



# **Support for Growth-oriented Women Entrepreneurs in Tanzania**

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## Foreword

The African Development Bank's (AfDB) Addis Ababa Forum, in June 2003, on the role of women entrepreneurs in private sector development, poverty reduction, and sustainable growth and development, made a strong statement about the Bank's vision. The International Labour Office (ILO) also participated in this Forum, and shared its experiences from supporting women-owned enterprises in Tanzania, Ethiopia and Zambia. Since that time, the AfDB and ILO have been planning to bring together their resources in support of women entrepreneurs – the AfDB as a specialist in financial support services; the ILO with a special interest in providing business support for and promoting decent work in women-owned enterprises.

As both organizations share the vision of women entrepreneurs contributing to employment creation, poverty reduction and sustainable development, they have identified the most effective means of improving the enabling environment for women to start and grow their own enterprises. An integrated framework, as developed for Atlantic Canada, was adapted and applied in the Tanzanian context, to assess the essential ingredients for assisting growth-oriented women entrepreneurs. This report is based on the country assessment for Tanzania, where the ILO has been researching and supporting women's entrepreneurship. This assessment report indicates the next steps that are appropriate for the AfDB and ILO in supporting growth-oriented women entrepreneurs. Future activities should also make positive contributions to the poverty reduction strategies of the Government of the United Republic of Tanzania, as well as to the Plan of Action from the Africa Union's Extraordinary Summit on Poverty and Employment, September 2004.

We wish to thank the consultants and authors of this report, Ms Lois Stevenson and Ms Annette St. Onge, as well as Dr Mariam I. Nchimbi of University of Dar es Salaam Entrepreneurship Centre (UDEC). We also acknowledge the leadership provided by the AfDB Task Manager, Dr. Leila Mokaddem, and the ILO's team on Women's Entrepreneurship Development and Gender Equality (WEDGE). We take this opportunity to convey our appreciation for their support to the Ministry of Industry and Trade Small Enterprise Development Section, Government of the United Republic of Tanzania. Finally, special thanks go to our ILO and AfDB colleagues in Dar es Salaam, and those who cover Tanzania from our respective head offices.

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## Acronyms

ACOA	Atlantic Canada Opportunities Agency
ADSP	Agricultural Development Strategy Programme
APDF	Africa Project Development Facility
AWEZA	Association of Women Entrepreneurs of Zanzibar
BDS	business development services
BEST	Best Environment Strengthening for Tanzania Programme
CRDB	Cooperative and Rural Development Bank
DAC	Donor Advisory Committee
DANIDA	Danish International Development Agency
DISS	Dar es Salaam Informal Sector Survey
EDS	Entrepreneurship Development Strategy
ESRF	Economic and Social Research Foundation
FAMOS	female and male-operated small enterprises
FAWETA	Artisan's Development Agency, the Federation of Associations of Women Entrepreneurs in Tanzania
GDP	gross domestic product
IMF	International Monetary Fund
ISO	industrial support organization
IYES	Improve Your Exhibition Skills
MFI	micro-finance institution
MIT	Ministry of Industry and Trade, Government of Tanzania
MSE	micro and small enterprise
MSED	micro and small enterprise development
MSF	micro and small farm
MSME	micro, small and medium enterprise
NDC	National Development Corporation
NEDF	National Entrepreneurship Development Fund

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NGO	non-governmental organization
NISS	National Informal Sector Survey
NSIC	National Small Industries Corporation
OECD	Organisation for Economic Co-operation and Development
OWED	Office of Women’s Enterprise Development
PRSP	Poverty Reduction Strategy Programme
RDS	Rural Development Strategy
RISS	Rural Informal Sector Survey
RPED	Rural Programme on Enterprise Development
SACCO	Savings and Credit Cooperative Society
SIDO	Small Industries Development Organization
SIDP	Sustainable Industrial Development Policy
SME	small and medium enterprise
SMEDP	Small and Medium Enterprise Development Policy
TAFOPA	Tanzania Food Producers Association
TGT	Tanzania Gatsby Trust
UDEC	University of Dar es Salaam Entrepreneurship Centre
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
VETA	Vocational Education and Training Authority
WEA	Women entrepreneurs’ association
WED	women’s entrepreneurship development
WEDGE	Women’s Entrepreneurship Development and Gender Equality Programme



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# 1. Support for growth-oriented women entrepreneurs in Tanzania

## 1.1 Background and introduction

The International Labour Organization (ILO) entered into a general agreement with the Ministry of Industry and Trade (MIT) in 2003 to implement a Women's Entrepreneurship Development and Gender Equality (WEDGE) Programme<sup>1</sup> in Tanzania. The implementing partner is the Small and Medium Enterprise Section of MIT (MIT-SME). The first stage was to commission research to examine the factors affecting women entrepreneurs in the country (UDEEC, 2002). This consisted of a review of the literature to identify any aspects of the policy, regulatory and business environment that were hampering the performance of women's enterprises. The second stage involved a field study of 128 women entrepreneurs from Dar es Salaam, Arusha, and Zanzibar to probe those issues, particularly as they affect women entrepreneurs' motivations, economic opportunities, and passages to growth and formalization (ILO and MIT-SME Section, 2003). Preliminary findings from this research were shared at a national conference in November 2002, from which a set of issues and recommendations for action emerged.

In addition to these reports, the ILO has already delivered other components of the Tanzania-WEDGE Project:

- production of a video profiling women entrepreneurs in Tanzania;<sup>2</sup>
- a series of workshops geared to mainstream gender equality issues in the government's 2003 national SME Policy;<sup>3</sup>
- a two-week international capacity-building workshop on women's entrepreneurship development (WED) at the ILO's Turin Centre, attended by two participants from the WEDGE-Tanzania project (August 2003);
- a one-week training programme for members of women entrepreneurs' associations (WEAs) and their institutional supporters to build their capacity (June 2003), followed by additional work with three local WEAs in September-October 2003;
- a national programme on Capacity Building on Women's Entrepreneurship Development (WED), organized jointly with ILO's Turin Centre, held in Zanzibar (October 2003); and

<sup>1</sup> As part of the ILO's InFocus Programme on Boosting Employment through Small Enterprise Development (IFP/SEED), and with financial support from Development Cooperation Ireland (formerly Ireland Aid).

<sup>2</sup> *Women entrepreneurs in Tanzania: A woman's golden hands.*

<sup>3</sup> This mechanism is known as the FAMOS Check (female and male operated small enterprises) and is based on the ILO's Gender Audit tools.

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- support for informal economy women to participate in the national Saba Saba trade fair, as a means of helping to improve their access to markets (transfer of the Ethiopian experience, June-July 2003).

The ILO's strategy is to focus next on identifying possible interventions to accelerate the rate at which women entrepreneurs can achieve growth in their enterprises. In November 2003, the ILO contracted international consultants to conduct a field visit to Tanzania for the purpose of assessing the strengths and weaknesses of the enabling environment for growth-oriented women entrepreneurs.

## 1.2 Mission objectives

The mission objectives for Tanzania were to:

- review recent ILO and other relevant research on women in enterprise in Tanzania;
- map out and review key areas of an enabling environment for growth-oriented women entrepreneurs (using the Stevenson and St-Onge framework);<sup>4</sup>
- consult with key informants on support for women entrepreneurs, with the involvement of the MIT-SME Section, the ILO Office for Kenya, Somalia, Tanzania and Uganda,<sup>5</sup> the University of Dar es Salaam Entrepreneurship Centre (UDEC), NGOs, and women's business associations;
- identify gaps in support for growth-oriented women entrepreneurs, as well as highlight "good practices";
- make recommendations to improve the environment for the growth of women-owned enterprises.

## 1.3 Methodology

Preparation for the mission involved a preliminary review of relevant research and documentation on the state of economic development in Tanzania, the general environment for SME development, the status of women entrepreneurs in the economy, and barriers to their growth and development. Over a nine-day period, meetings were held with 26 key informants, both in Dar es Salaam and Zanzibar. These included interviews and discussions with representatives from the ILO Office in Dar es Salaam, the MIT-SME Section (Dar es Salaam), the Ministry of Trade, Industry, Marketing and Tourism in Zanzibar, other government agencies, microfinance institutions (MFIs), associations of women entrepreneurs and their members, universities, banks, and donors (see Annex 2 for the list of contacts).

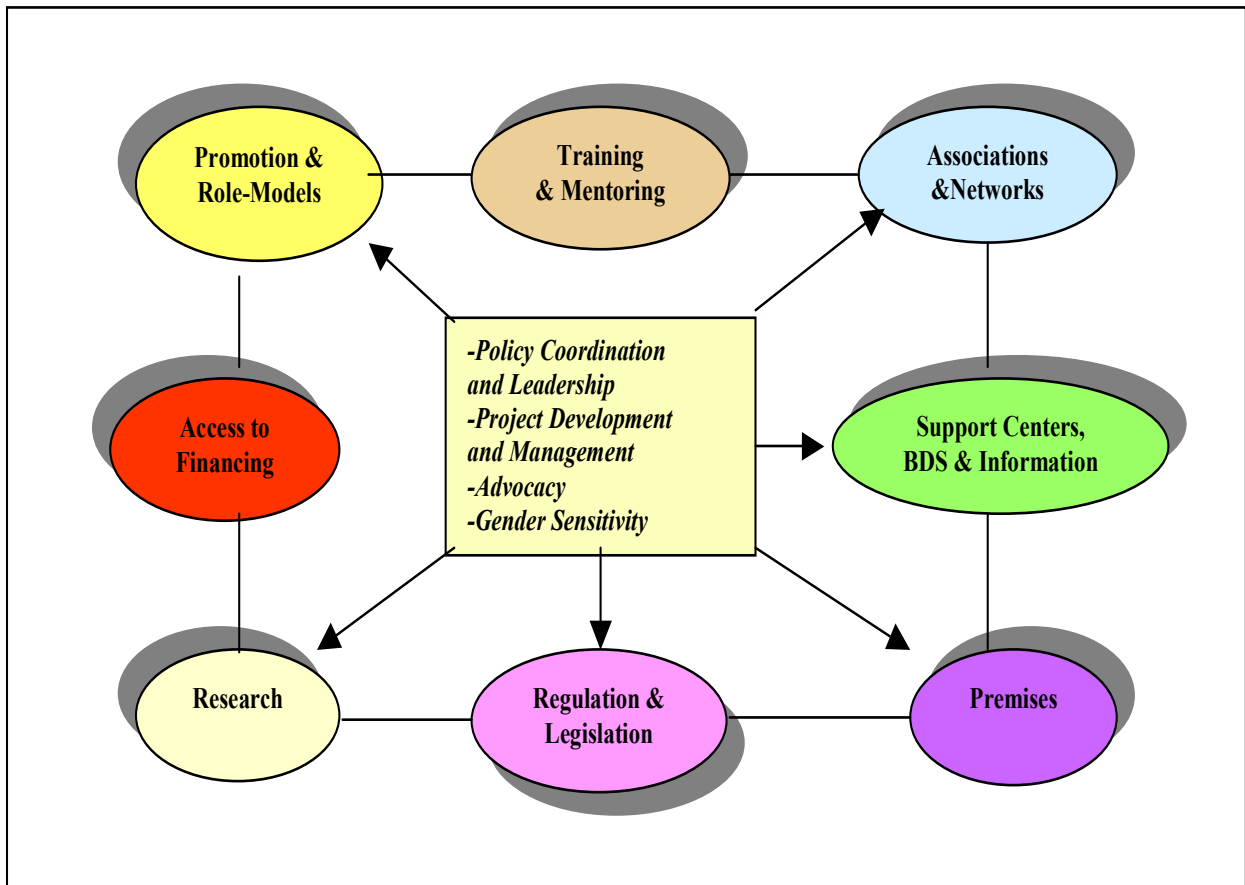
Additional reports, studies and programme information were obtained from several informants. Together with insights gained from the range of interviews and meetings, a

<sup>4</sup> Stevenson, L.; St-Onge, A. "Creating an entrepreneurial environment to foster the start-up and growth of women-owned enterprises: Best practice from Atlantic Canada", presented at the World Conference of the International Council of Small Business (ICSB), 16-19 June 2003, Belfast, Northern Ireland.

<sup>5</sup> Hereafter referred to as the ILO Dar es Salaam office.

basis was formed for assessing and analysing the policy and programme support for the development of women entrepreneurs in Tanzania, with a particular focus on supporting growth. The overall findings and recommendations for further actions in each of the areas of the Stevenson and St-Onge (2001) integrated framework (see Figure 1) are presented in this report.

**Figure 1: An enhanced integrated framework for the development of women entrepreneurs**



Adapted from Stevenson & St-Onge (2003).

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## 2. The economic context

Tanzania has a population of just over 37 million, a GDP of US\$22 billion, and GDP per capita of US\$610.<sup>6</sup> An estimated 51 per cent of the population lives below the poverty line. Eighty per cent of the country's poor population live in rural areas, depending on subsistence agriculture and unable to participate in broader markets. Poor roads, exorbitantly expensive utilities and prohibitive policies have compounded this problem, significantly impeding the growth of the economy.<sup>7</sup> Agriculture, the mainstay of the economy, is almost 50 per cent of GDP, and small-scale peasant farmers, who make up 70 per cent of the population, carry out over 80 per cent of agricultural activities. About 30 per cent of the population over 15 years of age is illiterate (UDEEC, 2002).

Economic growth has been between five and six per cent during 2001 and 2002, but according to key informants, most of it has been due to capital intensity (e.g., productivity improvements in mining) and has not resulted in employment creation. While the majority of Tanzania's formal economic activities take place in major cities, in most districts most private sector activities are micro-level, informal activities involving the local peasant population.<sup>8</sup> An estimated 700,000 Tanzanians enter the labour force every year and only 40,000 or so can expect to find paid employment – the remainder will have to turn to some form of self-employment if they are to generate a livelihood. Thus, the micro and small business sector is seen as very important in the next stage of the country's economic growth. The SME sector contributes 30 per cent of GDP and is responsible for more than 50 per cent of private sector job creation.<sup>9</sup>

### 2.1 The rise and fall and rise of private sector enterprises<sup>10</sup>

At this point in Tanzania's history, the culture of entrepreneurship is in need of revitalization. During the years of colonial rule in the country, the development of indigenous entrepreneurship was hampered. Tanzanians of African origin were mainly employed as laborers in cash crop farming, with limited access to business. After independence in 1961, enterprises remained under the control of expatriates and businesspeople of Asian origin. The Declaration of Arusha in 1967 served as a landmark in the history of Tanzania. It set out a policy focusing on socialism, self-reliance and rural development. The result of this declaration was the nationalization of industrial activities and a substantial increase in state intervention in the economy. However, the "Africanization" of the economy did not take place through the transfer of ownership to the indigenous business class. Within the framework of socialism and self-reliance, which was linked to a strategy of import substitution, the government opted for the development of large-scale, monopolistic, mostly state-owned enterprises. At the time, leaders were of the view that rapid development was only possible if key enterprises

<sup>6</sup> Data from the CIA World Factbook, 2002. GDP figures are in purchasing power parity (PPP) for 2001.

<sup>7</sup> USAID, Tanzania Mission Programme, 2003.

<sup>8</sup> Ministry of Trade and Industry, Nov. 2002, p. 22.

<sup>9</sup> Information provided by key informant during field visit (SIDO).

<sup>10</sup> Much of the information for this section comes from B. Mlingi, 'State of the art' review of the informal sector in Tanzania, 1990-1999 (ILO), 2000.

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were owned by nationals (the indigenous business class being too small to take on this mission).

The government took control of the production of many goods, import and export marketing tasks, the allocation of resources and foreign exchange, and the determination of prices. These control mechanisms were used to stimulate the development of the public sector; the policy environment was strongly biased against small private enterprises. This economic adjustment programme had both positive and negative impacts on small enterprises, depending on their characteristics, but tended to dramatically suppress “entrepreneurial impetus”. In fact, during the socialist era of 1967-1976, a campaign was launched to discourage private entrepreneurship, projected in the popular press and among politicians as evil and something to be tolerated only during the transition to full socialism (Olomi and Nchimbi, 2002, p. 6).

By the end of the 1970s, the stimulation of large-scale state enterprises, capital and import intensive, was proving ineffective due to the lack of technology and management know-how. Due to the extent of the economic crisis of the 1970s and early 1980s, and pressure from the World Bank and IMF, the government was forced to change its economic policies from 1986. The government adopted the Economic Recovery Programme, designed to put an end to the economic deterioration and to transform the state-led economy into a market-driven economy. Final reforms took place in 1991, and the regulatory environment partially adjusted accordingly. Due to privatization activity and the retrenchment of workers from public institutions, coupled with the state of the economy, many people were driven into micro-enterprises in order to make ends meet. These “first generation entrepreneurs” found – and in many cases still find – themselves operating in an underdeveloped “enterprise culture”.

Development partners are now clearly focused on working with the government to strengthen the Tanzanian economy. Several new policies have been put into place over the past three years, including the National Micro Finance Policy (2000), the Strategic Trade Policy (2002), the Business Environment Strengthening in Tanzania (BEST) Programme (2001), the Poverty Reduction Strategy Paper (2001), an Agricultural Sector Development Strategy (2000), a Rural Development Strategy, and a Sustainable Industrial Development Policy (1996-2020). To these can be added the National SME Development Policy (2003) and the National Trade Policy (2003). In addition, several donors are implementing major development strategies – the UNIDO Integrated Country Programme (2002-2005), USAID Private Enterprise Support Activities (2002), DANIDA Business Sector Programme Support (2003-2008), and the UNDP Private Sector Development Programme.

