e.g. taking Singida onion market managers to learn about how Kilombero market in Arusha works or more effective markets in East Africa) or – if successful, work to have this taken up by relevant ministries
- Starting with an assessment of final demand, work with interested end buyers and processors to develop relations and source from local sources- the new association of Tanzanian chefs could be a good starting point. Sourcing is likely to include some capacity development for producers. This can be funded as part of a cost-share by the programme, but would be more effective if training seen to come from buyer rather than project and project takes limited role/ limited visibility between producers/ market and buyer. The assessment should look for scale agents as well, such as networks of end buyers or local traders- which, if they exist, could be preferable ways in to provide larger impacts and make sourcing more efficient and diverse for end buyers.
- Initially an analysis is needed of input demand and the feasibility and profitability of improved distribution systems. Then input suppliers interested in improving distribution systems should be supported to role this out. Potentially work with TAHA.
- Support packaging companies to serve the market, through proving demand and co-investing to buy down risk in improved distribution chains and appropriate products. Potentially work with post-harvest centre in Arusha to support them and the businesses they work with to commercialise their products.
- Develop the business case for financing agribusiness and smallholder farmers as a means of scaling up and enhancing productivity of operations. Work with interested financial institutions and agricultural equipment input providers to develop relevant inclusive products e.g. leasing models for equipment, paying in instalments. Would be valuable to initially focus on irrigation and greenhouse schemes but could also extend to processors.
- Analysis of which mobile/ IT systems or media platforms farmers use to find information, what they need and what they do not. Work with interested providers to improve service to be more responsive to user needs and be profitable.

## 2.4 Feasibility

Though following sections will look at the sector in more depth and the specific challenges it faces, this section aims to provide an **initial bigger picture assessment of feasibility**.

**Most of the challenges that affect the sector in the value chain and input markets are not seen as insurmountable.** The value chain does already exist and is growing, as noted above, suggesting that interventions could build on current practice rather than having to start anything new. Market actors can be supported to delivery incremental improvements which will both be sustainable and build up momentum for further changes.

**The sector does have a number of leading market actors** with, to varying degrees, the incentives and the capacity to increase sales to or purchases (direct or not) from small-holders. These include vegetable and food processors such as Azam and Bakresa; restaurants, supermarket and hotels increasingly interested in sourcing locally, such as Southern Sun; input suppliers, such as Yaramila; and information providers, such as TAHA (amongst many roles) and Vodacom. Important sector infrastructure exists where market actors aggregate, potentially providing leverage points, such as the large Kairakoo market in Dar es Salaam and an onion focused market in Singida, and farmer groups. Apex bodies exist that represent their members and again provide potential leverage points, such as MVIWATA (National Network for Farmer Groups in Tanzania), TAHA and a newly founded association of Tanzanian chefs. This said, interviewees noted the paucity of market actors producing products for post-harvest storage or in product transportation.

**The government is supportive of the sector.** There is significant policy support. Horticulture, for instance, was identified as one of the priority sectors in the National Export Strategy (2008) and the government Kilimo Kwanza Resolution to transform the agricultural sector (2009). Numerous government ministries and agencies are involved in sectoral support (outlined in the rules section below). Interviewees disagreed though on the level of practical support. Some were more positive, pointing to government investment in horticultural collection and stor-

age centres and noting regular government consultation with the sector. Others felt that government support was more limited when it came to actual implementation. However, all interviewees highlighted a number of challenges with government regulation, which will be explored below. Feedback generally suggested that the business environment was tolerable if not proactively supportive, with no 'killer' policies or problems. This suggests the feasibility of working in the sector, but the value of taking a more private sector focused approach.

Despite the positive analysis above, this report suggests against supporting **exports to Europe or other high-income countries**, at least in the short term. This is for several reasons that are not insurmountable by themselves, but collectively represent a challenge. They are further fleshed out in the sections below, but in summary (a) exports face considerable additional regulatory barriers beyond supplying even the high-end domestic market (b) infrastructure is weak, with limited cold storage in the country, necessary to export high quality plants, and limited air-freight capacity, with much exports instead driven to Jomo Kenyatta Airport in Kenya for onwards transit (c) the quality of production in country often does not reach high income country quality standards. Supporting growing domestic and regional trade is more feasible as a first stage, with international trade potentially a longer term target as the barriers above start to be addressed through increased supply to local high end markets.

### **Space: Other development projects**

Numerous development agencies are working in horticulture which provides both opportunities and risks. In terms of opportunities, one of the goals of the proposed UN Joint Programme on Value Chain Development is to **support collaboration between UN agencies, building upon each's particular skills, experiences and networks**. Currently, several UN agencies are supporting projects in the horticulture sector often as part of broader youth focused programmes. ILO has supported the Zanzibar Fresh Vegetable cooperative, which was formed by young graduates opting for self-employment in agriculture, and projects in

Arusha with equipment, technical support and capacity building as well as youth enterprise development in the sector. UNIDO is supporting ZBTI to train trainers on the use and maintenance of agro processing equipment procured by government; selected processors in Arusha and Dar es Salaam to improve quality and standards and increasing production; and industrial support organisations (such as TIRDO and TEMDO) to strengthen analytical capacity; across these, linking processors to tourist hotels. FAO has projects supporting the horticultural sector across Tanzania – these have historically focused on field level training on agronomic practice, but a new project with SUGECO aims to support agro-processors who are sourcing from smallholder farmers.

IFAD is working in the tomato sector (amongst others more generally in agriculture) to improve value chain coordination as part of its Rural Micro, Small and Medium Enterprises Support (MUVE) programme. This involves supporting production and also processing, for instance through working with Darsh Industries to connect to out-growers for tomato processing.

In different ways- via market information and coordination (cooperatives) or increasing demand and skills transfer (processors) – UN projects are working on market leverage points to benefit young people. However, many other donor agencies are working in horticulture and regions UN agencies

are active in, which would likely reduce the potential impact of future programming. There was insufficient time for this report to speak to many, which would be an important next step, but a quick analysis suggests they are focusing on (a) working with apex organisations, with for instance USAID, the Netherlands and Finland are or have supported TAHA and SDC and Irish Aid providing core funding to MVIWATA, suggesting future programming focus more on working directly with private sector actors (or apex organisations that have received less support, such as the new chef's association) (b) working in Arusha and Zanzibar, suggesting future programming work in other areas, such as the central corridor from Singida down to Morogoro utilising end market demand from Arusha and Dar es Salaam and connected regional markets, and inevitably input suppliers based in Arusha and Dar es Salaam. Though this corridor is not free by any means of donor actors, there are clear advantages of proximity to markets, existing infrastructure that can be utilised (such as the large onion market in Singida and SUGECO in Morogoro), with the southern corridor not far away in case of scaling up. SAGCOT (Southern Agricultural Growth Corridor of Tanzania) is potentially an important partner and should be considered in plans. This all said, the recommended next step is to further study where end market demand is which should suggest where to focus on the production side.





# 3



## TOURISM: RAPID MARKET ASSESSMENT

The tourist industry currently supports one in ten jobs in Tanzania and there are now over one million visitors per year, a figure that has doubled in the last 15 years<sup>44</sup>. While the sector has great growth potential, a report from the Tourism Task Force under the Tanzania National Business Council, concludes that the following constraints “hinder the realisation of the huge potential of the tourism sector to promote long term development of the country”<sup>45</sup>. According to their report, these include:

1. Inadequate national vision for the tourism sector. Despite its potential, tourism has had no long-term sector development strategy or programme
2. Destruction of natural strategic national treasure and capital
3. Incoherent policies, institutions and regulations
4. Skills gap and restrictive labour laws
5. Multiplicity and unpredictability of taxes, levies and fees
6. Limited tourism infrastructure
7. Inadequate marketing and branding of Tanzania as a tourism destination

Although addressing each challenge individually could help drive sector growth and job creation in different ways and to different degrees, it is assessed - through consultations with stakeholders - that the segment of the industry with the largest potential for generating jobs for young people is the hospitality sub-sector. This sub-sector is highly dependent on the general development of the tourism sector.

The Tourism Council of Tanzania concludes that: “The tourism industry has great potential to contribute to youth employment in the different professions - chefs, hotel staff, accountants, lawyers, builders, engineers, etc.... Growing the sector can play a key role in reducing... youth unemployment.” At present however, the industry suffers from a supply shortage of qualified and competent staff which constitute a major barrier to the envisaged 20% growth for the tourism sector and, in turn, further job creation.

44. National Bureau of Statistics, 2015, quoted in UNCTAD, Enhancing linkages between the tourism sector and sustainable agriculture sectors in the united republic of Tanzania, 2015.

45. The Tourism Council of Tanzania Tanzania National Business Council, Tourism Task Force Report, December 2013.

It is not just the quantitative supply of labour that challenges the sector but also the quality of the skills of the people already trained and working in hospitality. The World Economic Forum ranked Tanzania at 128 (of 140 countries) in terms of quality of labour in the tourism industry in 2013<sup>46</sup>. The supply-demand mismatch in skilled and qualified labour, at the surface, appears to be due to poor regulatory environment that governs training services and schools, which supply the hospitality sector. At the same time, there seems to be considerable decent work deficits which characterise the sector as unattractive for potential employees.

### 3.1 Relevance of the sector for the youth employment

Youth employment is assessed to be significant in the hotel, catering and tourism sector. Globally, half of the sector's workforce is under 25 years-old<sup>47</sup> and although no statistics are available for Tanzania, there is certainly a high proportion of young people employed, especially given the demographic composition of Tanzania. A study by the World Travel and Tourism Council (WTTC) finds that the tourism sector's "flexible nature, requirement for skilled and unskilled employees, and strong growth prospects also means travel and tourism holds real opportunities for job creation to address the youth unemployment problems faced by countries across the world"<sup>48</sup>. There are several entry points into the sector for youth, most of which are in wage employment in services provided to tourists in the hospitality segment. There may also be opportunities for small-scale entrepreneurs to start their own businesses to provide services to tourists, for example as guides, drivers, homestay hosts and smaller scale accommodation providers. This could be particularly relevant if the tourism sector development reaches out to new geographic areas which currently do not benefit from the activity of the current tourism hubs. Furthermore, youth-orientated inclusive business

46. Ibid.

47. ILO, Poverty Reduction Through Tourism, 2013.

48. World Travel and Tourism Council, Gender equality and youth employment: Travel & Tourism as a key employer.

opportunities are also available in supplying inputs to the sector such as food, cleaning services, and other products needed in the hotel and restaurant sectors.

