Exploring the Dynamics of Social Enterprises in Tanzania

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Exploring the Dynamics of Social Enterprises in Tanzania

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ABSTRACT

Increasing attention has been paid to the importance of social enterprise activity in less developed countries. Advocates suggest that the social enterprise sector has experienced considerable growth in African countries in recent years. Yet there remains little understanding of the social enterprise sector, and much of the discussion to date has been based only on anecdotal evidence. This paper addresses this issue by examining the nature and extent of social enterprise activities and their support infrastructure. Moreover, the paper brings evidence from two case examples in Tanzania.

Key words
Social enterprise, Tanzania
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INTRODUCTION

There is evidence of many dynamic and socially oriented enterprise activities, both informal and formal in African countries (Mori and Fulgence, 2009). Some of these include co-operatives, micro-finance initiatives, community enterprises, and non-governmental organisations (NGOs) that engage in trading activities among others (Befeki, 2011). Although there is no accurate information concerning its scale in African countries, it has been proposed that the sector has experienced considerable growth in recent years (Mori and Fulgence, 2009). Critical to an understanding of this is the current promotion of social enterprise activity by foreign and national development bodies and policy makers (Mori and Fulgence, 2009) that are encouraging NGOs to become ‘more business-like’ (Dart, 2004; Eikenberry, 2008; Maier, 2011). As Fowler (2000) noted, social enterprises have been seen as a rational solution to reduce international aid support to non-governmental organisations, occurring at a time when these organisations have faced increased competition for philanthropic donations and funding opportunities since the global financial crisis began in 2008 (Eikenberry, 2008; Khamis, 2009). This has been reinforced by the emergence of the global discourse on ‘aid effectiveness’ and ‘managing for development results’, which is underpinned by managerialist modes of thinking that emphasise means over ends (Gulrajani, 2011).

Recently, development organisations have promoted social enterprise initiatives through programmes such as the World Bank Development Market Place, the Inter-American Development Bank Social Entrepreneurship Programme (SEP) and the United Nations Global Compact. Moreover, many foundations and NGOs have also endorsed the concept of social enterprise through grants, loans and other sources of funding (Hanley, 2013). Yet, limited research has been conducted into the growing set of organisations referred to as ‘social enterprises’ in the Tanzanian context. The aim of this study is, therefore, to address this knowledge gap and gain greater insights into the development of social enterprise initiatives in Tanzania. To achieve this, two related research questions are addressed. First, what is the nature and extent of social enterprise activities in Tanzania? Second, how does the current policy environment impact upon the development of social enterprise activity?
Tanzania: Historical Context and Current Conditions

Tanzania is located on the East coast of Africa and came into existence in 1964 when mainland Tanganyika (administered as a German colony and a British protectorate) and the Indian Ocean Islands of Zanzibar (a British protectorate) claimed independence and formed the United Republic of Tanzania (Thompson, 2011; Bromley et al; 2004). The two countries, Zanzibar and Tanganyika, came together as Tanzania under the socialist presidency of Julius Nyerere. He promoted the unity of ethnic groups in a country where more than 120 ethnic groups were represented in the Tanzania population (including Chagga, Arab, Asian or Shirazi among others) and he urged his people to regard themselves first as Tanzanians. There has been relatively little ethnic conflict in the years since independence in comparison with other neighbouring African countries such as Kenya, Uganda and Rwanda (Thompson, 2011).

With a population of 46.2 million people, the country has a GDP per capita of $532.32, and it is considered to be one of the poorest countries in the world (IMF, 2013). The proportion of the population below the national poverty line is 20 percent and there is also a significant disparity between urban and rural poverty where about 87 percent of the poor population live in rural areas (NSGRP, 2005; IMF, 2006; Covarrubias, 2012; IMF, 2013). The country also has one of the most rapidly growing population in Africa (Rangan, 2006). 1.3 million people live with AIDS and another 2 million are infected by the HIV virus (Rangan, 2006). Malaria is a major public health problem in Tanzania, accounting for 60,000 deaths per year of which 80 percent of these are among children under five years of age (PMI, 2012). Therefore, it can be claimed that Tanzania provides a laboratory for investigating the nature and extent of social enterprise activity as it suffers from numerous and severe problems including inequality, corruption, famine and diseases among others which are typical of many societies elsewhere in Africa.
Within Tanzania, evidence suggests that a history of collective practices by its citizens can be traced back to colonial times, with ethnic associations including dance societies and sports clubs always having had a strong presence in daily life (see Table 1).

