

# THE ROLE OF GENDER IN THE TANZANIAN HORTICULTURE SECTOR

## LEARNING FROM THE DECIDE PROJECT

### MARCH 2023



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## Background and context

In East Africa, micro, small, and medium-sized enterprises (MSMEs) create an estimated 60% of new jobs in emerging markets and have the potential to grow their contribution to GDP from 30% to 50%.<sup>1</sup> Tanzania's MSME sector comprises more than three million enterprises which contribute to 27% of the overall GDP. The largest proportion of enterprises are in the agricultural sector, and more than half are owned or run by women<sup>2</sup>.

MSMEs dominate the horticultural sector in Tanzania, which is steadily growing at an average rate of 11% per annum and is well positioned to meet the projected domestic and export demand for horticultural production estimated at 14,600,000 Metric Tonnes (MT)/year by 2025<sup>3</sup>. Ranked among the world's top 20 producers of vegetables, the country prioritises the horticultural sector in its current National Five-Year Development Plan<sup>4</sup> for its contribution to commercialisation, inclusiveness, and competitiveness.

In Tanzania, women and youth are active participants in the agriculture sector, making significant contributions to the sector's growth<sup>5</sup>. However, the country's progress towards gender parity across critical areas of life is still at the disadvantage of women in areas such as ownership and control over assets, access to affordable credit, social reproduction, socio-political representation, cultural practices, and participation in the formal sector of the economy<sup>6</sup>. The consequences of such disparities limit the extent to which women-led MSMEs can access finance for investment and gain business skills and services required to grow their businesses.

Targeting women-led MSMEs to grow their businesses in the horticulture sector creates opportunities for fostering women's economic inclusion and competitiveness. Increasing local and export demand for horticultural products can stimulate economic growth while enabling MSMEs, smallholder farmers, and other market players to build resilience to ongoing global social, environmental, and economic shocks.

Since 2019, Farm Africa has been working with 55 MSMEs (56% women-led) in the Tanzanian horticultural sector through the Delivering, Expertise, Capacity, and Investment to Developing Enterprise (DECIDE) project funded by the Norwegian Agency for Development Cooperation (NORAD). The project aims to address limited access to finance for investment, poor business acumen for business owners and workers, the loose network of support services for MSMEs, and informal business operations across more than 10 regions of Tanzania. Farm Africa's support ranges from conducting a gap analysis of targeted MSMEs; business coaching and mentorship; capacity building in business planning, financial management skills, and accounting systems; supporting the development of diversified marketing strategies; promoting business formalization; supporting MSMEs on access to finance; and enhancing upstream and downstream market linkages.



# RESULTS AND LEARNING

## Gender inclusion in horticultural value chains

In Tanzania, horticultural value chains are attractive to both women and men. The sector can provide low entry risks at production, as it often requires small pieces of land for cultivation and results in high productivity compared to other crops. Many horticulture crops take a shorter time to mature and provide a faster and more profitable return on investment, often with several cropping cycles in a year. This is especially attractive to women who are able to engage more easily, despite limitations on capital and access to productive assets. The sector also presents opportunities for women-led MSMEs to engage in the sale and value-addition of various horticulture crops to meet the growing domestic and international demand.

Given the high demand and marketability of horticultural products due to their contribution to food, nutrition, and income security, women-led MSMEs are attracted to invest in various business activities along the value chain. About 55% of the women-led businesses that are engaged under the DECIDE project are early-stage enterprises, operating as sole proprietors, and 36% are limited liability companies. These businesses engage mainly in processing and value-addition, including the production of fruit jam, chili sauce, nutritional flour blends, and spice blending.

About 43% of men-led MSMEs are at the growth stage, managed as limited liability companies dealing in various horticultural products in the targeted locations. In Tanzania, women-led businesses are more likely to be smaller and at an earlier stage.

In the DECIDE project, 50% of owners of the women-led MSMEs are aged 18-35 years and 21% are aged 40-59 years, with business experience of 3 to 5 years. For men-led MSMEs, 25% of the owners are aged 18-35 years and 75% are 36-59 years, with four to seven years of experience managing businesses. Men are more likely to hold senior management positions, as 59% of senior management positions are held by men, while 64% of non-management roles are held by women.