A recent joint statement of development partners on the need for private sector development in the Tanzanian economy reads as follows:

“The Government of Tanzania and the World Bank have put private sector development squarely on the agenda of this year’s Consultative Group Meeting. Growth is needed to reduce income poverty and to reduce long-term aid dependency. All agree that the private sector is the engine of that growth. The President has shown he is a clear advocate for liberalization of the economy, and has initiated promising round tables with local and international investors in the context of the National Business Council. Development partners are increasingly keen to support him in his effort towards private sector led economic growth. In the Poverty Reduction Strategy Programme (PRSP) document, the Government of Tanzania made it very clear that in order to reduce poverty a national economic environment which stimulates development has to be created. Growth is not a parallel process but an integral part of poverty reduction. We consider that the momentum is there now to go that extra mile. It is vital for all partners, bilateral donors, multilateral organizations, civil society and the private sector, to unite behind a Tanzanian strategy for

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pro-poor economic growth that enables the informal sector and SMEs – the so-called missing middle – to flourish and grow.” (Joint Statement by Development Partners on Private Sector Development, Consultative Group Formal Session, December 2002).<sup>11</sup>

In 2003, the government took the lead on such a growth strategy and is working on a number of key issues:

- strategy for pro-poor economic growth;
- implementation framework for strengthening the business environment (BEST Programme);
- revision of local revenue systems;
- clarification of the Lands Act in order to secure the use of land as collateral;
- improved access to essential agriculture and rural financial services;
- improved international trade arrangements for Tanzania.

In February 2003, the government approved a new Small and Medium Enterprise Development Policy (SMEDP) and is in the process of designing its implementation framework.

<sup>11</sup> US Embassy, Government of Tanzania, 2002.

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### 3. The SME<sup>12</sup> sector in Tanzania

#### 3.1 SME definitions

The Tanzanian government defines SMEs according to sector, employment size, and capital investment in machinery. Accordingly, SMEs are defined as micro, small, and medium-size enterprises in non-farm activities, including manufacturing, mining, commerce and services. A micro-enterprise is one with fewer than five employees, a small enterprise with 5-49 employees, a medium enterprise with 50-99 employees and a large enterprise with more than 100 employees (see Table 1). Capital investments range from less than Tshs 5 million to over Tshs 800 million. This definition would exclude a number of informal economy enterprises, peasant farmers, and Tanzanians engaged in lower-level income-generating activities.

Table 1: MSME definition in Tanzania

Category	Employees	Capital investment in machinery (Tshs)
Micro-enterprise	1-4 employees	Up to 5 million
Small enterprise	5-49 employees	5-200 million
Medium enterprise	50-99 employees	200-800 million
Large enterprise	100+	Over 800 million

Source: SME Development Policy, Apr. 2003, p. 5.

#### 3.2 Characteristics of the SME sector

There is a shortage of comprehensive data on the state of the SME sector in Tanzania. Most reports on the sector rely on data from the 1991 National Informal Sector Survey (NISS), which is outdated. Although other studies have been done (the 1992 Rural Informal Sector Survey (RISS), the 1995 Dar es Salaam Informal Sector Survey), the NISS (1991) remains the only nationwide study of the informal sector. The current number of enterprises by size, sector, geographical location, age and sex of owner remains unknown.<sup>13</sup>

The 1991 NISS survey reported a total of 1,801,543 informal sector enterprises employing 2,369,380 people (an average of 1.3 persons per enterprise). Sixty per cent of the enterprises were located in rural areas and 40 per cent in urban areas. Informal sector employment amounted to about 22 per cent of the total labour force, 15 per cent in the rural areas and 56 per cent in the urban areas. About 74 per cent of people employed in the sector were sole operators. Women made up about 36 per cent of the sector. Over 75 per cent of female employment in the sector was in the trade/restaurant/hotel category.

According to Mlingi (2000) “recent estimates indicate the number of establishments and the number of employees in the sector has been growing at a rate of 10 per cent a

<sup>12</sup> The Government of Tanzania uses the acronym SME (small and medium enterprises), unlike the Governments of Ethiopian and Kenya which both use MSE (micro and small enterprises).

<sup>13</sup> Mlingi, 2000.

year since 1991” (p. 70), mostly taking place in urban areas. She cites evidence from Wangwe (1999) that most of the growth is accounted for by an increasing number of female operators in the informal sector. Mjema (1998) estimated that the proportion of males in the informal sector declined from 64 per cent in 1991 to 30 per cent in 1995, implying that the percentage of women operators in the sector increased from 36 per cent in 1991 to 70 per cent by 1995.<sup>14</sup>

The latest survey of SMEs in Tanzania was carried out by Swisscontact in May 2003.<sup>15</sup> They conducted a survey of 4,050 households in the Uruhu Corridor, which includes five regions of the country. The number of households in these regions totals about 2 million and represents about a third of the country’s population. The purpose of the survey was to estimate the number of micro and small enterprises (MSE) and micro and small farms (MSFs), and to explore their challenges and use of financial and non-financial business services. Fifty-seven per cent of the households had a member who was operating an MSE or an MSF; for the MSE portion, it was over 38 per cent (see Table 2).

**Table 2: Distribution of MSEs and MSFs by size: Five regions of Tanzania, May 2003**

<b>Total No. of households</b>	<b>2,021,553</b>
Avg. household size	5.33 people
Estimated population	10,770,228
Number of MSEs	781,687
Number of MSFs	365,102
Percentage of households with MSE	38.8%
Percentage of households with MSF	18.1%
Percentage of households with MSEs or MSFs	56.9%

Source: Swisscontact, 2003.

Almost 43 per cent of the MSEs were owned by women, 48 per cent by men; 8.6 per cent by families (husband and wife), and 0.5 per cent by multiple owners. The 781,687 MSEs employed 1,260,520 persons, including the working owners, an average of 1.6 per enterprise.

The population of Tanzania is approximately 37 million. Extrapolating from the Swisscontact household survey in five regions, assuming it is representative of the country as a whole, suggests that there are as many as 2,685,404 MSEs and 1,254,270 MSFs in the country. If women own 43 per cent of MSEs (in the five regions), then there could be as many as 1,154,724 women-owned MSEs in the country. However, there is no way to fully substantiate these estimates.

Over 85 per cent of MSEs in the Swisscontact survey were not registered; just over 50 per cent had a daily trade, local authority or other licence. Over two-thirds of the MSEs operated their enterprises from home (43 per cent) or from the roadside (20.9 per

<sup>14</sup> Reported in Mlingi, 2000. If this estimate was generalizable to the whole population, then there would have been as many as 5 million informal enterprises by 2002 with employment of almost 7 million. It could further mean that as many as 4.9 million women were employed in the sector (70 per cent x 7 million).

<sup>15</sup> *Baseline survey of MSEs and MSFs in the Uruhu Corridor, Tanzania*, Swisscontact, May 2003. Regions surveyed include Dar es Salaam, Pwani, Morogoro, Iringa and Mbeya.



cent (see Table 4.3). Only 31 per cent operated in a market, commercial or industrial centre. Ninety-three point five (93.5) per cent marketed their products and services to the final consumer (mostly in the same town or region), reflecting the large number of traders and service providers in the total MSE population.

**Table 3: MSE operating locations, Swisscontact (2003)**

Operating Locations	Percentage
Homestead	43.0
Roadside	20.9
Traditional markets	15.6
Commercial/industrial centres	14.8
Unknown	5.7
Total	100.0

Just less than half of MSEs had gross annual sales of under Tshs 1 million (about US\$1,000) and only 4 per cent had sales of over Tshs 10 million (about US\$10,000) (see Table 4.4).<sup>16</sup> In lieu of recent data on the employment size of Tanzanian MSEs, this provides evidence of their micro scale.

**Table 4: Distribution of MSEs by gross annual sales, Swisscontact (2003)**

Range of gross annual sales	Number	Per cent
Up to Tshs 100,000	47,014	6.0
Tshs 100,001 – 200,000	56,007	7.2
Tshs 200,001 – 500,000	126,824	16.2
Tshs 500,001 – 1 M	137,250	17.6
Tshs 1,000,001 – 2M	163,627	20.9
Tshs 2,000,001 – 5M	162,822	20.8
Tshs 5,000,001 – 10M	57,901	7.4
Over Tshs 10M	30,242	3.9
Total	781,687	100.0

### 3.3 Major constraints facing the MSME<sup>17</sup> sector

There are two levels of constraints facing MSMEs in Tanzania, those acting as barriers to general operations and those impeding growth. The UNDP, ILO and UNIDO (2002) report concluded with a list of factors impeding the development of informal MSEs:<sup>18</sup>

- the low level of education of the entrepreneurs;

<sup>16</sup> Gender-disaggregated data on the distribution firms by annual sales is not readily available.

<sup>17</sup> Government documents refer to the SME (small and medium enterprise) sector, but many research reports refer to the MSE (micro and small enterprise) sector. The acronym MSME will be used to reflect the entire sector for the purposes of discussion in this report.

<sup>18</sup> UNDP, ILO and UNIDO. 2002, p. 63.

- the lack of managerial, marketing and production skills;
- the use of rudimentary technology;
- the low-skilled work base;
- lack of access to credit;
- the tiny purchasing power of their consumers/clients; and
- regulatory constraints stemming from the difficulties of obtaining legal status.

In determining barriers to MSME growth, Rural Programme on Enterprise Development (RPED) surveys completed over the 1993-95 period, revealed that the most serious constraint was related to credit access, followed by market-related problems (demand and competition), problems with inputs, and lack of infrastructure (Verspreet and Berlangue, 1998. See table 5). The ranking and intensity of constraints varied by size of the enterprise. Problems related to infrastructure, inputs, taxation, regulation, and skilled labour became more serious for medium-size enterprises.

**Table 5: Main constraints as perceived by firms (by firm size)**

Constraint	Micro (%)	Small (%)	Medium (%)
Credit-related problems	85.6	75.0	63.3
Demand or competition related problems	49.3	42.3	36.6
Regulations related problems	7.7	2.3	13.0
Tax burden	9.7	10.3	14.0
Lack of infrastructure	12.0	9.7	38.7
Lack of support services	9.0	11.7	12.0
Lack of skilled labour	7.7	7.0	11.0
Investment capital related problems	11.3	10.0	4.0
Problems with inputs	16.7	17.3	24.7
Macroeconomic problems	3.7	4.3	7.7

Source: Verspreet and Berlangue. *Small scale enterprise development in Tanzania: Driving forces*, 1998, p. 25.

#### **4. The state of women's enterprises in Tanzania**

Currently, there is no comprehensive data on the number of women in the MSME sector, the size of their enterprises, or their distribution by sector. Only proxies are available. In NISS (1991) women accounted for about 35 per cent of informal enterprises. By 1995, it was estimated that the proportion of women in the sector could have risen to 70 per cent of the informal sector labour force. In a 2000 Economic and Social Research Foundation (ESRF) study, 55 per cent of the enterprises in the sample were owned by women (as reported in Mlingi, 2000, p. 89). Swisscontact (2003) estimated that women owned 43 per cent of MSEs.

An official in the MIT-SME Section made references to 1.7 million when discussing the number of SMEs in the country. If one uses the proxy of 43 per cent (Swisscontact, 2003) as the proportion owned by women, then there would be about 730,000 women entrepreneurs in Tanzania. If one uses the extrapolated figures from the

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Swisscontact (2003) estimates (see Section 4.3.2), then there could be as many as 1.154 million women entrepreneurs. However, if one includes all formal and informal enterprises as the base for calculations, and the 70 per cent estimate cited in Mlingi (2000), then the number of women entrepreneurs would be significantly higher. For the moment, it can be assumed that there are somewhere between 730,000 and 1.2 million women entrepreneurs in the country, but this needs verification.

#### 4.1 The situation of women in MSMEs

Key informants confirmed findings from the literature – that women are predominantly found in informal, micro level, and low-growth sectors, and encounter high competition while earning subsistence incomes. Seriously encumbered by their low levels of education, women are unable to find employment in the formal, private sector, and are the first to lose their jobs in retrenchment exercises. Of necessity, they are driven into entrepreneurial activities. Their business opportunity identification tends to reflect their traditional roles in food production, sewing, crafts, small-scale farming, and small-scale cooperative production. These activities are “somewhat” culturally acceptable. Several key informants stated that many women lack exposure and socialization, which restrict their ability to identify higher growth potential business ventures. They are likely to be operating in groups from home, and often lack social, cultural and business support for their role as entrepreneurs.

Women operating in the informal economy lack the ability to accumulate the savings required for the start-up process – women with poor levels of education are less likely to have accumulated savings from previous employment. They additionally lack access to working capital and credit and, as a result, have low profits to reinvest in their firms. Tanzanian women, as is the case with women entrepreneurs in many countries throughout the world, are reported to be “risk adverse”,<sup>19</sup> with limited capacity to absorb the cost of failure. Micro credit key informants reported that micro-financing is readily available and that high percentages of their clients are women. However, their assessment is that women need to be better informed about financial services, the correlation between debt and growth, and how to deal with lending institutions.

Tanzania’s women entrepreneurs are quite often lack technical and business management skills, including the sophistication needed to negotiate with financial institutions.<sup>20</sup> The exception to this are women in large urban centres, or those in the food processing industry, who have substantial support from organizations such as the Small Industries Development Organization (SIDO). These women do have some potential for growth, subject to market identification and adequate capital for processing equipment. Nchimbi (2003) found that women’s motivation for being in business is, more often than men, to provide family support. This is the primary measure of their success, while their male counterparts perceive profit as the primary measure of success. Less than 40 per cent of the Tanzanian women in the Nchimbi study demonstrated a “high need for achievement” and a desire to grow. Instead they tend to approach growth slowly, often preferring to own multiple micro-enterprises, rather than to invest in the growth of only one. Many factors could contribute to this tendency – the inability to attract sufficient

<sup>19</sup> Some researchers prefer to describe women’s risk taking propensity as one of “calculated risk-taking” rather than “risk aversion”. This is particularly the case for growth-oriented women entrepreneurs (see Richardson et al., forthcoming).

<sup>20</sup> UDEC, 2002.

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capital to scale up, lack of opportunities to meet the needs of tiny market niches in their local communities, or lack of skills to take an enterprise beyond the micro-level.

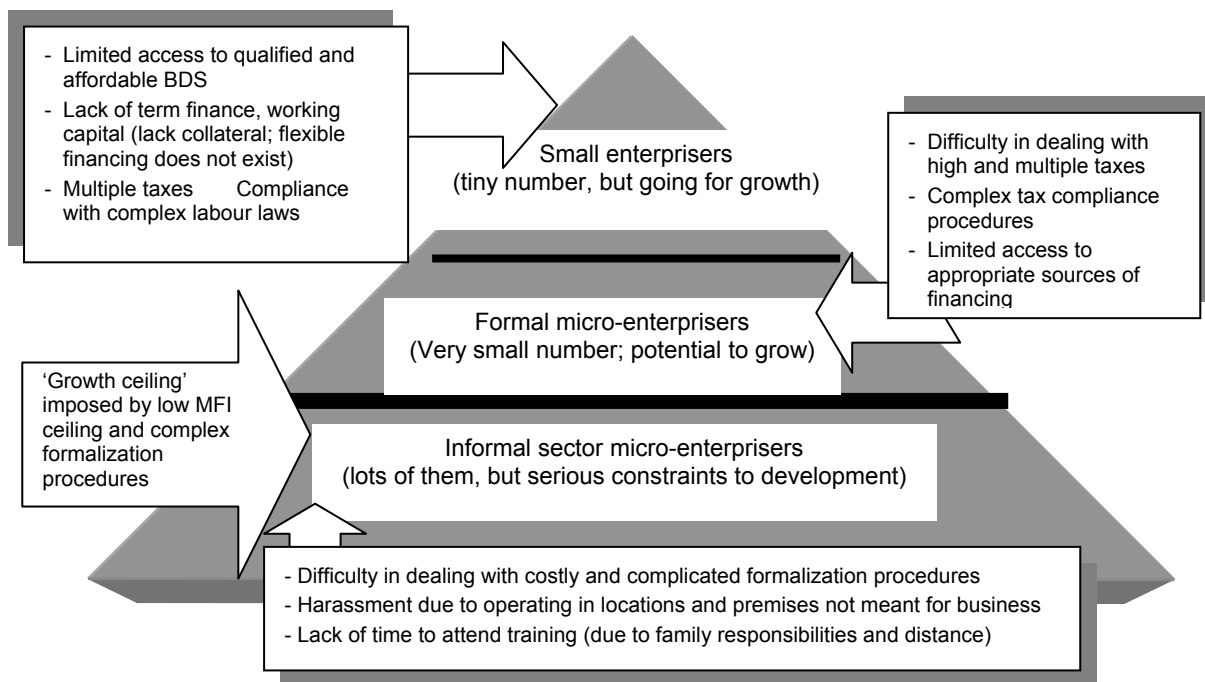
Nchimbi notes differences between women and men in the MSE sector, although comprehensive gender comparisons in the sector have not been done. Women tend to have higher illiteracy rates than men; are “afraid” to take bigger loans; have less collateral to back bigger loans; work harder at marketing their products, but lack bargaining and negotiating power; and have less access to business premises, so tend to be more home-based.

#### **4.1.1 Constraints faced by women in the MSE sector**

Women in the MSE sector face a number of serious obstacles. Among these are: gender-blind or gender-insensitive macroeconomic policies; complex tax policies and compliance procedures; gender-based inequalities in employment policies and regulations; complex business registration and licensing procedures for the smallest micro-enterprises (where the majority of women are found); lack of cultural acceptance for the role of entrepreneurship for women; limited access to appropriate business premises; limited access to BDS; lack of collateral due to property ownership practices; lack of access to term loans and sufficient working capital to meet their needs (the gap between the micro-finance ceiling and the minimum loan requirements of banks); and the limited organizational and management capacity among women’s advocacy groups (UDEEC, 2002). In addition, women face a number of gender-related problems: a lack of property rights over assets; lack of confidence in women by bank officers; discouragement from men when starting or formalizing businesses; social restrictions regarding networking with men in business; and suppliers sometimes insisting that they deal with the entrepreneur’s husband when decisions are being made (ILO, 2003).

The UDEEC (2002) report divided women entrepreneurs into three groups, depending on the structure and size of their enterprises, and noted that each of these groups faces a slightly different set of constraints (see Figure 2). Consequently, each segment would require different kinds of assistance and special interventions to address their unique constraints.

**Figure 2: The three segments of women entrepreneurs and their unique constraints**



Source: Constructed from itemizations in UDEC, 2002.

This pyramidal structure is similar to the ones constructed for the Ethiopia and Kenya country chapters. The vast majority of women in Tanzania operate in the informal economy, employing only themselves; a smaller number operate as formal micro-enterprises, and a very small number operate as small enterprises. What is clear is that the larger the size of the enterprise, the fewer the women in it.