Table 1. Evolution of Socially oriented Enterprise activities in Tanzania

<table>
<thead>
<tr>
<th>PHASE</th>
<th>Socially Oriented Enterprise Activities</th>
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<tr>
<td>Colonial Era (1884-1964)</td>
<td>• Ethnic associations (for example, dance societies and sports clubs)</td>
</tr>
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<td></td>
<td>• Co-operatives.</td>
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<tr>
<td>Post-independence Era (1964-1987)</td>
<td>• Development of the co-operative sector mainly in rural areas (including a national co-operative bank).</td>
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<td></td>
<td>• Establishment of ‘Ujamaa’ villages.</td>
</tr>
<tr>
<td>Structural Adjustment Programmes Era (1987-2000)</td>
<td>• Reduction in the number of co-operatives.</td>
</tr>
<tr>
<td></td>
<td>• Increased number of NGOs due to international Aid support (state no longer the main actor, but NGOs now key development actors).</td>
</tr>
<tr>
<td>Post Structural Adjustment Programme Era (2000-to date)</td>
<td>• Transition from grant seeking towards SE</td>
</tr>
<tr>
<td></td>
<td>• Increase the number of micro-enterprise initiatives.</td>
</tr>
<tr>
<td></td>
<td>• Re-birth of the co-operative sector.</td>
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Some of these associations provided burial assistance and loans (Mason, 2011). As Lange et al (2000) noted, there were 51 of these organisations in Dar Es Salaam, the largest city in Tanzania, with a total membership of 6,500 in 1954. According to Mason (2011), Tanzania’s cooperatives also have a long history, which date back to the early 1930s. In rural areas, there was a strong community of cooperative unions, totalling 617 in 1959 (Mason, 2011).

However, during the first decade of independence the movement was particularly strong, as cooperatives were effectively integrated into state structures which included a national cooperative bank. Ujamaa villages were developed in the Post-independence Era within the Arusha Declaration, through which people were mobilised from their traditional scattered villages to live and work together in large villages planned by the central Government (Nyerere, 1986). The Arusha Declaration, written by the first Tanzanian President Julius Nyerere outlined the principles of ‘self-help’ development and ‘ujamaa’ policies (Ergas, 2008). ‘Ujamaa’ which means” family” or “brotherhood” in Swahili language - became the myth of Tanzanian nationalism through a rediscovery and adaptation of the traditional ‘African’ notions of communal assistance and effort. Through these, Nyerere claimed to be rebuilding the African society (Jennings, 2007).

The raison d’être of the ‘ujamaa’ policy was to promote collective production, ownership and popular participation in rural areas by creating common wealth and increasing productivity (Ergas, 2008; Jennings, 2007). However, there have been a number of criticisms regarding these ‘ujamaa’ village policies. Some authors have suggested that these policies were closer to soviet models of collectivisation and that in reality the collectivisation of the land and of agricultural production has been impossible to achieve in Tanzania (see Ergas, 1980; Hyden, 1980; Hyden, 1975; Jennings, 2002; 2003; 2008 for more details). This collectivism idea is closely related to what is currently known as community based organisations (see Peredo, 2006; Haugh, 2007).
However, there have been a number of criticisms regarding these ‘ujamaa’ village policies. Some authors have suggested that these policies were closer to soviet models of collectivisation and that in reality the collectivisation of the land and of agricultural production has been impossible to achieve in Tanzania (see Ergas, 1980; Hyden, 1980; Hyden, 1975; Jennings, 2002; 2003; 2008 for more details). This collectivism idea is closely related to what is currently known as community based organisations (see Peredo, 2006; Haugh, 2007).

However, the introduction of Structural Adjustment Programmes (SAPs) by the Bretton Woods Institutions (the World Trade Group, the International Monetary Fund and the World Bank) led to the closure of a considerable number of locally owned co-operatives that were unprepared for competition and the dominance of multinational businesses (Bibby, 2006). Structural Adjustment programmes (SAPs) comprised a set of conditions that were imposed on governments in developing countries in order to balance their economies such as the privatisation of industries and social programmes, reductions in welfare spending and the intensification of free-market reforms (Giddens, 2009). These SAPs have been taken place since 1950 with the United States providing loans to Third World Nations.

However, they were readjusted in the 1990s, having been inspired by the neoliberal model associated with the “Washington Consensus” that emerged in the 1980s. This model emphasised the market as the main allocator of economic resources and a corresponding decrease in the role of the Government (Williamson 2004).

