

RURAL-URBAN COMPLEMENTARITIES FOR THE REDUCTION OF POVERTY (RUCROP):

Identifying the Contribution of Savings and Credit Facilities



**Proceedings of the RUCROP Stakeholders' Workshop
Held on August 20th 2012 at VETA Mikumi, Morogoro,
Tanzania**

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Opening Ceremony

Brief Introduction to the Focus of the Project – Emerging Urban Centres (EUC)

E. A. Lazaro and T. Birch-Thomsen

Rural-Urban Complementarities for the Reduction of Poverty (RUCROP): Identifying the Contribution of Savings and Credit Facilities is a collaborative project between Department of Agriculture Economics and Agribusiness of Sokoine University of Agriculture and Department of Geosciences and Natural Resource Management (DGNRM), Geography Section¹, of University of Copenhagen. RUCROP is designed to primarily contribute to Tanzania's as well as DANIDA's² priority to reduce poverty. The project has been funded by DANIDA through the 'Pilot Research Cooperation Program in Tanzania' for the period from July 2010 to June 2013.

Efforts to reduce rural poverty in Tanzania have focused on transformation of the agricultural sector. This is clearly stipulated in many development related policy documents including the Poverty Reduction Strategy Paper, Agricultural Sector Development Strategy as well as the current "*Kilimo Kwanza*" resolutions. Efforts to reduce urban poverty have focused among other things on environmental issues, employment and housing. Very little attention has

¹ Formerly 'Department of Geography and Geology' (DGG)

² Danish International Development Agency (DANIDA) is Denmark's development cooperation, under the Ministry of Foreign Affairs of Denmark.

been given to the contribution of the Rural Urban complementarities in reducing poverty in the two areas. The outputs of this project will develop new knowledge on possible interventions to contribute to poverty reduction, with a particular focus on rural-urban complementarities. Unlike many studies that have used large cities to represent the urban setting, this project focuses on *Emerging Urban Centres* (EUC).

“Emerging Urban Centre” is a term used in this project to make a differentiation from administrative areas commonly identified as ‘towns’ or “small towns” which are established by law. Whereas some of the EUCs do coincide with the administrative locations, others do not. By definition, EUCs are characterized by having experienced above average increase in economic activities and population growth during the previous decade. The increasing economic activities are expected to have fostered increase in employment opportunities that have encouraged growth in temporary migration and permanent settlement of migrants, i.e. population growth.

The project has focused on four EUCs (Table 1/Figure 1) characterized by one dominating economic activity:

Table 1: Emerging Urban centres project sites and product focus

| EUC | Dominating Economic activity |
|----------|--------------------------------------|
| Madizini | Sugar cane production and processing |
| Kibaigwa | Maize production and trade |
| Ilula | Tomato production and trade |
| Igowole | Tea production and processing |

It is hypothesized that the dominating economic activities stimulate the development of respective EUC by providing employment opportunities, population growth and services.

These EUC dynamics are expected to have positive impact on the immediate respective rural areas, by reducing extent of poverty.



Figure 1: Map of study sites

Methodological Considerations

Data for this project was collected from the four sites (Madizini, Kibaigwa, Ilula and Igowole) and neighbouring hinterland (rural) villages. Joint, as well as individual, field work was undertaken by senior researchers and graduate students (PhD and MSc) from SUA and DGNRM. Different data collection methods were used to ensure comprehensive information was collected. The methods included semi structured interviews using a checklist of questions whereby key informants were interviewed, physical observations through transect walk within the villages, focused group discussions (FGD) and structured interview of a sample of respondents using a structured questionnaire. Key informants included village leaders, leaders of main

institutions such as SACCOS, market, shop owners and traders at the markets.

Focused group discussions were done in immediate hinterland (rural) villages as well as sub-villages of respective EUCs. In each village/EUC representatives were selected from each sub-village to make a sample of key informants who participated in the group interview. Key informants were selected based on gender considerations to ensure that both men and women, residence in the village (natives and migrants), and age group (elderly and young people) were included.

Using the above mentioned methods, the main areas of investigation of RUCROP were:

- Characterizing and analyzing the dynamics of the emerging urban centres.
- Identification of rural-urban migrants, their urban livelihoods, and rural linkages.
- Poverty assessment of rural families and surveying migrant and non-migrant livelihoods.
- Assessment of investment practices in relation to remittances, savings and credit in rural as well as urban settlements.

Welcome Address

E. A. Lazaro

Project Coordinator

Honourable Guest of Honour, the Regional Administrative Secretary, Morogoro Region,

Honourable Vice Chancellor, Sokoine University of Agriculture, Morogoro,

Honourable Township and Village Executive Officers present at this workshop,

Invited Guests,

Ladies and Gentlemen;

First of all, I take this opportunity on behalf of the researchers from the University of Copenhagen and Sokoine University of Agriculture, to thank the Regional Administrative Secretary of Morogoro Region for accepting our invitation to participate and officiate this workshop despite today being a public holiday.

I would also like to thank The Vice Chancellor, Sokoine University of Agriculture for his enormous contribution on research activities at the University together with his other administrative roles. His presence today is enough evidence to show how he gives priority to research activities at the University. Special thanks to all Village Executive Officers and Township Executive Officers present today, as I know that they have many responsibilities, especially being a preparatory period for the National Population Census.

To all workshop participants, I realize that today is a public holiday but you chose to participate in the workshop. On behalf of all researchers we thank you all and apologize for this unexpected coincidence.

Second, before I request the Vice Chancellor to invite the guest of honour to officiate the opening of this workshop, may I recognize the presence of researchers from the University of Copenhagen, Denmark, Torben Birch-Thompsen, Jytte Agergaard and Marianne Nylandsted Larsen. Niels Fold is another researcher from University of Copenhagen but could not attend due to other responsibilities. Participating researchers from Sokoine University of Agriculture are Jeremia Makindara, John Msuya, Fredy Kilima and myself.

As mentioned before during the introductory remarks, this research project on Rural-Urban Complementarities for the Reduction of Poverty (RUCROP): Identifying the Contribution of Savings and Credit Facilities is implemented by researchers from Sokoine University of Agriculture (SUA) and researchers from the University of Copenhagen. The research is financed by DANIDA.

Research project implementation started in July 2010 focusing on three main objectives:

- To identify opportunities and challenges from urbanization for rural and urban poverty reduction;
- To assess the role of savings and credit services in the development of rural-urban linkages and their effect on agricultural productivity and poverty reduction; and

- To develop human resource capacity to analyse the complexities of rural-urban complementarities.

It is expected that by the end of the research and training, there will be experts knowledgeable in growth of emerging urban centres and poverty reduction and research outputs which will be communicated to key stakeholders. Mr. Guest of Honour, this workshop was planned to meet this objective.