## Gender responsiveness for financial products and services

Irrespective of gender, access to finance from most financial institutions in Tanzania requires a formal business plan, active business licence, tax identification number (TIN), an active bank account and collateral requirements of 100-125% of the value of the loan requested. MSMEs often face challenges in accessing finance due to inadequate financial management systems, poor record-keeping, incomplete business registration and compliance, high interest rates, and the inability to meet collateral requirements<sup>7</sup>. These challenges are even more acute for women-owned enterprises, who often do not own land or other assets required by financial institutions to be used as collateral.

Socially, women have mobility restrictions due to other domestic roles, lack of information on available financial products, and low financial literacy that consequently limits their ability to access financial services compared to their male counterparts. A study conducted by Farm Africa on Available Financing options for MSMEs in Tanzania revealed that among other reasons, women-led MSMEs fail to obtain loans from commercial banks because most financial products available are not specifically tailored to the needs of MSMEs and women borrowers<sup>8</sup>.

Since 2019, the DECIDE project has supported 16 women-led businesses to attract financing worth a total of Tanzanian Shillings (TZS) 500.2 million (\$214,955) with an average of TZS 31.26 million (\$13,435) borrowed per MSME. In addition, 14 men-led businesses accessed TZS 813.5 million (\$349,591) with an average of TZS 58.1 million (\$24,970) borrowed per MSME. Women entrepreneurs are more likely to access financing from informal and semi-formal sources such as savings and credit cooperatives (SACCOs), family and friends, village community banking (VICOBA), and government institutions such as Small Industries Development Organization (SIDO), compared to men-led businesses that are more likely to access finance from commercial banks, private lenders and government institutions.

While more women-led businesses supported by the project have accessed financing than men-led businesses, the latter's average amount borrowed is almost twice for women-led businesses. Annually, investment capital for men-led businesses supported under the DECIDE project averaged at TZS 66.6 million (\$28,656) compared to women-led businesses operating with TZS 32.6 million (\$14,015). Men have more access to collateral required by formal lenders while women, on average, operate smaller-scale businesses with smaller loans accessed from informal sources, which limits investment growth.



### Case study 1

Med Food Ltd, a women-led business in Arusha employs 11 female and eight male employees. The DECIDE project supported the company to develop a business plan, which was used by the company to acquire TZS 60 million (\$25,800) in loans from various financial institutions. Med Food Ltd used these funds to build a factory for processing spices and cereals. The business has increased its annual purchases of raw materials from smallholder farmers from 185MT worth TZS 771 million (\$331,530) in 2019 to 285MT worth TZS 1.56 billion (\$670,800) in 2022. With increased production, the company now markets its products in many regions in Tanzania and exports to the East African market and United Arab Emirates (UAE).

## Localising access and availability of business development services

At inception, the DECIDE project reported low financial literacy and weak financial management systems, underdeveloped business skillsets for business owners and senior management, and an inadequate network of business development and support services among the MSMEs. Farm Africa works with local Business Development Services (BDS) providers to build the capacity of both women-owned and male-owned MSMEs in areas such as financial management, record keeping, IT accounting systems, business planning and marketing.

The DECIDE project has supported business-to-business meetings and MSMEs' participation in trade shows and exchange visits and provided mentorship support. This has enabled MSMEs to improve the adoption of business and operational best practices and enhanced access to services and markets. Trust between MSMEs and the BDS providers has been identified as key in the provision and success of demand-driven BDS. Community feedback reports from the DECIDE project show that during mentorship, coaching, and business planning sessions, women-led businesses spend more time working with BDS providers in various training sessions and during one-to-one mentorships. Women are also more willing to provide feedback on learnings that guide them to improve business management practices.



### Case study 2

FEDA Food Company Ltd, a woman-owned and led business involved in the processing of dried fruits and nuts was introduced to Farm Africa by another business owner in 2020. The company was facing several challenges, including poor record keeping, lack of clear focus and scope of work, as well as low-quality packaging materials that did not attract high-end customers in the local and export market. Farm Africa facilitated a capacity-building programme in financial management and the installation of a professional accounting program that enabled the business to establish stronger financial management systems. FEDA Food was also supported to develop a five-year strategic plan, and to design and source new packaging materials. As a result, FEDA's annual revenues have grown from TZS 60 million (\$25,800) in 2019 to TZS 100 million (\$43,000) in 2022 – a 66% growth. In addition, the company has gone from just two employees in 2019 to five permanent employees in 2022.

