

Women entrepreneurship development in Tanzania: Focus on food processing

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Tanzania is heavily dependent on agriculture, but agro-processing for value added is limited. To improve this situation, the Women Entrepreneurship Development programme (WED) was started in 2001, and is now part of the Small Industries Development Organization. WED provides support services to micro- and small-scale entrepreneurs: they facilitate trainees and other entrepreneurs in the sector to start, develop, and sustain their food-processing businesses. In particular, WED has assisted with the packaging needs of microenterprises, to enhance the quality of products.

Keywords: food processing, food packaging, training, microenterprise, Tanzania.

TANZANIA IS AN AGRARIAN COUNTRY and agriculture accounts for about 48 per cent of gross domestic product and over 60 per cent of merchandise exports. It provides most of the food for its 34.6 million people and over 80 per cent of employment. Despite its key position, agricultural development is still minimal: it is heavily dependent on rainfall and is mainly in the hands of smallholders. In addition, agroprocessing for value-addition is limited: foreign exchange income is mostly from exports of raw materials or semi-processed commodities and value added by processing is only 2–5 per cent, compared with other developing countries such as Brazil (75 per cent) and Malaysia (83 per cent). In addition, the packaging industry, especially for food, is under-developed, which explains in part the low contribution of the manufacturing industry to GDP (at 8.4 per cent). Post-harvest food losses are estimated at 30–40 per cent on average, mainly due to poor infrastructure, and the country often has food shortages, especially in years when the weather results in poor harvests.

Women constitute 52 per cent of the population but at least 70 per cent of the labour force in agriculture. In the early 1990s, this situation motivated the Small Industries Development Organization (SIDO) to approach UNIDO for technical and financial collaboration. The aim was to address these issues in agro-processing, and to enhance women's participation in industrialization through food processing.

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In 1993, a pilot project started, focusing on six regions of Tanzania. The training programme for women entrepreneurs, funded by the Austrian Government, had the main objective of promoting productive employment and gender equality, with a focus on poverty alleviation and sustainable livelihoods. It aimed to contribute to empowerment of Tanzanian women, employment generation, more equitable income distribution, and food security. The Austrian funding was for three phases, each of three years. In its second phase the project changed to an integrated training programme for women entrepreneurs and in its final phase (2001 to 2003) to the women entrepreneurship development programme (WED). In 2004, WED became a mainstream programme in SIDO. Between 2005 and 2007, WED received further funding from the Commonwealth Secretariat to address the issue of packaging assistance which was not previously addressed. The programme is now fully integrated into SIDO and is being implemented in nearly all regions of Tanzania mainland and in Zanzibar.

WED services to SMEs

The WED Programme offers support services that contribute to improvements to micro- and small-scale entrepreneurs: they facilitate trainees and other entrepreneurs in the sector to start, develop, and sustain their food-processing businesses. These services are detailed below.

Over 8,000 entrepreneurs have been trained in tailored courses of one to three months' duration, resulting in...

...3000 enterprises created, employing over 5000 people with an average investment per enterprise of US\$ 700

Skills training in post-harvest technologies and business management

Over 8,000 entrepreneurs have been trained in tailored courses of one to three months' duration. About 3,000 enterprises have been created by these entrepreneurs, employing over 5,000 people with an average investment per enterprise of about US\$700, ranging up to \$100,000.

The product range has grown over the years from five when the project started to about 50 today. Products include jams, marmalades, sauces, pickles, juices, crisps, wines, dried fruits and vegetables, nutritious flour, maize and millet flours, soy meal, toasted nuts, soy flour, egg, nuts, bread, and cakes. Others include peanut butter, sunflower and *simsim* (sesame) oils, pasteurized milk, yoghurt, cheese, butter, ghee, burgers, and sausages. Since 1998, the size of enterprises has grown over fivefold and in a few cases growth is over eightfold. Many enterprises that started with an annual turnover of \$100 are today reporting turnovers of thousands of dollars.

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Training of trainers (TOT) in food technology and business skills

WED has trained 340 trainers, sponsored by different institutions, and the trainers are now deployed in different regions of Tanzania offering training and monitoring services on behalf of SIDO and other development partners. WED has also been commissioned by UNIDO to conduct other TOT courses in Malawi and Sudan. The government of Zimbabwe approached WED in 2007 to conduct TOT training to 55 women in 2010, and the Commonwealth Secretariat also commissioned WED to train 28 extension officers of One Village One Product (OVOP) in Malawi.