## 4.2 The profile of growth-oriented women entrepreneurs in Tanzania

Since recent statistics disaggregated by sex are not available, it is not possible to estimate how many women among informal economy enterprises and SMEs are operating growth firms, or how many of them have medium-sized enterprises.

However, the growth rate of women-owned MSEs appears to be very low – indeed much lower than that of male-owned enterprises (UDEC, 2002). This further reinforces the stereotype that that women are only able to function at the micro-enterprise level. The *Preliminary Report on Women in Tanzania* (UDEC, 2002) stated:

Most women are said to have little or no interest in or commitment to business activities and the entrepreneurial career. They are also said to have limited motivation for developing their activities to more sustainable and profitable levels. It has been noted that women prefer to develop several micro-enterprises, rather than develop existing businesses into small and medium sized enterprises.

Several entrepreneurs interviewed during the field visit fit this model. However, evidence confirms that women entrepreneurs are not all the same. The ILO (2003) study found that women who expand their firms have a different profile from others. Most started as micro-enterprisers but were very committed to the development of their

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businesses from the beginning. The majority had completed at least secondary education, had previous employment experience or previously owned a business, were married to men with relatively high levels of education and professional, managerial or entrepreneurial jobs, and had access to financial resources and networks. The majority had attended management and entrepreneurship training courses and/or technical training and often participated in trade fairs. The majority plan to expand their enterprises and demonstrate growth aspirations.

Women entrepreneurs in the ILO growth study also demonstrated a high incidence of multiple-ownership; 30 per cent of the sample operated two enterprises and 16 per cent had more than two. They employed an average of 9.7 employees in their enterprises (total of 983 jobs); less than 5 per cent employed more than 20 people. Almost 80 per cent of their enterprises had some form of business licence, and 90 per cent had bank accounts.

#### **4.2.1 The challenges and barriers of growth**

##### **Most women entrepreneurs face many growth barriers**

Women in growth modes who require financing “beyond the low cap micro-finance levels” are seriously restricted by their inability to successfully obtain loans from financial institutions, even if they are referred to them, because they are unable to meet the loan conditions pertaining to security.

Limited access to support services is another constraint for these women. Key informants advised that women entrepreneurs lack access to advice, counselling and encouragement. This is largely attributed to a lack of donor-supported services. Women, in most cases, do not have the funds to pay for these services, and those that can afford user-pay programming do not prioritize funds to pay for these services.

Many of the laws and regulations affecting businesses (including licensing procedures) were designed for relatively large enterprises and are therefore beyond the reach of most MSEs, particularly the micro-enterprises, which are predominantly owned by women. Corruption and bureaucracy make matters worse especially for women, who do not have the same opportunities as men to meet and negotiate (bribe) with predominantly male public officials. The UDEC (2002) report expressed amazement that any women in the informal economy managed to achieve the transition to a formal enterprise in such a difficult environment.

##### **Limited access to proper business premises**

Outside of lending groups, few women are members of women-targeted organizations. As a result, they lack opportunities to enhance their management know-how by learning from successful women entrepreneurs.

An additional constraint for women in growth firms identified by researchers and confirmed by key informants is the lack of strategic orientation towards growth enterprises in government policy and donor-support programmes. Almost all resources are concentrated at the lowest end of the MSE scale in an attempt to alleviate and reduce poverty, rather than contributing to the development of sustainable enterprises.<sup>21</sup>

<sup>21</sup> *ibid.*

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In summary, all women operating in the MSME sector are subject to a number of cultural, socio-economic and operational barriers that limit their ability and capacity to take their enterprises to the next stage of development. In addition, women in different stages of transition from the informal economy to the SME sector face other unique challenges. For those who run informal micro-enterprises (where most of the women are engaged), the main challenges are: dealing with costly and complicated formalization procedures (if they wish to formalize); harassment due to operating in locations and premises that are not meant for business; and finding the time required to attend training supported by donors and NGOs. For those who run formal micro-enterprises, the unique critical challenges are in dealing with high and multiple taxes, complex tax compliance procedures, and access to finance. For women entrepreneurs who are already running small enterprises, the main challenges are: limited access to quality and affordable business development services; access to term finance and sufficient working capital to meet their needs; multiple taxes, and compliance with labour laws.<sup>22</sup>

The challenge is to determine what needs to be done to:

- assist women operating in the informal economy to become formal, micro-enterprises;
- assist women formal micro-enterprisers in efforts to become small enterprises;
- assist women with small enterprises to grow into larger-small and medium-size enterprises.

Additionally, efforts should be made to identify high-potential “would-be” women entrepreneurs and provide them with an orientation that will lead them to starting small (as opposed to micro) enterprises that are “stronger from the start”.

<sup>22</sup> *ibid.*

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## 5. Support for SME development in Tanzania

The Government of the United Republic of Tanzania began its first major attempt to promote the small industries sector as far back as 1966 with the formation of the National Small Industries Corporation (NSIC) under the National Development Corporation (NDC). The emphasis of the NSIC was to establish small industrial clusters, essentially training-production workshops, which in 1973 were taken over by the Small Industries Development Corporation (SIDO), and continue to operate. Development partners, donors and NGOs have over the years influenced the regulatory reform process in creating the right regulatory framework and institutions, and developing sectoral policies and programmes. They have also implemented, and continue to implement, grassroots skills training and micro-finance programmes to encourage income-generating activities. It would appear that an inventory of these past and current MSME development initiatives has not been compiled, nor has there been a systematic effort to learn lessons from project assessments. This has limited the exchange of “good practice” models and approaches.

In September 2002, the University of Dar es Salaam completed a report on recent donor efforts on behalf of the DAC Private Sector Development Group Tanzania and the International Working Group for SME Development of the OECD Committee of Donor Agencies (Olomi and Nchimbi, November 2002). This review took stock of these efforts and drew up lessons learned and best practices to guide future interventions by governments, donor, and other agencies.<sup>23</sup> The report noted that efforts should be made to improve coordination between donors supporting the SME sector. Achieving coordination at the governmental level is also seen as a critical factor in improving the policy and programme environment for MSMEs (MIT, 2002).

### 5.1 The SME Development Policy (SMEDP)

It should be noted that the latest round of SME development policies are very recent. The MIT released its national SME Development Policy in 2003, a process it has been working on since 1998. The SME Development Policy was approved by Parliament on 11 February 2003 and officially launched on 27 August 2003. The overall objective of the policy is “to foster job creation and income generation through promoting the creation of new SMEs and improving the performance and competitiveness of the existing ones to increase their participation and contribution to the Tanzanian economy” (MIT, 2003). The implementation plan for the SME Development Policy includes a list of priority programmes and projects,<sup>24</sup> categorized under seven major objectives:

Objective 1: Enabling the legal and regulatory framework

Objective 2: Improved SME access to physical infrastructure and work places

<sup>23</sup> Olomi, D.; Nchimbi, M. 2002. *Review of experiences from interactions among donor agencies in small enterprise policy reform in the United Republic of Tanzania*, prepared for the DAC Private Sector Development Group Tanzania and the International Working Group for SME Development of the OECD Committee of Donor Agencies, Sep.

<sup>24</sup> Small and Medium Enterprise Development Policy, Ministry of Industry and Trade, Dar es Salaam, Apr. 2003, pp. 35-44.



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- Objective 3: Strengthened entrepreneurial culture (through entrepreneurship development in the education system) and markets for sustainable business development services (BDS), training, and the provision of business information
  - Objective 4: Improved SME access to finance
  - Objective 5: Strengthened stakeholder capacities to achieve effective implementation of SME assistance programmes and interventions (including institutions and associations)
  - Objective 6: Enhanced rural industrialization
  - Objective 7: Cross-cutting issues, such as gender mainstreaming in all initiatives pertaining to SME development.

The implementation of the SME Development Policy cuts across all other major programme and policy areas currently in place, notably the Poverty Reduction Strategy (PRS), the Sustainable Industrial Development Policy (SIDP), the Strategic Trade Policy, the Agricultural Development Strategy Programme (ADSP), Rural Development Strategy (RDS), and Strategies for Poverty Reducing Employment (MIT, July 2003). The danger of overlap due to lack of coordination on elements related to the SME sector was noted in the MIT (2003) report.

## **5.2 Structure for implementing the SME Development Policy**

The Ministry of Industry and Trade is the lead ministry for coordinating the implementation of the SME Development Policy. Three entities are in place, all parts of the implementation structure.

The Tanzania National Business Council (NBC), established by a Presidential Circular in April 2002 and chaired by the President of the United Republic of Tanzania, consists of 20 private sector representatives and 20 Government representatives (Permanent Secretaries of Ministries). It serves as a dialogue forum to take decisions on improving the business environment. The World Bank provides funding for the NBC Secretariat; it convenes semi-annually.

The SME Forum is a national level public-private sector partnership for SME development, led by the MIT-SME Section, which will convene annually. The membership of the Forum is to be comprised of 63 entrepreneurs (three from each of 21 regions), Permanent Secretaries of a number of Ministries, representatives of SME service providers, BDS and financial services providers, representatives of SME stakeholder groups, development partners, and NGOs.

The MIT-SME Section has the mandate to be the focal point for implementation of the SMEDP and other interventions related to SME development. Its role is to support, coordinate, monitor, and evaluate the implementation of the policy in consultation with stakeholders.

### **5.2.1 The MIT-SME section**

Prior to 1997, the small business development function rested within a Unit whose status was equivalent to that of a department and reported to a deputy minister. However,

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after a restructuring in 1997, the SME Unit was dismantled.<sup>25</sup> It was re-instituted as the MIT-SME Section in July 2003 as the importance of SME development was elevated within the current government. However, the Section is still small – in November 2003, it consisted of a head of section and two professionals, and had added one more professional by early 2004.<sup>26</sup> Planning documents propose that the Section be expanded to 12 professionals by early 2004. The Section will have three divisions: (i) Improved Business Environment (BEST Programme); (ii) Information on SMEs and SME Development; and (iii) Financial Services and BDS for SMEs. In addition to adding to its staff complement, the SME Section will have to initiate the setting up of an SME Development Data Bank, produce an Annual Report on SMEs and a quarterly SME Newsletter, and develop a standardized information collection tool for on-going and planned SME interventions that will feed into the SME Development Data Bank.

The MIT-SME Section will act as Secretariat to the SME Forum, publish the Annual SME Report, and carry out the following tasks:<sup>27</sup>

- prepare and review SME policy, undertake monitoring and evaluation of various interventions;
- prepare plans and programmes for the development of SMEs and the informal sector;
- monitor and evaluate the performance of SMEs and the informal sector;
- establish and operate management information systems for SMEs;
- enhance linkages between industrial support organizations (ISOs), research organizations and SMEs;
- mobilize resources for SME development and administer the National Entrepreneurship Development Fund (NEDF);
- coordinate SME development and liaise with ministries and other relevant institutions;
- enhance the capacity of financial and non-financial service providers in serving SMEs;
- set standards for delivery of BDS for SMEs;
- initiate relevant research on SMEs; and
- publish statistics on SMEs.

### **5.3 Other government SME agencies and organizations**

The Small Industries Development Organization (SIDO) is the main government arm for small-scale industries promotion in the country; its main budget comes from the

<sup>25</sup> See discussion in MIT, Nov. 2002, Section 5.1.1.

<sup>26</sup> *The SME development programme framework and process document*, July 2003 report indicates that the MIT-SME Section is “grossly under-funded and under-resourced with respect to requisite human and physical resources”, p. 67.

<sup>27</sup> “Functions and organization structure of the Ministry of Industry and Trade” (approved by the President on 14 Nov. 2002), President’s Office, Civil Service Department, p. 15.

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Ministry of Industry and Trade (MIT). It has offices in 20 regions of the country<sup>28</sup> and a staff of 265. State-owned Industrial Support Organizations (ISOs) also exist to provide business development services to manufacturing enterprises across the country, including SMEs. Governments in each of Tanzania's 21 regions, and the 130 districts within them, are supposed to incorporate enterprise/SME development as an important policy tool in their own district development plans.

A long list of other government departments, donors, NGOs and private sector organizations are key actors in the development of the SME sector (see Annex 1 for a partial list). One of the challenges of the MIT-SME Section will be to coordinate the activities of all these players in order to achieve an integrated, focused effort for the benefit of the SME sector.

#### **5.4 Inclusion of women in the SME Development Policy**

Recognizing that women have less access to productive resources such as land, credit and education due to cultural barriers, and that they stand on uneven ground, the SME Development Policy specifies that gender mainstreaming will be enhanced in all initiatives pertaining to SME development, and outlines the need for specific measures that promote women's entrepreneurship. These are stated as follows:

- facilitate SME service providers to design special programmes for women entrepreneurs and disadvantaged groups; and
- identify factors inhibiting women and disadvantaged groups from going into business and design programmes to address those factors.

Although by November 2003 specific strategies for addressing women's enterprise development had not been drafted, according to a key informant, the implementation plan will take a sectoral approach supported by the rationale, "if you want to grow the Tanzanian economy, you have to develop the food sector, and if you want to do that, then you have to develop women".<sup>29</sup>

To complement the Government's focus on women entrepreneurs, the MIT-SME Section is also the implementing partner for the ILO's WEDGE<sup>30</sup> Programme in Tanzania. One officer's time is dedicated to leading projects to promote women's entrepreneurship, building capacity in associations of women entrepreneurs, and implementing gender mainstreaming workshops for government officials, donor organizations and BDS providers. One of the key outputs from the gender streaming initiative is the FAMOS (female and male operated small enterprises) Check, a gender audit tool that is being used in training workshops to sensitize organizations in dealing directly with SMEs, and to assist them in monitoring how specific interventions are

<sup>28</sup> At the time of the ILO-led mission, it had not yet opened its office in the newly established (21<sup>st</sup>) region of mainland Tanzania, Manyara.

<sup>29</sup> Quote from consultant working with the MIT to flesh out the implementation plan re women entrepreneurs.

<sup>30</sup> Women's Entrepreneurship Development and Gender Equality, a programme of the ILO's InFocus Programme on boosting Employment through Small Enterprise Development (IFP/SEED).

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reaching and impacting both women and men.<sup>31</sup> The proposed SME Development Data Bank will contain information on sex-disaggregated data in SME interventions as reported by stakeholders.

In their review of development partner and donor efforts, Olomi and Nchimbi (2002) concluded that SME policies and programmes of the past have differed in the extent to which they addressed gender issues. Some have shown the need to address women's needs but fell short of specific strategies, while others did come up with specific strategies. UDEC later carried out a survey of donor-supported programmes on behalf of the Africa Project Development Facility (APDF), and in February 2003 released a directory of donor-supported SME and private sector programmes (Olomi, Baisi and Philemon, 2003). It does not appear that a large proportion of donor attention has been placed on the business development and growth needs of women entrepreneurs. However, it is noted that the Donor Advisory Committee (DAC) (now the Donors Partners Group) has occasionally established DAC sub-groups to focus on a particular sector or issue. A case in point is the Sub-group on Micro-finance. It is suggested that a similar approach be adopted by donor groups interested in addressing some of the serious challenges that are impeding the further growth and development of women's enterprises in Tanzania, particularly capacity building of women-owned MSEs and improving access to financing, training, and business development services.

<sup>31</sup> FAMOS was developed as a by-product of the gender mainstreaming initiative under the ILO-WEDGE programme implementation in Tanzania, and is based on the ILO's own gender audit tools and strategies.

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## **6. The integrated framework for development of women entrepreneurs**

In the following sections, an assessment will be made of the Tanzanian support environment in favour of growth-oriented women entrepreneurs according to each of the areas set out in the Stevenson and St-Onge (2003) integrated framework, namely: policy/programme coordination and leadership; promotion; access to credit; entrepreneurship training; business support and information; associations and networks; access to premises; the regulatory environment; and research. Current initiatives are highlighted, and recommendations for possible actions are made to address gaps or enable enhanced opportunity for increasing the capacity and competency of women entrepreneurs to contribute to the employment and economic growth of the nation through the growth of their own enterprises.

Details of the consultants' original approach as developed and applied in Atlantic Canada, as well as the lists of topics and related questions, can be found in annexes 3 and 4 of this report.

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## **7. Policy/programme coordination and leadership**

At the time of the field visit to Tanzania (November 2003), there was no formal focal point for women's entrepreneurship development within the government. An officer in the MIT-SME Section was assigned responsibility for co-implementing the ILO-WEDGE programme in collaboration with the ILO Dar es Salaam Office. She undertaking projects focused on promoting women entrepreneurs as role models, working on the development of viable women entrepreneurs' associations, and coordinating gender mainstreaming workshops within the SME stakeholder group. The Ministry of Community Development, Gender (formerly Women) and Children is interested in SMEs as a way of improving livelihoods in communities through women and children. It is involved in programmes to empower women through entrepreneurship development and the promotion of gender equity issues. The Ministry of Labour, Youth and Sports Development (MoLYSD) has also played a role in policy coordination. However, there did not appear to be any forum for regular meetings with other ministries and departments to discuss common issues, perspectives, and roles with regard to development of women's enterprise.

The challenge of changing the environment for women entrepreneurs goes beyond the jurisdiction of the MIT alone, requiring advocacy within other ministries and levels of government, and negotiation and coordination with donor agencies and NGOs on strategically targeted initiatives to improve the performance of women entrepreneurs and their enterprises. Many donor-assisted MSED projects do target women's enterprise development, but these are generally dwarfed by their other components, they rarely conclude with any evaluation of impact, and they are not inventoried in a common database. One recent exception has been the FAIDA project, funded with assistance from the Government of the Netherlands. There has generally been little sharing of lessons learned and good practice in reaching women-owned MSEs and serving their needs, especially for growth. Some regions are more advanced than others in formulating activities to support the development of women's enterprises at the local level, and most require further education and capacity-building. The need for gender sensitization among policy-makers and implementation agencies continues to be great.

More resources at a higher level within the Ministry could facilitate greater advocacy by key agencies (e.g., those in the government, donors, micro-finance, and business development service provider networks) to support the development and growth of enterprises owned by women.