The WTTC study also establishes that the travel and tourism industry employs a higher proportion of women and young people than is represented in the workforce as a whole<sup>49</sup> whereby the sector is particularly relevant for targeting youth while also creating more opportunities for women. But the sector suffers from a number of challenges whereby it may not be considered as a first choice due to poor working conditions, low remuneration and a general negative perception of being employed in the hospitality industry. These aspects will be dealt with in further detail in the analysis.

### 3.2 Opportunity

**Market demand, inclusive growth potential, and potential for decent work.** According to the World Travel and Tourism Council, the country's tourism sector grew by an average annual rate of 12% between 2000 and 2012 as measured in income for the country<sup>50</sup>. The direct contribution of Travel & Tourism to GDP in 2014 was 5.1% of GDP. The direct contribution of Travel & Tourism to GDP is expected to grow by 6.2% per annum by 2025<sup>51</sup>. On the employment side, the contribution of the tourism sector in 2014 was 1,337,000 jobs (12.2% of total employment). By 2025, Travel & Tourism is forecasted to support 1,695,000 jobs (11.5% of total employment), an increase of 2.7% per annum over the period<sup>52</sup> or about 35,000 new jobs per year. Moreover, Tanzania has the goal to increase tourism revenue eightfold by 2025<sup>53</sup>.

The growing tourism and hospitality sectors offer investment prospects in accommodation development, conference tourism, beach tourism, historical sites, amusement parks, leisure parks, specialised cuisine restaurants, golf courses, air and land transport infrastructure developments, and wildlife

49. Ibid.

50. Ibid.

51. World Travel and Tourism Council, Travel & Tourism Economic Impact, Tanzania, 2015.

52. Ibid.

53. World Bank, The Elephant in the Room: Unlocking the potential of the tourism industry for Tanzanians, 2015.

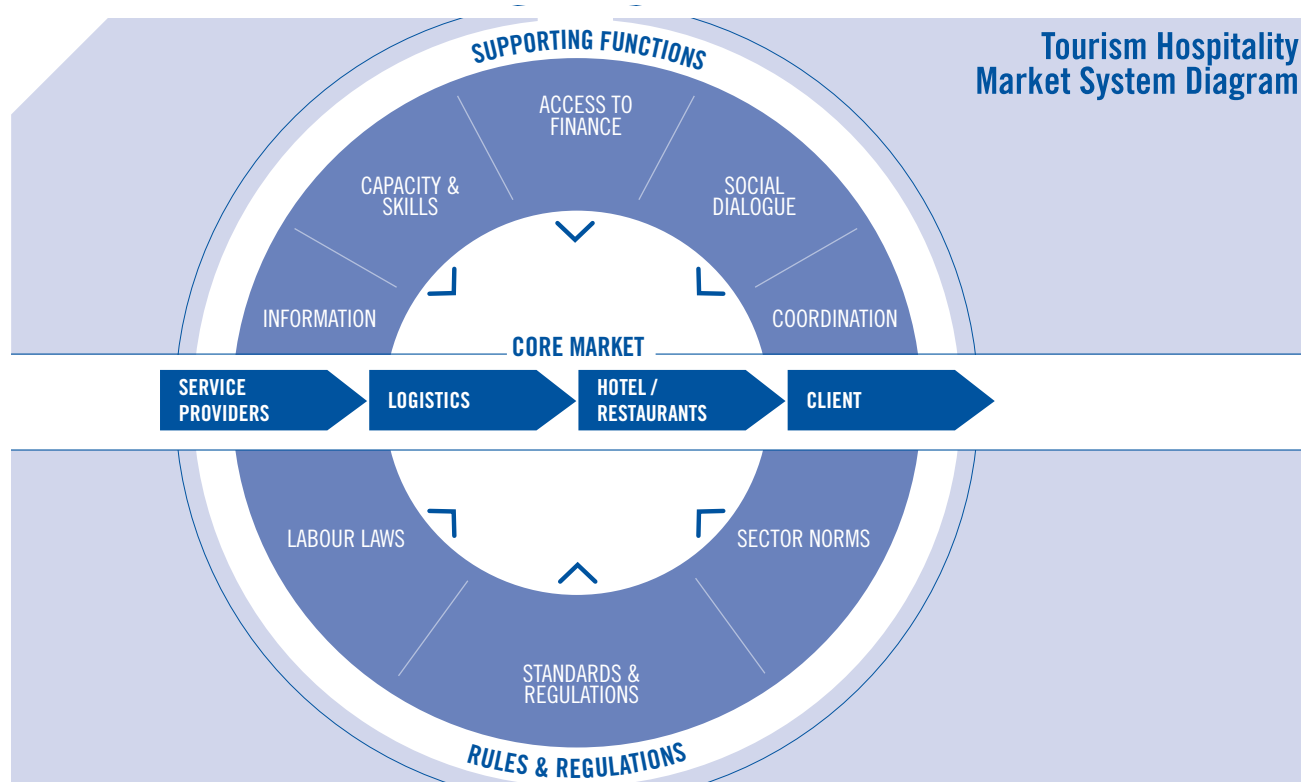
tourism. Given the growth record and the government's continued support to development of the tourism industry, the prospects for creating more jobs are good. The World Bank also assesses that the sector is capable of creating a large number of jobs as well as that reaching a larger group of Tanzanians through the formulation of a new tourism strategy<sup>54</sup>. There are many examples and lessons learned on stimulating sustainable tourism sector development, which could ensure that the great growth potential of the sector, if managed in a more inclusive way, benefits more poor people<sup>55</sup>.

**Gender aspects.** The above mentioned WTTC study also concludes that the tourism sector is a sector that has many entrepreneurship opportunities, which can be particularly beneficial for women as it can offer prospects for self-employment which are less accessible than other sectors<sup>56</sup>. There may, however, be specific implications for female employees in the hospitality industry, which should be subject for further study.

**Environmental concerns and green job opportunities.** Tourism can have both negative and positive environmental effects. An increase in the number of visitors is demanding on national resources, such as water, and creates more pollution. It is, however, a question of how the industry is regulated and if the behaviour of the industry is managed to mitigate the potential negative effects. Increase in tourism can on the other hand raise awareness of the importance of preservation of natural ecosystems, wildlife and even cultures and thereby contribute positively. It is assessed that there is huge scope and need for interventions in this area<sup>57</sup>.

### 3.3 The value chain and market system

The identified sub-sector of the tourism sector is the hospitality sector, due to its great potential for creating more and better jobs for youth. The market systems diagram, which shows the core value chain and key supporting functions and rules and regulations associated with the hospitality sub-sector is depicted below.



54. Ibid.

55. See for example ILOs Toolkit on Poverty Reduction through Tourism in Rural Areas, 2011.

56. World Travel and Tourism Council, Gender equality and youth employment: Travel & Tourism as a key employer of women and young people, 2015.

57. Promoting Responsible and Sustainable Tourism is part of the ongoing Joint Programme, a sister UN programme under the current UNDAF, which already has much knowledge and experience in the field.

A gap was particularly identified in the provision of training and skills development for the industry as there is much involvement by other development partners addressing most other challenges in the sector, such as marketing and branding, tackling regulatory and business environment constraints and strengthening the capacity of public sector training institutions.

Within training and skills, a major constraint appears to be the mismatch between skills provision and the demand of the industry - both in terms of quality and quantity - and can be regarded as a key trigger for generating more and better jobs for youth. Hence, there is a need to understand and analyse why the sector is challenged by unqualified labour (whether unskilled or poorly trained) and why there is so little investment in staff training and training of future employees. At the same time, there is a need to understand why jobs are regarded as less attractive, the low remuneration and the prevalence of sub-standard working conditions. The constraints to the sub-sector market system are assessed in the following section, grouped under 'support functions' and 'rules and regulations', respectively.

### 3.3.1 Support functions

**Coordination:** There seems to be a gap in terms of coordination of the sector. There is little dialogue between stakeholders that could promote a better understanding of the skills the hospitality industry demands and the training institutions, public or private, which are best positioned to adequately train to meet these needs. General sector platforms for dialogue exist and issues such as business environment constraints are being raised, however, discussions reportedly rarely concern skills, training and working conditions. Current efforts to establish a tourism council that focus on skills supply and demand is a move in the right direction.

**Flow of information** may also be an important lacking support function. First of all, it seems that the potential trainees and "buyers" of the training services are not aware of which training providers are best and most likely to lead to employment whereby they waste time and resources on trainings and getting certificates of limited value. Sec-

only, on a more general level, more mutual understanding of the needs and limitations of other players in the sector could probably help provide improve the conditions for the sector all together, strengthening the competitiveness by raising standards and providing more and better jobs. This would, in turn, make the sector more attractive to work in and probably attract more and better skilled employees.

**Low skills levels and poor capacity** seems to be one of the biggest challenges of the sector<sup>58</sup>. Training services are provided by both the public and the private sector. The government institutions are already receiving much support from a range of development partners. There are, however, no interventions to improve and stimulate the private sector's role in filling the skills gap and supporting youth to receive the qualifications needed to meet the demand of the industry and, most importantly, get a job. Given that the private sector provided training services for youth to get skills to meet the demand of the tourism industry is assessed to be a decisive element for stimulating the job creation potential of the hospitality segment, this sub-chain will be analysed further in the next section, as an interconnected market system.

The main public provider of technical training in the tourism industry is the National College of Tourism, under the oversight of the Ministry of Natural Resources and Tourism and the Vocational Education and Training Authority (VETA), under the Ministry of Education and Vocational Training. Both private and public training institutions are supervised by the National Council for Technical Education (NACTE) and Vocational Training Authority (VETA) in terms of development of standards and regulation, licensing, curriculum development as well as monitoring of adherence to the standards. The public training institutions cannot meet the growing demand of the industry, neither in terms of quality or quantity<sup>59</sup>. Moreover, the main public tourism and hospitality school (the National College of Tourism) has some institutional limitations in that the board only plays an advisory role and does

58. Interviews with TCT, HAT, Chamber of Commerce.

59. Ministry of Education and Vocational Training, Human Resource Needs and Skill Gaps in the Tourism and Hospitality Sector in Tanzania, 2015.



not have real powers to make decisions that can turn around the college's performance.

At the same time there are many private training schools but they are generally sub-standard and currently do not provide training services that match the needs of the industry and assist unemployed youth in getting jobs. To stimulate a market driven training provision, the focus is the private sector training services, and to a limited extent, the public training system, as the latter is heavily supported by other development programmes while the former appears to have great potential for growth and impact on hospitality.