Counselling, advisory, and consultancy services

Trained entrepreneurs at micro- and small-scale are provided with regular counselling and advisory services to enable them to grow their businesses. WED counselling, advisory, monitoring, and other support services have resulted in the creation of formal businesses from microenterprises, which are growing and entering the small-scale category, with investments of a few million Tanzanian shillings (TShs, US\$1=TSh1670). Consultancy services are also offered by WED to clients who want to invest in food processing at small- and medium-scale. Consultancies are also offered to international institutions such as FAO, ILO, CTA, and others operating in the subsector

Annual exhibitions
for food processors
create public
awareness of locally
processed foods

Promotion of entrepreneurs' products and capacity building of the Tanzania Food Processors Association (TAFOPA)

WED sources and provides technical and market information to micro-, small- and medium-scale enterprises (MSMEs). Also, in collaboration with TAFOPA beneficiaries and with strong support from other development partners such as the Tanzania Gatsby Trust (TGT), since 2000 WED has held annual open days/exhibitions for food processors to create awareness among the public on the use of locally processed products. New markets for TAFOPA products have been accessed through these events and product sales have moved from domestic (house to house) sales to groceries, supermarkets, restaurants, and hotels. WED has supported women entrepreneurs who now have barcodes and sell in chain supermarkets such as South African owned Shoprite.

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Networking, lobbying, and advocacy on behalf of MSMEs in food processing

Efforts to network TAFOPA with other business associations/institutions have enabled the association to operate more independently of

Lobbying has enabled TAFOPA members to get a rebate on certification fees and lower testing fees

WED. The lobbying efforts have enabled TAFOPA members and other small-scale food-processing enterprises to get a rebate on certification fees charged by the Tanzania Bureau of Standards and lower testing fees by the Tanzania Food and Drug Authority. WED has also initiated the Tanzania Women's Chamber of Commerce (TWCC), which is an umbrella organization incorporating small associations/organizations such as TAFOPA and others. TWCC has over 2,000 women operating in different food-processing sectors.

Credit facilitation for TAFOPA members

To solve capital constraints of entrepreneurs from the training programmes, WED allocated \$60,000 and TGT added \$30,000 to create a loan fund from which TAFOPA members could borrow. TGT administers this credit scheme with an interest rate of 24 per cent per year and has loaned TSh158 m (\$93,000) as of December 2010.

Shop for inputs, machinery, and packaging

WED established a shop for MSMEs with limited resources to buy packaging materials, tools, and equipment

WED has established a shop for MSMEs to purchase food processing inputs, packaging materials, tools, and equipment in accordance with their limited financial resources. The shop started as assistance to women entrepreneurs who did not know where to go to buy equipment and inputs, after they were trained by WED. In 1995, the service started with about \$20 and has since become the main income-generating activity (though not on a commercial basis) for WED today.

In addition to having a direct impact on the performance of SMEs, WED services have gone a long way to sensitize the public on issues such as the possibility of mitigating food losses; enhancing income generation; and employment through food-processing SMEs. Tanzanians are being encouraged to prefer locally processed food and to invest in agro-processing. This intervention is in line with government policies, which have put agro-processing among the implementable priorities towards industrialization, poverty alleviation, and wealth creation.

Challenges

Despite these achievements, some vexing problems have impeded rapid growth of the subsector, and particularly MSEs. These include:

- Poor infrastructure in both urban and rural areas, with no provision of potable water or central water quality control facilities. Water supplied by public services needs further treatment for use in food processing.

- Insufficient numbers of dedicated premises or plots of land allocated to food processing MSMEs: most micro-entrepreneurs operate from their homes or have built a small structure within their premises for processing.
- Non-availability of locally produced packaging materials, processing equipment, and other production inputs – importation procedures are cumbersome.
- Non-availability of affordable credit or unfavourable repayment conditions for the sector.
- Food laws and regulations, which work against the growth of microenterprises. Procedures required for registration and licensing of food businesses are exactly the same for both MSMEs and large industries. Until recently (and after WED intervention), even testing and certification fees were the same for all enterprises irrespective of their size.
- Lack of adequate technical support services.

The constraints highlighted above point to issues that need to be addressed by the various stakeholders to accelerate development of food processing enterprises and especially SMEs, which would have an immediate impact on the larger part of the population. SMEs are known to be the hub for development in many parts of the world and Tanzania should aspire to this development as envisaged in the Government's Vision 2020.

The development of food-processing SMEs, as spearheaded by the WED Food Programme for the last 10 years, has placed a number of food products onto the market, which have claimed a certain niche. It is essential to keep local markets growing and also to strive to enter new markets with these products. This can in part be achieved by improving the quality of products, including proper packaging and manufacturing practices. Therefore, a priority area that WED would like to address is the issue of packaging and concerted follow-up advisory services to entrepreneurs.

WED packaging support niche

Packaging involves all aspects of filling, wrapping, or any form of containing products, which protects products from potential damage from climatic, bacteriological, and transit hazards after production, and therefore facilitates preservation and storage. In addition, packaging facilitates transportation and trade, by providing consumers with information on the quality and contents of products.

Moreover, consumers need convenient packaging with adequate labelling for trade-related requirements such as date of manufacture, expiry date, and pricing. The quality of packaging is very important

to penetrate a market; more so if there are abundant similar products on sale: the package is actually what sells a product. In self-service outlets, the pack is the 'silent salesperson', and is critical in any marketing plan.