Therefore Mr. Guest of Honour, in this workshop we will present research findings from four research sites-(Emerging Urban Centres) of Ilula, Igowole, Madizini and Kibaigwa. We request you to participate and discuss the presented issues and provide critical advice on how to deal with the findings. Once again thank you all for accepting our invitation to participate to this workshop. I now welcome the Vice Chancellor to invite the guest of honour to officiate this workshop. Please welcome.

Welcome Note

Professor G. C. Monela

Vice Chancellor

Sokoine University of Agriculture

Guest of Honour, Regional Administrative Secretary (RAS)
for Morogoro Region, Mr. Elia M. Ntandu,

Chairman of the Session,

Township Executive Officer,

SUA RUCROP Project Coordinator, Dr. Evelyne Lazaro,

Distinguished Invited Guests,

Workshop Participants,

Workshop Organisers,

Ladies and Gentleman,

Good Morning

First and foremost, it gives me great pleasure to join the Project Coordinator and on behalf of Sokoine University of Agriculture (SUA) to warmly welcome you, distinguished Guest of Honour to this workshop and to Sokoine University of Agriculture in particular.

Allow me to express our sincere appreciation to you for accepting our invitation to grace this occasion as Guest of Honour. We realize how busy you are in your capacity as

Morogoro Regional Administrative Secretary that notwithstanding your tight schedule, you have allocated your precious time to actually travel to Mikumi and officiate this workshop in person. We cherish your decision to accord interest and priority to this event.

Guest of Honour, this being your first official event at SUA since your transfer to Morogoro in your present capacity, we are very much encouraged and strongly hope that this spirit of cooperation will be strengthened in the days ahead to facilitate promotion of development in our region and the country at large.

Honourable Guest of Honour, allow me also, to welcome to this workshop and SUA, all the local participants and invited guests. I appreciate their interest in the activities of this project and their participation in the workshop.

Honourable Guest of Honour, may I also recognize and appreciate the presence at this workshop of delegates from the University of Copenhagen (UC), Department of Geosciences and Natural Resource Management (DGNRM), Geography Section from Denmark. This collaborative Research Project between our two institutions would not be possible without them. We thank the University of Copenhagen for willingness to collaborate with SUA.

A wide range of projects have been implemented from 1979 to-date. The collaboration culminated in 2007 when our strategic partnership was formalized through an MoU whose signing at SUA was witnessed by Her Majesty Queen Margrethe II of Denmark.

Honourable Guest of Honour, this project under whose auspices this workshop has been organized, is yet another opportunity to strengthen our collaboration with the

objective of conducting applied research and contribute towards transformation of livelihoods for the people of Tanzania.

Guest of Honour, with those remarks, it is now my pleasure and great honour to welcome you to address this workshop and declare the workshop officially open.

Thank you for your attention.

Mr. Guest of Honour, Sir

Opening Address

Mr. E. M. Ntandu

Regional Administrative Secretary Morogoro

The Vice Chancellor, Sokoine University of Agriculture,

The Township Executive Officers,

Ward Executive Officers,

Village Executive Officers,

Organizers of Workshop,

Invited Guests,

Ladies and Gentleman

I wish to thank the organizers of this workshop for giving me the opportunity of officiating the opening of this stakeholder's workshop of the Rural-Urban Complementarities for the Reduction of Poverty (RUCROP) project.

I have been informed that RUCROP is a collaborative programme between Sokoine University of Agriculture and the University of Copenhagen (in Denmark), and has a capacity building component. I noted that such collaboration and development of human resources is a form of capacity building which allows for sharing of experiences and expertise from the collaborating partners.

Also, I have been informed that the objective of this stakeholder workshop is to disseminate research findings

and stimulate dialogue relevant to RUCROP. Researchers have often been blamed for not disseminating research findings. I therefore commend RUCROP for organizing this workshop as part of the design and implementation of the dissemination strategy for the project. It is my earnest hope that all participants of the workshop will have good deliberations on the issues to be discussed so that the project achieves its intended objectives.

Madam Chairperson,

SUA is the only University in the country with a focus on agriculture and because the agriculture employs more than 75% of population, this University has a major role to contribute to the national economic growth.

I understand that many research projects have been undertaken at SUA and some are on going. However, I noted that this is the only research focusing directly on issues of rural – urban complementarities for the reduction of poverty. I therefore note that RUCROP project has come at the right time when issues of rural urban migration are increasingly becoming more important at national as well as at the international levels.

Madam Chairperson,

Failure to consider rural-urban complementarities for poverty reduction has contributed to Tanzania's failure to exploit opportunities resulting from linkages between rural and urban sector. Like many other developing countries, Tanzania's development remains highly dependent on agriculture, and one of the notable features of this project is its focus on interdependence (rural and urban) contrary to most past development approaches which have been focusing on reduction of either rural or urban poverty

separately. The challenge is to identify the institutional opportunities and weaknesses in order to improve rural urban complementarities.

Madam Chairperson,

Looking at this challenge and the objectives of RUCROP project, one can see directly that the project has a lot to contribute to the national strategy of transforming the rural economy through complementarities with urban sector and provision of savings and credit services. I am convinced to believe that RUCROP project will provide practical solutions to such challenges based on empirical evidence.

Madam Chairperson,

Let me conclude by expressing my expectation that the collaboration between Sokoine University of Agriculture (SUA) and the University of Copenhagen through RUCROP project is an added advantage in identifying the challenges related to rural and urban poverty in Tanzania and providing possible solutions.

Finally, Madam Chairperson, I would like to express our sincere appreciation to DANIDA for continuing support of development efforts for Tanzania and in particular research activities at SUA. Before I conclude my opening remarks, may I take this opportunity to request all Tanzanians to take part in the constitutional dialogue that is now taking place in the country and to participate in the Population and Housing Census that will take place on 26 August, 2012. I request all of us to take positive participation in these important events for our nation.

Madam Chairperson,

I now have the pleasure to declare RUCROP project stakeholder workshop officially open.

I thank you all for your attention and patience.

Key Findings

Ilula Emerging Urban Centre

**Kilima, F.T.M., Birch-Thomsen, T., Lazaro, E.A.,
Makindara, J.R., Saga, G. and Mshote, E.**

Characterization of Ilula EUC and Tomato Value Chain

Ilula is located within Kilolo District Council in Iringa region, about 50 kilometres (km) east of Iringa regional headquarters, along the Tanzania-Zambia highway. Its location gives it some comparative advantages with respect to transport services over the other villages in the hinterland. Ilula was officially declared a township in 2006 as per local government Act No. 8 of 1982.