On the private sector training supply side, there are an estimated 50 private training institutions and schools. These offer programmes and courses of varying durations, from several years to a couple of months. A few have a good reputation but most are reportedly not adhering to any set standards or curriculum. It is apparently easy to get a licence and once the licence is obtained, there is little monitoring of the training and graduates' skill levels. Many graduates obtain a certificate but do not have the skills and qualifications that the certificate claims, rendering the training and the degree of limited validity. A study on skills by the Ministry of Education and Vocational Training assesses that "most of the private tourism colleges have very limited resources in terms of training facilities and teaching staff. The results of their training activities are ultimately inadequate and yet it is these colleges that are the main providers of the tourism workforce across the country"<sup>60</sup>. The Integrated Tourism Master Plan for Tanzania reiterated a similar story<sup>61</sup>. Stakeholder consultations indicated that this still is the case noting that students waste time and money on useless training. Furthermore, the tourism industry suffers from a poor reputation due to the inferior service level, rendering the sector less competitive compared to similar destinations. Training institutions have low capacity and skills for delivering training because they do not seem to see the value in having, or have access to, adequately qualified trainers and teachers or facilities.

60. Ibid.

61. Ministry of Natural Resources and Tourism, Integrated Tourism Master Plan for Tanzania Strategy and Action Plan Update, 2002.

In an IFC study<sup>62</sup> it was identified that the tourism sector needs skills development at all levels. The study establishes that "most managers of large hotel properties are not Tanzanian and that there is no place for a Tanzanian to go locally to gain the requisite skills due to scarce financial resources, unqualified and inexperienced trainers, poorly designed training and inadequate vocational skills and hotel schools"<sup>63</sup>.

**Social dialogue.** The Tourism Task Force under the Tanzania National Business Council (chaired by the President of Tanzania) is engaged in dialogue concerning the constraints of the sector. As mentioned earlier, the Tourism Task Force identified a number of constraints including the skills gap and labour law<sup>64</sup>. Skills, however, not seem to have taken priority on the agenda of the Task Force.

Through support of the United Nations Inter-Agency Programme on Trade and Productive Capacity<sup>65</sup>, the sector has had public-private dialog (PPD) events that seek to address the challenges of the sector. The forum is government-led and there seems to be scope for more PPDs under the leadership of the private sector<sup>66</sup>. Moreover, there is no tripartite body that brings together government and the Social Partners to discuss the decent work deficits and the potential of the hospitality sector for addressing youth unemployment.

**Business and financial services:** When looking at training provision from private sector training providers, resources and investment in training capacity building and facilities seems to fall short. The hospitality sector seems to invest little in human resource development, allegedly due to the expectation and risk that an employee that has received training and improved qualifications is more prone to change job as well trained employees are in high demand.

Assessing whether private schools make use of business development services is subject

62. IFC, Tourism Training Network Market Research Report, 2007. Quoted in ILO/Pie Consultancy, Training Needs Assessment for the Train the Trainer Programme for National College of Tourism (NCT), Tanzania, 2015.

63. Ibid.

64. The Tanzania Confederation of Tourism, Tanzania National Business Council, Tourism Task Force Report, December 2013.

65. Implemented by UNIDO, ICT and UNCTAD.

66. Interview with HAT, 27th April 2016.

to further research. But lacking business management skills could be a constraint for developing a private training school into a good business. Access to finance is identified as a major constraint for many businesses in Tanzania. A further analysis could shed light on whether this is a binding constraint for businesses and the training service providers in terms of having resources for adequately trained trainers and facilities.

### 3.3.2 Rules and regulations

**Standards and regulation** exist but are not enforced and monitored in the private sector training institutions. NACTE is responsible for monitoring but reportedly lack resources for fulfilling their mandate<sup>67</sup>. The Ministry of Natural Resources and Tourism are in the process of drafting standards for training institutions and curriculum. These are, however, not yet in effect.

The Ministry of Education and Vocational Training conducted a study on human resource needs and the skill gaps in the hospitality sector<sup>68</sup>. The study found that “due to fragmentation of responsibility for tourism training among public and private sector, it has proved difficult to build and supply the tourism and hospitality industry with required skills”. Reportedly, the NACTE and VETA have overlapping mandates which may partly explain the lack of monitoring and that many private colleges have been licensed without adequate trainers and facilities.

All hospitality establishments must pay the Skills Development Levy (SDL) and Tourism Development Levy. The SDL is meant to go towards training of labour but, currently, there is a perception that the income of the levy is not used where most needed. As expressed by the Tourism Task Force: “At present, the private sector contributes 5% of payroll as SDL to the national treasury. Yet, this is not used to develop the skills that the industry needs. Instead, it is just another tax in the name of SDL”<sup>69</sup>. It could also

imply that the industry is reluctant to invest in training as they feel this should be provided by the government and to some extent, which they have already invested in resource development with the limited return.

**Laws.** An ILO assessment<sup>70</sup> reviewed the implications of remuneration. The reports established that staff are typically dependent on service charges and tips as a compensation for wage. The report also assesses that employers are not encouraged to introduce rational and sustainable wage systems whereby workers' income can be highly unpredictable and that there is a “serious problem of not adhering to the minimum hours set in the laws”. In its assessment of the working conditions in the tourism sector, the same study also finds that labour law compliance is low due to the relatively high number of labour disputes in the sector and concludes that about 31% of labour law violations in the country are in the hospitality industry relative to 12% of the employment<sup>71</sup>. This could *per se* also affect the perceived attractiveness of the sector is by potential employees. When discussing the issue with other stakeholders, it was confirmed that the tourism sector, to a large extent, is considered unattractive to the potential labour force due to the poor reputation of the sector and the perception of the working conditions<sup>72</sup>.

Another legal constraint is the definition in the minimum wage regulation which defines minimum wages in the tourism sector as lower relative to other sectors. For example, the minimum wage for an office cleaner in the mining sector is three times higher than that of a cleaner in the tourism sector.

Remuneration is not the only challenge. As explained in another ILO study: “The predominance of on-call, casual, temporary, seasonal and part-time employment is related to insecurity, comparatively low pay (frequently below the national average), job instability, limited career opportunity, a high level of subcontracting and outsourcing,

67. Ibid.

68. Ministry of Education and Vocational Training, Human Resource Needs and Skill Gaps in the Tourism and Hospitality Sector in Tanzania, 2015.

69. The Tanzania Confederation of Tourism, Tanzania National Business Council, Tourism Task Force Report, December 2013.

70. International Labour Organization, National Profile of Working Conditions in the United Republic of Tanzania, 2009, quoted in ILO/ Kassim Meja Kapalata. Tourism business climate review in relation to workplace, Conditions in mainland Tanzania, 2014.

71. Ibid.

72. Interview with HAT and the GM of Kijiji Beach Resort.

and a high turnover rate.”<sup>73</sup> The use of trainees is very prevalent in the hospitality industry of Tanzania. The ILO<sup>74</sup> identified that most hotels bring in cheap labour by use of trainees. The report states that “In some hotels for instance, you may find that there are 60 employees, out of these, only 10 are legally employed, the rest are the trainees. The trainees are preferred because they are not paid according to labour laws. The fundamental rights and protections, labour standards, social security and other relevant labour rights cannot be applied to trainees. Instead of remunerating them according to the wage order and other statutory instruments, they are just given what are called allowances. Most of the trainees emanate from local training colleges which conduct short courses ranging from 3 to 6 and 9 months.”<sup>75</sup>

A poor labour regulatory framework and poor labour law compliance – partly due to poor labour law awareness – limits the industry’s ability to attract qualified labour and, in turn, deliver better services.

**Informal rules and norms.** Some interviewees<sup>76</sup> explain the challenge of the **large representation of foreign labour** in the hospitality industry. Foreign labourers are perceived as more service-minded, better skilled and more able to respond to the requirements of the industry which is why they often fill jobs in place of young Tanzanians. There seem to be a negative attitude from the employers towards local employees. On the one hand, it is claimed that local employees are “lazy” but on the other hand the employers provide very little motivation and decent working conditions, which potentially could stimulate employees to be more engaged<sup>77</sup>. The ILO assessed sector wages across the region and although there is little difference in the cost of living, the average annual income for employees in the tourism industry in Tanzania is USD 3,500 as compared to USD 5,000 in Uganda, and USD 9,000 in Kenya<sup>78</sup>. The difference may reflect a skills gap in general, a skills premium gap or the fact that the sector suffers from low minimum wages and a poor reputation.

| CONSTRAINTS   | UNDERLYING CAUSES  | OPPORTUNITIES  |
|---|--|--|
| <b>Supporting Functions</b>   |  |  |
| <b>Limited sector coordination and dialogue</b> is (a) evident in training providers and trainee-hirers and leads to mismatch in supply and demand of training services and (b) poor advocacy capability of the hospitality sector, which in turn does not allocate sufficient resources towards advocacy activity. | No concerted effort of the training industry and no driver or clearly mandated entity to ensure coordination as it seems that the importance of this has not been realised by either government or the industry.                     | (a) Strengthen the role and mandate of the National Tourism Council, to also include concerns on training provision; or (b) work with the Hotel Association of Tanzania and the Tanzania Tourism Confederation to develop a more effective coordination and advocacy platform. |
| <b>Limited information</b> exists on the quality of training providers and institutions such that potential fee-paying students cannot identify which are quality training providers.   | The industry has not realised the value of working with/pushing the training institutions into providing high quality graduates, possibly due to limited awareness of the benefits that that might bring to the industry as a whole. | Develop transparent system for understanding value of training offered. This could take the form of creating an industry-led awards or a ranking system, providing overview of qualified training providers, presided over by industry associations.                           |

73. ILO, Developments and challenges in the hospitality and tourism sector, 2010.

74. Ibid.

75. ILO/ Kassim Meja Kapalata, Tourism business climate review in relation to workplace, Conditions in mainland Tanzania, 2014.