### **7.1 Recommended actions – policy coordination and leadership**

#### **(i) Staff an official position responsible for women's enterprise development**

In the immediate term, it is recommended that a staff position for women's enterprise development be created within the MIT-SME Section, and that it be given responsibility for developing a work plan to foster growth-oriented women entrepreneurs, and for cooperating with partners to implement the plan. It is also important that this modality be planned and implemented in consultation with the Ministry of Community Development, Gender and Children (MoCDGC), and be linked to existing expertise within the Tanzania Gender Network (TGNP).

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(ii) **Establish an Office of Women's Enterprise Development (OWED)**

In the longer term, it is recommended that the Tanzanian Government take steps, in association with MoCDGC and the TGNP, to establish an Office of Women's Enterprise Development (OWED) and that the authority for such an Office be given status within the SMEDP Implementation Framework.

This Office would be tasked with all issues pertaining to the development of women's enterprise development in the country, including: research; advocacy efforts on behalf of women-owned MSMEs with other ministries and departments; negotiation with donors for strategic support in favour of the development and growth of women-owned enterprises, and; fostering an enabling environment that will alleviate the barriers women face in their MSME activities. The model practice for this is the Office of Women's Business Ownership in the US Small Business Administration, which was put in place by the Women's Business Ownership Act of 1988. This was a landmark event in women's entrepreneurship development in the United States.

The proposed OWED would also be responsible for spearheading initiatives to ensure gender mainstreaming in MSME programmes and networks. This should include promoting use of the ILO's FAMOS Check (gender audit tool) by all those developing policies, programmes and services for the MSME sector.

(iii) **Establish an inter-ministerial committee on women's enterprise**

Additionally, it is recommended that an inter-ministerial committee on women's enterprise be established with the mandate to work across government agency and donor lines to foster the growth and development of women's businesses. It would also advocate at all levels of Government for responsive change to ensure implementation of the gender equality policies laid out in the SMEDP Implementation Framework. A WEDGE-Tanzania Steering Committee, as proposed in discussions between the ILO and MIT and recommended in the Memorandum of Understanding between the two organizations, could provide an excellent model for future implementation.

(iv) **Conduct systematic research on the state of women in the MSE sector**

To support the work of the OWED and the inter-ministerial committee, more systematic research on the state of women in the MSE sector will be required. As soon as practical, it is recommended that a comprehensive survey of the state of women in the MSE sector be conducted. The results of this study will be useful to underpin advocacy positions to improve the operating conditions of women-owned MSEs and foster their growth. In addition, an inventory of initiatives targeted to women should be compiled and used to promote best practice approaches among regions.

(v) **Ensure the participation of women entrepreneurs on the National Business Council and the SME Forum**

(vi) **Hold donor-government meetings to discuss women's enterprise development as a strategic priority**

Finally, it is recommended that a meeting be held between MIT-SME Section officials and donor agencies to discuss the development of women's enterprise development as a strategic priority for coordinated donor funding. Consideration should be given to setting up a DAC sub-group on the issue of women's enterprise development.

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## 8. Promotion of women's entrepreneurship

According to key informants from the University of Dar es Salaam, entrepreneurship is only now becoming considered a legitimate and valued activity in Tanzania. There is a huge need to increase this and to create more awareness of the important role that owners of micro and small enterprises play in the economy. A much higher value has to be attached to opportunities in the SME sector and to the role of entrepreneurs so as to make it an acceptable and preferred option for college and university graduates, the next generation of entrepreneurs.

The low visibility of the role of women entrepreneurs in the Tanzanian economy is of primary concern. Currently women are viewed as only able to operate at the low end of the micro-enterprise spectrum. It is very important to raise the profile of women as entrepreneurs to change this perception, but it should be done within the context of fostering a stronger entrepreneurial culture in the country in general.

Since women dominate the micro-enterprise sector, and yet are undervalued and subject to stereotypical images, promotion is desirable for at least three reasons:

- to demonstrate the diversity of women entrepreneurs in the economy, some of which have grown to medium size;
- to tap the full potential of women (being 52 per cent of the population) in the economic arena; and
- to dispel the myth that women's enterprise is only at the subsistence level and associated with poverty reduction activity, as opposed to job creation and economic growth.

Publicizing examples of successful women entrepreneurs is one way to achieve this, an approach that has been very successful in developed economies such as the United States and Canada.

The Tanzanian Government, in cooperation with ILO's WEDGE-Tanzania project, is addressing this gap by producing the 30-minute documentary video, *Women entrepreneurs in Tanzania: A woman's golden hands*, which profiles five women entrepreneurs. The video was released early in 2004. Apart from this initiative, profiles of successful women clients are often featured in the newsletters of support agencies (e.g., SIDO, The Tanzania Gatsby Trust, etc.). However, the distribution of these newsletters is relatively limited. Much more work is needed in the area of promoting women's entrepreneurship.

### 8.1 Recommended actions – promotion

#### (i) Launch *Women entrepreneurs in Tanzania: A woman's golden hands*

It is recommended that, upon its completion, the *Women entrepreneurs in Tanzania: A woman's golden hands* video be launched at a major press conference in Dar es Salaam to which donors, government officials, members of the Tanzanian National Business Council, the SME Forum, women entrepreneurs' groups, financial institutions, university students, BDS suppliers and entrepreneurship trainers, and other members of the private sector are invited. Following the launch, copies of the video should be distributed widely across the country along with a resource guide and "Fact Sheet on Women Entrepreneurs" that will enable its use as an educational and training tool. Launch receptions could also be hosted in other regions of the country.



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(ii) **Develop new initiatives to profile women entrepreneur role models**

It is recommended that a variety of other mediums be used to profile good examples of diverse women who have been able to overcome growth barriers and achieve success in their enterprises at all levels, from micro to medium size. This can be done by:

- publishing print profiles of women clients of MFI and SIDO programmes, as well as women who have been able to secure other sources of financing and achieve growth; and
- developing a radio programme featuring issues of relevance to women entrepreneurs (and SMEs generally), modeled after the Ethiopian pilot initiative.

(iii) **Organize a series of conferences for women entrepreneurs in the regions; declare a “Women Entrepreneurs’ Month”**

It is recommended that a series of conferences for women entrepreneurs be hosted in each region, focused on transferring knowledge and skills, facilitating networking, and promoting the exchange of experiences among women.

These could be partnered with women entrepreneurs’ associations and combined with trade fairs so members have the opportunity to create a profile for their enterprises as well as generate sales.

Modeled after the good practice in Ethiopia, the Government could further declare a “Month for Women Entrepreneurs” and engage many partners in hosting events and activities to celebrate the achievements of women entrepreneurs in several parts of the Tanzanian economy (see the Ethiopia chapter for more information on the approach). This could be done in partnership with regional agencies and women entrepreneurs’ associations so as to organize activities in all regions of the country.

(iv) **Establish an annual awards programme for women entrepreneurs**

To further raise awareness of the contributions women are making to the economy through their MSMEs, and to recognize their achievements, the MIT-SME Section, in concert with donors, private sector organizations and associations of women entrepreneurs, should institute an annual awards programme for women entrepreneurs.

Several categories of entrepreneurial behaviour could be recognized; for example, an award for micro-enterpriser of the year, innovative woman entrepreneur of the year, growth entrepreneur of the year, etc. A call for nominations could be made on a regional level and finalists honoured at small events prior to a national awards ceremony where “winners” are announced and celebrated. Following the event, print profiles of the finalists and winners can be produced for wider distribution.

In the US and Canada, such awards celebrations attract the attention of the media, as well as major corporations, banks, community leaders and government officials, and have contributed significantly to raising the profile of women-owned enterprises.

(v) **The “Top 20 Women Entrepreneurs of Tanzania” publication**

Because there is little evidence of an inventory of women entrepreneurs in growth firms in Tanzania, and the challenge of breaking the stereotypical image of a woman entrepreneur is severe, it is further recommended that an initiative be undertaken to identify the “top 20 women entrepreneurs in Tanzania” on an annual basis and to publish their profiles.

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This action would serve to raise the profile of women’s entrepreneurial activity in Tanzania as well as offer growth examples to other women who would like to further develop their own enterprises. The “Top 20 Women Entrepreneurs of Tanzania” publication would be distributed widely in educational institutions, government agencies, donor groups, women’s groups and associations, banks, etc. Profiled women could be asked to participate in speaking engagements, participate in policy discussions, offer mentoring services to other women entrepreneurs, and share their experiences broadly with others. Support providers of the “top 20” (financial institutions, business development service providers, etc.) should be encouraged to feature these and other women entrepreneurs in their newsletters.

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## **9. Women's access to micro-finance and other forms of credit**

### **9.1 An unmet demand for credit**

The NISS (1991) showed that only one per cent of operators in the informal sector could acquire capital from the formal financial sector.<sup>32</sup> The rest had to rely on their own savings or informal sources. An Economic and Social Research Foundation (ESRF) study in 2000 found that 94.8 per cent of the households in their six-region review indicated a demand for credit, but only seven per cent had access to formal credit.<sup>33</sup> The same study reported that loan amounts required by women and youth in rural and urban areas far exceeded the loan amounts provided by formal financial institutions. SIDO (2002) estimates that the current demand for MSME credit in Tanzania is 2.5 million borrowers, yet, even in 2002, SIDO itself was only serving 50,000 – 2 per cent of the potential market. The largest demand for credit is in the range of Tshs 50,000 to Tshs 500,000. The existing financing possibilities for MSMEs include personal savings, money from family and friends, as well as credit from moneylenders, micro-finance institutions (MFIs), government departments/agencies, and commercial banks.

MFI loan ceilings are reported to be capped at Tshs 5 million (for groups), and most commercial banks are not inclined to grant credit facilities to individual MSMEs due to high risk and high loan administration costs. Lending by private sector banks and non-bank financial institutions is almost non-existent outside of major towns, municipalities and cities. The low level of savings in the country, combined with a weak financial infrastructure, invariably constrains the development of MSMEs.

### **9.2 Barriers to financing women entrepreneurs**

Although women entrepreneurs have consistently proven to be good credit risks (as a result of good repayment histories), limited access to credit for both new and growing women-owned firms is confirmed by researchers and key informants as a major constraint. Two-thirds of women entrepreneurs in the ILO (2003) study used their own savings to start their businesses, followed by assistance from their spouse (32.8 per cent), credit from family and friends (21.1 per cent), credit from a micro-finance institution (8.6 per cent), credit from a bank (3.9 per cent) and credit from a moneylender (0.8 per cent). As their businesses grew, they depended even more on their own savings (78.0 per cent), as well as micro-finance credit (25.0 per cent) and bank credit (10.2 per cent), and less on money from their spouses (1.6 per cent), and family and friends (12.5 per cent).

Only half of the women who applied for bank credit were successful (ILO, 2003). The most commonly cited problems were cumbersome procedures, high interest rates and the requirement for 125 per cent loan collateral. Since Tanzanian women are often denied control over property, either because of property laws or traditional customs, they are unable to meet these collateral requirements. In addition, the women entrepreneurs in the ILO (2003) study felt that bank officers did not take them seriously, doubting whether they would repay the loan. Their success rate in obtaining credit from an MFI was 75 per cent, but in some cases the micro loan ceiling was too low to be of much

<sup>32</sup> As reported in Mlingi, 2000, p. 87.

<sup>33</sup> *ibid.*

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value. Interest rates are variable and often go higher than 30 per cent. Factors such as these are detrimental to the start-up and growth of women-owned firms.

Consequently, women start businesses with the money they are able to put together from their own savings and personal networks. This affects their capacity to start businesses of any magnitude, and hampers their ability to grow quickly, if at all. Key informants all stressed the importance of introducing a loan guarantee programme for women entrepreneurs in order to help overcome their lack of collateral security.

Another constraint to women's access to credit is the low level of awareness of financing amongst women in the MSE sector. Key informants stressed the need for training women micro-enterprisers on dealing with financial institutions and preparing and presenting a loan application, and for linking credit with business development support.

### **9.3 Micro-finance institutions (MFIs)**

Micro-finance operators in Tanzania function within the framework of the Government's National Micro Finance Policy of 2000. The objectives of this policy are to provide the basis for the evolution of an efficient and effective micro-finance system to serve the low segment of society and contribute to economic growth and poverty reduction (as described in MIT, 2002). The policy establishes a framework within which micro-finance operators will develop, lays out the principles to guide operations of the system, defines roles and responsibilities of actors, and provides guidelines for coordinating mechanisms. The Central Bank was given the mandate to coordinate implementation of the policy. It is interesting to note that the Micro Finance Policy includes "gender equity" as a best practice.

Access to financial services should be available to both men and women. In order to achieve gender equity in the delivery of services, it may be necessary to make special efforts to incorporate features that make the services accessible to all. (National Micro Finance Policy, 2000, pp. 11-13).

There are a number of micro-finance operators in the country (the major ones are highlighted in Table 6) and, although a number of key informants stated the view that micro-financing is plentiful, most MFIs operate in urban areas with relatively well-developed infrastructure, thereby denying access to rural MSEs and those in backward regions (UDEEC, 2002). Key informants reported that micro-credit operators had recently formed the Tanzania Association of Micro-Finance Institutions (TAMFI), with support from the Swedish International Development Agency (SIDA). At this point, however, there is no collective data on micro-finance clients, no evidence of systemic performance evaluations of the micro-finance industry, and a great need for sharing of good practices in managing micro loan funds.

**Table 6: Strengths and weaknesses of MFIs in Tanzania**

<b>Institution</b>	<b>Strengths</b>	<b>Weaknesses</b>
CRDB Bank	A wide branch network (in most regional headquarters). A number of micro-finance products.	Stringent lending requirements for large loans. Still learning to deal with small loans.
National Micro-Finance Bank (NMB)	A large branch network (95 branches countrywide).	Still piloting its lending programme. Upper lending limit is low (Tshs 500,000).
PRIDE –Tanzania	Branches in several urban areas. Has a big loan fund. High recovery rate (over 90 per cent).	Uses the group-lending model, which requires weekly repayments and meetings, hence high transaction costs for borrowers. Graduated loans (one has to start with Tshs 50,000)
Akiba Commercial Bank	Targets small borrowers. Started a micro-finance window. Offers flexible lending arrangements. High recovery rate (over 90 per cent).	Branches in Dar es Salaam only. Others weaknesses – same as PRIDE-Tanzania.
Presidential Trust Fund (PTF)	High recovery rate (over 95 per cent). Borrowers get training.	Limited branch coverage (in just three regions). Limited loan fund. Same weaknesses as PRIDE-Tanzania.
Small Enterprise Loan Facility (SELF/VPO)	Targets the poorest regions. Offers wholesale loans to MFIs. Builds capacity of client (MFIs).	May be unsustainable due to focusing on low-income regions.
Other NGOs (AFREDA, BEST)	Localized services, tailored to circumstances of target groups.	Limited outreach. Same weaknesses as PRIDE- Tanzania.

Source: Taken from UDEC, 2002, pp. 15-16.

### **9.3.1 The CRDB Bank**

The CRDB Bank, 90 per cent owned by DANIDA (the government still holds 10 per cent of the shares) provides both wholesale and retail lending services. Reportedly, it has a 40 per cent share of the micro-finance market, with centralized lending provided through their 24 branches.

For the first three quarters of 2003, CRDB statistics on micro-finance activities indicate that women made up about 41 per cent of their members, and received 47 per cent of their loans (loans to female clients, see Table 7).<sup>34</sup> During the period, male members received an average of 2.12 loans and women members received an average of 2.54 loans. There is no indication of the distribution between women and men of the Tshs 25.6 billion in total loan disbursements.

<sup>34</sup> CRDB Bank Limited. 2003. *Quarterly progress report for micro finance activities*.

**Table 7: CRDB micro finance activities for nine months ending 09.30.03**

Category	1 <sup>st</sup> quarter		2 <sup>nd</sup> quarter		3 <sup>rd</sup> quarter		Total (9 months)	
	#	% of total	#	% of total	#	% of total	#	% of total
No. of loans to male clients	11,026	60.71	15,000	49.10	18,978	50.86	45,004	52.31
No. of loans to female clients	6,973	38.39	15,379	50.34	18,115	48.55	40,467	47.04
No. of loans to groups	163	0.90	173	0.57	222	0.59	558	0.65
<b>Total</b>	<b>18,162</b>	<b>100.00</b>	<b>30,552</b>	<b>100.00</b>	<b>37,315</b>	<b>100.00</b>	<b>86,029</b>	<b>100.00</b>
<b>Membership details</b>	<b>#</b>	<b>% of total</b>	<b>#</b>	<b>% of total</b>	<b>#</b>	<b>% of total</b>	<b>#</b>	<b>% of total</b>
No. of male members	786	14.11	8,998	59.80	11,418	62.64	21,202	54.58
No. of female members	4,472	80.29	5,359	35.62	6,057	33.23	15,888	40.90
Groups	312	5.60	689	4.58	752	4.13	1,753	4.51
<b>Total</b>	<b>5,570</b>	<b>100.00</b>	<b>15,046</b>	<b>100.00</b>	<b>18,227</b>	<b>100.00</b>	<b>38,843</b>	<b>100.00</b>

Source: CRDB Bank Limited, 2003.

Since 2002, the Bank has been piloting the SACCO concept (Savings and Credit Cooperative Society) in four regions of the country as a way of group-lending to MSEs. Under this system, the CRDB Bank lends to wholesalers, who in turn deliver micro-finance products through the SACCOs. To participate as a SACCO, groups of MSEs must form and register themselves. Each individual member must agree to buy shares in the SACCO, which makes them eligible to borrow at a 1:3 ratio depending on the number of shares they have. Members must also contribute 25 per cent of the loan amount as security-on-deposit with the CRDB. The wholesaler borrows from the CRDB at 12.5 per cent and lends out to SACCOs at 24 per cent (2 per cent per month). It appears that only one of the SACCOs is for women only.

A survey of 125 SACCOs undertaken by the CRDB Bank recently found only 25 operating on a "best practice" basis, the top performing of which was the women's SACCO. One of the other findings was that for mixed group SACCOs, women borrowers had lower default rates than men, a finding consistent with other studies of micro-finance lenders. The Bank delivers three levels of training to SACCOs – to all of their members, to their professional staff, and to their management committees. The intent of the Bank is to roll the SACCO model out across the country. The CRDB aims to become a retail bank within the next five years. Within this context, funding SACCOs is an approach for the Bank to reach MSEs that have the potential to become individual loan clients.