Historically, the natives of the study area are the *Wahehe* ethnic group whose main livelihood activities were crop farming and livestock keeping. The early development of Ilula started in the late 1950s and early 60s where the *Wabena* and *Wakinga* from Njombe and Makete, respectively; came to Ilula seeking for arable land and/or job opportunities at a Greek tobacco farm located at present day Image village. During the 1980s two major events happened having influence on the early development of the EUC. These events included first, the introduction of improved tomato seeds that substituted the low yielding local varieties and led to commercialization of tomato production. Secondly, was introduction of financial services through formal loans and credits by the CRDB Bank. This led to a second 'boom' in the in-migration to Ilula, in many cases from as far as Morogoro, Tanga, Kilimanjaro, Mbeya and Dar Es Salaam. In addition to the expanding tomato production during the 1990s, Ilula

saw an increasing number of service functions and in particular an increase in the number of shops and new types of business enterprises (made possible following the national liberalization of the economy and further furnished by the provision of electricity to the EUC in 1996). During the first decade of the 2000s, Ilula EUC continued to grow – both within the area of the tomato ‘industry’ but as well within general businesses. This growth can be attributed to a number of things: Establishment and registration of Mazombe SACCOS (2002); introduction of the mobile phone (2003); establishment of the tomato-market by TASAF; improvement of infrastructure and particular the improvement of the highway; and introduction of alternative lending agencies/NGOs.

The above development has meant that Ilula EUC presently has good access to basic and utility services such as education, health and credit services. Others are supply of electricity and communication products and service; markets for agricultural and livestock products and shops for hardware and other consumer goods. Many of the income generation activities within this EUC are linked to tomato value chain. However, the centre is also a major hub for a number of other activities such as consumer market for agricultural goods produced in the hinterlands, reliable source of social services (e.g. health and credit), supplier of industrial goods to hinterlands and general businesses involving local people and traders from distant places.

When the survey was conducted, tomato was the main commodity that was highly commercialized to the extent that it involved many actors within and outside the study area. The main actors in the tomato value chain are small scale farmers, businessmen and women, transporters and consumers. At the production level, there are also a number

of actors such as input suppliers whose role is to supply agro-inputs including tomato seeds, fertilizers, herbicides, pesticides and other inputs. Farmers are also supported by agricultural extension officers who provide advice on various aspects of tomato production as well as marketing. Certain aspects of agricultural advice are also provided by non-governmental organizations.

At the marketing level, there are several actors who play different roles including the 'market masters' who are also known as market brokers. Also, there are crate makers and people who are hired to sort and pack tomatoes in these crates ready for transportation to distant markets. People who own crates can rent out the crates or sell them to others. Other actors involved in tomato marketing are transporters who are responsible for transporting tomato from farm to the local market and from the local market to distant markets such as Dar Es Salaam, Morogoro, Nairobi or Mombasa.

There are also many other actors who provide various services. These include the coolies, food vendors and retailers of tomatoes. It is important to note that the commercialization of tomato has created ample employment opportunities that have attracted massive inflow of traders and other people seeking employment within the tomato industry and other businesses. Some of foreign people (e.g. buyers of tomato) commute between Ilula and other distant markets while others have settled at EUC and hinterland.

Rural-urban migration, urban livelihoods and rural linkages

The availability of social services have led to fast growth (urbanization) of the EUC and emergence of disparities in socio-economic development between the EUC and villages in the immediate hinterland including Itungi, Uhambingeto,

Mlafu and Vitono Villages. These disparities have encouraged both seasonal and permanent migration between the EUC and hinterlands and strengthened socio-economic interactions including physical flow of goods and services, access to investment opportunities and social services as well as transfers of capital/money through direct investment and remittances.

Evidence reveals that the percentage of migrants who settled in the rural hinterland was about 43% of the total sample. Out of these migrants some migrated from within Mazombe division (8%), others from areas within Iringa District (33%) and the rest from Dodoma, Mbeya, Kilimanjaro and Kilombelo (2%). Many of these migrants were engaged in various activities within the hinterland including production of crops such as tomato (33%), maize (18%), sunflower (17%) and beans (6%). Other migrants were engaged in casual employment (3%), permanent employment (2%), selling crops and livestock (4%) and other businesses (17%). According to the survey data, most of these activities were also performed by native/indigenous people - some were undertaken at the EUC and others in distant areas.

Rural livelihoods and economic status

It has been established that indigenous and migrants derived their earnings from activities undertaken at the EUC and hinterland and they remitted part of their earnings to family members in areas of origin. This implies that the emerging urban centre offers safety nets and encourages migrants and family members to help each other through remittances (both in cash and kind).

With respect to ownership of assets, the survey data show that many migrants did not own tangible assets other than houses, and migration was generally perceived as means to

accumulate assets/wealth. Thus, attempts were made to classify all respondents into three distinct groups to account for poverty with respect to ownership of houses. These groups included people categorized as: deprived (if they owned house(s) in their villages that were purely traditional with mud walls, floor and thatched with grass); subjected to deprivation (if they owned relatively better houses with burnt/concrete bricks but without corrugated iron and concrete/cement floor) and not deprived when their houses are modern (with burnt/concrete bricks, concrete/cement/tile floor and roofed with corrugated iron, tiles or similar materials).

Results do not show significant difference in poverty levels. About 64%, 35% and 1% of the non-migrants were deprived, subjected to deprivation and non-deprived; respectively. On the other hand regarding migrants, results show that 55% were deprived, 44% were subjected to deprivation and 1% was not deprived.

Investment and saving practices in Ilula and the rural hinterland

The presence of Ilula EUC allowed rural based residents to use lean season more effectively through integrating the rural- and urban-based activities. Evidence from the EUC, show that almost 25% of the migrants were engaged in various businesses/activities at the EUC including production of tomato, beans, vegetables, sunflower; selling crops and livestock and; doing businesses such as guest house, transportation, selling firewood, photographing and transport services. It is worth to note these migrants were also engaged in several activities in the hinterland as described in section 2.1.2. Survey results show that both migrants and non-migrants relied on income earned from tomato as capital for other businesses undertaken within the

EUC, immediate hinterlands and distant places. More than 80% of the migrants and indigenous people were not members of financial institutions. These respondents also relied on own equity, borrowing from neighbours, earnings from casual labour and earnings from crop sales as their main source of income to finance consumption and investment. About 44% of the non-migrants and 38% of the migrants revealed that it was difficult to get access to financial services from formal and informal sources.

Results show that both migrants and non-migrants relied on own equity to finance their investments. Saga (2012) identified several formal and informal lenders at the EUC including Mazombe SACCOS, Mama Bahati and other informal lenders. However, his analysis suggests that lenders at the EUC are more likely to serve nearby than distant borrowers mainly due to difficulties related to establishing credit worthiness of distant borrowers along with transaction costs incurred to monitor credit use and source credit from lenders. Saga (2012) also shows that although both migrants and non-migrants received credit from these sources, chances for migrants having successful loan applications were lower than non-migrants. Many of the migrants who received credit at the EUC used it in agriculture, establishing business at the EUC and re-investing in origin homes.