76. CEO of HAT, GM of Kijiji resort and participants in the validation meeting, 29th April 2016.

77. Interview GM Kijiji Beach Report.

78. ILO/Pie Consultancy, Training Needs Assessment for the Train the Trainer Programme for National College of Tourism (NCT), Tanzania, 2015.

| CONSTRAINTS   | UNDERLYING CAUSES  | OPPORTUNITIES  |
|---|--|--|
| <p><b>Skills and capacity</b> are limited due to (a) a lack of sufficiently skilled trainers, (b) a mismatch in the training services offered and what the hospitality sector demands and (c) poor private training facilities.</p>   | <p>This is due to: (a) lack of dialogue between the trainers/training institutions and the industry to identify industry demands; (b) institutions may already be profitable without providing a quality service due to information asymmetry or cannot access capital to do so; (c) business management capacity in training institutions is poor whereby they do not see opportunities in the market (d) the enforcement of standards for training institution and facilities is weak.</p> | <p>(a) Facilitate dialogue with government on providing incentives (rebates or tax deductions etc.) for investment in adequate facilities; and (b) Develop a business case for market-driven training services to demonstrate that improvement of the training services can provide a profitable return on investment for the training schools and ensure that students get value for the money.</p> |
| <p><b>Social dialogue</b> is weak and platforms for exchanging views to address the industry needs concerning skills and other constraints, leading to limited response to industry needs.</p>  | <p>This is due to (a) limited interest in cooperation from the industry stakeholders, especially concerning employers' and workers' representatives as well as government; and (b) existing PPD is government-led with little scope for the industry to articulate its needs.</p>  | <p>(a) Support existing associations in building a platform to institutionalise private sector led PPDs. Possibly in conjunction with a group/network of training providers; and (b) explore possibilities of establishing a tripartite body that seeks to develop the employment potential of the tourism sector.</p>   |
| <p>A lack of available <b>financial services</b> may limit training institutions' ability to invest in training and facilities.</p>   | <p>(a) financial service providers not geared to service this market segment; and (b) poor capacity of potential borrowers to meet applicant requirements such as collateral, bankable business plans and financial records.</p>   | <p>(a) Build the capacity of the financial institutions to develop products to suit the sector; and (b) link BDS providers to training institutions to help them meet requirements for being more credit worthy and prepare better business plans.</p>   |
| <b>Rules and regulation</b>   |  |  |
| <p><b>Poor regulation and standards</b> with respect to oversight of the hospitality industry limit the sub-sector because: (a) poor training service standards and lack of enforcement do not hold service providers accountable; and (b) public investment does not focus on training services.</p> | <p>(a) The oversight body (NACTA) has not updated standards to keep up with the rapid growth and transformation of the sub-sector and does not have the resources to ensure that standards are met by the training institutions; and (b) the 5 % payroll tax on Skills Development Levy is put into a general tax 'pot' and is not directed toward improving training services to serve the industry.</p>  | <p>(a) Explore interest and identify possible drivers for developing an industry-led standard and mechanism for monitoring and certification centred on business case of a cost (government resources) versus benefits (tax increases, contributions to the economy). (b) Explore how resources to do so could be funded by the levy.</p>  |

| CONSTRAINTS  | UNDERLYING CAUSES  | OPPORTUNITIES   |
|--|--|---|
| <p><b>Labour laws</b> are limiting as the (a) minimum wage is very low when compared for similar jobs across different sectors; and (b) compliance with the laws is poor with many labour law violations and labour disputes as compared to other sectors. These limitations render the sector unattractive for potential employees.</p> | <p>(a) The definition of the minimum wage of the tourism industry is much lower than for similar category jobs in other sectors; and (b) limited labour law enforcement and hospitality businesses lack awareness and/or incentives to comply with the laws.</p> | <p>(a) Establish a commission to address the problem of unattractive remuneration and other labour law challenges; (b) develop the business case for investing in human resource development and better working conditions and work through Hotel Association of Tanzania and the Tanzania Tourism Confederation to present the message as a means to improve company profitability and growth prospects while at the same time creating decent work for youth.</p> |
| <p><b>Informal rules and norms</b> result in foreign employees in the hospitality being viewed as more skilled and valued for their management capacity, limiting nationals from being hired or developed into more skilled positions within the sector.</p>   | <p>Domestic skills training, and in particular those associated with 'soft skills', are poor comparatively to those in neighbouring countries.</p>   | <p>Establishing a business cases on furthering corporate responsibility, especially concerning better working conditions and the consequent reductions in staff turn-over and improvements in worker productivity.</p>  |

### 3.3.3 Market system constraints, underlying causes and opportunities

The poor labour force skills constitute a major constraint for the hospitality industry. It is derived from a number of constraints including: poor training capacity; unmonitored training institutions; a growing industry and corresponding labour demand; poor legal and regulatory framework conditions, among other. With the need for more and better educated workers in the hospitality industry, there is much potential for implementing within the sector market system which, in turn, could create more and better jobs for youth, improve industry competitiveness and address issues pertaining to the working environment.

The analysis discussed above has been summarised in the table on the following page, which includes the market system constraints to the hospitality subsector alongside the underlying causes to the con-

straints and potential opportunities to address the causes in the market system.

#### Potential interventions:

The interventions below have been developed as measures that could address the underlying causes to the constraints to the hospitality sun sector which are identified in the table above.

- Develop a business case to demonstrate that improvement of the training services can provide a profitable return on investment for the training institutions, playing on the incentives of the institutions.
- For businesses within the hospitality sector, develop the business case for investing in human resource development and better working conditions looking at the monetary and growth benefits that such investment can lend in terms of reduced absenteeism and turnover, and improved labour productivity and client satisfaction.
- Work to support existing coordination associations in building a platform to insti-

tutionalise private sector led PPD. Work to strengthen the advocacy role and mandate of the National Tourism Council to cover training provision as well as the transparent use of the skills levy funding.

- To improve the compliance with standards for training institutions, explore interest and identify possible drivers for developing an industry-led standard and mechanism for monitoring and certification. This could include supporting the development of a private sector led platform for which businesses in the hospitality sector can rate and rank training services, much the same way that tourists use TripAdvisor to rate businesses in the hospitality sector which drives better performance in the sector. This could address the constraint to students on information of services while help monitor training services.

### 3.4 Feasibility

**Feasibility of facilitating market system change.** A value chain study from 2009<sup>79</sup> identifies a number of weaknesses and challenges to be addressed. These include that the tourism sector suffers under limited market penetration and dependence on few markets; poor access and transport links; the industry's potential to reduce poverty is not being maximised, especially since it is described as a heavily regulated business environment; costs for tourists paid for hospitality services in Tanzania are not matched by the quality of services; inadequate human resource skills; excessive regulation and taxation with many complex bureaucratic procedures; and limited access to and high cost of finance. However, a new tourism strategy is reportedly planned<sup>80</sup> and will hopefully ensure a more inclusive and concerted effort in bringing stakeholders in the sector together to tackle constraints while ensuring that larger population groups can reap the benefits of the growth of the sector.

**Willing and able market actors.** The government recently established the Tanzanian Tourism Board (TTB) which serves to over-

see the development of tourism within the country. Moreover, the Ministry of Natural Resources and Tourism is the government lead for the sector. The Tourism Confederation of Tanzania (TCT) is an apex body for the private sector associations. There are a number of associations, including the Tanzania Association of Tour Operators, the Hotel Association of Tanzania, the Tanzania Tourism Board, TANAPA as well as a number of local/regional associations. Most of these are members of the Tourism Confederation of Tanzania.

A platform for dialogue in the tourism sector already exist as the Joint UN Trade Cluster programme supports regular Public Private Dialogue events for the sector, in which HAT is and TCT are also involved.

Training in tourism is led by the NCT which has three campuses, two in Dar and one in Arusha. Tanzania Wildlife Institute and Sokoine University of Agriculture (SUA) are also major players in training on wildlife and tourism management. The University of Dodoma and University of Dar es Salaam offer hospitality services training. The nature of the sector is very diverse so bringing everyone together is a large task but if the coordination is done in a concerted manner the many stakeholders stand to benefit.

#### Space: Other development projects

UNIDO is supporting a project on Zanzibar, The Zanzibar Technology and Business Incubator, which also supports the tourism industry. As part of the Swiss funded UN Joint Programme on Trade Sector Development, UNIDO has provided support to selected processors and the industry at large at assessing and improving business linkages to the tourism sector. UNIDO has also carried out a feasibility study for establishing a biogas plant at the National College of Tourism (NCT) in Arusha with the aim of providing an alternative energy to electricity from the national grid and charcoal. NCT and UNIDO are collaborating in mobilisation of resources for developing the biogas plant.

The ITC has a tourism project that focusses on strengthening the capacity of the horticultural sector to supply high quality products to the tourism industry in Dar es Salaam, Arusha, Morogoro, Bagamoyo, Iringa and Mkuranga.

79. Tourism Confederation of Tanzania/SBA Consulting, Tanzania Tourism Value Chain Study, 2009.

80. World Bank, The Elephant in the Room: Unlocking the potential of the tourism industry for Tanzanians, 2015.



The Swiss (SECO) funds the project Promoting Responsible and Sustainable Tourism under the ongoing Joint Programme of UN-DAP. Jointly implemented by the UN Trade Cluster and the Government of Tanzania, it promotes national ownership of Aid for Trade with the objectives of: 1) Enhancing productive capacity of horticulture producers and also the supply of high value added agro products (including organic); 2) Facilitating linkages between suppliers and hotels with the scope to include international exports; 3) Increasing the quantity and quality of local tourism trainers that can adequately respond to the demands of the industry; 4) Enhancing financial security of the national tourism training colleges; and 5) Strengthened public private dialogue mechanisms to regularly respond to issues pertaining to Responsible Tourism in Tanzania, particularly enabling Tanzania to benefit more from the indirect export potential of the tourism industry. ILO have a large component of this project that focuses on supporting the NCT through: 1) a financial sustainability plan; 2) tailor made training courses; and 3) improving the capacity of trainers. ILO also have an additional component in this project with a tourism sector business climate review that focuses on workplace issues. The project is integrated into the Ministry of Industry and Trade's Trade Sector Development Programme and focuses on improving

Tanzanian livelihoods through Tourism as the entry point sector. This involves improving linkages between horticultural producers and processors and the Hotel industry as well as broader tourism sector market access issues. Closely aligned to the Enhanced Integrated Framework (EIF) TIER 2 process, the project incorporates recommendations of the Tanzania Trade Integration Strategy (TTIS), the Diagnostic Trade Integration Study and the National Vision for the Development of Tanzania.

UNESCO is planning a tourism value chain project, focussing on policy, regulations, training, capacity development market and crafts product development. It will target small entrepreneurs, women and youth in Kondo, Kilwa, Muheza, Monduli, Moshi City and Tanga City. The EU has supported the tourism sector and is reportedly about to start another tourism project.

