



19th ANNUAL RESEARCH WORKSHOP

**THEME: Transformation, Job creation
and Poverty Eradication:
Enterprise Development for
more inclusive growth**

To be held at the Ledger Plaza Bahari Beach Hotel, Dar es Salaam,
Tanzania;
9 and 10 April 2014

Background and Context

The potential for economic improvement in the Tanzania economy is signified by better fundamentals arising from a good record of macroeconomic stability, improved governance and political stability. However, there have been challenges of improvement in the business environment especially for the micro, small and medium size businesses and achieving inclusive growth. There are serious concerns that growth has not been sufficiently inclusive, with the quality of life of most still very low. The reviews of trends in growth, employment and poverty in Tanzania have highlighted challenges and risks of jobless growth whereby reasonably high growth in the last decade and a half has not been accompanied with the requisite transformation of the economy and widespread job creation. Consequently poverty reduction has been modest. This signifies the challenge of limited production capacity and productivity in sectors in which the majority of Tanzanians are deriving their livelihood i.e. agriculture and micro and small enterprises predominantly in the informal economy. Labour market conditions raise special concern as the large majority of workers remain trapped in vulnerable forms of employment that cannot lift them out of poverty.

The dynamics of growth and transformation in the sectors in which the majority are engaged e.g. smallholder agriculture; small scale non-farm economic activity and their links with the larger scale economy are only poorly understood. For example, the factors which have increased the amount and diversity of food production, often through spontaneous change, are poorly documented. In recent years there has been a rapid extension of new technologies in the rural areas, such as mobile phones, solar energy and new transport modes (the “bodaboda”), etc. The economic potential of such developments needs to be explored. And, particularly important, policies to improve the productivity of the non-farm activities (e.g. agro-processing, trading and transport systems) which link the rural and urban economies are not sufficiently developed.

Although the urban population is largely fed by the output of small-holder farmers and there has been steady monetization of small-holder agriculture, three concerns have yet to be addressed adequately. First, is the concern that domestic food supply may not be able to cope with the rapid urbanization (rapidly growing cities, towns and urban settlements). Second there is concern that the high food costs and the resulting high wage costs may slow down the process of transformation of the economy e.g. industrialisation may be constrained by high wage costs. Third, poverty among producers of agricultural products (food and non-food) is still looming

large suggesting that viable options for improving the productivity of smallholder farming and farm incomes need to be explored more deeply.

The low returns to labour in agriculture push people out of agriculture in search of alternative sources of employment most of them ending up in the lowest end of the non-farm sectors mainly trade, other services and a few in manufacturing activities. Push factors rather than pull factors fuel urbanization where informal sector activities provide a source of employment of last resort risking turning rural poverty into urban poverty. There is a quest for deeper understanding of what it would take to transition from rural and urban poverty to prosperity in both the rural and urban economy. An increase in productive non-farm employment, in the form of wage and salary employment or successful non-farm entrepreneurship could result in a successful economic diversification as a viable road out of poverty. Inclusive growth requires consideration of how informal employment and working poverty are integrated into a broader transformation strategy.

Objective of the workshop

The main objective of the 19th Annual Research Workshop (ARW) is to address the dynamics of micro and small scale economics activity, to pinpoint the success and failures of small scale production in both rural and urban areas, to explore the links between the small-scale sectors and larger scale, more formal activities and to examine the prospects for acceleration in the growth of MSMEs into dynamic high productivity enterprises. The workshop will address the deficit in productive employment and low productivity among the majority of Tanzanians working in low productivity agriculture and informal economic activities and to identify options for managing the enterprise transformation process.

One hypothesis motivating the conference is that a crucial role in improving the integration of the economy could be played by the “middle” sector in an economy. The majority of non-agriculture employment is found in micro, small and medium enterprises (MSMEs). The potential for the emergence of many more successful medium scale enterprises requires understanding the dynamics of small business success, including the making of successful entrepreneurs, incentives structure for innovation and productivity enhancement within the MSME sector and how gains from productivity enhancement are distributed to realise inclusive growth.

Specific objectives of the workshop are:

- i. To understand better what it will take to transform agriculture and the rural economy into a high productivity economic activities that are associated with decent incomes and improved quality of life. More needs to be understood of some dynamic changes which have happened in recent years in the rural

economy and their potential for future development (e.g. the rapid expansion of trade in foodstuffs, diversification of supply, particularly of vegetables and fruit, and the rapid and sustained expansion in paddy production). What can be done to more effectively support these potentials?