When looking at the business owners in the Ilula-EUC, almost one third of the shops were established prior to 2000, and nearly half have been established within the last six years illustrating the continued interest to invest within the EUC. About three quarters of the businesses are owned by people who have migrated to Ilula EUC – out of which 70% reported to have migrated to Ilula solemnly with the purpose of investing into non-farm activities (business or job

opportunities). Most of the business owners (70%) have had experiences from businesses before the present one, either in Ilula EUC or in other parts of Tanzania. Many of the businesses have diversified from the original stores into having a more diverse portfolio (as part of the general development of their business) - others have specialised and/or invested in a similar type of business in the centre. The initial investments in the businesses are usually based on the owner's own resources/savings or on money borrowed from or invested by other family members (fathers, brothers, sisters etc.). Only few had access to the formal banking system and other financial institutions such as NMB and SIDO in the centre. Working capital, however, seems to be obtained more frequently through formal loans (SACCOS, Mamabahati, 'Blacky' and FINCA). In terms of re-investment practices, a large share of total accumulated surplus is used for reproduction of the household (including school fees). However, 71% of the business owners in Ilula EUC indicated some accumulation of capital used for investment. The highest frequency was found among indigenous/non-migrant business owners of which more than half invested into the existing business.

Summary

This case study has demonstrated that the emerging urban centre is a major market for underutilized/underemployed productive resources in rural area. The centre offer better opportunities for poverty reduction as rural people can also be employed at the EUC and earn extra income. The EUC is specifically important for asset accumulation among seasonal migrants from rural hinterlands who seem to be relatively disadvantaged with respect to ownership of assets and have poor access to investment capital.

Investment opportunities for people migrating to the EUC offer safety nets and encourage migrants and family members in home areas to help each other through remittances (both in cash and kind).

The EUC offers a relatively wide range of financial services than hinterlands. These services are readily available for natives and migrants who settle at the EUC. However, these opportunities are not fully utilized by those from the hinterlands where such services are less developed. To source such services from the EUC, they have to incur travel and other transaction costs thereby rendering the credit use less profitable.

Igowole Emerging Urban Centre

**Makindara, J. R., Larsen, M.N., Birch-Thomsen, T.,
Kilima, F.T., Mshote, E. and Msese, L.R.**

Characterization of Igowole EUC and Tea Value Chain

Igowole ward is located in Igowole Division, Mufindi District in Iringa Region. Igowole was declared a township in 2006. The development of Igowole as a township is dated back in 1940s when the local Chief of the area moved the traditional court from Kasanga to Igowole. Igowole as a township consists of two villages namely Ibatu and Kisasa and ten sub-villages namely Mhamati, Mhemi, Pasosi, Fwagi, Kitonga, Mahaga, Ihanga, Ligu, Kafufu and Kitamvanga. The people who are living in Igowole own tea farms which are located 4-30 km away in other villages of Kasanga, Luhanga, Ihomasa and Ikwega. Igowole population based on 2002 census is 6,214 and comprises of 1,599 households. However, 2007/08 estimates shows that the population has grown up to 6,531. Associated with this development, the urban centre is being consolidated and becoming increasingly densely populated. The housing and business areas have been expanding, notably on the fringes towards Kasanga, where a new business/shopping area is under construction. The majority of people living in Igowole are *Wahehe* who are the original inhabitants followed by *Wabena* from Njombe and *Wakinga* from Makete.

Administratively, Igowole Division is headed by a Divisional Secretary while the Wards are administered by Ward Executive Officers (WEO). Other officials in the wards are Ward Agricultural and Extension Officers (WAEO) and Ward Community Development Officers (CDOs). Social

services available in Igowole include electricity (since 1990), two secondary schools, piped water one health centre, churches and one mosque. Other services available include police station, telecommunication, and a market place which was constructed in 2000.

Igowole financial services include SACCOs which act as a bank to most of the community members and mobile money transfer services (*m-pesa*, *tigo-pesa* and *airtel money*) are also available. Some members in Igowole ward are engaged in local revolving fund arrangements popularly known as *Upatu* in Tanzania. In transportation infrastructure, Igowole is linked with all weather roads (gravel road) connecting with Mbeya-Iringa Highway. There are daily privately owned passenger buses operating between Igowole and Iringa Municipality and several small cars (taxis) which operate between Igowole and Nyololo or Mafinga situated along the Mbeya-Iringa Highway.

The main economic activity practiced in Igowole and its rural hinterland is farming. Crops produced are maize since 1940s; pyrethrum since 1960s; timber since 1970s and tea since 1980s. Other agricultural activities practiced include livestock keeping, especially poultry and pigs. Fishing is also practiced to some extent. Therefore, based on the findings, the main activities in the rural hinterland villages (Kasanga and Udumuka) are mainly maize farming (61%); craftsman and/or artist (7.5%), casual labour in other farms (5.4%) and tea production (5%). Other economic activities include employment in tea industry (2.5%) and producing other crops (2.2%).

However, historically, tea cultivation has been dominated by two tea estates with minor contribution from smallholders: Unilever Tea Tanzania (the country's largest tea estate) and Mufindi Tea Company (MTC). The demand for tea

continued to increase in the 1980 and 1990s and the area under tea was progressively increased by both estates which created additional labour demand. This could not be met by the indigenous people in the area. In the 1980s and early 1990s, the tea estates established 'labour collection points' in Makete and Njombe and provided transport for people from these areas to the estates. Due to the (historical) remoteness of the two tea estates from large centres such as Mafinga or Iringa, the estates provided residential accommodation for their workers (tea pickers and tea factory workers) at the estates. Since then, many of these workers have settled permanently in Igowole or villages in its rural hinterland.

In 2006, the tea picking process was mechanized in order to cope with the increasing labour demand in the tea estates. However, the tea estates and smallholder tea cultivation continue to play a significant role in contemporary agricultural development and hence in the rural economy in the area. The tea estates and a newly-established leaf factory (Kisiga Tea Company) have expanded their operations by involving smallholders from the surrounding areas to grow and sell their green leaf to the factory/estate through outgrower's scheme/contract farming. Smallholders are supported through credit-based input systems organised by the tea estates. Inputs including fertilisers, pesticides, herbicides and to some extent tea seedlings are provided by the processing factories on credit based on an assessment of the size of the fields. These contractual arrangements are often combined with some form of extension services.

The emergence of Igowole as a business centre started in late 1990s and the number of businesses (shops and small enterprises) has increased substantially in recent years. Of the 31 businesses proprietors interviewed in Igowole centre, the majority have been established within the last seven

years. Currently, there are more than 50 businesses operating from fixed premises (owned or rented) located in the centre along with several smaller shops run from dwellings mainly selling fresh vegetables. A survey of 31 business operations was conducted in Igowole centre. It shows that the majority of the businesses have been established within the last seven years. The centre is dominated by traditional general stores basically selling groceries, but more specialized shops have increasingly been established dealing with hardware, furniture, stationary services and agricultural inputs. Other businesses available include car repair workshops and timber selling business. Service providers are also available in Igowole and they include food suppliers, hairdressers, communication (mobile services), taxis, hospitality such as hotels and guest houses and milling machines. In addition, a growing number of smaller manufacturing enterprises have also been established including maize milling, small sawmills and carpentry workshops.³ More than half of the sampled businesses were owned by migrants and a great majority of these businessmen/women migrated to Igowole with the sole purpose of engaging in non-farm activities.