USAID has launched a large tourism sector support project and the World Bank are about to launch a USD 115 million tourism sector support project. The planned programme needs to take these projects carefully into consideration and ensure complementarity.





# 4



## APICULTURE: RAPID MARKET ASSESSMENT

Tanzania is endowed with warm climate that is favorable for beekeeping practices. Statistics indicate that the number of bee colonies in Tanzania is around 2.7 million and the annual honey production is around 27,000 tons<sup>81</sup>. It is estimated that 99% of the total production of honey and beeswax countrywide is produced through traditional methods that lead to low quantities of honey being produced relative to potential. Furthermore, processing facilities, packaging materials and quality of honey produced offers an array of challenges for sectoral growth. Several initiatives from the government including development of the National Beekeeping Program, beekeeping regulations, policies and acts have been initiated to stimulate sector growth and employment creation. Interviews with various stakeholders indicated that growth and development of the sector can have positive impact on employment creation but there is little evidence that the current initiatives have resulted in such an effect yet.

### 4.1 Relevance of the sector for the youth employment

The apiculture sector is still relatively small but already sees interest of youth. One example is the existence of 556 groups with an average of 15 members in Singida that produce and supply honey to a cooperative. All together this generates employment for over 8,000 young people attached to this cooperative alone. A local expert estimated that another seven similar centres can be established across the country, potentially creating work for roughly 56,000 additional people directly as well as employment in supporting industries, for example in hive production.

An opportunity for youth engagement has been identified by the ITC apiculture programme, which works with SIDO, Tanzania Honey Council and Tantrade towards embedding institutional leadership and management of value addition process in the sector, for furthering the

81. FAO Stat Quoted by Irfam Et al (Undated).

role of the youth as service providers to help beekeepers increase focus on high value bee products.

The sector has low entry requirements as there is low start-up and input costs when inputs can be sourced locally, i.e. for smaller scale start-ups, and relatively high yields and income in short time horizon and it therefore assessed as very attractive for young people.

## 4.2 Opportunity

**Inclusive growth potential, market demand and potential for value addition.** Although the sector is still relatively small, Tanzania is one of the largest honey producers in the developing world<sup>82</sup>. The global demand for honey and beeswax has been increasing over the past 10 years. This is primarily driven by increasing awareness levels and health consciousness among consumers, and there is also an increasing demand for organic products. It is assessed that the production of honey and beeswax in Tanzania stands at 3.5% of its potential<sup>83</sup> which indicates scope for expansion, especially for export as the international demand is on the rise and prices are high compared to the local market. A study of the sector from 2006<sup>84</sup> assesses that the “main challenge now is to use this enabling environment created by the Policy, Programme and legal framework to encourage Tanzanians and other investors to take up beekeeping so that they can benefit in terms of income, poverty reduction and conservation of environment”. Although the policy is 10 years old, the sector is still assessed to hold potential and there is scope for more promotion of this livelihood option.

An ITC report estimates that 90% of all the honey produced in Tanzania is consumed domestically.<sup>85</sup> The remaining produce is, according to the same report, exported to Europe (mainly Germany, the Netherlands, UK, Belgium and Norway), China, Japan, USA, Oman, and Dubai, and in the sub-

Saharan countries to Botswana, Kenya, Burundi, DRC, Rwanda and Uganda<sup>86</sup>.

The average annual income for a small-scale beekeeper is estimated to be USD 1,800-2,400 and can therefore be considered a good income in a country where the median annual per capita income is estimated at USD 660. There is also a segment of larger commercial farmers whose business development path should be further explored to learn how smaller beekeepers may graduate into larger volume production. Additionally, there are a number of support services to the apiculture sector where jobs can be created. These include advisory services for setting up and running apiculture groups, carpentry for building the hives, stitching of protective gear, transport, refining facilities, packaging and marketing.

The sector is quite fragmented and great gains could be made by improved cooperation and coordination, both at producers' levels (e.g. cooperatives) and at national/regional level to stimulate joint initiatives (especially in marketing) to overcome sector challenges.

**Gender aspects.** It is assessed that there are equal opportunities for women and men, although, some tasks tend to be handled by men, for example hive maintenance and harvesting of honey from the hives. An older study from 2001 by the Tanzania Wildlife Research Centre<sup>87</sup> assesses that 90% of beekeeping activities in Tanzania are mainly carried out by old men but this might have changed now. The stated reasons for low women and youth participation in beekeeping activities were traditional customs (52%) and lack of capital (26%)<sup>88</sup>. The gender implications in beekeeping should be further analysed.

**Environmental concerns and green job opportunities.** Apiculture is one of the few sectors where there is a very positive environmental impact. Beekeeping contributes to positive externalities as increased pollination supports further crop growth and nature preservation. In that sense, the sector can generate green jobs as sector growth has positive environmental influence.

82. SADC Trade (Undated), Trade Information Brief

83. ITC, Honey Sector Synthesis Report and Road map, 2014.

84. Mwakatobe, A. and Mlingwa, C., The status of Tanzanian Honey Trade- Domestic and International Markets, 2006.

85. ITC, Honey Sector Synthesis Report and Road map, 2014.

86. FAO, 2016. Bee Keeping Value Chain Development in Tanzania

87. Tanzania Wildlife Research Centre/ Angela Richard Mwakatobe, Participation of women and the youth on Beekeeping activities in arumeru homegardens, Arumeru district, Arusha –Tanzania, 2001.

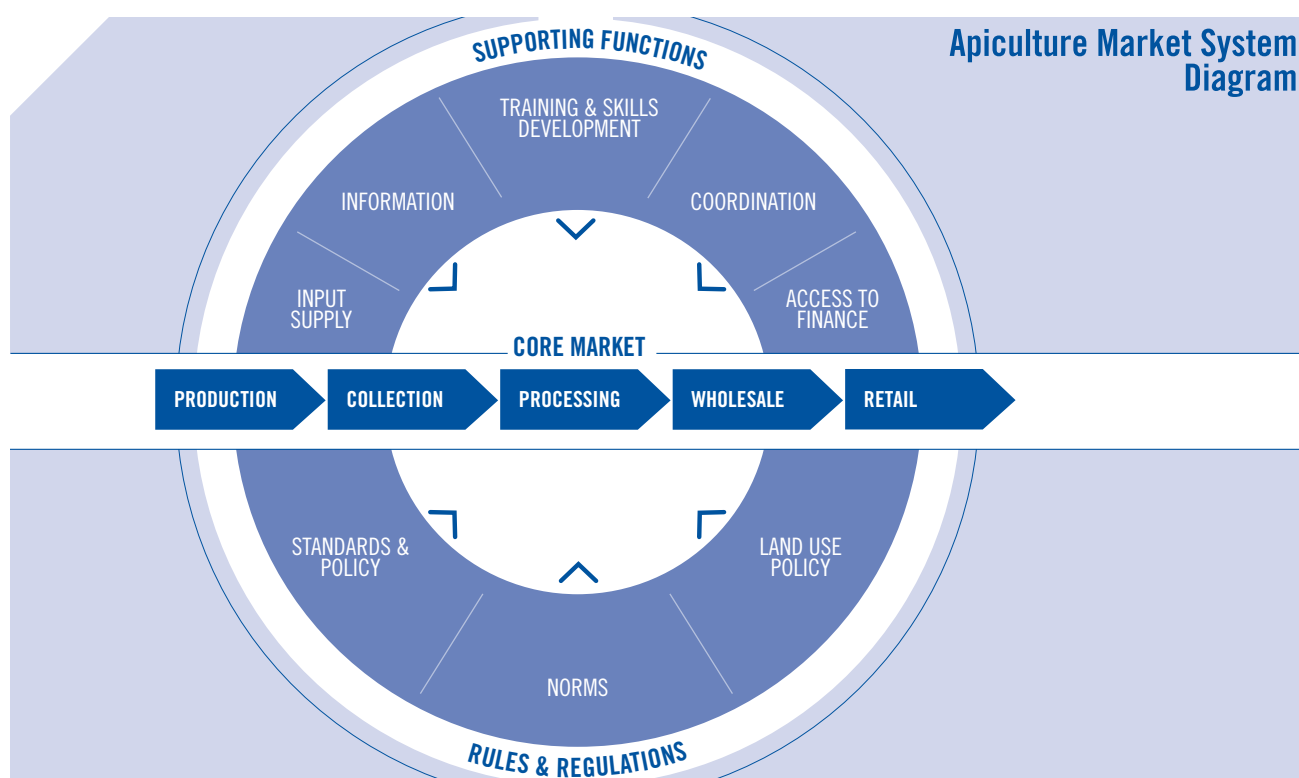
88. Ibid.

## 4.3 The value chain and market system

The apiculture value chain starts with production, collection, processing, trading, wholesaling and ends with retailing. The chain is supported with various functions and governed by different rules and regulations, which will be assessed in detail in this section.

Challenges include that honey and beeswax production volumes are low, which makes it hard to attract bulk buyers and there is a lack of collection centres<sup>89</sup>.

Producers have little access to reliable market information and supply of processing and packaging equipment, and producers generally need upgraded facilities and know-how to avoid contamination of the honey.



**Production.** Beekeeping has been regarded as a traditional activity by rural communities. The use of traditional, less sophisticated, hives dominates the sector although now there is a growing awareness of improved and commercially-orientated hive technology. Interviews with beekeepers show that yield is proportional to the type of hives used. It was noted that commercial hives can produce at a range of 30-40 kg of honey per season (two cycles of harvesting honey) as compared to traditional hives (7-16 kg).

### Types of hives and their production capacity<sup>90</sup>

| TYPE OF BEE HIVES | PRICE OF THE HIVES (TZS) | PRODUCTION CAPACITY PER YEAR (KGS) |
|-------------------|--------------------------|------------------------------------|
| Commercial        | 150,000-220,000          | 60-80                              |
| Traditional       | 75,000-80,000            | 14-32                              |
| Local hives       | 45,000-100,000           | Difficult to estimate (5+)         |

89. Ibid.

90. Source: Field visits (April 2016).

A study conducted by ITC<sup>91</sup> explains how the quality of honey can be compromised at different stages, including during feeding if not natural forage, by using pest control and chemicals in production, during harvesting by using excessive smoke, during processing by using dirty or contaminated equipment and storage as well as during transport and storage in very high temperatures. The main challenges facing beekeepers at production stage include low awareness of good beekeeping practices; lacking access to working capital, poor management of bee forage resources and habitats, lack of quality control and changing weather.