Then, in 2000 SAPs underwent another transition with the introduction of Poverty Reduction Strategy papers and the Millennium Development Goals (Giddens, 2009). The Millennium Development Goals (MDGs) is an initiative established in 2000 at a high-level event at the United Nations Headquarters and promoting the fulfiment of eight international development goals designed to slash poverty, hunger and disease (see MDGS report).
The State’s withdrawal had a negative impact on public social enterprises (e.g. National Cooperative Bank) that emerged in the post-independence era (Kerlin, 2010).

Furthermore, the ideals of ‘Ujamaa’ policy that had motivated the Tanzanian population declined in the late 1980s (Jennings, 2007). The SAPs created a new wave of development for NGOs as recipients of international aid, where massive resourcing was mobilised with the goal of protecting poor and vulnerable communities (Mori and Fulgence, 2009). Estimates suggest that the West spent about $600 billion on international aid to Africa between the 1960s and 2008 (Akonor, 2008). The Programme’s aid was conditional upon the acceptance of policies for structural adjustments (for example, opening up markets and reducing the role of the state) (Bromley et al; 2004). As a result of this, the number of NGOs increased exponentially in Tanzania as the population realised that international donors and funders were willing to provide financial resources to NGOs (Tripp, 2000). Statistics indicate that in 1993, there were 224 registered NGOs in the country but by 2000; the number has reached 8,499 (Stiftung, 1999; Tripp, 2000). Therefore, it could be argued that since the SAPs, NGOs have played a crucial service delivery role in filling the socio-economic gaps caused by inefficient state provision. They have come to provide services to citizens in Tanzania, whilst acting as ‘virtual states’ (Mason, 2011).

The Post Structural Adjustment Era (2000- to date) has been characterised by changing patterns of aid with greater donor development control of the use of funds (Bromley et al; 2004). Also, there has been a general shift towards budget support (of the central government), rather than project-based development (see for example, Hyden, 2008). Since 2008, with the economic crisis, NGOs have faced serious funding challenges that have made it difficult for them to maintain their activities. As a result, a large proportion of NGOs have been moving into more commercial activities, generating greater income and strengthening their capacity whilst gaining freedom from grant-makers (Khamis, 2009; Fowler, 2000).
Furthermore, the Tanzanian non-profit sector has delivered a large number of micro-finance initiatives in recent years (Mori and Fulgence, 2009). NGOs have been offering financial services that they adapted from the Grameen model and modified it to suit the Tanzanian context (Temu, 2000).

The success of Grameen Bank Model in Bangladesh which was established by Muhammad Yunus in 1983 by offering microcredit loans for poor women, has encouraged the growth of many more microfinance institutions in Latin America, Africa and Asia (Rangan, 2006).

Moreover, in recent years a number of initiatives have been developed to rein-vigorate the Tanzania’s co-operative sector. Therefore, although no accurate information is available concerning the current extent of the social enterprise sector in Tanzania, what is known is it is comprised primarily of co-operatives, community based enterprises, NGOs with trading activities and micro-finance initiatives (Mason, 2011). It is important to highlight that a considerable number of organisations such also exist ‘below the radar’, and therefore it is difficult to estimate the total number of social enterprise initiatives in the country (Mfaume and Leonard, 2004).
SUPPORT INFRASTRUCTURE FOR SEs

An important issue in examining the evolution and emergence of socially oriented enterprise activities is the political support infrastructure. In Southern African countries, social enterprises have been supported primarily by international donors, followed by the government and the private sector (Kerlin, 2010). Regarding the support received by social enterprise activities in Tanzania, a number of key findings emerged. First, there has been a substantial support infrastructure created for Small and Medium Enterprises (SMEs) (which includes social enterprises) in recent years and this is clearly outlined in the government’s Five Year Development Plan (FYDP) 2011/12-2015/16 (Economic Survey 2009, United Republic of Tanzania).

Statistics show that by 2011 up to 80 per cent of Tanzania’s formal industries were SMEs (Befeki, 2011). Initiatives by government departments have been developed to offer support in business development services, and this includes support from the Tanzania Chamber of Commerce Industries and Trade (TC-CIA), the Confederation of Tanzania Industries (CTI), the Tanzania Bankers Association (TBA) and the Tanzania Association of Micro-Finance Institutions (TAMFI) among others. These have supported business incubators (for example, TEMDO and SIDO) that offer cheap and affordable training (Mori and Fulgence, 2009). The Tanzanian Engineering and Manufacturing Design Organisation (TEMDO) is an institution established through Parliament Act No 23, which became operational in July 1982, it provides engineering and other technological support services for SMEs development and growth. SIDO (Small Industry Development Organisation) is a business support body set up in 1981 that offers support to micro enterprises, and has created several technology incubators since it was established.