Rural-urban migration, urban livelihoods and rural linkages in relation to Igowole EUC

Analysis of survey data shows that about 34% of the migrants and 14% of the natives at Igowole EUC were engaged in crop sales while 10% of the migrants and 15% of

³ Since the mid-2000s, the growth in demand for soft wood timber and development of the timber industry in the area have created job opportunities for transporters, 'lumber' workers and value added processing facilities in the centre.

the natives were employed in the timber industry. About 12% of the migrants and 8% of the natives were casual labourers, especially in tea estates whereas 9% of the migrants and 5% of the natives were engaged in tea production and the rest (35% migrants and 58% natives) were involved in other businesses including production of other crops, livestock keeping and formal employment in government schools and in the health sector. Moreover, many of these people were undertaking some of their activities at the EUC as well as in nearby villages. According to the survey data, about 5% of migrants and 28 % of natives were engaged in maize production in nearby villages while 34% of the migrants and 14% of the natives were involved in selling various crops in these villages. Survey data also show that 10% of the migrants and 14% of the natives were engaged in timber business; 9% migrants and 5% natives were tea growers; 11% migrants and 8% natives were casual labourers and about 5% migrants and 4% natives were employed in the formal sector.

Rural livelihoods and economic status

Igowole population is comprised of *Wahehe* and *Wakinga*, some of whom have migrated from Njombe. Other tribes such as *Wachagga* have also settled in some parts of the Igowole division. There are people who have migrated from the rural areas such as Kasanga and Udumuka villages and settled in Igowole Township. The reasons for migration include establishment of business in Igowole such as timber trading. Others have migrated to Igowole looking for employment. Others have migrated simply to have access to energy (electricity) and some have migrated just for entertainment, the majority of which are youths. However, when assessing migration status of rural Kasanga and Udumuka residents, the findings show that 51% of the

villagers have come from outside Igowole Division, but within Mufindi district. The findings also show that 33% are the original habitants of the village and 15% have migrated from outside Mufindi district. Only 1% comes from outside the village, but within Igowole Division.

The economic status of people living in the rural areas varies based on whether they are migrants or not. For example, in Kasanga and Udumuka villages, economic status was assessed based on participatory poverty indicators developed by the villagers. These indicators included household food adequacy; quality of shelter/house; household monthly income; education level of the children and access to health services. Therefore, based on these indicators, poor households were those families which do not get three meals per day; have grass thatched houses; are not able to purchase inputs and therefore their agricultural productivity is low, have low incomes and cannot access health services. For the average households, three meals per day are affordable; the house is roofed with iron sheets, agricultural production is average but no surplus production. Their income is average and cannot cultivate large farms but can access health services.

When assessing the ownership of houses, findings show that 91% of the villagers in Kasanga and Udumuka were living in their own houses. In terms of extent of poverty in Kasanga and Udumuka villages, the findings show that 45% of the villagers were relatively poor, 41% were relatively better off and only 15% were moderately poor. The findings show that 7% of those who have economic activity in Igowole were relatively better off and only 3% were relatively poor. For the moderately poor, only 2% were having economic activity in Igowole. Focus Group Discussions (FGD) with village leaders and other important people in the villages showed

that among the different income levels, the low income bracket is composed of both migrants and non-migrants while the majority of middle income earners are non-migrants and the majority of the high incomes are the migrants.

It was also found that migrants on average earned about 69,631 Tshs from activities performed at the EUC and 216,100 Tshs from activities performed in hinterland villages while the original inhabitants earned only 16,473 Tshs and 119,550 Tshs from the EUC and hinterland, respectively. Some of the migrants also provided employments to the original inhabitants. Thus, according to the poverty assessment used in the area, the low income bracket is composed of both natives and migrants while the majority of middle income earners are the natives. The majority of the high incomes are the migrants.

For the case of access to resources such as land and financial services in the rural areas, the situation has changed over time. For example the price of one acre of land was between 15,000-20,000 Tshs in year 2000 while in 2011, the price of the same acre increased up to 300,000/- Tshs in Kasanga. In Udumuka village the price increased from 15,000-20,000 Tshs in 2000s to 100,000 Tshs in 2011. Respondents could not access financial services in the 2000s. However in 2011, people started to access credit services in the villages. The income brackets with better access to financial services were the middle and higher income households. This was because they could meet collateral requirements as they had more valuable assets compared to low income people. It was also reported that financial institutions did not discriminate between the inhabitants and the migrants.

The findings also show that other villagers were better off than others due to their high ability to invest in tree farms

and therefore could sell trees and timber. Overall livelihood situation was better off than it was ten years before. People were of the opinion that there is a lot of improvement in reduction of poverty. In addition, access to energy (electricity) has brought a lot of changes in the village and the re-introduction of input subsidy by the government in the 2008 has also led to improvement in crop production. For the case of Udumuka, the current livelihood situation had improved as compared to ten years ago and the poverty levels have declined. Introduction of new technology such as livestock keeping and oxenisation has improved crop production and livelihood. People started building good houses and their incomes have improved.

Investment and saving practices in Igowole and the rural hinterland

It has been established, the number of businesses has increased substantially since mid-2000 and dominated by traditional general stores, but more specialized shops/businesses are increasingly being established. Most of the businesses in the survey are primarily operated by the owner or her/his family, though around 40% of the businesses employ at most a few people (typically one to four employees) in addition to family labour. Around 40% of the business owners have had some sort of businesses before the present one, either in Igowole centre or in other parts of Tanzania. With regard to initial investment, it was typically based on the owner's own resources/savings or on money borrowed from or invested by other family members. In many cases, the owner of the business has saved capital by working at the tea estates (wage labour). In addition, savings from crop and livestock sales provided additional investment capital for most of the business owners. Working

capital tends to be obtained more frequently through formal loans (notably SACCOS) relatively to investment capital.

In terms of re-investment practices, a large share of the surplus was devoted to the reproduction of the household, but 70% of the business owners indicated that some of the surplus was reinvested. Most frequently, business owners invest in property (new houses or improving existing house facilities) followed by investment in land mainly for cultivation of tea and/or timber and means of transport. In a few cases, business owners reported re-investment in other businesses (5%) or the shop (5%).

The findings from financial services survey (Msesse, 2012) show that the initial investment capital for most of the businesses came from the owners' own resources through either working in a tea field, or in tea factory, or through wage earnings or through crops or livestock sales. However, for the case of working capital, the sources are either from the owner or from formal loans obtained from Mufindi Community Bank (MuCoBa) or through SACCOS. For the case of access to formal credit for in Igowole based on whether the beneficiaries are migrants or non-migrants, the findings show that 65% of migrants and 57% of non-migrants are obtaining credit from CHAKUPA SACCOS. In addition, 35% of migrants and 36% of non-migrants have accessed loans from MuCoBa. Only 7% of non-migrants have accessed loans from FINCA while migrants do not access to FINCA loans. For the case of rural hinterland the findings show that 77% of the migrants and 70% of non-migrants are obtaining credit from CHAKUPA SACCOS while 23% of migrants and 30% of non-migrants have accessed loans from MuCoBa. None of the people in the rural hinterland access credit from FINCA.