**Collection.** After harvesting of honey from bee hives, in some cases, especially in rural areas, collectors gather the raw honey in bulk or small quantities and pack it themselves or sell it to other big buyers. The collectors collect honey from the beekeepers, but they tend to have limited knowledge on honey quality and merely collect in bulk. The collectors pack the honey in re-cycled bottles and sell them on the local markets. Others sell the collected honey to big buyers. The quality of the honey is hampered because the honey is from different beekeepers and bee colonies and species are mixed together with little oversight or quality control. This level of the value chain has room for much more value addition - and hence employment opportunities - if skills and know-how is improved on handling and food safety, leading to a higher quality and higher value products.

**Processing.** Production from apiculture can result in several different end products including honey, bees wax, royal gel, pollen, bee venom, glue and propolis. Due to underdevelopment of the sector in Tanzania on both supply and demand side, most beekeepers and processors are only able to use honey and bee wax leaving the potential of other more profitable products untapped. The honey is typically processed in traditional facilities which sometimes compromise quality due to the lack of hygiene standards while productivity remains low. Availability of quality processing facilities for small-scale beekeepers and processors in Tanzania remains a challenge that has yet to be tackled.

91. ITC, Honey Sector Synthesis Report and Road map, 2014.

**Trading.** Literature and field research indicate that trading in apiculture products (honey and wax), is done through three main channels. The first channel is from individual beekeepers to the market. The second channel involves beekeepers selling to their cooperative societies which typically process the honey using better quality technologies and packaging for retail to consumers in local markets, urban markets or exporters. The last channel is through medium and large companies that buy combed honey from beekeepers and do primary processing at their own collection centres. Thereafter, liquid honey is transported to urban facilities for final processing, packing, labelling and sale to retailers or exported to international markets.

### 4.3.1 Support functions

**Input Supply.** The needed inputs for beekeeping include beehive sites, beehives, protecting gears, processing facilities and packaging materials. As traditional beekeeping is predominant, many of the inputs (beehives, protecting gears and processing facilities) are made in the local community and see little innovation that addresses productivity or safety constraints. The sector also sees imported inputs, although at a very high cost.

Several organisations are involved in providing technical support to develop the industry. Such as public institutions like SIDO and VETA as well as some private organisations, such as BDTL, with technical advice and supplying the improved inputs. The main challenges at the stage of input supplies include that small-scale/local manufacturers and suppliers lack technical capacity to produce quality inputs as well as the producers' lack of capital to acquire better quality inputs.

**Coordination.** From the government's side, the sector development is overseen by the beekeeping division of the Tanzania Forest Services (TFS) in the Ministry of Natural Resources and Tourism. From the private sector, the Tanzania Honey Council (THC) is playing a coordination role as an apex private sector membership organisation representing stakeholders in the beekeeping value chain. It serves as a platform for dialogue on issues in honey value chain for

the development of apiculture sector. The Council has over 700<sup>92</sup> members. Its executive committee has ten representatives from both public and private sector. Nevertheless, lack of resources has reportedly resulted into only two executive members being active which has limited their ability to coordinate the sector effectively. The council has been involved in developing the Tanzania Honey Roadmap that serves as a guide for long-term sector development.

**Information.** Due to lack of proper coordination and linkage of honey value chain actors, an information gap also exists. In some cases, beekeepers do not know from where to source inputs, while at the same time input suppliers do not know who demand their products<sup>93</sup>. Linking up market actors through information could be a decisive element in developing the value chain.

As a part of information, research and development in the sector is lacking. Several research and training institute related to forest and natural resources exist in Tanzania, these includes Sokoine University of Agriculture, TAWIRI, Olmotonyi Forest Institute, Tanzania Forest Research Institute, Tabora Bee Keeping Institute. However, despite the existence of these institutes, research and development in apiculture has been limited. Furthermore, weak links exist between institutions and the local communities<sup>94</sup>. Such that the research stimulates sector growth, these institutions should develop action orientated research that addresses the needs of apiculture sector and communicate with the relevant actors in the value chain.

**Skills and capacity.** The apiculture sector is underdeveloped in terms of skills and capacity which includes specific knowledge on beehives specifications, apiary distances and better practices in beekeeping and processing, in general. The THC explained that beekeepers and processors have a skills deficit throughout the whole value chain, i.e. from input suppliers, beekeepers, processors and traders. As a result, national honey production is well below its potential. Hence, the challenges in meeting the market demands in terms of both quality and

quantity. Extension services exist but seem insufficient and although the government has launched programmes to support the sector, results have yet to materialise.

**Business and financial services.** As is the case for other sectors in Tanzania, many apiculture business start-ups face difficulties in accessing financial services due to lack of tracking records and collateral, lack of financial literacy, inability to articulate a business plan, and at the same time that financial service providers may consider the businesses too risky. However, the government of Tanzania wants to address the challenge and has worked with the UN Capital Development Fund to set-up a funding window for youth and women projects. The Ministry of Natural Resources and Tourism through Tanzania Forest Fund also has a funding window for people/groups that want to invest in forest related business including apiculture. In most cases, these fund targets small-scale producers to build their capacities in business. This initiative offers a starting point for youth to access finance to enhance their business. But involvement of private financial institutions would provide a bigger impact on the sector.

### 4.3.2 Rules and Regulations

**Standards.** Tanzania Bureau of Standards (TBS) and Tanzania Food and Drug Authority (TFDA) are the two bodies that set and regulate standards for different products/services in Tanzania. Honey and other bee products are subject to comply with the established standards from TBS, such as limits for pesticide residue and sugar content. The TFDA has a laboratory for testing different attributes of honey products. Interviews and discussion with various stakeholders indicated that small-scale processors and suppliers are not aware of the standards and compliance is minimal. In many cases, honey found in the domestic market does not have any labelling with the required TBS certification mark.

Apart from honey and wax, standards have not been developed for other products. Those laboratories which do check quality and standard adherence are not accredited to certify honey and wax, allowing produce to be exported without having to seek the

92. Interview with chairperson and the Secretary, THC April 2016.

93. Interview THC April 2016.

94. URT, 2004. Ministry of Natural Resources and Tourism, National Bee Keeping Programme.

services of labs abroad. It is still unclear as to why private sector are not investing in testing services for export, but one reason might be the infancy of the sector and minimal chances of cost recovery at short period of time.

In order to become certified, honey producers have to let the honey test for about 17 parameters, such as moisture, pesticide residue, sugar and heavy metal content. The cost of these tests amount to almost USD 1,000, which must be considered a high start-up cost, probably hindering many producers from formalising their production.

Certification for export is currently carried out by the certification bodies of the importing countries<sup>95</sup> as the facilities in-country are not accredited internationally. The certification procedures and costs pose a major challenge to access the export markets.

**Rules.** Apiculture sector is governed by the National Beekeeping Policy of 1998 and its act of 2002. The policy enhances sustainable contribution of the beekeeping sector to ensure sustainable beekeeping development, conservation and management of its natural resources. The Forest and Beekeeping Acts of 2002 provides the main legal framework for activities in the sector.

In order to develop further the sector in 2005 the government of Tanzania established beekeeping regulations. However, the regulatory frameworks are only dealing with two products, namely honey and bee wax whereby producers may miss opportunities for certifying and marketing other higher value products, such as pollen and royal gel. A lack of land use planning and dedicated apiary lands is a hindrance in most part of the country as there tend to be conflicting interests between beekeepers and other land users as beekeeping demands a large periphery where the land use has to meet certain requirements, such as use of pesticides and fertilisers.

**Informal Rules and Norms.** For a number a year's, beekeeping in Tanzania has been regarded as a profession for old people with a limited entrepreneurial aptitude. The good income potential is, however, a decisive factor for youth to engage in production, and more information to prospective producers about the potential of the sector should be shared to change the mind-set about apiculture as a business.

| CONSTRAINTS  | UNDERLYING CAUSES   | OPPORTUNITIES   |
|--|---|---|
| <b>Support Functions</b>   |   |   |
| <p><b>Input supply:</b> Underdevelopment of domestic input suppliers such as manufacturers of beehives, packaging material and protective gear leads to farmers and processors sourcing imported quality inputs, which are too costly and thus not available for small-scale farmers, reducing production.</p> | <p>Domestic input supplier has not found the right market niche to develop quality products and bring them to market nor have access to capital to start a business doing so.</p> | <p>Demonstrate the input supply market potential and profitability to businesses that have potential to develop cost effective beehives and work with SIDO, VETA or commercial producers to provide technical advice on how to best develop equipment and other inputs. Once produced, link input producing businesses to THC to help market input products to both small-scale producers and commercial markets.</p> |

95. SADC Trade (Undated), Trade Information Brief.

| CONSTRAINTS   | UNDERLYING CAUSES   | OPPORTUNITIES   |
|---|---|---|
| <p><b>Limited Information</b> is a constraint from the perspective of: (a) farmers receiving inadequate extension services and which results into low awareness of good practices in beekeeping; and (b) beekeepers and processors who have poor market information, for example links to larger processors buying in bulk or the required quality and standards that products should meet; (c) poor understanding of commercial potential within the sector particularly for high-value products</p> | <p>The root causes include: (a) too few extension officers specialised in beekeeping, too little public investment in such services and a perceived lack of commercial viability to provide such services in the private sector; and (b) a lack of platform or means for the private sector for dissemination of market information across a dispersed and informal market that is commercially nascent (see sector coordination constraint).</p> | <p>(a) Understand the key constraints to providing better public extension services, and work with local authorities to provide focused extension services in regions that have a higher intensity of small-scale, traditional apiculture farmers; and (b) Analyse the constraints and profitability of high value products and help link potential processors of such products to small-scale apiculture farmers, operating as an outgrower model such that the processors can source products to their standards and youth produce high-value products.</p> |
| <p><b>Skills and Capacity</b> constrain the sector at various points including: (a) knowledge on small-scale production practices; and (b) food safety requirements for farmers and processors, restricting high-value production that can be sold on a commercial level and generate better income.</p>  | <p>Causes to these constraints includes (a) lack of perceived commercial viability for private extension service or embedded services; and (b) poor visibility of TFDA and TBS and complicated compliance procedures; (c) limited information on commercial potential within the sector (see above).</p>  | <p>Develop an incentive-based contract farming model to be piloted with a honey or beeswax processor where they source high quality honey from small-scale farmers. The processor will provide extension services to build capacity concerning small-scale production practices while guaranteeing a market and an agreed, acceptable market price for honey produced to standard.</p>  |
| <p><b>Weak sector coordination</b> has resulted in poor flow of market information on prices, quality and standards to market actors and has limited cooperation opportunities between producers</p>  | <p>The THC, which currently facilitates the private sector coordination role, has insufficient resources and to bring better organisation to the sector.</p>  | <p>Work with THC to strengthen its roll by: (a) developing a strategy to more efficiently and better link actors in the value chain, coordinate and advocate for the interest of the sector given its resources; (b) assist in creating an overview of the sector, mapping key actors and their roles and linking them together; and (c) reviewing membership fee structure and value in the service and potentially government contribution.</p>   |