According to Mmanda (2012), most social enterprises in Tanzania are either registered as societies under the Ministry of Home Affairs or as Companies Limited by Guarantee under the Registrar of Companies.
Second, several national policies including the National Microfinance Policy in 2000 and the National Policy on Non-Governmental Organisations in 2001 were established to facilitate the provision of microfinance services to the poor (Mori and Fulgence, 2009; De-Berri-Spece and Elliot, 2012). Third, there have been a considerable number of policies supporting co-operatives in recent years. This includes the establishment of the Ministry of Co-operatives and Marketing in 2001, the Co-operative Societies Act of 2003, the Co-operatives Societies Rules in 2004 and the Co-operative Reform and Modernisation Program 2005-2015 (Bibby, 2006).

Fourth, there has been a significant support for SMEs and social enterprises from international development bodies. These include the United Nations Development Program (UNDP), United Nations Industrial Development Organisation (UNIDO), and the International Labour Organisation (ILO), the Swedish International Development Cooperation Agency (SIDA), US Aid International Development, the UK Department for International Development (DFID), the Danish Business Partnerships Tanzania (DANIDA) and the German Technical Collaboration Agency (GTZ) (Befeki, 2011). Lately, several international organisations have also started to support social enterprise activities in the country including among others the United States company; Ashoka East Africa, an international company set up in the USA in 1980 that provides financial resources to thousands of social entrepreneurs around the world (Bornstein, 2004). With regards to taxation, cooperatives and NGOs enjoy special exemptions (Mfaume and Leonard, 2004).
Arusha Women Entrepreneurs Ltd is a social enterprise based in Arusha city in Northern Tanzania. Established in 2008 but officially registered in 2010, it provides employment and training opportunities for low-income disadvantaged women from deprived communities. The enterprise is focused on processing natural peanut butter under the brand “Mr. Peanut Butter”. Its product is made with groundnuts that are slowly roasted/ground with no artificial sweeteners or preservatives. This initiative has received seed funding from the Firelight Foundation and falls under TEMDO Business Incubator since 2011. It currently employs four women but their intention is to expand the number of staff as well as to distribute the product in other areas of the country and overseas. David Mjuni, its Founder started the organisation with the aim of helping disadvantaged women in Arusha. The main challenge that it faces is the lack of financial resources to buy machinery and of expansion.
Diana Women Empowerment Organisation is an organisation established in 1998 by 17 women. Its goal is to serve orphans, vulnerable children, youth, widows living with HIV/AIDS and older people. The headquarters is based in Dar Es Salaam with branches in Bukoba, Biharamulo, Lushoto, Morogoro, Muheza, Kiaka, Songea, Mbeya, Pangwe, Pongwe and Tanga. DIWEO started off by looking after 20 orphans but the number has now reached 254 in 2012. DIWEO has 2 orphanage centers one in Tanga and another in Dar Es Salaam.

In the past, it received grants and donations but due to the economic crisis they have moved towards increasing their trading activities, having set up handcraft projects for women living with AIDS/HIV and a 10 acre farm where they produce their own vegetables to sustain these children and women. The money that they earn from handicraft products is reinvested in the projects. The main challenges that the organisation is currently facing is a lack of financial and human resources to continue and expand their projects into other areas of the country.
CONCLUDING REMARKS

In this research, we set out to examine the nature and extent of social enterprise activities, support infrastructure for SEs, as well as the rise of commercial activities within NGOs in Tanzania. It was notable from the findings that there are a wide range of social enterprise initiatives in the country including co-operatives, micro-credit initiatives, NGOs with trading activities and community based organisations (Mori and Fulgence, 2009).

However, there is no data available concerning the total scale of the SE sector as there are a high number of organisations operate ‘below the radar’. Furthermore, the findings also suggest that international bodies and the Tanzanian Government are providing support infrastructure for SEs to some extent, focusing primarily on SMEs, co-operatives and micro-credit initiatives (Mori and Fulgence, 2009).

Furthermore, even though it could be argued that there is a lot of potential that social enterprise activities can bring to the socio-economic development in the country; evidence indicates that organisations have limited resources, particularly financial and human resources to develop and expand their operations sufficiently.

Therefore, there is an urgent need for development bodies and the Tanzanian government to review their current policies and strategies. They must pay greater attention to organisations’ needs to access ongoing support in order to build their capacities to develop their human and financial resources (Fowler, 2000).
REFERENCES


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