## Gender compliance with business regulation

MSMEs in Tanzania often find it difficult to comply with the multitude of business requirements and regulations. Farm Africa facilitates MSMEs to improve their business compliance by ensuring proper business registration; providing training on record keeping and financial management; supporting businesses to understand tax regulations and obligations; and linking them to relevant business and peer-led forums to access information required for compliance. To date, all businesses engaged by the DECIDE project are registered with the Business Registrations and Licensing Agency (BRELA) except one men-led business.

In addition, 83% of women-led businesses have business licences with the relevant local government authorities compared to only 74% of men-led businesses. 100% of women-led businesses and 95% of men-led businesses have a tax identification number. Women-led businesses are driven by the need to create a competitive level field and improve their eligibility to be able to access financial services and other business development services. Also, women-led MSMEs often start their formalisation process with support from the Small Industries Development Organization (SIDO), a parastatal incubation body for small businesses in the food industry, which helps business owners navigate through various business registration and certification processes.

According to the Tanzania Revenue Authority (TRA) regulation<sup>10</sup>, a business with an annual turnover of TZS 11 million (\$4,730) or more is required to use an Electronic Fiscal Device (EFD) which records all sales. Out of 55 MSMEs, 32 supported businesses have met the threshold and are required by law to use an EFD.

An EFD has been acquired by 28 MSMEs, 54% of which are led by women and 46% by men. Consequently, businesses that have adopted the use of EFD have improved their business professionalism by using the EFD in tracking sales records on a daily and monthly basis, as well as generating business reports for decision-making. They are also able to tap into new customers, comply with taxes, reduce payments of fines for non-compliance and increase customer confidence.



# RESULTS AND LEARNING

## Jobs and employment opportunities for women

In the DECIDE project, women-led businesses employ more women as permanent staff, while men-led businesses employ more women as casual labourers. Out of 564 permanent jobs created by the 55 MSMEs, women-led MSMEs employ 279 staff, among which 60% are women, while men-led MSMEs employ 285 permanent staff, among which 40% are women.

These roles include a range of leadership and management positions, accounting, quality assurance, marketing roles, sales, and distribution.

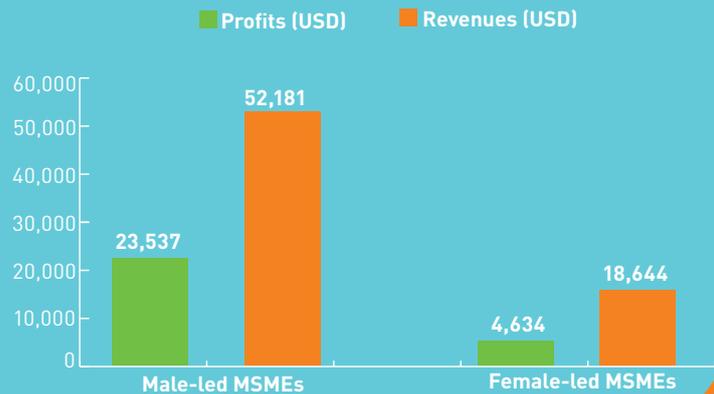
Women are more likely to be hired as casual labourers or non-permanent staff, who are engaged in seasonal sourcing raw materials from smallholder farmers, seasonal product processing, and part-time distribution and marketing activities. Of the 810 casual jobs created by the supported MSMEs, women-led businesses employ 483 casual workers, among which 60% are female. Men-led MSMEs employ 327 casual workers, of which 73% are women.

## Profitability and revenue analysis for gender-based MSMEs

Data from the DECIDE project for the period of 2020 to June 2022 shows that both turnover and profitability for women-led MSMEs is a third of that of men-led businesses. Women-led MSMEs earned an average gross profit of TZS 10,783,926 (\$4,634) compared to their male counterparts, who averaged TZS 54,770,556 (\$23,537) annually. Average gross revenues for women-led MSMEs stand at TZS 43,384,871 (\$18,644) compared to their male counterparts, who generated TZS 121,425,471 (\$52,181) annually as indicated in Figure 1.

The average profit margin for men-led businesses is also higher (45%) than for women-led businesses (25%). This may be because women-led MSMEs prefer to invest in horticulture enterprises with low capital requirements, compared to their male counterparts that invest in value-addition using higher-value raw materials and targeting urban and export horticultural markets.