| CONSTRAINTS   | UNDERLYING CAUSES   | OPPORTUNITIES  |
|---|---|--|
| <p><b>Limited access to finance services:</b> restrict investment into (a) optimal production inputs for small-scale farmers; and (b) better technology and facilities for processors that does not compromise standards or quality of honey or limits development of other honey products.</p> | <p>The financial institutions are reluctant to finance: (a) small-scale farmers due to expected low returns, high perceived risk, and high administrative costs and (b) producers due to a lack of bankable business plan, collateral, financial history which are standard requirements for lending.</p> | <p>(a) demonstrate the business case to financial institutions for small-scale beekeepers and processors; (b) work through BDS providers to help processors to become more bankable with financial history, and well-articulated business plan, (c) link processors with commercial banks, possibly in conjunction with business development training; and (d) provide credit guarantee facility to de-risk investment from financial institutions.</p>  |
| <h3>Rules and Regulations</h3>  |   |  |
| <p><b>Regulation bodies</b> such as TBS and TFDA are largely inaccessible.</p>  | <p>(a) Too few resources allocated to regulation and testing services; and (b) the fee based system may deter small-scale producers from using the services and hence limit the income to the regulatory agencies.</p>  | <p>Work with quality and standard regulatory bodies (TFDA and TBS) to develop a strategy to better reach and serve the growing apiculture market, which could include: (a) expansion of testing to cover higher value products made from beekeeping; (b) reductions in bureaucratic forms and procedures for firms looking to start processing/production; (c) pilot TFDA and TBS “road shows” to provide one-stop testing products in regional centres; and (d) reduce initial testing costs, exploring potential subsidy by the government in an effort to generate sector growth.</p> |
| <p><b>Lack of apiary lands</b> limits the locations where beekeeping can be conducted on a formal and commercial scale and causes conflict between apiary and non-apiary users.</p>   | <p>Inexistence of land use plans in many part of the country designating areas for apiary use.</p>  | <p>Perform cost-benefit and environmental analysis of opening up lands and if it shows economic and environmental viability, use analysis to dialogue with Ministry of Lands, Housing and Human Settlements Development and local government authorities to allocate apiary land, where commercially viable in the districts master plans.</p>   |



### 4.3.3 Market system constraints, underlying causes and opportunities

The principle constraints within the apiculture market system along with the underlying causes to these constraints and potential opportunities to address such constraints are included in the table on the following pages.

#### Potential interventions:

Based on the analysis from the table, the below interventions have been identified as potential opportunities to address some of the constraints in apiculture sector.

- Support commercial development of appropriate beehives and protective gear to improve apiculture productivity, production and working conditions. This will include developing a commercially viable model for private sector businesses to produce such inputs and if shown to be viable, will require technical inputs and design advice from SIDO, VETA and/or commercial scale producers. Link input producing company to production market through focused marketing strategy and utilising the THC and/or TFS coordination platforms.
- Strengthen advisory services in term of hygiene, quality and standards of honey and other apiculture products from both the private and the public sector. Work with the TBS and TFDA to identify how they can more serve emerging processors of apiculture products effectively and affordably, which could include easing testing and certification processes, increasing the availability of field testing services, or expanding capacity to test and certify other products.
- Work with THC to strengthen and improve efficacy of their strategy for sector advocacy and coordination. This could include a first step of providing a space for market actors to come together to identify the issues they perceive to be most limiting to sector growth and development, followed by the development of a concrete strategy of how THC can play a more active coordination role to effectively address these constraints, some of which could include a lack of flow of market information (market pricing, opportunities, quality/stand-

ards), poor understanding of market linkages which currently exist throughout all links in the value chain.

- Explore the feasibility of joint processing facilities, based on existing models already supported in the first phase of UNJPYE. If they are technically sound and financially sustainable, support replication in other honey production areas.
- Conduct a market analysis higher value products identifying the constraints and opportunities for these products. If considerable opportunity exists, help link potential processors of such products to small-scale apiculture farmers, operating through an incentive-based out-grower model as a pilot.

## 4.4 Feasibility

**Feasibility of facilitating market system change.** The market is underdeveloped so there is a potential in stimulating growth and replication of existing good models. Given the fact that there seem to be good export potential, developing and expanding models with a view to scaling up holds good potential. The ITC conducted an assessment of the sector - a so-called roadmap – to guide the development of the sector. It identified a number of gaps, including: “low productivity in beekeeping practices; low or lack of business mind-set among the beekeepers; lack of differentiated products; inconsistencies in quality of processing and packaging; varied quality of packaging materials; lack of innovation; testing and certification regimes not harmonised and time consuming; poor trade facilitation training on entrepreneurship; uncoordinated training packages; and poor information provision and market linkages”<sup>96</sup>, all of which can be addressed in potential interventions.

Export markets present a particularly attractive opportunity for the sector and interventions are needed to disseminate knowledge of standards, meet buyers’ requirements and possibly even tap into the niche of organic production and fair trade certification.

96. ITC, Honey Sector Synthesis Report and Road map, 2014.

**Willing and able market actors.** The Tanzania Honey Council (THC) is a key organisation for cooperation with the stakeholders of the sector. As explained in the ITC report: “the Tanzania Honey Council (THC) was established with the goal of improving value chain coordination and regulation to improve the communication and efficiency of coordination by designing a uniform system of protocol. This protocol would outline domestic steps for legal packaging and labelling, local testing requirements, production standards to reduce health threats from contamination, and other measures associated with third party export requirements. However, THC has failed to fulfil this role because it has no core funding to fully operate its secretariat and to provide services to its members. It is currently managed by a few volunteers, but committed staff.”<sup>97</sup>

The Sokoine University of Agriculture (SUA) is active in training in apiculture. There are service providers, such as the Singida Young Entrepreneurs Association that offer advisory service to other apiculture cooperatives. Tanzania Honey Council is already engaged in value chain coordination and regulation. Honey Care Africa is reportedly a key player in supporting the industry.

### Space: Other development projects

The ILO, ITC, UNDP and FAO are supporting various small apiculture projects. The ILO has supported a cooperative of beekeepers in Singida as mentioned above. This is a good model that can be replicated. FAO is currently working to support more than 60 young people involved in beekeeping, also in the Singida region. FAO plans to expand the support to Tabora and Njombe and support improvement in production by introducing and promoting investments in modern bee-hive production and conduct training in beekeeping technologies. In furtherance of this work by ILO at Singida ITC provided the same group of people with capacity building in packaging of honey to various market segments. This was also extended to the new packaging centre under the SIDO training institute from which youth is benefitting.

UNESCO has facilitated training and formed of 28 beekeeper groups<sup>98</sup> (With about 400 bee keepers) in Tanga region. Nevertheless, the training are much inclined to improve quantity of production rather than quality. In Zanzibar, the ITC has been supporting the improvement of packaging of spices. The ITC is also planning to support local honey associations in linking producers to the market for organic and non-organic bee-products. This will include capacity building for value addition on bee products such as wax, propolis and honey to meet market requirements such as packaging, processing and market development. Capacity building will focus on staff of associations, ministry personnel and honey producers. The involved organisations are local honey producers' associations in Dar es Salaam, Arusha, Morogoro, Coastal region and Iringa. Other involved development partners include Farm Africa, UNDP and UNESCO. There does not appear to be any project that approaches the whole value chain in a holistic manner, bringing all stakeholders together. Therefore, the sector is not considered crowded.



97. Ibid.

98. Interview with UNESCO officials, April 2016.

# 5



## CONCLUSION

The three Rapid Market Assessments have been conducted, presenting constraints and suggestions of a number of intervention areas that can be implemented to remedy the constraints. All three sectors show good potential but also a number of challenges, which can be meaningfully addressed and in turn stimulate employment creation.

The current study will provide inputs to the formulation of the value chain project for youth employment under UNDAF II. Once agreed and funding is secured, the implementation of the programme can start with more in-depth value chain analysis, firming up the interventions and implementation matrix as well as identification of implementing partners.