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On the individual lending side, the Bank prefers to provide loans of over TShs 2 million. Their normal collateral security requirement is 154 per cent of the loan amount.<sup>35</sup> For loans over TShs 20 million, the client has to have a professional business plan. The Bank key informant stated that the number of women clients in this larger loan category is very low, adding that most MSE sector women are not encouraged to go to banks because they do not have a track record and are unable to meet collateral requirements. A serious encumbrance is women's lack of property ownership, and the reluctance of many husbands to give consent to their wives to pledge matrimonial property against an enterprise loan.

### **9.3.2 The Small Industries Development Organization (SIDO)**

SIDO, with an office in 20 of the 21 regions of the mainland, is a large provider of financial and non-financial services to MSEs. They have 70,000 credit-delivery clients and reach 300,000 MSEs through their small business training and consultancy services. The key informant from SIDO stated that there is a big gap in the capacity of the organization to meet the demand for credit – of the 71,000 credit applications they had in the system in November 2003 (for loan amounts totalling TShs 27 billion), they will only be able to fund about 10 per cent.

SIDO offers three levels of credit:

- Level 1: Using the group-lending approach, members can borrow up to Tshs 1 million (US\$1,000). Interest rates range up to 30 per cent per annum. Normal repayment terms are 12 months, but food producers may qualify for a two-year repayment term.
- Level 2: For loan amounts of between Tshs 1 million to Tshs 6.5 million, SIDO moves to individual loans.
- Level 3: For loan amounts greater than Tshs 6.5 million, SIDO links the clients to a financial institution.

The organization appears to have an excellent process of providing business development support prior to and after the provision of credit.

In addition to its own loan fund, SIDO administers a micro-credit programme (to groups and individuals) under the Entrepreneurship Development Fund (EDF). Started in 1994 with funding of Tshs 8 million, the fund has grown to about Tshs 1.5 billion. However, key informants from the MIT indicated that the recovery rate on loans has been low and the fund is now diminishing. Women receive lower amounts than men, and the SME Section is lobbying SIDO to ensure that women make up at least 50 per cent of the loan client base. The EDF has two sub-funds: the Women's Development Fund (WDF) and the Youth Development Fund (YDF), both funded through UNIDO, but administered and monitored by MCDGC and MoLYSD respectively. Furthermore, UNIDO has been supporting the implementation of the WED project, being implemented by SIDO, since 1993. Women make up a reported 56 per cent of SIDO clients.

<sup>35</sup> For security, the CRDB will take a fixed deposit account, 80 per cent of the value of any land, or a collateral mortgage on other assets.

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### 9.3.3 Other micro-finance providers

A number of NGOs also do micro lending, some of them predominantly oriented towards women-owned MSE clients. During the Tanzania field visit, interviews were held with the Tanzania Gatsby Trust (TGT) and the Zanzibar Fund for Self Reliance, two examples of such NGOs.

The TGT is a registered charitable trust, focused on the alleviation of poverty in Tanzania through credit provision, marketing development, training and technology transfer to MSEs. It directly provides micro credit services in 10 regions of the country, and in an additional 11 regions through collaborators. Their wholesale group lending services are provided through NGOs and other third party re-lenders at annual rates of between 18 and 24 per cent, depending on the size of the loan.<sup>36</sup>

Their retail credit is delivered to groups of 5 to 9 members on a mutual guarantee, no collateral basis, at rates as high as 30 per cent. The minimum loan for a group is Tshs 100,000; the maximum is Tshs 5 million. When an individual member scales up to a Tshs 1 million loan, she may decide to leave the group and take an individual loan if she has been able to accumulate some assets for collateral. TGT also does individual lending up to a maximum of Tshs 5 million to clients who do not want to participate in a group. If the client is not able to secure bank financing at that point, the TGT can lend up to Tshs 10 million – but at interest rates of up to 30 per cent, this is expensive money.

Initially, TGT targeted certain sectors, like artisans, but has started to broaden its eligibility criteria. TGT credit is supported by business development services, including marketing support and training in financial management and business development skills. Eighty per cent of their micro-finance clients are women.

The key informant from TGT shared her views on the barriers women face in accessing “growth” credit:

- Lack of business management skills, especially in rural areas;
- Low level of skills that can translate to markets;
- Lack of premises, raw materials and other resources required for growth.

She concluded by saying, “Being a woman in Tanzania is in itself a problem. They are poor, have low educations, and don’t have a voice.”

To address these problems, she recommended improving policies, improving the infrastructure for entrepreneurs, and forcing banks to contribute a certain percentage of their loan funds for small business financing in the local community.

The Zanzibar Fund for Self Reliance was established in 1991 to deliver the Presidential Trust Fund as a complement to the national priority of reducing poverty, promoting the informal sector and improving access to capital. Its target group is unemployed persons who want to become self-reliant through petty trading and hawking. About 70 per cent of their 4,000 clients are women. Loans are made to individuals through the group guarantee approach. Initial loans are for amounts of Tshs 5,000–10,000, but after seven rounds of financing an individual could borrow as much as Tshs 2 million. At that point, if the client wanted to continue to expand the business, the Fund would offer a loan guarantee so the client could access bank financing. Interestingly

<sup>36</sup> The re-lenders lend to groups at rates ranging from 30 to 200 per cent.



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enough, only one woman so far has taken her loan to a bank (November 2003). In 2002, the Fund disbursed Tshs 39.1 million; its repayment rate is 87 per cent. To help clients develop their skills, the Fund offers training on how to identify opportunities for entrepreneurial projects and encourages borrowers to attend trade fairs and exhibitions.

PRIDE Tanzania, with 21 branches (16 in major urban centres), is also a major supplier of micro-finance. As of March 31, 2002, PRIDE Tanzania had more than 51,000 active clients, 68 per cent of whom were women.<sup>37</sup>

Contrary to popular opinion, women are not the major recipients of micro-finance in Tanzania. Due to their lack of collateral security, the low ceiling on micro loans, and their inability to access traditional bank financing, women are forced to start at the micro level and stay there. The objective of most micro credit programmes is poverty reduction rather than economic growth; therefore, even if a woman wants to expand her firm, she is severely constrained. A more diverse range of financial instruments is needed to enable women entrepreneurs to move from micro to small-scale, and from small-scale to medium size.

### **9.3.4 Commercial banks**

With respect to commercial bank financing, key informants indicated that banks lack experience in dealing with the SME sector. Traditionally, Tanzania's banks have focused on deposits and low risk investments, such as Treasury Bills (T-bills). Of late, due to lower deposits and declining rates on T-bills, banks are becoming more open to looking at opportunities in the SME market, but a mechanism is needed to accelerate their learning in assessing SME risk. Furthermore, banks have very little experience in lending to women and need awareness and sensitivity training to overcome the perceptual bias that "all women have informal sector enterprises with no growth potential".

## **9.4 Recommended actions – access to credit and micro-finance**

Recommendations to alleviate some of the challenges encountered by women in accessing credit to support the growth of their enterprises are presented for each of three levels of intermediaries – micro-financing operators, financial institutions and government.

### **A. Micro-financing**

#### **(i) Raise ceilings on micro-finance lending limits**

The low lending limits currently in place tend to undercapitalize MSEs at the start-up level, thus fostering low or no growth-potential venture creation. At present, most key informants report that women requiring loans in excess of Tshs 5 million are referred to financial institutions having lending conditions, which in most cases cannot be met by women borrowers.

<sup>37</sup> PRIDE financial statistics, PRIDE Africa, [www.bellanet.org/partners/mfn/memberPRIDE](http://www.bellanet.org/partners/mfn/memberPRIDE).

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(ii) Increase the level of lending services to individual women clients

Tanzania does not report any financial institution specifically focused on the women's market. Although key informants reported variability in the percentage of women clients (CRDB – 47 per cent, PRIDE Tanzania – 68 per cent, the Tanzania Gatsby Trust – 80 per cent, SIDO – 56 per cent), reach is a critical issue. As the major MF providers, these organizations are providing financing for less than 250,000 women. With promotional efforts to raise awareness of Tanzanian women's contribution to the economy, financial institutions should be encouraged to set objectives for reaching women clients.

(iii) Provide gender sensitivity training to credit officers

Women are different – they don't think as "big" as their male counterparts and often are more cautious. Account managers and relationship managers need to understand how to work with these clients, identify client needs, and coach women in the lending approach process. Gender mainstreaming workshops will help them recognize any gender bias they may have in their policies, procedures, perceptions or approaches.

(iv) Improve the level of information among women entrepreneurs regarding financing programmes and services

Produce a Guide to Financing for Women Entrepreneurs, designed to impart basic information to women-owned MSEs on sources of financing, terms and conditions, preparing financing proposals, and negotiating for credit. The Guide should be distributed widely throughout the country, in both English and Swahili, and supported by information sessions, perhaps delivered in partnership with women's associations. The purpose is to get the message out to women-owned MSEs in order to improve their ability to source financing.

**B. Financial institutions**

(v) Develop financing programmes tailored to the needs of growth firms

Women entrepreneurs require different levels of financing interventions at various periods during the growth of their firms. Examples are working capital loans, receivables financing, and quasi-equity products.

(vi) Establish a reserve for women entrepreneurs

Set corporate portfolio targets and establish individual account manager loan-writing objectives for women entrepreneurs.

(vii) Implement training programmes designed to sensitize account and relationship managers

As noted above in the micro-finance recommendations, incorporate sensitivity training to the women's market for newly hired and existing staff.

(viii) Be more proactive in developing the women's market

Ensure that marketing materials are gender sensitive. Seek opportunities to partner in women-focused initiatives.

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- (ix) Help women develop business plans for bank financing and negotiate better

The onus is not only on lending institutions; women also have to be oriented in the art of dealing with banks and packaging their loan requests for financing. Women need to learn how to approach and negotiate with financial institutions, know the lender's information requirements and how to prepare financing project proposals.

**C. Government policy**

- (x) The Government should implement the SME loan guarantee programme proposed in the SME Development Policy.
- (xi) The Government should set up government-backed women's credit guarantee programme for individuals growing beyond the micro level.
- (xii) A loan guarantee fund would serve to reduce the risk to banks in cases of limited collateral, often the situation facing women entrepreneurs.
- (xiii) The Government should examine the take-up of government financial assistance to female versus male-owned enterprises and take steps to address any gaps.
- (xiv) The Government should undertake dialogue with lending institutions on women's access to credit with a view to making more credit available to this part of the MSE market.

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## 10. Training – business management and technical skills

Findings from research on women entrepreneurs in Tanzania and interviews with key informants indicate that women tend to have low levels of business and technical skills, and often do not value the importance of business training. Both the necessity of taking time away from their enterprises and the cost of training are seen as prohibitive factors. Yet clearly, training and skills development are necessary. Growth-oriented women in the ILO (2003) study stated that “skills, competencies and training I had prior” to starting the business played a critical role in facilitating the start-up (indicated by 21.1 per cent of the respondents).

There are three ways in which women can receive training in entrepreneurship/business management. The first is through exposure within the education system; the second is through pre-start-up technical training, and the third is by taking training during various phases of developing and expanding their enterprise. Accessibility and availability of training for women in each of these areas is deficient.

### 10.1 The education system

Over 690 vocational training centres are registered with the Vocational Education and Training Authority (VETA),<sup>38</sup> over 90 per cent of which are either private businesses or NGOs. VETA centres do offer skills training courses suitable for self-employment (tailoring, batik making, housekeeping, etc), but UDEC (2003) states that the primary emphasis on training is for employability in large public and private enterprises. Because there are few jobs available, most of the VETA graduates go unemployed or are inadequately trained for entrepreneurship. Data on the proportion of women students is not available.

In the university context in Tanzania, key informants from the University of Dar es Salaam reported that seven per cent of their students (1997 study) were running businesses while attending university, but that not many have the skills and interest to start a business. Micro-enterprises operating in the informal economy, which is what most students perceive as “entrepreneurship”, is not seen as being that attractive to them. Since the University of Dar es Salaam Entrepreneurship Centre (UDEC) began its operations on campus in 1999, it has been lobbying the university to offer courses in entrepreneurship. In December 2001, the university adopted a policy on entrepreneurship development. The policy states that entrepreneurship will be promoted to all students through activities that will: (i) improve their level of enterprising behaviour; (ii) develop an awareness of and interest in business/enterprise; and (iii) develop their skills in starting and managing an enterprise, including access to support networks.

To support this new policy, UDEC has trained about 70 lecturers in “enterprising teaching strategies”. An entrepreneurship and small business management course is offered in the Faculty of Commerce and Management, and an entrepreneurship course is offered to all engineering students. During their third year of study, all students at the university will have the opportunity to take a business planning course, although not all students have access to it at this time (this is a capacity issue).

<sup>38</sup> Information from MIT, July 2003, p. 16.

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With respect to female enrolment at the university, UDEC key informants indicated that about one-third of the commerce students are women, 40 per cent of MBA students, and 50 per cent of arts students. Taking special measures to ensure that these female students participate in entrepreneurship courses is likely to create the seedbed for the next generation of growth-oriented women entrepreneurs.

## 10.2 Pre-start-up training

Data from a 1997-98 training needs assessment of informal sector operators found that over 75 per cent of informal sector operators had primary education, while only seven per cent had attended vocational training courses. Most had acquired their skills in a variety of trades through apprenticeships or directly from their peers, but were unaware of the theoretical aspects (reported in Mlingi, 2000, p. 81). Only 5.3 per cent of the MSEs in the Swisscontact (2003) study had received any entrepreneurship training, and even fewer in new product technologies or costing and pricing. This suggests that most MSEs are “learning through trial and error” or from the practical know-how of other operators.

SIDO provides training for MSEs under its Business Management pillar. It uses a number of approaches and materials, including the ILO’s Start and Improve Your Business (SIYB) materials. SIDO uses a holistic approach in the development of clients by linking technical and management training and consulting services with micro-finance services. Women clients make up the majority of those seeking marketing support, and in response SIDO recently hired a woman as Marketing Director.

Technical training in food processing, as supported by SIDO and UNIDO, has been available for at least seven years. Almost 2,000 people, mostly women, have been trained. However, only about 200 of the women trainees have been able to develop meaningful and sustainable enterprises, mostly very small, informal food-processing activities operating mainly from their home kitchens (UDEC, 2002). It is not clear why this investment has not generated greater results, especially because this training also includes entrepreneurship components. Part of the problem could be the stringent regulatory requirements for operating a food processing business. As well, the costs of premises and those for necessary testing expenses are often beyond the reach of most of the women.

The Tanzanian approach to working with women’s enterprise development from a training perspective is predominantly sectoral and group-based, with technical training at its core. Entrepreneurship training elements are sometimes included, but often women receiving technical training are not well equipped with the entrepreneurial and business management skills that they will need to start or expand a business. Except in isolated cases (e.g., the work of SIDO and UNIDO with women in the food processing sector), these women receive little follow-up support when the training is finished.

TGT provides training to their clients in a broad range of management skills, including marketing skills and how to access loans, but the reach is limited.

Overall, there are limited opportunities for women to participate in entrepreneurship training. An official from the Ministry of Community Development, Gender (Women) and Children stated:

If we build women’s capacity in entrepreneurship, then we develop them into resources. What’s needed is a training institution for women and we need women mentors in different sectors and areas of expertise to help train others. We need a women’s entrepreneurship centre to do all of this!

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### 10.3 Training for existing enterprises

Once in business, women entrepreneurs express a strong need for training in marketing, product quality, financial management and business planning. But access to this business and management training is limited. During the field visit, key informants suggested that the major MSE management skill development requirements of women are in the area of marketing, packaging, financial management, and dealing with financial institutions. Low awareness, high programme cost, limited customized training, and the poor reach of training services to women in rural communities are all issues of concern. The existing training programmes that are provided are referred to as basic, and key informants expressed a need for programmes specifically tailored to women in growth firms. Women entrepreneurs feel there is a need for follow-up interventions and customized programmes, delivered in a “just-in-time learning approach” (short interventions on specific topics), reaching women in all regions of the country.

Some user-pay training programmes are offered throughout the country, but in most cases, the cost of this training is an issue for women. Donor-supported NGOs reportedly offer training at low prices; however, key informants report that trainers often have low skill levels, especially in business growth strategies. Higher level training offered by organizations such as the University of Dar es Salaam is seen by many women as too expensive (the University’s three-day training programme costs US\$250). Other organizations also offer programmes supported by donor funding, but these offerings, in many instances, are not customized to pre-identified learner needs and are centrally based in Dar es Salaam. Programmes scheduled over a five-day period are viewed as too much of a time commitment by most women entrepreneurs and do not usually provide follow-up support. Overall, key informants reported that women entrepreneurs have a low awareness of available training opportunities, and that reach to rural communities is an area of concern.

### 10.4 Recommended actions – training

(i) Increase women’s awareness of the need for training and its availability

Women entrepreneurs, particularly in rural communities, need to be in the communications loop regarding training opportunities. A series of regional seminars on training and other business support and financing options should be developed and delivered in all regions. Delivery organizations need to develop linkages with partners which can host these sessions.

(ii) Continue to build on technical training opportunities

It is important to build on existing technical training initiatives, recognizing that these need to be tied to infrastructure support (such as that provided by incubator centres), reflective of identified market needs, and complemented by entrepreneurship training and follow-up advisory services to help with implementation of all aspects of the business.

(iii) Implement seminars to help women identify business opportunities with higher growth potential

When starting micro-enterprises, many women do not consider the longer-term sustainability of their enterprises. They have tended to select entrepreneurship as an option based on their need for basic survival. Business ideas are taken from neighbours and friends within their communities. In most cases, these ideas have brought women

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into a very competitive and local market that offers limited prospects for business growth. Clearly, women must learn to think “out of the box” when identifying business opportunities. Since this is a learnable skill, efforts should be made to design seminars that help women identify business opportunities with higher growth potential. One key informant expressed, “If we want to empower women, they must learn to identify market opportunities.”

(iv) Adapt flexible training approaches to meet women’s needs

Training initiatives need to focus on “just in time” learning versus the more traditional two to five-day classroom training approach. To achieve the desired knowledge transfer objectives, follow-up should be incorporated in the training to assist trainees with the practical application of the new knowledge. Follow-up sessions should be one-on-one and take place at the training participant’s business location.