Good packaging
may constitute
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In marketing terms, packaging can be defined as a method of optimizing the costs of delivering goods whilst maximizing sales and profits. Good packaging normally constitutes 20–50 per cent of total production costs and in certain cases even more, and is therefore a major component of food-processing production costs. For microenterprises with a limited capital outlay and throughput, packaging is expensive and often these processors resort to low-cost packaging. A number of studies have shown that packaging in African, Caribbean, and Pacific countries is often of very poor quality (Fellows and Axtell, 2001) and it is often less than 5 per cent of product cost.

Because of this low input, products are less presentable and cannot compete with imported products.

WED packaging services

The choice of
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The packaging industry in Tanzania is still developing, especially for food packaging, and virtually all containers produced in the country are for multipurpose use, including industrial chemicals, pharmaceuticals, and cosmetics as well as food products. The choice is therefore limited and the quality of packaging materials is also sometimes low. For example, the finish on the neck of glass jars and bottles is not uniform, plastic seals or lids often leak and supplies may be unreliable. Often WED is forced to import glass jars after being given very short notice of lack of availability by the only producer in the country. If WED did not import containers, producers would have to stop production. This scarcity sometimes lasts for six months and one cannot imagine how these enterprises must suffer. Other packaging companies also have erratic delivery performances because some produce packaging mainly for their sister companies, and they are not sufficiently flexible to accommodate the needs of small businesses.

In 1998, the WED shop began to solve the problem of small producers who have little capital to order large quantities of packaging materials. Initially it focused on design of labels and locally available packaging, but since 2000 the service expanded to importation of materials. In 2006 the Commonwealth Secretariat boosted the service by provision of packaging assistance to 30 women entrepreneurs and today more women can sell products using their own labels and identify themselves in the market. In addition to packaging materials, WED sources equipment and simple tools for production and quality control, such as crown corkers, cork stuffers, wine filters and filter pads, thermometers, pH meters, saccharometers, refractometers,

alcohol and milk hydrometers, salometers, etc. For example, a soft loan from SIDO of \$2,000 for procurement of a peanut butter machine made it possible for peanut butter processors to change from the primitive method of hand pounding. WED was assisted in making initial contact with suppliers by Midway Associates in the UK. Ingredients that are not available locally are also procured: these include wine clarifying enzymes, wine yeast, yoghurt starter cultures, stabilizers, and preservatives.

A cost recovery price was set with a margin of 10–20%

These made a good start for the service, since a cost recovery price was set with a margin of 10–20 per cent. However, the growth of the fund is modest and it cannot meet the growing needs of entrepreneurs. Recently, WED failed to import bottles from Kenya as the funds available were insufficient for the minimum order of \$30,000.

The only Tanzanian glass company requires an order of over 1 million bottles before it will invest in a new container mould, which is beyond the means of either the entrepreneurs or WED and is a real obstacle to developing containers for the range of products being produced.

Proposed solutions

Packaging

It is apparent that many food processing SMEs are not only faced with the challenge of sourcing packaging materials that suit their respective product characteristics, but they also lack technical knowledge and information on packaging issues. This opens up potential areas of intervention, including training on packaging, proper labelling, marketing, trademarks, and product patenting. WED has done a good part of this work, and more assistance could have been provided but resources are limited. Assistance is thus sought from other stakeholders to develop this nascent subsector. Specific assistance is needed to offer training in packaging to a core group of entrepreneurs, including assisting them to design their own labels as a way of developing their identity in the market. Seed funding for procurement of packaging materials and inputs would be a great boost to these enterprises.

These interventions can be categorized as follows:

Four two-day courses in packaging are planned for 100 participants

Training in packaging. A two-day training course covering principles of packaging, different packaging materials, design of labels, labelling requirements with respect to legislation, and aspects of packaging requirements for a particular market. Four such courses are planned with a total of 100 participants.

Designing of labels. It is proposed that WED will buy electronic equipment for designing and printing labels so that it can design

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labels for entrepreneurs and print them at an affordable cost. Initially, a group of 50 entrepreneurs will be selected and each have one label designed (the single label is to encourage them to specialize in a few products).

The estimated amount to cover items such as glass jars with metal lids and equipment for label design and printing is \$50,000.

To ensure that quality products are produced, follow-up and advisory services will need to be provided by SIDO using its staff in the regions.

Conclusions

The development of agro-food processing through the promotion of MSMEs has been shown to have positive impact in increasing income and adding value to agricultural resources and therefore contributing to poverty alleviation. Advocacy and lobbying of food control agencies to support development of MSMEs without compromising on food safety continues to be a pertinent issue and availability of affordable credit is also important for MSMEs.

The cornerstone of this is concerted follow-up and advisory services, as well as provision of support for supply and procurement of packaging materials, inputs, and processing equipment. This paper describes how stakeholders and those with interest in the sector can use a small amount of assistance to develop the MSME food-processing sector in Tanzania and how big a difference it can make.

Reference

Fellows, P.J. and Axtell, B.L. (2001) *Setting Up and Running a Small Food Business*, CTA, Wageningen, Netherlands.