**Figure 1: Distribution of annual average revenue and profit among DECIDE project-supported men-led and women-led MSMEs**



Source: Project data-set, 2020-2022

While men are more comfortable taking risks to invest in larger volumes of high-cost raw materials to increase profitability and grow their business, socio-cultural barriers and limited access to assets challenge women-led MSMEs to invest more in larger volumes and high-value products, thus perpetuating women's involvement in low-cost commodities with low-profit margins, targeting local markets.



### Case study 3

Beula Seed and Consultancy Ltd started in Arusha in February 2011 with two employees. The company had an annual production of 400 kg of Open Pollinated Variety (OPV) maize seeds and 380 kg of two vegetable seeds (Tomato Tanya variety 80kg and Okra 300kg). The products were supplied in just two regions: Arusha and Tanga. The company wished to expand the production and marketing of vegetable seeds. Thus, in 2020, the company joined the DECIDE project and requested support for scaling out vegetable seed multiplication and processing in the Southern Highlands zone to increase the availability of OPV seeds produced locally at an affordable price as compared to imported hybrid seeds. In Mbeya and Songwe regions, 30 newly recruited smallholder farmers were trained on OPV vegetable seed multiplication and pre-processing. The company has increased the productivity of vegetable seeds from 1 MT in 2019 to 3 MT in 2022. High operation costs due to economic shocks, including COVID-19 and the Ukraine war have affected the company's revenue, which was TZS 248 million (\$106,640) in 2020 and has increased to TZS 320 million (\$137,600) in 2022. The company has created more part-time jobs for women and youth workers, from nine in 2019 to 120 in 2022. Part-time workers are involved in cleaning and packing vegetable seeds.



Photo/Farm Africa

- <sup>1</sup>Agrius, 2021. How to fulfill the potential of Business Development Services using SCALE available at <https://api.cofraholding.com/media/2612/report-fulfilling-the-potential-of-bds.pdf> accessed on 7/11/2022.
- <sup>2</sup>CEED, 2022. Tanzania MSMEs available at <https://ceed-global.org/blog/tag/tanzania/> accessed on 7/11/2022.
- <sup>3</sup>USAID, 2020. Case Study Growth Of Tanzania's Horticulture Sector: Role Of Taha In Reducing Food Loss Available at [https://www.climatelinks.org/sites/default/files/asset/document/2021-02/2021\\_USAID\\_USDA\\_Growth-of-Tanzanias-Horticulture-Sector-Role-of-TAHA-An-Apex-Private-Sector-Member-Based-Organization.pdf](https://www.climatelinks.org/sites/default/files/asset/document/2021-02/2021_USAID_USDA_Growth-of-Tanzanias-Horticulture-Sector-Role-of-TAHA-An-Apex-Private-Sector-Member-Based-Organization.pdf) accessed on 7/11/2022.
- <sup>4</sup>URT, 2020. Third National Development Plan (NDP III) 2020/21 – 2024/25 Available at <https://www.tro.go.tz/wp-content/uploads/2021/06/FYDP-III-English.pdf>.
- <sup>5</sup>Mkuna, E., Nalaila, S., & Isaga, N. (2021). Extent and Determinants of Women Participation in Agro-processing Small and Medium Enterprises (SMEs) in Dar es Salaam-Tanzania. Available at <https://www.repoa.or.tz/wp-content/uploads/2021/02/REPOA-WOMEN-PARTICIPATION.pdf> accessed on 7/11/2022.
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- <sup>8</sup>Farm Africa, 2022. Access to finance for Micro, Small & Medium Enterprises in Tanzania. Available at <https://www.farmafrica.org/downloads/2022/available-financing-options-for-msmes-in-tanzania.pdf> accessed on 7/11/2022.
- <sup>9</sup>Farm Africa, 2022. Business Formalization. Available at <https://www.farmafrica.org/downloads/2022/business-formalisation-in-tanzania---learning-from-the-decide-project.pdf> accessed on 7/11/2022.
- <sup>10</sup>The Tanzania Revenue Authority requires that any company with a gross turnover of TZS 11M and above must use an EFD machine for business. TRA Website: [www.tra.go.tz/index.php/e-fiscal-devices-efd](http://www.tra.go.tz/index.php/e-fiscal-devices-efd).

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The DECIDE Project is funded by the Norwegian Agency for Development Cooperation and is being implemented in collaboration with Tanzania Horticultural Association (TAHA). However, the views expressed do not necessarily reflect their official policies.



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