Women entrepreneurs stated that training programme delivery must take into account that they often cannot leave their businesses and communities to attend week-long training programmes since they are dependent on the business income for their livelihood; family responsibilities also require their presence at home. It is important that programme delivery schedules accommodate this, and offer flexible timing and delivery in both rural and urban communities.

(v) Develop training initiatives on the “how to” of preparing for and participating in trade fairs

Several organizations reported initiatives that expose women to trade fairs. In order to maximize the revenue-generating opportunities available at these events, women must learn to effectively package, price, and display their products. Training approaches should be developed to meet this need, and the ILO’s Improve Your Exhibition Skills (IYES) materials<sup>39</sup> could make a valuable contribution.

(vi) Implement a series of regionally delivered “managing for growth” training programmes

A “managing for growth” training programme should be developed and made available to women entrepreneurs across the country. This would be group-based, delivered over a period of months, and incorporate counselling and mentoring initiatives. The training approach should include a review of each woman’s existing operation – SWOT analysis, new market opportunities identification, assessment of her ability to enter these markets (issues pertaining to product, price, distribution, etc.), a capacity evaluation (financial and resources), and the development of a growth plan. Access to BDS providers should also be included in the programme, presenting opportunities for women to identify “who can help” in their growth planning process.

(vii) Recruit and train successful women entrepreneurs as mentors

The utilization of successful women entrepreneurs as mentors for novice women entrepreneurs represents an untapped resource. The role of the mentor is to share her experiences in developing her own enterprise, to share networks and to coach the learner in the application of new business management knowledge. An opportunity exists for them to play a key role in the facilitation of knowledge transfer and confidence building. These women also serve as role models to other women in the communities. Training

<sup>39</sup> As used prior to the Saba Saba national trade fair in July 2003.

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initiatives could be enhanced by using these women in training follow-up roles. A lesson learned from the Canadian experience is that the entire mentoring process is a growth experience for the mentors as well as for the women they are assisting.

- (viii) **Increase the capacity of business trainers with emphasis on women in growth firms (train-the-trainer)**

Women entrepreneurs at the start-up stage repeatedly state that they prefer to learn from other women. This relates to both cultural and confidence issues. To respond to this preference, efforts should be made to train a roster of women trainers who possess good educational backgrounds, sensitivity towards the women's market, and MSE knowledge. Since informants reported low skill levels in some trainers, it is important to improve the capacity of existing trainers to deliver growth training programmes, as well as to respond to any unique needs of women clients.

- (ix) **Implement exchange and study programmes to build competence**

Initiatives should be put into place to expose micro-entrepreneurs to the practices of successful women entrepreneurs from other regions of the country and other countries. These women could be selected on the basis of their experience in identifying good business opportunities, implementing good practices in small-scale production and cottage craft industries and in developing markets, and be engaged to lead workshops and seminars for other Tanzanian women-owned MSEs.

Opportunities should also be sought to support the capacity building of service providers through study tours to other African countries and international communities.

- (x) **Provide training on dealing with financial institutions and borrowing mechanisms**

There is a low awareness of financing options among women entrepreneurs. Workshops should be designed with the objective of helping women learn how to prepare for (develop proposals) and approach financial institutions. Women also require a better understanding of the mechanisms of borrowing and the relationship between the injection of funds at certain stages of their development and business growth. Such knowledge will help those women entrepreneurs who have a risk-averse tendency.

- (xi) **Build the entrepreneurial capacity of vocational and training centres and universities**

There should be a stronger focus on entrepreneurship training in vocational training centres and universities, with a particular focus on reaching women students. UDEC and other qualified and experienced centres should be engaged to deliver a series of entrepreneurship workshops to vocational training centre instructors and professors in order to build capacity, as well as to create more awareness of the gender issues in education.



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## 11. Business support and information

The state of BDS provision in Tanzania is not well known. A 2003 SME-Mapping of Tanzania report concluded that existing BDS services are generally designed and financially supported by donors for the micro-enterprise market (and thus, are very basic), or are offered by professional consulting firms at high prices.<sup>40</sup> Furthermore, among MSEs, there is very limited awareness of and access to BDS, including training, consultancy and advisory services, marketing assistance, information, technology development, and promotion of business linkages. This awareness was reported as being well below 25 per cent in the Swisscontact (2003) report. Consequently, less than 10 per cent of the SMEs in the Swisscontact survey reported having received any of these services (see Table 8). The major reason for non-use was lack of availability in their regions. On the other hand, SMEs perceive the need for BDS and consider it important to the success of their enterprises.

**Table 8: Awareness and usage of BDS by MSEs in the Uruhu corridor, 2003**

<b>Business services</b>	<b>Per cent aware</b>	<b>Per cent received</b>
Training in bookkeeping	22.2	12.1
Training in costing and pricing	18.1	5.0
Training in new product technologies	14.0	2.0
Entrepreneurship training	6.6	5.3
Purchase and stock control	10.8	3.3
Marketing and sales promotion	20.9	11.4
Marketing information	12.4	5.0
Business planning	16.4	9.9
Financial services	24.3	5.7
Transport services	27.6	23.7
Accounting and bookkeeping services	10.9	3.4
Communication services	24.6	15.0
Secretarial services	12.3	7.2
Advisory services on legal matters	10.7	0.9
Advisory services on taxation issues	12.6	8.6
Other services	-	0.1

Source: Swisscontact, 2003.

According to MIT (2003), past approaches to achieve high reach among MSEs have failed because of the lack of sufficient subsidization of BDS or the lack of sustainable funding (services do not continue when donor-funded programmes end). The MIT (2003) SMEDP Implementation Framework outlines a number of recommendations for addressing gaps in the delivery of BDS, including increased local availability, improved quality, and greater sensitivity to specific local market needs.

<sup>40</sup> Reported in MIT, July 2003, p. 36.

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Women-owned MSEs are doubly disadvantaged in accessing BDS and information because they are less likely to be able to afford the purchase of these services, and are not linked to mainstream business networks such as the Chamber of Commerce. Women entrepreneurs' associations, which can be a conduit for dissemination of business information and services, are not sufficiently developed to reach large numbers of women operators.

The ILO (2003) report concludes that women are missing business opportunities because few mechanisms exist for providing them with basic marketing information and advice; in many cases, they are not even aware that these services exist. Interviews with women entrepreneurs during the consultants' field visit (November 2003) confirmed that they are in need of information about market opportunities and advice on how to organize themselves to take advantage of such opportunities. Key informants further stated that BDS suppliers do not have the capacity to provide essential advice on growth strategies because many of its officials are used to dealing with survivalist enterprises and, themselves, lack knowledge. Consultants who do have the capacity are limited in number and too expensive for most women-owned MSEs.

### **11.1 Recommended actions – business support and information**

- (i) Establish a coordinating office for BDS and outreach services for women-owned MSEs.

It is recommended that a coordinating office be established to facilitate access to BDS for women entrepreneurs. This could take the form of a network of women's enterprise centres in various regions across the country, or the appointment of a dedicated women's officer in SIDOs. The role of this office/officer would be to streamline needs-based services to women entrepreneurs, with the specific objective of upgrading the level of their enterprises by improving their access to BDS.

Outreach services would be provided to make women more aware of existing laws, regulations, BDS, financing options, marketing information, training opportunities and WEA services (e.g., through a series of regional seminars).

The office would also offer gender-mainstreaming sessions to the BDS network to ensure more effective servicing of the women's market.

- (ii) Disseminate business information through women entrepreneurs' associations.

Women entrepreneurs' associations should be supported in their efforts to disseminate marketing and other business information through their membership networks; these associations should be expanded to improve such access.

- (iii) Train technical college and university graduates to become BDS providers in the women's market.

To increase women's access to BDS, a programme should be implemented to increase the supply of qualified BDS providers. One way of doing this would be to design a training/education component in MSE counselling/consultancy so as to prepare technical college and university graduates for careers as BDS advisers. A contingent of these graduates should be focused on the women's market. The training programme should be augmented with internships in MFIs, BDS providers, regional agencies, etc.

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Discussions should be undertaken with UDEC (among others) to design and deliver such a programme in concert with the University of Dar es Salaam and other educational institutions in the country.

- (iv) Explore the BDS facilitators' pilot programme being implemented by the Amhara Women Entrepreneurs' Association (see Ethiopia country report).

To assist women-owned MSEs to identify weaknesses and growth opportunities in their businesses, women facilitators should be trained to provide one-on-one, group and sectoral business development interventions at the local level.

A good practice approach is the one being supported by the ILO's WEDGE-Ethiopia programme, in cooperation with MoTI-WAD and the Amhara Women Entrepreneurs' Association in Bahir Dar.

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## 12. Business premises

### 12.1 Lack of premises

Tanzanian MSMEs face serious problems being able to access proper business premises. A large proportion of informal economy enterprises operate along the roadside. MSMEs find it very difficult to acquire plots for constructing proper business premises because of bureaucracy, corruption, and the very limited number of surveyed plots (UDEEC, 2002). To address this market failure, “improved access to infrastructure by SMEs” is one of the priority sub-programmes targeted for implementation in the SMEDP.

In many communities, there are inadequate facilities and premises for women to expand their businesses. This applies to the expansion of manufacturing businesses, such as those in food processing, and to small producers who are unable to secure proper market stalls to present their products to buyers.

The ILO (2003) report recommended that a collaborative effort be undertaken between the MIT and SIDO<sup>41</sup> to identify appropriate land, service it, and build affordable production facilities so that women in growth-potential sectors can set up formal enterprises and expand their operations. This has already been done to some extent for women in food processing (the UNIDO-supported project), and the same model could be used for other sectors (e.g. soap-making, garment-making). The concept of incubators should also be expanded, ensuring that women operators have equal access to incubator space.

### 12.2 Recommended actions – premises

- (i) Increase the supply of premises, equipped production facilities, and incubators.

It is recommended that:

- the MIT spearhead an initiative to make production facilities available in sectors in which women are predominant;
- fully-equipped incubators be established for key sectors (e.g., textiles, food-processing) to give women access to production premises and appropriate technologies that will enable them to expand their enterprises;
- district/local governments designate land where women can build market stalls and gain better access to market opportunities.
- these work spaces be offered to women on an affordable lease basis, thereby reducing the capital costs of growth.

<sup>41</sup> SIDO is the owner of largely un- or underutilized property in a number of regions (MIT, July 2003), p. 35.

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## 13. Business environment issues

### 13.1 The regulatory environment

The Tanzanian government is in the early stages of reviewing the regulatory and operating environment for its SMEs. According to the UDEC report (2002), most existing business policies and regulations were set up with large businesses in mind and are inappropriate for smaller enterprises. It also reported that existing policies are either gender blind or gender insensitive and thus fail to support women entrepreneurs in growth sectors.

Tax policies and regulations are complex, and business registration and licensing processes are complicated, time-consuming and centrally administered. Furthermore, many sector regulations are too stringent to be met by small enterprises (*ibid.*). With respect to the latter point, ILO (2003) cites the example of women who participated in the UNIDO-supported food-processing project for women. Although about 200 women started their own food processing businesses after the UNIDO training, very few have been able to comply with the Food Control Act, and so are obliged to continue to operate as “informal” enterprises<sup>42</sup> “at the mercy of the tax, health and licensing officers” (p. 32). While women in the informal economy may be able to avoid compliance with many of the regulatory and tax demands, entrepreneurs who wish to formalize (in order to be able to grow) must overcome the challenges presented by laws, regulations and taxes (UDEC, *op. cit.*). Thus, women are impeded in their growth aspirations.

The Government is just beginning to implement the Best Environment Strengthening for Tanzania Programme (BEST), with help from donor governments. The main objectives of this five-year programme are to realign the regulatory environment around the needs of SMEs. A Better Regulation Unit has been established in the President’s Office of Planning and Privatization. However, additional efforts are required to ensure that gender inequalities – institutional, inadvertent or perceived – in any part of the institutional and regulatory framework are removed.

In general, men in Tanzanian society have more access to and control over economic resources than women. Gender-biased practices exist in many areas of the economy, including the education system, labour market policies and the banking and the legal system. This situation influences the type of sectors women operate in and prejudices them in many of their efforts to expand their enterprises. The issue of land ownership poses another particular difficulty for women entrepreneurs. Customary gender-biased loopholes must be removed from the law to give women equal rights to property, which they can then use as collateral security for bank loans, should they so wish.

<sup>42</sup> A consequence of this is that they are not free to advertise their products and cannot sell to customers who require receipts.

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## 13.2 Recommended actions – regulatory environment

(i) Address gender biases in the regulatory and legal system.

The MIT-SME Section should liaise with the Better Regulation Unit to ensure gender biases are taken into consideration when reviewing the existing legal and regulatory environment in favour of all MSMEs.

The ILO has been working on a number of policy-related initiatives in Tanzania and has worked with UNDP and UNIDO in preparing the *Informal sector roadmap study*.

Gender mainstreaming workshops should be offered to the Better Regulation Unit and to members of the BEST implementation team to create more awareness of the possible negative impacts of the current regulatory environment on women-owned MSMEs.

## 14. Women entrepreneurs' associations and capacity-building

There are over 30 business associations in Tanzania, seven of which are identified as being representative of SMEs (MIT, 2002). Only four of the total are oriented towards women members:<sup>43</sup> the Tanzania Food Producers Association (TAFOPA), the Artisan's Development Agency, the Federation of Associations of Women Entrepreneurs in Tanzania (FAWETA), and the newly-formed Association of Women Entrepreneurs of Zanzibar (AWEZA) (see Table 9). Information gained from key informants in the interview process revealed that awareness of and membership in business and industry associations is low among women. Seven per cent of women are in Chambers of Commerce/business associations; 25 per cent are in women-targeted associations.

**Table 9: Women entrepreneurs' associations in Tanzania**

Association	Stage of development	Challenges
Federation of Association of Women Entrepreneurs in Tanzania (FAWETA)	<p>Started in 1993.</p> <p>17 branches with 3500 members.</p> <p>Membership consists of groups and individuals.</p> <p>Entrance fee is Tshs 15,000 – Tshs 40,000 depending on the size of the group; annual membership fee is Tshs 12,000 – Tshs 15,000.</p> <p>Currently working on reorganization plan.</p> <p>Recently prepared a briefing paper to government on the issues facing women entrepreneurs (see below).</p>	<p>Board of Directors limited to 3 people; not representative of association membership.</p> <p>Lacks financial resources for infrastructure – reliant on volunteerism.</p> <p>Requires funding for delivery of services to members.</p> <p>Currently lacks ability to provide leadership support to chapters.</p> <p>Needs to provide services to members.</p> <p>Not adequately represented on National Business Council.</p>
Association of Women Entrepreneurs of Zanzibar (AWEZA)	<p>Newly formed; in the process of finalizing their constitution.</p> <p>Working towards registration.</p> <p>Only groups can join as members.</p> <p>Currently 56 member groups (5 – 25 women per group).</p> <p>Building capacity through ILO's WEDGE-Tanzania initiative.</p> <p>Membership fees are Tshs 5,000 to Tshs 15,000, depending on group size.</p>	<p>Reliant on volunteerism.</p> <p>Requires funding support for infrastructure.</p> <p>Not yet a member of FAWETA.</p>

<sup>43</sup> The association of informal sector operators, VIBINDO, has a large number of women members, but does not have a women-specific focus.

Association	Stage of development	Challenges
Tanzania Food Processors' Association (TAFOPA).	<p>Members have taken technical and entrepreneurship training.</p> <p>Women comprise at least 80 per cent of membership (male membership restricted to no more than 20 per cent).</p> <p>Has branches in six regions.</p> <p>Less than 200 members.</p> <p>Has received capacity-building support from UNIDO.</p> <p>Membership limited to graduates of a UNIDO-supported training project.</p>	<p>Not very active as an association.</p> <p>Membership restricted to those who have undergone UNIDO supported project.</p>
Artisans' Development Agency – Tanzania (ADAT)	Brings together SMEs involved in textiles, batik, and handloom Weaving.	No information available.

At this point, women entrepreneurs' associations are not well developed and collectively represent a very small number of members. They are challenged by their dependency on volunteerism, weak organizational structures and lack of management capacity. Financial constraints impede their ability to bring in paid management and administrative resources required to facilitate the delivery of membership services, and to take on mandate-related projects. In some cases, their by-law provisions do not provide for associate membership categories (e.g., non-entrepreneurs) that would permit the participation of professional women from the MSE support environment – women who could provide valuable managerial “know-how” and access to various other needed competencies, resources and networks. Marketing and promotion issues also need to be addressed. Over 80 per cent of the women in the ILO (2003) study who did not belong to women entrepreneurs' associations cited “lack of awareness” as the major reason.

FAWETA is the largest and oldest women entrepreneurs' association. Although it has experienced a number of growing pains, it does cite a substantial membership of over 3,500 members (see Box 4.1). This membership base consists of individual women as well as women who belong through other associations of women entrepreneurs. The Dar es Salaam members meet every Tuesday to share information and ideas, and they inform other groups through the Internet.

FAWETA's National Coordinator tries to stay abreast of SME policy issues and to link with key opinion leaders in the government and private sector. The President of Tanzania has encouraged them to become a more vital force in the economy by helping women upgrade their enterprises. The MIT helps them to set up branches in other regions.



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**Box 1: The Federation of Associations of Women Entrepreneurs of Tanzania**

The Federation of Associations of Women Entrepreneurs of Tanzania (FAWETA) is the Tanzanian chapter of the Federation National Association of Women in Eastern and Southern African Countries. It was formed and registered in 1993 and its members are mostly from other women's groups. As of December 2003, FAWETA included about 3,500 women in its collective membership.

Its principal objectives are: to create more awareness of the concerns and issues of women in business; to encourage women to set up enterprises or expand existing ones; serve as a link between members and regional trade organizations and NGOs to promote trade and development; increase awareness of women in business on issues at the policy level, and; to increase women's participation in decision-making. Among its strategies are to:

- encourage and facilitate the formation of women associations on a voluntary basis;
- devise programmes for existing associations to strengthen themselves;
- promote business training and entrepreneurship development among members by way of courses, trade fairs and workshops;
- coordinate trade promotion and development with relevant forums in the field of industry, agriculture, energy, transport, natural resources and mining;
- disseminate business and technical information to women in business;
- look for export markets for member's products, and networks within COMESA/SADC in search for markets, joint ventures, and financing.