Therefore, the findings show that there were few formal financial institutions in Igowole which necessitated some of the people to rely on informal savings and credit facilities as source of capital. That is, about 55% of non-migrants in Igowole had access to informal microfinance through group lending while 62% of migrant into Igowole EUC had no access to informal microfinance due lack of social networks. On the other hand, 33% of migrant in the immediate hinterland had no access to informal microfinance due to short grace periods and high interest rates.

Summary

Igowole and the rural hinterland are linked through intermarriages, business relationships and farming activities. The indicators used in the poverty assessment in the rural hinterland include household food adequacy, quality of shelter, household monthly income, educational level of children and access to health services. The findings show that 45% of people in the rural hinterland are relatively poor while 40% are relatively better off. The moderately poor are only 15%. The overview also show that investments have increased since 2000s especially investment in the trading activities in Igowole centre and farming (rural hinterland). The business activities have increased significantly and more specialized stores have been established. These investments have been made possible from the capital raised through working in tea estates, tea processing factories or to some extent from formal loans obtained from MuCoBa or SACCOS. However, the initial investments were typically based on the owner's savings, while working capital tends to be obtained more frequently through formal loans. As for reinvestments practices, the findings show that a large share of the surplus was channelled to household reproductive activities. In case of re-investment practices, it happened

most frequently for the acquisition of property and land for agriculture and rarely in diversifying their business operations.

Kibaigwa Emerging Urban Centre

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M. R. Wambura

Characterization of Kibaigwa EUC and Maize Value Chain

The name Kibaigwa originates from first the person who settled in the area by the name of Lembaigwa who was of the *Wamasai* origin. In 1995 the Kibaigwa market was established and this is believed to be the beginning of the growth of Kibaigwa Emerging Urban Centre (EUC). Before the establishment of the maize market at Kibaigwa, Mtanana and Pandambili villages were the important maize trading centre for farmers and traders. Farmers from Zoisa ward, Njoge ward and Kiteto district (Arusha) travelled to these villages to sell maize. Traders came from Dodoma and Dar-Es-salaam. With time and increased number of people (farmers and traders) these trading centres turned out to be insecure due to criminal activities including theft and robbery. Realizing this problem, the then chairperson of Kibaigwa village advised young people to establish a group to provide security for maize traders in the village. A group of 25 male youths started a group known as '*Kikundi cha umoja wa wabeba mizigo Kibaigwa*'. The group was responsible for security, loading and unloading of maize on lorries. Kibaigwa village became a secure place and therefore more traders and farmers decided to trade at Kibaigwa.

Kibaigwa village started to grow in terms of businesses, population and economy in general. The group currently known as Kibaigwa Cargo Porters Cooperative Society has over time expanded in terms of membership and diversified its activities to include a savings and credit facility. During

this time maize trade was done along the road but due to fatal accidents that killed many people the then District Commissioner of Kongwa ordered that maize trading business be moved away from the roadside. Cargo porters decided to establish a market place at their football pitch that was few meters from the road side and this is where the current market has been built. The construction of the current Kibaigwa International Maize Market started in December 2002 and was completed in June 2004 (officially inaugurated on 6th July 2004). The development of the EUC is to a large extent based on the maize production, and trade/marketing.

Administratively, Kibaigwa ward is one of the 14 wards in Kongwa District in Dodoma region. It is comprised of 3 villages of Kibaigwa, Kinangali and Ndurugumi. As a result of the rapid growth, Kibaigwa Ward was pronounced a Township Authority by the government in 2000 and was presented in the Government gazette Number 353 of 2004. However, it was not until 2007 when Kibaigwa Township Council was constituted and started operations in 2008.

Kibaigwa Township comprises of 14 sub-villages whereby five (Karume, Nyerere, Kawawa, Majengo, and Mpakani) have relatively better access to services compared to other nine (Sabasaba, Mlimwa, Kazamoyo, Lufukili, Tanesco, Mwongozo, Chang'ombe, Msimbazi and Berega). According to the 2002 population census the total population of Kibaigwa Ward was 15,345 people out of which 7,871 were females. Out of the three villages the most populated village is Kibaigwa with a population of 5,713 households (75.3% of Kibaigwa ward population). In this study we consider the area covering the 5 sub-villages (within Kibaigwa Village) as the Emerging Urban Centre. We define EUC as a rural

village that over time has been transformed into an urban centre as a result of rapid population growth and increased economic activities.

Together with high population growth, Kibaigwa village unlike the other 3 villages is privileged to have most of the basic services including electricity, water supply, dispensary, and primary and secondary schools. It also has relatively higher development of economic services including, shops selling varied types of commodities (including food items, cosmetics, hardware, and stationery), guest houses, mobile phone kiosks, restaurants, as well as vehicle, bicycle and motor cycle repair shops. There are also primary processing plants, the most prominent being sunflower oil processing and maize milling. The international maize market is a unique infrastructure at Kibaigwa that has contributed to economic development of the area. This is not to overlook the contribution of other two markets that are located close to the Maize market: the vegetable market (selling largely food items including fruits and vegetables) and general merchandise market (selling among other things, electronic equipment, household utensils and new and used clothes. Generally, the Kibaigwa village area is an economically as well as socially busy area. This is by far also contributed by the main Dar-Es-Salaam Dodoma Highway that is passing through the village. All these characteristics have contributed to the fast growth of the area and become an Emerging Urban Centre.

Rural-urban migration, urban livelihoods and rural linkages

More than 60% of respondents had their birth places or home origins outside Kibaigwa or immediate hinterland. They migrated to Kibaigwa from distant regions such as Arusha, Iringa, Morogoro and Mbeya as well as neighbouring wards within Dodoma region. The average

years of settlements in immediate hinterland was 30 years whereas in the EUC is only 19 years.

Maize farming is an important economic activity to more than 60 % of respondents in EUC and more than 90% of those in immediate hinterland. The difference is due to existence of more diversified livelihood opportunities in Kibaigwa EUC compared to immediate hinterland. Farmers from neighbouring villages and regions sell maize at the Kibaigwa International Maize Market. They use some of the money to buy consumer items within Kibaigwa and establish economic activities at Kibaigwa. It is common for residents of villages surrounding Kibaigwa EUC to have economic activities within Kibaigwa EUC. About 24% of rural residents interviewed had some economic activities within Kibaigwa EUC as part of the livelihood strategy. The activities include ownership of houses for renting out and trading at the maize market, artisan and craftsmen. Residents in EUC do also have economic activities within the surrounding rural villages. This is mainly by owning farmland in immediate hinterland and it was noted that average land ownership in rural immediate hinterland was 11acres.