- ii. To explore the challenges of enterprise development in non-farm activities in bringing about transformation of the rural economy with special attention to facilitating the process of moving up the value chains in the rural economy.
- iii. To examine the processes of transformation from the majority of non-agriculture employment found in micro, small and medium enterprises (MSMEs), often associated with low productivity and low incomes, to more dynamic enterprises associated high productivity, competitiveness and creation of better remunerated jobs. To understand more deeply the processes through which enterprises are able to innovate and respond to new opportunities and cope with a rapidly changing market environment and growing knowledge intensity of production and its generalization across all sectors of the economy.
- iv. To explore the linkages between informal and formal enterprises, between small and large enterprises and between domestic and foreign enterprises. Stronger linkages can be good for facing the challenge of Intense competition arising from global economic integration. Deeper understanding the nature of the production system through which such linkages can be strengthened, how the allocation of authority (over the work situation and the outcome of work done) and economic risk between the interlinking enterprises can result in win-win outcomes.
- v. To explore how key actors in the government raise their level of awareness of the potential and importance of the economic activities of small-scale enterprises and how the relevant public institutions can reach out to informal businesses, better understand their diversity and challenges and help them to participate more effectively in the growth and development process (e.g. through enhancing their access to resources and markets, putting in place a legal and regulatory framework that can reduce risk and uncertainty in their operations).
- vi. To explore the nature of political dynamics that influence MSMEs organization and other means of collective action that facilitate voice through policy dialogue, facilitate formalization, contribute to reducing risk and uncertainty in their operations and facilitate access to public support services.

- vii. Revisiting the role of cooperatives in organizing production, provision of services and in market development in the new context of market and private sector led economy.
- viii. To explore how gains from exploitation of oil and gas can contribute to transformation of enterprise development and facilitate productivity enhancement, even distribution of productivity gains and realization of more inclusive growth.

Questions to be addressed

The 19th Annual Research Workshop will explore the following key questions:

- i. What will it take, in the Tanzania context, to transform agriculture and the rural economy into high productivity economic activities that are associated with decent incomes and improved quality of life? What can be done to more effectively build on success stories in agricultural and rural transformation in Tanzania and other developing countries?
- ii. In what ways is employment an important link between transformation, enterprise development and inclusive growth? How can the process of moving up the value chains in the rural economy be facilitated as a key transformation approach?
- iii. Are informal enterprises an agent for capital accumulation and technological progress or merely for supporting survival? How do informal enterprises become formal enterprises and how can policy facilitate this process? What options exist for transforming low productivity micro and small enterprises predominantly operating in the informal economy context into dynamic enterprises associated with high productivity and competitiveness?
- iv. How can linkages between informal and formal enterprises, between small and large enterprises and between domestic and foreign enterprises lead to win-win outcomes? How can stronger linkages be harnessed to more effectively face the challenge of intense competition arising from global economic integration?
- v. What processes of transformation do enterprises undergo to transition from low productivity and low income enterprises to dynamic enterprises associated high productivity, competitiveness and creation of better

remunerated jobs. How can enterprises be facilitated to be more innovative and more effectively respond to new opportunities and cope with growing knowledge intensity of production and its generalization across all sectors of the economy.

- vi. Is improving the investment climate enough for enterprise development or is there also a need for some kind of active industrial policy? What should an industrial policy look like in a Tanzania type economy?
- vii. What would it take to raise the level of awareness of key actors in the government to recognize the potential and importance of the economic activities of informal small-scale enterprises with a view to facilitating them to participate more effectively in the growth process. What is the nature of the political dynamics in MSMEs development, organization and other means of collective action and how they facilitate voice through policy dialogue, facilitate formalization, contribute to reducing risk and uncertainty in their operations and facilitate access to public support services. How critical is access to resources such as finance, education and training opportunities, business premises (land) and infrastructure (electricity, roads, and water).and knowledge and technological learning?
- viii. Do cooperatives have a role to play in the process of transformation of agriculture and rural economy and in the transformation of micro and small enterprises into dynamic, high productivity and competitive enterprises?
- ix. How can gains from exploitation of oil and gas contribute to transformation of enterprise development and facilitate productivity enhancement and realization of more inclusive growth?