# ANNEX A: LITERATURE LIST

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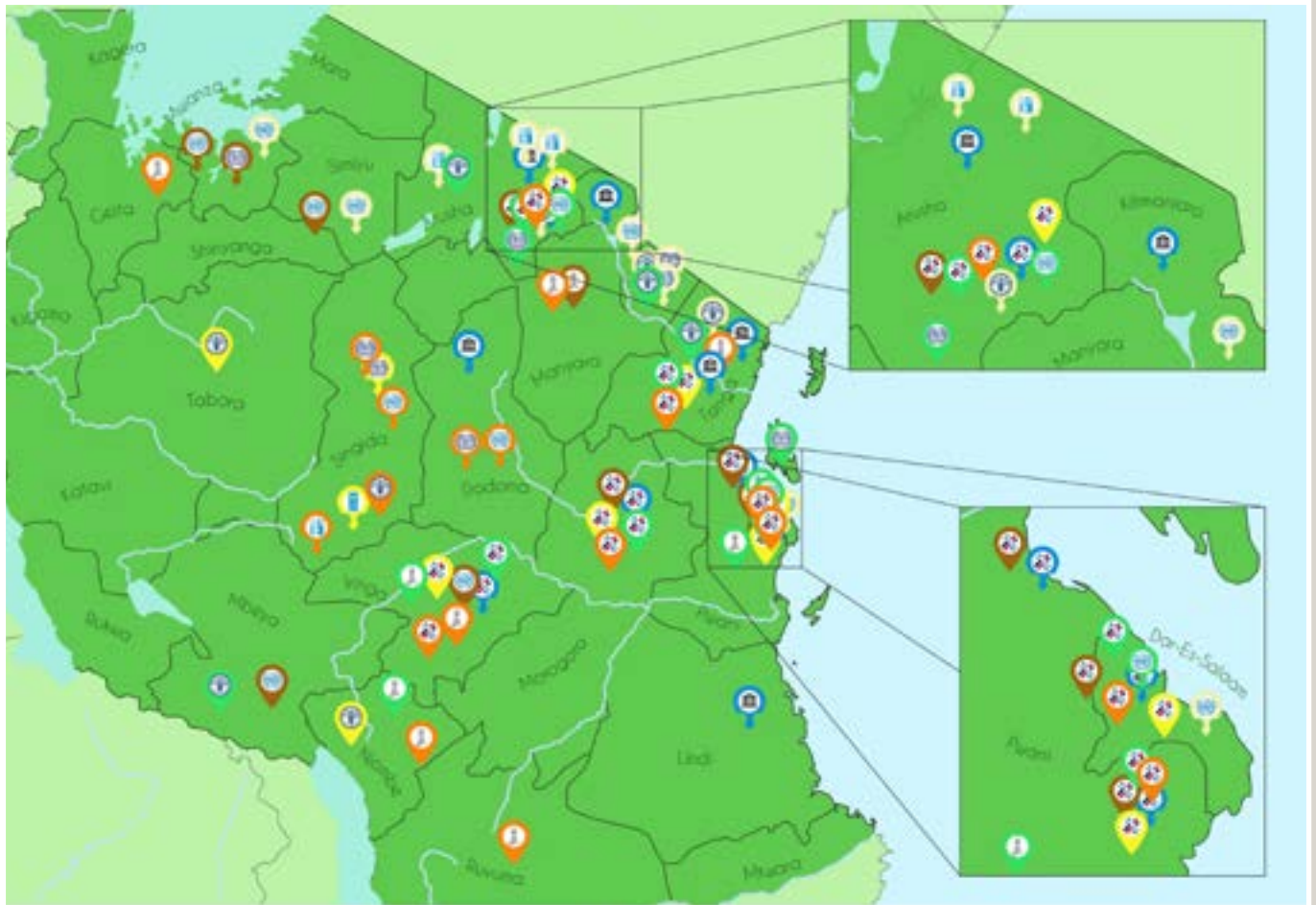
# ANNEX B:

## LIST OF ORGANISATIONS AND PEOPLE MET

| ORGANISATION  | PERSONS INTERVIEWED  |
|---|--|
| <b>Agribusiness Africa</b>                              |  |
| <b>Agricultural Markets Development Trust</b>           | Michael Kairumba, Technical Director<br>Martin Mgallah, Market Systems Manager   |
| <b>Agricultural Non State Actors Forum (ANSAF)</b>      | Audax Rukonge, Director<br>Edna Lugamo, Agribusiness<br>Gilead Teri, Project Officer<br>Neeme Rwebangira, Communications, Advocacy and Media Officer   |
| <b>DFID</b>   | Alex Mangowi, Programme Manager  |
| <b>Embassy of Sweden</b>                                | Sara Spånt, Private Sector Development<br>Josefin Bennet Fredriksson, Private Sector Collaboration   |
| <b>FAO</b>  | Ajuaye Sigalla, National Consultant  |
| <b>Farm Africa Tanzania</b>                             | Steve Ball, Country Director<br>Tumaini Elibarariki Mkenge, M&E Officer and Agricultural Advisor   |
| <b>Honey Care</b>                                       | Jayen Chandarana, Operations Manager   |
| <b>Hotel Association of Tanzania (HAT)</b>              | Lathifa Sykes, CEO   |
| <b>ILO</b>  | Mary Kwar, Country Director<br>Annamarie Kiaga, UNDP Coordinator<br>Albert Okal, Programme Officer<br>Jealous Chirowe, Employment Specialist   |
| <b>Kijiji Beach Resort</b>                              | Malcolm Mohamed Doherty, General Manager   |
| <b>LGA</b>  | Daudi Kazyoba, Singida Beekeeping Officer  |
| <b>Ministry of Agriculture, Livestock and Fisheries</b> | Revelin Ngaiza, Policy Advisor Coordinator for Youth and Agricultural Development  |
| <b>Ministry of Natural Resources and Tourism</b>        | Zahoro A. Kimwaga, Director of Tourism<br>Samuel E. Shoo, Senior Tourism Officer   |
| <b>MVIWATA</b>  | Ernest Likoko, Project Coordination  |
| <b>SUGECO</b>   | Anna Temu, Chairperson   |
| <b>SYECCO</b>   | Philemon Kiemi, SYECCO President<br>Shaban Ngaa, SYECCO Accountant<br>Eng. Cleopa Zephania, SYECCO Farm Manager<br>Elifaraja Lawrence, SYECCO Human Resources Officer<br>Yohana Yeremia, Outgrower-Beekeeper |
| <b>TAHA</b>   | Kelvin Remen, Policy Analyst   |

| ORGANISATION  | PERSONS INTERVIEWED  |
|---|--|
| <b>TANEXA</b>   | Peter Lanya, TANEXA Vice Chairman  |
| <b>Tanzania Chamber of Commerce, Industry and Agriculture</b> | Magdalene Mkocho, Ag. Executive Director<br>Anna Msonsa, Planning Officer  |
| <b>Tanzania Exporters Association</b>                         | Peter Lanya, Vice Chairman<br>Lucian Tingo, Secretary  |
| <b>Tanzania Food and Drugs Authority (TFDA)</b>               | Candida Philip Shirima, Manager, Food Risk Analysis<br>Gwantwa Samson, Ag. Manager, Food Evaluation and Registration   |
| <b>Tanzania Private Sector Foundation</b>                     | Godfrey Simbeye, Executive Director<br>Rehema Mashaka, Monitoring and Evaluation/ Membership Support   |
| <b>The Honey Council</b>                                      | Linus Gedi, THC Chairperson<br>Danstan Kabialo, THC Secretary  |
| <b>The World Vegetable Center</b>                             | Ngoni Nenguwo, Postharvest Specialist  |
| <b>Tourism Confederation of Tanzania</b>                      | Richard Rugimbana, CEO   |
| <b>UN Women</b>   | Tertula Swai, Programme Analyst  |
| <b>UNCTAD/ITC</b>   | Peter Donelan, Programme Manager   |
| <b>UNDP</b>   | Ernest Salla, Programme Specialist – PSD/ Inclusive Growth   |
| <b>UNEP</b>   | Clara Makanya, National Coordination Officer   |
| <b>UNESCO</b>   | Myoung Su Ko, Project Officer in Science Sector<br>Rehema Sudi, Assistant Programme Officer  |
| <b>UNIDO</b>  | Gerald Runyoro, National Program Officer<br>Grace Bingileki, National Project Coordinator<br>Noreen Toroka, National Project Coordinator<br>Augustine M. Mshanga, National Project Coordinator<br>Tilman Gunther, Consultant |
| <b>Zanzibar Fresh Food Cooperative</b>                        | Mr. Ramadan M&E<br>Ms. Hassin, Logistics<br>Ms. Sara, Record Management Secretary  |
| <b>Zanzibar Technology and Business Incubation Centre</b>     | Rajeev Aggarwal, Manager<br>Said S. Seif, Deputy Manager<br>Hadije Muhammed, Project Officer   |
| <b>Zanzibar Association of Tourism Investors (ZATI)</b>       | Fatma Khamis, CEO  |

# ANNEX C: MAP OF UN VALUE CHAIN PROJECTS BEING IMPLEMENTED IN SIX STUDY SECTORS



### Legend

**Part of the Value Chain targeted by the intervention**



**Sector of Intervention**



**Implementing Organization**



Note: Mapped projects are based on information supplied by the various UN organisations. Locations identified on the map are not precise to the exact intervention location, but rather are precise at the regional level.





# ANNEX E

## ACRONYMS

|         |   |
|---------|---|
| AMDT    | Agricultural Markets Development Trust                  |
| CDF     | Capital Development Fund                                |
| DTIS    | Diagnostic Trade Integration Study                      |
| EIF     | Enhanced Integrated Framework                           |
| FAO     | Food and Agriculture Organization of the United Nations |
| FF      | Forest Fund   |
| GDP     | Gross Domestic Product                                  |
| HAT     | Hotel Association of Tanzania                           |
| HODECT  | Horticultural Development Council of Tanzania           |
| ICT     | Information and Communication Technology                |
| ILO     | International Labour Organization                       |
| ITC     | International Trade Centre                              |
| MVIWATA | Mtandao wa Vikundi vya Wakulima Tanzania                |
| NACTE   | National Council for Technical Education                |
| NCT     | National College of Tourism                             |
| PASS    | Private Agricultural Sector Support                     |
| PPD     | Public Private Dialogue                                 |
| SACCOS  | Savings and Credit Cooperative Societies                |
| SAGCOT  | Southern Agricultural Growth Corridor of Tanzania       |
| SDL     | Skills Development Levy                                 |
| SIDO    | Small Industries Development Organisation               |
| SUA     | Sokoine University of Agriculture                       |
| SUGECO  | Sokoine University Graduate Entrepreneurs Cooperative   |
| TAFORI  | Tanzania Forest Research Institute                      |

|        |  |
|--------|--|
| TAHA   | Tanzania Horticultural Association                         |
| TANAPA | Tanzania National Parks Authority                          |
| TANEXA | Tanzania Exporters Association                             |
| TAWIRI | Tanzania Wildlife Research Institute                       |
| TBS    | Tanzania Bureau of Standards                               |
| TCT    | Tourism Confederation of Tanzania                          |
| TEMDO  | Tanzania Engineering and Manufacturing Design Organization |
| TFDA   | Tanzania Food and Drugs Authority                          |
| TFS    | Tanzania Forest Services                                   |
| THC    | Tanzania Honey Council                                     |
| TIRDO  | Tanzania Industrial Research and Development Organization  |
| TOSCA  | Tanzania Official Seeds Certification Agency               |
| TSDP   | Trade Sector Development Programme                         |
| TTB    | Tanzanian Tourism Board                                    |
| TTIS   | Tanzania Trade Integration Strategy                        |
| UNDAP  | United Nations Development Assistance Plan                 |
| UNIDO  | United Nations Industrial Development Organization         |
| UNJPYE | United Nations Joint Programme on Youth Employment         |
| USAID  | United States Agency for International Development         |
| VETA   | Vocational Education and Training Authority                |
| WTTC   | World Travel and Tourism Council                           |
| ZATI   | Zanzibar Association of Tourism Investors                  |
| ZTBI   | Zanzibar Technology and Business Incubator                 |

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