In addition, Kibaigwa EUC residents depend to a large extent on incomes generated from providing services to traders and farmers that come to trade maize at Kibaigwa market. Such services include: accommodation in guest houses, selling food in restaurants, loading and unloading of maize on lorries, and vehicle maintenance. Income through sell of consumer goods including household items, clothes, radios, vehicle spare parts, tractors & other farm inputs. Also, services (including, truck repairs, food, gasoline and accommodation) are provided to lorry/truck drivers passing through the highway. Large maize farmers in neighbouring

villages play a role also in the Kibaigwa economy through investments/trade at Kibaigwa, for example, through establishment of shops and guest houses. In addition, large maize farmers do also provide services to relatively smaller farmers in transporting maize from village to market.

Other rural urban linkages include access to social services (schools, health facilities and water from EUC), trade involving sale of firewood, charcoal, food items from immediate hinterland to EUC, and selling/buying of non-food industrial products from EUC to immediate hinterland.

Rural livelihoods and their economic status

Using the type of household house as a proxy indicator for relative poverty, households were categorized into three groups. About 2% of interviewed households did not own the houses they lived in instead they were renting rooms. The majority (about 91%) had corrugated iron roof houses with different combination of type of walls and floor. About 5% of interviewed households had houses with grass thatched roof, mud walls and floor. These were classified as relatively poor.

These results emphasizes that poverty is more prominent in rural areas and the fact that reasons for migration in EUC is mostly due to economic opportunities including trading and employment. On the contrary, migration in rural hinterland was mostly political (the 1970s villagization) but also seeking land for grazing as well as for farming. An assessment of whether having economic linkages with EUC has any influence on poverty indicated that only small proportion (about 24%) of households has economic activities in Kibaigwa. Direct ownership of economic activities did not make a significant difference in the type of house that households owned (used as a measure of poverty). About

93% of interviewed households owned houses with corrugated iron roof in the rural villages. This implies that a more rigorous poverty assessment approach is required to identify the severely poor in the rural villages surrounding Kibaigwa EUC.

Another common linkage with Kibaigwa is related to accessing financial services. The majority of the rural residents have no access to financial services. However, EUC provide opportunities for rural residents to access formal financial services. About 10% of rural residents had access to financial services either within village or in Kibaigwa EUC. About 44% of those who had access to financial services were members of financial services at Kibaigwa EUC.

Investment and saving practices in Kibaigwa EUC and the rural hinterland

To some extent, both EUC and rural hinterland households do invest part of their earnings from economic activities. About 41% of respondents in rural hinterland indicated that at least in the past 5 years they made some kind of investment. The majority of investments in rural hinterland of Kibaigwa are directed toward agriculture production, education and house improvements. Housing improvements and education were the two major investment areas (45% and 21% of those who invested during the past 5 years, respectively). Other areas included buying farms and farm implements (mainly oxen and ox-drawn farm implements). Similar pattern of investment practices is found in Kibaigwa EUC though there is more diversity in the types of investments. About 68% of respondents indicated to have invested in Kibaigwa EUC as well as in rural villages. Together with education and residential houses, there are investments in rental and guest houses, and establishment of restaurants, shops and garages for bicycle, vehicles and ox

carts repairs. Investments in agricultural product value addition are also common including maize milling and sunflower oil processing. Therefore, income from maize farming was the most important source of invested income for Kibaigwa EUCS as well as rural villages. Credit and remittances were not as important as maize income for investments in rural hinterland.

Generally, there are many forms of savings both in rural as well as in urban areas. People can save in the form of assets (e.g business, livestock or land) or in form of cash money. Whereas all these forms of savings are important, financial service focus more on cash savings. Membership to financial services is therefore considered as a proxy indicator for saving practice among residents of rural hinterland of Kibaigwa. Only about 10% and 9% of respondents in rural hinterland and Kibaigwa EUC were members of financial services within the villages or in Kibaigwa EUC. Unlike in rural hinterland, in Kibaigwa EUC there are bank services offered by CRDB Bank PLC and NMB. However, despite of having the bank services nearby, the results show that only 26% of respondents in EUC applied for loan in 2010/11 and 2011/12 and none from rural hinterland. Mobile money transfer (*including M-PESA, Tigo-pesa and Airtel money*) was indicated as the major means of money transfer in both rural and urban areas.

Summary

Agriculture is yet an important economic activity for residents in EUC as well as immediate hinterland. Township development planners should seriously consider allocation of land for agricultural activities. Agricultural land is one

resource that contributes to rural urban linkages that have poverty reducing effects. Value chain analysis of maize in Kibaigwa provides evidence for the importance of agricultural land.

Rural-Urban linkages occur among other things in the form of access to natural resources (land, water, firewood etc), social services (schools and hospital), and economic opportunities. These linkages have potential urban and rural poverty reducing effects. Evidences from this study show that rural households that have economic activities in EUC are relatively better off economically than those without. While in EUC households that own farms in rural areas are also relatively better off than those without.

The extent to which rural households access savings and credit services is very limited. To facilitate further growth of rural urban linkages among other things, interventions for improving provision of savings and credit services in both rural and EUC is important. Key and most important is for development practitioners, researchers, and savings and credit service providers to come with innovative ways that will facilitate such linkages.

Madizini Emerging Urban Centre

Msuya J., E. Lazaro, J. Agergaard, N. Fold, D. Mushi and Z. Lumole

Characterization of Madizini as EUC and sugarcane value chain

Administratively, Madizini is in Mtibwa Ward located in the Division of Turiani, District of Mvomero, in Morogoro Region. The area is notable for the presence of Mtibwa Sugar Estates (MSE), which is among the biggest sugar companies in Tanzania together with others in Moshi, Kagera and Kilombero. The MSE, like the rest of the sugar industries in the country, has been subjected to several forms of ownership and regulations as a consequence of the country's political development. Sugarcane for the sugar factory comes from 5,200 hectares of the MSE, but in addition, more than 6,000 organized out-growers cultivating a total of 9,000 hectares, also supply the factory with sugarcane.

Madizini village started to grow (in terms of population, businesses and services) faster than the surrounding villages in Turiani area during the last 2 decades. Some of the reasons for the growth include the presence of Mtibwa Sugar Estates, bus terminal for all buses coming to Turiani from Morogoro and other places, and advent of electricity power supply. Madizini now stands as the centre for economic and social services, which include health, education, transportation, businesses, trade and employment. Financial services are also provided in Madizini such as banking and savings and credit services.