Information can be obtained from [cge@email.com](mailto:cge@email.com). Elizabeth Seme is the National Coordinator.

In a briefing paper recently presented to the Government of Tanzania, dated November 12, 2003,<sup>44</sup> FAWETA outlined the current issues facing women entrepreneurs and made recommendations for actions to address these challenges. Among the key issues listed were:

- Lack of education and experience – women need more exposure to both.
- Lack of capital for expanding existing enterprises or to start new ones – women entrepreneurs access disproportionately low amounts of credit from lending institutions and are unable to properly finance their enterprises for sustainability, let alone growth.
- Lack of markets – markets are saturated for products of many women micro-enterprisers and they have difficulties in moving to higher value markets.
- Lack of access to information and communications technology (ICT) – few women entrepreneurs are able to access and use ICT to learn about markets, suppliers, export opportunities, etc.
- Lack of skills and knowledge – women are lacking the necessary skills in undertaking entrepreneurial work.
- Lack of motivation for growth due to marginalization by society. Tanzania society believes that micro-enterprises are for women and large enterprises for men.

<sup>44</sup> Information obtained from FAWETA Board members during the field visit.

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- FAWETA recommended the following initiatives to enable more women to improve the performance of their enterprises:
  - Entrepreneurship training for women entrepreneurs;
  - Information and communications technology training;
  - Revolving seed funds dedicated to meeting their financing needs;
  - HIV/AIDS awareness training – women entrepreneurs should be enlightened on issues relating to the impact of HIV/AIDS on their enterprises.

During the ILO-AfDB consultants' field investigations, many key informants concurred that women entrepreneurs in Tanzania would benefit from a forum to share information, challenges, solutions, and experiences, enhance their management ability, encourage each other, and learn more about the MSME environment. They also agreed that women entrepreneurs need to be represented as a "voice" to government, international donors, service providers and the financial community regarding improved access to credit, training, business development services, technical assistance, premises and markets, as well as in highlighting the impact of policies and programmes on the performance of women-owned enterprises.

One of the key recommendations from the ILO (2003) report was stated as follows:

... set up a support programme for promoting the networking of women entrepreneurs with the option of developing associations. The programme should support the formation and strengthening of women's associations especially in the fields of marketing, organization and governance so that they can attract enough members to become effective in advocacy, provision of services to members, and eventually become financially sustainable ... The Ministry of Industry and Trade could design this programme in association with a local business services (BDS) provider, with the possibility of technical and financial support from the International Labour Organization (ILO) as part of its support for women's entrepreneurship development in Tanzania. (ILO, 2003, p. 51)

Subsequently, ILO's WEDGE team and the MIT-SME Section have collaborated in a capacity-building project to respond to this recommendation. Workshops have been delivered to representatives of nascent and newly-formed women entrepreneurs' associations to help them work through decision-making processes related to organizational structure, governance, member services, and project planning. One of the most recently formed associations, the Association of Women Entrepreneurs of Zanzibar (AWEZA), has benefited substantially from ILO-WEDGE training. During informant interviews, officials from AWEZA explained the importance of their affiliation.

A lot of women in Zanzibar belong to small groups to produce things, like soap or batik, but these groups were all scattered. We wanted to be one big group so we could challenge government to get resources ... We wanted men to start seeing that women can do it.

Some of us used to be members of a micro-enterprise association but we felt that our voice wasn't heard so we decided to start our own (women's) association.

AWEZA's goals are to encourage other women to mobilize in groups and become members, and to help members find markets to sell their products. Since forming in the fall of 2003, they have convinced the Zanzibar Government to give them a market stall so they would have a place to showcase and sell their products. The association is pursuing formal registration with the Government and making plans to develop the

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leadership and organizational skills of its governing board. At this point, AWEZA is not a FAWETA member.

As an outcome of the work with AWEZA and other Tanzanian WEAs, the ILO-WEDGE team is completing an operational guide on starting and managing a women entrepreneurs' association. This would be an excellent tool for other groups that want to form such an association.

## **14.2 Recommended actions – women entrepreneurs' associations**

### **(i) Build capacity of women entrepreneurs' associations through ILO's WEDGE-Tanzania project**

The formation of women entrepreneurs' associations in all regions of Tanzania should be supported by the MIT-SME Section, with ILO-WEDGE support.

The ILO's WEDGE-Tanzania programme should continue to build on its capacity-building work by offering more training workshops. When finalized, the women entrepreneurs' association management manual should be translated into Kiswahili, distributed widely and used as a tool for small groups to mobilize themselves into larger associations and support the development of members in the areas of marketing, BDS and advocacy.

An inventory of good practices in the development of women entrepreneurs' associations should be developed, including information on their board structures and governance, services to members, and other innovative association activities, taking account of special projects and advocacy efforts. This information could form the basis for upcoming workshops on capacity-building of WEAs.

### **(ii) Promote good practice in the operation of associations**

Existing women entrepreneurs' associations should be encouraged to:

- Establish regional advisory committees to gain benefit from the expertise of local leaders in support of their objectives and action plans;
- Deliver responsive services to members, recognizing the needs of members at different levels of growth;
- Identify and exchange good practice in membership services and approaches;
- Train leaders of new branches in organizational and governance issues;
- Publish newsletters profiling association activities and other related information;
- Distribute information on BDS to women;
- Develop capacity to present positions regarding MSE issues for women entrepreneurs (e.g., access to credit/premises, BDS) to relevant agencies;
- Participate in further capacity-building workshops/conferences;

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- Foster affiliation among WEAs within Tanzania and with other countries, so as to expand networks, exchange mechanisms and trade opportunities.

(iii) Provide seed funding to strengthen WEAs

As part of the capacity-building for fledgling women entrepreneurs' associations, short-term funding could be provided so they can hire qualified staff to help build their organizations and develop and deliver projects which will achieve association objectives and serve members. Staff should possess the skills required to identify members' development needs, manage the delivery of membership services, and write project proposals for sponsorship and other funding.

(iv) Network women entrepreneurs' associations into a truly national Tanzanian association

Networking among women entrepreneurs' associations should be facilitated to help promote a collective voice (it may be possible and desirable to build this around FAWETA). It is important that the different needs of different groups of women entrepreneurs (e.g., at different levels of development, in different sectors, and with different levels of education and experience) be respected in this national effort, given that the demographic make-up of the membership of individual WEAs may differ dramatically (e.g., from the sole traders of Zanzibar to the more educated women entrepreneurs in Dar es Salaam).

(v) Share good practices in member services

In order to foster the exchange of good practices in forming, developing and managing women entrepreneurs' associations, including lessons learned from prior experiences, it is recommended that a conference be convened for leaders of the major groups in Tanzania, Ethiopia and Kenya (and possibly Zambia – the fourth country in which ILO's WEDGE team is operational) to discuss issues of governance, membership building, value-added service provision, promotion activities, and advocacy efforts.

(vi) Create a Leaders' Forum for "Top 20 Women Entrepreneurs of Tanzania"

It is recommended that the "Annual Top 20" of the nation's women entrepreneurs be formed into a Leaders' Forum to serve as a network group for women in growth firms, and to offer mentoring support to women-owned MSEs through the activities of women entrepreneurs' associations.

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## 15. The state of research on women in MSEs in Tanzania

There is more available research on women entrepreneurs in Tanzania than in Ethiopia and Kenya. One of the major reasons for this is the presence of the Entrepreneurship Centre at the University of Dar es Salaam (UDEC).<sup>45</sup> Although the most significant studies of women entrepreneurs were produced with support from the ILO-WEDGE Programme (UDEC, 2002; ILO, 2003), researchers at UDEC have produced gender studies of female and male start-ups (Nchimbi, 2003), as well as several contracted research studies of enterprise development support (Olomi and Nchimbi, 2002; UNDP, ILO and UNIDO, 2002). This research is complemented by a number of small sample studies (discussed in Mlingi, 2002, pp. 59-61), including an analysis of gender patterns in the informal sector using data from the NISS 1991 and DISS<sup>46</sup> 1995 surveys. However, there are a number of serious gaps in the knowledge base, among which are the following:

- Lack of current countrywide data on the number, make-up, size and economic/social contributions of women in micro, small, medium and large enterprises. Since the 1991 and 1995 surveys, there has been dynamic growth in the MSME sector; however, there is no way to even estimate how much of that growth might have been contributed by a growth in the number and size of women's enterprises.
- No data on their business entry, survival and growth rates.
- No comprehensive demographic profiling of women who own enterprises and of the enterprises they own.
- No evidence of recent large-scale comparative studies of women and men in MSMEs.
- Limited studies on the factors affecting the start-up conditions of women-owned MSMEs.
- No comprehensive studies on women and business growth.
- Inadequate research/data on the financing of women's enterprises at different stages of growth.
- Absence of research on the differential impacts of micro-finance, BDS and training initiatives on women in comparison to men.
- Incomplete gender-disaggregated breakdowns of micro-finance borrowers.

In addition, there is limited sharing of lessons and good practices learned in improving the performance of women's enterprises.

The absence of large-scale, up-to-date national surveys of the MSME sector prevents a full understanding of the situation of women entrepreneurs in the make-up of

<sup>45</sup> During the Ethiopia and Kenya field trips, we were not able to identify any strong linkages between key informants and university-based researchers or entrepreneurship centres.

<sup>46</sup> Dar es Salaam informal sector survey.

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the MSME sector, as well as their contribution to the overall economy. Furthermore, the data and information that does exist paints a consistent picture of the challenges, obstacles, and barriers faced by women in MSMEs. Additional and more comprehensive research is direly needed on this sector of the economy, both to inform policy actions and to create more awareness of this segment of the MSME sector among donor groups, service providers and the public at large.

### **15.1. Recommended actions – research agenda**

Pertinent to the analysis presented above, it is recommended that:

- (i) systematic gender disaggregated data on MSEs be collected (by the MIT-SME Section, together with an appropriate statistical agency of the Tanzanian government) and made available on a continuous and regular basis.

This data could form the basis of a regular (annual) report on the state of women in MSEs in Tanzania.

- (ii) a strategic, collaborative research agenda be developed to fill gaps in knowledge about women in MSEs and that funding be sought to implement the research programme (MIT-SME Section, ILO, donors).

As a starting point for the research agenda, it is proposed that a comprehensive nationwide primary study on women entrepreneurs in Tanzania be completed to further complement the exploratory research that was supported and commissioned by the ILO. The study would include a comprehensive analysis of the financing challenges and practices of women at each stage of growth, so as to better inform all actors in the financing sector, and some comparative analysis of the MSE experiences of women and men. The findings of the research should be published and disseminated widely among relevant organizations and stakeholder groups, including women entrepreneurs' associations.

- (iii) That impact/case studies of initiatives targeted specifically to women-owned MSEs be undertaken and the results shared with NGOs, donors, BDS providers, and other relevant parties, in order to accelerate the transfer of good practices in supporting the development of women's enterprises.
- (iv) efforts be made to build UDEC's research capacity in the area of MSEs and women's entrepreneurship as a complement to government/donor efforts to enhance the knowledge base necessary to inform appropriate policy actions.
- (v) a women's entrepreneurship research symposium be held to share approaches to researching women entrepreneurs and to generate more sustained, broad-based interest. Both international and Tanzanian scholars would be invited.

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## 16. Closing comments

In recent years, Tanzania has embarked upon the economic recovery process and is continuing to build upon and address the needs of MSMEs. Key informants from the MIT-SME Section acknowledged the current and future potential of women entrepreneurs and, although seriously under-resourced for the tasks ahead, the SME Section is enthusiastic and committed to working with the international donor community to support this target group. Coordination of all support efforts is crucial. A mechanism for achieving this is recommended – either an officer fully dedicated to the development of women’s enterprise or the establishment of a more formal Office for Women’s Enterprise Development (OWED).

Tanzanian women entrepreneurs need greater access to affordable technical and entrepreneurship training. In cases where the focus is on technical training along sector lines (e.g., food processing, soap-making), more entrepreneurship and business management skills training need to be provided. Market needs and exposure to broader trading areas must be addressed.

For women engaged in cooperative initiatives in rural areas, exposure to similar activity practices (e.g. the “cottage industry” model) in other countries would help to introduce product development ideas and expose them to good production and marketing practices.

Women in both rural and urban areas need more consistent access to training opportunities and to a wider range of business development services (BDS).

Younger women are reported to have an interest in more innovative economic activities, and this should be encouraged by way of exposure, education, technical training and business support, perhaps supplemented by small business and technology incubators.

For the benefit of women already operating enterprises that have growth potential, the removal of financial constraints by way of a loan guarantee programme is essential. In addition, the bureaucratic barriers to formalizing an enterprise must be modified and made more user and growth-friendly. Otherwise many MSEs operating in the informal economy will be prevented from making the transition to formalization and achieving growth. Improving the availability of proper business premises and marketing outlets will help women increase production and sales.

Measures are needed to encourage the formation of more WEAs and to engage these associations in membership growth. More value-added BDS and other information services must be made available to members. Working with individual WEAs to form a national alliance would give a stronger voice to the needs and concerns of women-owned MSEs and help raise the profile of women entrepreneurs among governments, lending institutions and community-support organizations.

Finally, the creation of a favourable entrepreneurial environment for women entrepreneurs is extremely important. In addition to stronger promotion of women entrepreneurs, this may require changes in some of the laws and cultural practices that discriminate against women or deny them equal rights and opportunities. In addition, there is a great need for gender mainstreaming initiatives in the public and private sector, as they affect women’s enterprise development.

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Few women expand their enterprises – this issue has lacked both attention and support. The recommendations in this country chapter are designed to address some of the major gaps in the support environment for growth-oriented women entrepreneurs in Tanzania.



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## Annex 1: Organizations providing support to enterprise development in Tanzania

Organization	Function and/or role
<b>Technical support</b>	
Tanzania Industrial Research Organization (TIRO) – funded under MIT	Undertakes research and development activities to support local raw materials utilization.
Centre for Agricultural Mechanization Rural Technology (CAMARTEC) – funded under MIT	Promotes appropriate technology for rural development.
Tanzania Engineering and Manufacturing Design Organization (TEMDO) – funded under MIT	Responsible for machine design.
Technology Development and Transfer Centre, University of Dar es Salaam	Active in prototype development and promotion of commercialization.
Tanzania Bureau of Standards (TBS) – funded under MIT	Industrial standards organization.
<b>Education and training</b>	
College of Business Education – funded under MIT	Offers business training, including entrepreneurship development.
University of Dar es Salaam Entrepreneurship Development Centre (UDEEC) – funding from the Government of the Netherlands, established in 1999	Provides consultancy and training in SME related issues.
University of Dar es Salaam	Has adopted a university-wide policy on entrepreneurship development providing for all students to be exposed to entrepreneurship in the curriculum.
Start/Improve Your Business (SIYB) – developed by ILO	Offered by NGOs and BDS providers to train MSEs on starting and improving their businesses.
Vocational Education and Training Authority (VETA)	Operate 640 vocational training centres across the country, over 90 per cent of which are private businesses or NGOs. Courses offered provide technical skills geared to manufacturing (e.g., fitter mechanics, welding and plumbing, electrical installations) as well as service industries (e.g., hotel and restaurant management) and computer training.
Institute of Tourism and Hotel Management – operated by Ministry of Natural Resources and Tourism	Registered with VETA.
<b>Export assistance</b>	
Board of External Trade – funded under MIT	Promotes exports through trade fairs.
Access to Credit and Financing	
National Entrepreneurship Development Fund (NEDF) – funds disbursed through SIDO	Funds mechanisms and schemes to address poverty and unemployment through promotion of SME development.
Youth Development Fund (YDF) – Ministry of Labour, Youth Development and Sports	Funds mechanisms and schemes to address poverty and unemployment through promotion of SME development to youth.
National Micro-Finance Bank (NMFB)	Provides micro-credit to MSEs.
Small Entrepreneurs' Loan Facility (SELF) – established through a loan from the African Development Bank	Aims to build capacities and provide loan funds to micro-finance institutions in five low-income regions – Coast, Singida, Morogoro, Rukwa, and Dodoma.
National Income Generating Programme (NIGP)	

<b>Organization</b>	<b>Function and/or role</b>
Presidential Trust Fund and Community Development Trust Fund – SIDA funded	
PRIDE loan fund – NORAD supported with SIDA	Provision of a loan fund.
Tanzania Gatsby Trust – assisted by UNIDO	Offers micro-credit to women in micro-and small scale enterprises, with support for food processing businesses.
<b>Women's entrepreneurship development</b>	
Women Development Fund – Ministry of Community Development, Gender (Women's Affairs) and Children	Funds mechanisms and schemes to address poverty and unemployment through promotion of SME development among women.
Capacity Building and Entrepreneurship Development Programme with Special Focus on Women in Agro-Food Processing – funded by UNIDO; delivered by SIDO	Seeks to alleviate poverty through skills development in food processing and entrepreneurship. Offers production and marketing training and technical and quality consultancy to groups of women in food production sectors. 253 women have received micro-scale food processing skills; 159 have set up businesses. Tanzania Food Processors Association (TAFOPA) was established to network women processors.
Promoting Women's Entrepreneurship Development and Gender Quality in Tanzania project (WEDGE) – funded by ILO and Ireland Aid (US\$251,000)	Seeks to strengthen the operating environment for women entrepreneurs through promotion, gender mainstreaming policy and building capacity of women entrepreneurs' associations.
Women and Gender Advancement Component of Private Sector Development Programme – funded by UNDP	Plans to present the results of an ESRF study on a women's bank, facilitate participation of women entrepreneurs in study tours and projects, and study women's economic opportunities in international and regional trade agreements such as SADC, EAC, and AGOA.
<b>Regulatory environment</b>	
The Business Environment Strengthening for Tanzania (BEST) Programme – funded by governments of Denmark, the Netherlands, Sweden, and the United Kingdom; designed by the MIT; five year programme at cost of US\$19M	Objectives to: <ul style="list-style-type: none"> <li>• achieve better regulation</li> <li>• improve commercial dispute resolution</li> <li>• strengthen the Tanzanian Investment Centre</li> <li>• change the culture of government</li> <li>• empower private sector advocacy.</li> </ul>
<b>Capacity building and BDS</b>	
Private Enterprise Support Activities (PESA) – funded by USAID (US\$12M)	<p>Four-year (from 2002) programme to increase the participation of MSEs in the economy. Focuses on product groups: apiculture, irrigated horticulture, high-grade coffee, rice, seaweed, gemstones and gold, tree nurseries, etc.</p> <p>Has three components:</p> <ul style="list-style-type: none"> <li>• improved policy environment for MSEs (e.g., strengthened business associations)</li> <li>• broadened market access for MSEs (e.g., linking MSEs with new markets and road construction)</li> <li>• strengthened capacity for MSEs (e.g., strengthening of BDS in programme localities)</li> </ul>
Business Sector Programme Support (BSPS) – funded by DANIDA (5-year programme to 2008; about US\$33.2M)	Aim is to address SME needs, including improving SME competitiveness by improving product quality and promoting exports; assisting VETA to promote demand-based design of skills training courses, including techniques for rapid market assessments (US\$315,000); developing viable banking and financing for MSMEs by strengthening the capacity of CRDB in lending directly to SMEs, developing wholesale lending to MFIs and establishing an SME credit guarantee facility in the CRDB (US\$5M).

<b>Organization</b>	<b>Function and/or role</b>
SIDA Private Sector Development Programme	Provided capacity building for the Tanzanian Chamber of Commerce, Industry and Agriculture.
Africa Development Project Facility	Assistance to link SMEs with a large scale sugar producer. Considering launch of BDS facilitation activities in Tanzania.
Plans to develop a Business Development Centre in the Uhuru Corridor - Swisscontact	Status not known.
<b>MSME research</b>	
Research on MSEs in five regions to identify the market for BDS - Swisscontact	
SME Mapping Exercise – the World Bank, IFC and the MTI-SME Section	To be launched in 2004.

Source: Compiled from information in internal documents obtained from UNIDO (a draft proposal to provide assistance to strengthen the national and local SME support infrastructure), Nov. 2003.



## Annex 2: List of contacts

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## **Annex 3: Background to the Canadian experience in promoting women entrepreneurs**

Researchers first studied women entrepreneurs in Canada in the late 1970s. At that time, there was very little awareness of the characteristics and behaviours of women entrepreneurs and even less knowledge about the nature of their enterprises. In 1977, about one in five enterprises was owned by women, and almost 90 per cent of these businesses clustered in retail trade and services sectors. Women owned just over seven per cent of manufacturing enterprises, largely a male domain.<sup>47</sup> The focus on women in self-employment became an issue during the 1970s and 80s, when in response to changing social and cultural norms (the women's movement) and economic imperatives (pressure for dual-income earning families), increasing numbers of women entered a labour force where the supply of labour exceeded demand. Unable to find employment, many of these women were forced into self-employment activities. In this domain, they encountered a series of challenges similar to those faced by many African women today – stereotypical and negative attitudes towards their role as entrepreneurs; limited access to financing; a paucity of management and business experience; limited access to mainstream business networks; lack of credibility among bankers, suppliers and landlords; and often a lack of support from their husbands and family members.

During the 1980s, women entrepreneurs began to form associations and networks, while at the same time researchers increased the level of knowledge on the nature of women entrepreneurs and brought attention to their needs and challenges. In addition, isolated sections of the business support environment started to take notice of the growing phenomena. The National Film Board of Canada launched the country's first video documentary on women entrepreneurs in cities across the nation (1987);<sup>48</sup> several of Canada's banks started to offer special seminars to attract women entrepreneurs as borrowers, and; provincial governments began to explore ways of increasing the number of women-owned enterprises as a job creation and rural development strategy. The work of legitimizing the role of women as entrepreneurs in Canada was on its way.

As mentioned earlier, women were first identified as a target group in Canadian national SME policy and programme support in 1989. However, the lack of a national coordinating mechanism for the implementation of policy and programme measures meant that efforts to promote women's entrepreneurship were largely regional. The one piece of national glue was the Business Development Bank of Canada<sup>49</sup> (then the Federal Business Development Bank) which took up the challenge of addressing the business development needs of women. They funded research studies, sponsored national and regional conferences for women entrepreneurs, and initiated a number of women-focused entrepreneurial training programmes. They also participated in the joint organization of two national policy forums on women entrepreneurs.<sup>50</sup> As input to these national policy forums, research (FBDB, 1992), discussion papers (Stevenson, 1992) and inventories of best practice economic support programmes for women entrepreneurs (Doyle, 1991) were commissioned.

<sup>47</sup> Data from Statistics Canada, Labour Force Historical Review 1998, as reported in St-Onge, 1999.

<sup>48</sup> "Enterprising Women", National Film Board of Canada, video documentary, 1987.

<sup>49</sup> The Business Development Bank of Canada is a Crown Corporation owned wholly by the Government of Canada for the express purpose of supporting the SME sector ([www.bdc.ca](http://www.bdc.ca)).

<sup>50</sup> The 1991 Policymaker's Forum on Women as Entrepreneurs, hosted by the Atlantic Canada Opportunities Agency, the Entrepreneurship and Small Business Office (Industry, Science and Technology Canada) and the Federal Business Development Bank of Canada, Moncton, New Brunswick, Oct. 1991; the 1992 National Policymaker's Forum on Women as Entrepreneurs: Focus on Growth, hosted by the Federal Business Development Bank, the Entrepreneurship and Small Business Office and the Atlantic Canada Opportunities Agency, Dartmouth, Nova Scotia, Oct. 1992.

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## ***Implementing an integrated framework for the development of women entrepreneurs in Atlantic Canada***

The Atlantic Canada Opportunities Agency (ACOA), a Federal Government agency with a mandate for SME development in Canada's four most eastern provinces, identified women as a target group in its 1990 Entrepreneurship Development Strategy (EDS). Having formulated an integrated framework for the development of entrepreneurs as part of its overall EDS,<sup>51</sup> ACOA determined that support for women entrepreneurs and other target groups, such as young people, needed a tailored integrated approach within that overall framework.

The specific needs of women entrepreneurs were identified as being:

- improved access to financing;
- enhanced strategic entrepreneurial and management competencies;
- stronger business networks;
- opportunities for trade development;
- exposure to higher potential business opportunities;
- technology enhancement; and
- sustained promotion of entrepreneurship.

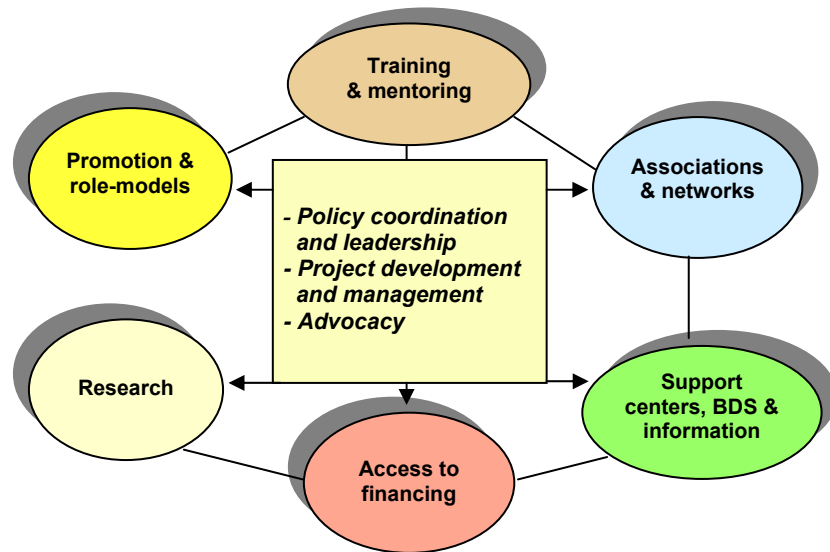
Based on research – which must provide the underpinning of any effective policy platform – it was obvious that in order to foster the growth and development of women entrepreneurs, many things were needed. First of all, women had to be more aware of the entrepreneurship option and more motivated to explore it. Further, they had to: (i) have access to opportunities to gain the knowledge and skills necessary to start and expand a viable enterprise; (ii) be exposed to networks of other women entrepreneurs in order to learn from their experiences and gain moral support and encouragement; (iii) have access to information and professional business development services to help develop their management and production capacity; (iv) be able to source financing to support their ideas and plans, and; (v) be recognized for their achievements, both individually and collectively. What was happening at the enterprise level also had to be supported by the meso and macro environments in which they operated, so actions had to be taken to ensure the existence of favourable attitudes and conditions for both enterprise creation and growth. This would require coordinated policy action as well as better integration of public and private sector programme activities.

The framework described in Stevenson and St-Onge (2003)<sup>52</sup> outlines the elements of the practical, integrated approach for supporting the start-up and growth of women-owned enterprises as implemented during the 1990s (see Figure 3). For an abbreviated description of some of the concrete approaches implemented within the framework, refer to Annexes 2 and 3.

<sup>51</sup> See OECD, 1996 for a description of the framework and a discussion of ACOA's experience in implementing it.

<sup>52</sup> Stevenson, L.; St-Onge, A. 2003. "Creating an entrepreneurial environment to foster the start-up and growth of women-owned enterprises: Best practice from Atlantic Canada", presented at the World Conference of the International Council of Small Business (ICSB), 16-19 June 2003, Belfast, Northern Ireland.

**Figure 3: An integrated framework for the development of women entrepreneurs (original Canadian version)**



Stevenson & St-Onge, 2003.

The implementation of measures according to the integrated framework produced favourable results in Atlantic Canada over the 1990-1997 period. It also laid the groundwork for ongoing government and private sector support in favour of the development of women entrepreneurs and the growth of their firms, which continues today. In fact, in 2002, the Government announced a \$17 million Women Entrepreneurs' Initiative for the region that included a financing programme, support for women entrepreneurs' associations, funding for women's enterprise centres, promotion activity, and skills development components.

The applicability of the integrated framework to other developed economies proved useful in categorizing support for women's enterprise development and identifying good practice policy and programme measures in a broader 10-country study undertaken by Stevenson and Lundstrom (2002).<sup>53</sup> Depending on the range and extent of policy and programme measures in support of women entrepreneurs as a target group, Stevenson and Lundstrom were able to categorize the ten countries in their study into high, medium, and low support countries. One of the major observations was that countries in the "high level of support" category (Canada and the United States) also had the highest percentage of women entrepreneurs in the SME sector. Conversely, countries with the weakest support for women entrepreneurs as a target group had the lowest proportions of women in the SME population. The conclusion reached was that comprehensive targeting of women with tailored policies and programme measures leads to a higher level of performance by women-owned enterprises.

<sup>53</sup> Stevenson and Lundstrom. 2002, pp. 164-176.



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## **Annex 4: List of questions for assessing gaps and identifying further policy/programme measures in support of women's enterprise development**

To assess the strength of policy and programme measures in support of women entrepreneurs, a list of questions in each area of the integrated framework serves to highlight where gaps may exist and where further actions might be helpful. No one government would be able to answer "yes" to all of these questions and several others would qualify the extent to which actions were being implemented in each of these areas, but it is a useful template for assessing the degree to which women are taken seriously as a target group and the extent to which integrated actions are under way.

### **(1) Policy coordination and leadership**

- Have women entrepreneurs been identified as a specific target group in the government's MSE policies?
- Is there a focal point within the government for women's enterprise development?
- Is there a strategic framework for the development of the women's enterprise sector, including provision for both start-up and growth of their enterprises?
- Are regular meetings of partner organizations (e.g., government, NGOs, donors, BDS providers, and lenders) convened to share good practices, review progress, and identify areas for coordinated action?
- Are the views of women entrepreneurs sought regarding the development of MSE policies in the country?
- Are women entrepreneurs' associations represented in government MSE advisory and other bodies?
- Are performance measures in place to monitor progress in development of the women's enterprise sector?
- Is gender mainstreaming a priority of the government and are efforts in place to provide gender-mainstreaming workshops to sensitize officials in the government, NGOs, BDS providers and business association networks?
- Is there a mechanism for advocating the interests and concerns of women entrepreneurs and their enterprises in all levels of relevant government departments?

### **(2) Promotion of women as entrepreneurs**

- Is there broad-based public awareness of and support for the role of women entrepreneurs in the economy?
- Is entrepreneurship considered a feasible, viable and attractive option among women?
- Are women entrepreneurs valued for their contributions to the MSE sector?

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- Is there a high level of awareness of women entrepreneurs in growth enterprises?
  - Is there a roster of women entrepreneurs who can act as credible role models? Are their roles being promoted?
  - Are there initiatives in place to recognize and celebrate the achievements of women entrepreneurs?
  - Is the media engaged in stimulating interest in entrepreneurship and in promoting the activities of women entrepreneurs?

(3) Access to financing

- Do women have equal access to sources of financing for the start-up of new enterprises?
- Do special financing programmes exist to help overcome the barriers women face in accessing credit (e.g., lack of collateral)?
- Are women able to access business financing as individual entrepreneurs, and not just on a peer, mutual-guarantee lending basis?
- Are women able to access financing beyond the micro-finance lending limit?
- Are there multiple sources and types of financing available to meet the needs of women's enterprises at each stage of growth and development?
- Is financing equally available in rural and urban areas?
- Are efforts made to ensure that women have access to information on available sources and types of financing and the criteria used to make lending decisions?
- Are efforts made to improve women's skills in negotiating for financing?

(4) Training and mentoring

- Is there a needs assessment of the entrepreneurial training and business development needs of women entrepreneurs at each stage of growth and development?
- Do women have adequate access to entrepreneurial training opportunities on a local basis?
- Are there examples of entrepreneurial training programmes targeted specifically to women?
- Are efforts made to recruit women for entrepreneurial training programmes? Are training approaches tailored to meet their needs?
- Is there an adequate supply of women trainers, advisers and mentors to work within the women's market?

(5) Business support and information

- Is information available on the take-up of government business support and information services by women entrepreneurs?

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- Is there a dedicated system of business support for women entrepreneurs (e.g., women's desk in government MSE agencies; women's enterprise or business resource centres)?
  - Are there measures in place for ensuring women have access to information about business support services?
  - Is there an adequate supply of women advisers and trainers in the BDS network?
  - Are business support services linked to the provision of micro-finance for women?

(6) **Women entrepreneurs' associations (WEAs) and women's access to business networks**

- Do women have access to the networking activities of mainstream business and industry associations?
- Is there data on the representation of women entrepreneurs in generic business and industry associations?
- Do these organizations adequately represent the needs and concerns of women entrepreneurs?
- Have women entrepreneurs joined together to form their own associations?
- Do these women entrepreneurs' associations exist in many parts of the country?
- Do sizeable percentages of women entrepreneurs have opportunity to belong to WEAs?
- Do WEAs organize regular meetings for members so they can network, learn from each other, and develop cooperative activities?
- Are WEAs actively involved in promoting awareness of women-owned enterprises in their communities and highlighting the successes and contributions of members?
- Do WEAs have the capacity to represent the needs of women entrepreneurs to local, regional and national policymakers on issues related to (the lack of) premises, access to financing and business support, and a favourable regulatory and legislative environment?
- Do WEAs have adequate capacity to deliver business support, information, and entrepreneurial skills programmes to their members?
- Do WEAs have adequate capacity to promote their services broadly within the community of women entrepreneurs?
- Are initiatives in place to help build capacity in WEAs through training in association development, governance, planning, project management, marketing, and advocacy?
- Are there opportunities for WEAs to exchange good practices and learn from each other's experiences?
- Does the government view WEAs as partners in the objective of strengthening the environment for women entrepreneurs, encouraging more women to start enterprises and improving their performance and growth outcomes?

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- Are WEAs financially supported by governments, large corporations or donors to further their mutual aims and objectives (i.e., project-related support)?
  - Do WEAs play a role in lobbying local, regional and national governments in favour of policies, programmes and services to improve the operating environment for women entrepreneurs?

(7) Access to premises

- Do women entrepreneurs have access to adequate and affordable premises in which to run their enterprises?
- Is attention paid to ensuring women producers have access to adequate production premises and up-to-date commercial technologies?

(8) Regulatory and legal environment

- Is there a national gender policy that secures the rights of women in society and the economy?
- Is there a process for enforcing the implementation of gender policies?
- Is there a process for assessing the gender impact of existing and new regulations and legislation on women's enterprises?
- Is there a process for reviewing the impact of the implementation of regulations and legislation on women's enterprise development?
- Is there a streamlined process for women to register their businesses and obtain business licenses at the local level?
- Is information readily available to women regarding the process and benefits of formalizing their enterprises?
- Does the government have policies in place to ensure women have access to the economic resources necessary to start and expand enterprises on an equal footing with men (i.e., credit)?

(9) Research

- Is there national data on the demographics of MSEs in the country, from which gender disaggregated data can be derived, including the number of enterprises?
- Is there profile information on women-owned enterprises, including the distribution of enterprises by employment size, location, sector, and age?
- Is there a demographic profile of the women who own these enterprises (e.g., age, education level, work experience, years in business, family background)?
- Is national information available on the similarities and differences between the profiles of women and men entrepreneurs?
- Is national information available on the similarities and differences between enterprises owned by women and those owned by men?
- Have reports on the similarities and differences between male and female entrepreneurs and their enterprises been produced and made widely available within the country?



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- Are there qualitative studies of the start-up experiences and behaviours of women entrepreneurs, highlighting start-up motivations and processes (e.g., how they developed the idea, obtained financing, identified markets, organized production, gained management skills, used business and personal networks, accessed business development services), major barriers and strategies for overcoming, and limitations faced by their enterprises in the early development phases?
  - Is there knowledge of how women entrepreneurs' start-up experiences, challenges and access to resources and support differ from those of men?
  - Is there national quantitative data on the growth of women-owned enterprises compared to those owned by men?
  - Are there studies of the growth experiences of women entrepreneurs, including their orientation towards growth, motivations, strategies, use of resources and constraints?
  - Have links been built between university researchers and the government's MSE policy unit to encourage policy-oriented research on women as entrepreneurs?