Rural-urban migration, rural livelihoods and rural linkages in relation to Madizini EUC

The development of Madizini as an emerging urban centre (EUC) is closely related to the developments of the Mtibwa Sugar Estate and continuous changes in the organization of sugar production. The estate was established in 1963 and its first factory was located close to what today makes up the oldest sub-village of Madizini, Mpingoni. In 1973, the factory was moved from this location and a new factory was established to the east in the midst of the current estate land. From Mpingoni, Madizini has grown towards the west and north-west, where it is now bordered by the new main road (B 127) connecting the Morogoro-Dodoma road and the Tanga-Arusha road. Towards the south, Madizini is reaching Turiani, a now stagnating urban centre that has evolved around the Turiani hospital. Catholic missionaries founded the hospital in 1961 and local administrative offices were established around Turiani during the 1970s and 80s. The shift of local commercial and service centre from Turiani to Madizini was a gradual process from 1990s onwards and was further reinforced by the 2002 decision to give Madizini a township-status⁴.

Since, the establishment of the Mtibwa Sugar Estate, sugarcane cultivation and production has attracted migrant workers from various regions of Tanzania, not least from the Iringa, Mbeya and Kilimanjaro regions. Many migrants have entered Madizini as seasonal workers who after some years have managed to stay on beyond the harvest season (from August to January). The first settlers settled either on the

⁴The Turiani hospital, located in the borderland between the central spots of Madizini and Turiani, is today an important asset for the Madizini Township

estate or in some of the villages that now constitute the rural hinterland of Madizini, and many have bought/rented land to become involved in sugar production as out-growers. During the 1990s, in relation to the privatization of the estate, the out-grower scheme has grown significantly. Out-growers were allowed to organize, and provision of credit facilities were developed which all stimulated the economic outcomes for the out-growers. During this period, farmers were starting to move closer to the commercial centre, and the otherwise sugarcane farm land was bought up for residence.

Today, the Madizini Township is made up by six sub-villages, which reflects the population growth in relation to immigration flows from the hinterland, the natural population growth and the dramatic increase in new households moving to the area, and spatial extension. Thus, various types of immigrants/settlers can be identified:

- Early migrants from the hinterland; early migrants to the area that were first establishing themselves in the hinterland villages and subsequently they have moved to Madizini;
- Migrants from the estate; migrants to the area who after some time living at the estate become renters in or have bought land for a house (or both) in Madizini;
- Service sector migrants; these include professionals, migrant-traders or businessmen and service providers who have moved directly to Madizini;
- 'Retirement migrants'; migrants who after their retirement from government positions in one of the bigger cities have come to settle in Madizini;

- Sugar cane workers; semi-permanent sugar-cane workers (caretakers, cutters, transporters) that have stayed for several seasons and now have brought their families and settled as households.
- Family network migrants; spouses and young family members (e.g. nephews/nieces) and others who settled with their relatives to benefit from the opportunities at Madizini.

Thus, Madizini is a migrant hub with a population of around 13,370 (as estimated in 2010)⁵ and another 2000 to 4000 temporary migrants, depending on the season, add to these figures (Interview, March 2011). Most temporary migrants live in single person households either in designated camps or as renters. Hence, Madizini is a very dynamic and vibrant centre with increasing variation in income sources, related to the sugar cane business but also due to Madizini's increasing importance as commercial and service centre for the hinterland. Additionally, new sources of employment have arrived during the 2000s e.g. commercial services, marketing of food crops such as rice and maize, and since 2008, the cutting and processing of teak logs.

For the households (HHs) of Madizini, sugar-cane-related livelihood activities play a central but also a diverse and changing role. To illustrate some of the diversity in livelihoods, the following types can be identified: 1) HHs highly dependent on commercial agriculture – sugar cane

⁵Before the establishment of the Mtibwa Sugar Estate, the area that now constitutes Madizini was very sparsely populated by the *Wazigua* tribe. Today, we still find a few of the *Wazigua* households living in and around Mpingoni sub-village area of Madizini.

and paddy; 2) HHs highly dependent on subsistence farming; 3) HHs highly dependent on trade and services; 4) HHs highly dependent on rent and petty trade; 5) HHs highly dependent on wage labour; and 6) HHs with none or few income opportunities. This last group is not dominating, but female-headed households (widows and divorced) are at high risk of living precarious livelihoods. Although many (most) households can identify a dominant source of income, they almost unanimously diversify their income generating activities. Since the late 1990s many of the categories 2-5 households have been engaged in the out-grower scheme either on rented land or on small plots they have bought or inherited. However, particularly these types of households, are moving out of sugar cane and tend to engage more in rice (and sometimes maize) production. This trend is closely related to the dramatic changes in the trading, processing and manufacturing system of sugar, that have put more pressures on the out growers investment and credit systems (see below) and made it difficult and very risky for small out-growers to stay in the sugar cane production. Thus, the number of households who engage in sugar cane production is decreasing.

Rural livelihoods and their economic status

About 67% of respondents in the rural villages neighbouring Madizini EUC were classified as migrants implying that they identified places other than the resident village as their original home place. Just like other rural area in Tanzania, the livelihoods of both migrants and non migrants largely depend on agriculture. Rice farming was identified by 45% of respondents as the main livelihood activity and 26% identified other crops farming (including maize, cassava and leguminous crops) as important. Sugarcane farming although at one time was an important economic activity,

was identified by only 15% of respondents. This shows that sugarcane is becoming relatively less important compared to rice and other crops farming. Other economic activities include casual labour in private farms, and employment in government institutions. Besides agriculture, about 3% of respondents are involved in what could be termed as petty business or trade, including shop keepers, selling of cooked food (food vending), transportation using motorbikes, selling local beers, and selling of fruits, vegetables or food crops (mostly maize and rice).

Rural residents' sources of livelihoods are not totally rural based; there are indications of linkages with the EUC. In this case about 17% (42 out of 254) of rural residents indicated having economic activities in Madizini. More than 80% of those who had economic activities in Madizini were migrants in the rural villages. Such economic activities undertaken by rural residents in Madizini Township were mainly petty businesses (e.g. shops) and selling of livestock and livestock products (including chicken).

An attempt was made to assess poverty status of respondents whereby the type of house that a respondent owned and lived in was used as a proxy indicator. The results showed that 8% of respondents did not own the houses they were living in. Only 28% were categorized as being relatively better off, and therefore the remaining were relatively poor. The houses of those categorized as better off were made up of cement blocks or burned brick walls, corrugated iron roof and had cement floor. The relatively poor houses were of mud walls, grass thatched roof and mud floor. The in-between combinations of walls, roof and floor types were categorized as moderately poor.

Rural urban linkages were expected to have influence on poverty status of rural households. Ownership of economic

activities in Madizini was used as an indicator for a household with linkages with EUC. The results showed that only 15% of the households that were categorized as being relatively poor (in terms of housing quality mentioned above) had economic activities in Madizini compared to 19% of the relatively better-off households.

Investments and savings practices in Madizini and the rural hinterland

The organisation of the out-grower scheme has been substantially changed during the years following privatization of the Mtibwa Sugar Estates (MSE). The plantation and the factory are now independent corporate units and the company has gradually withdrawn its involvement in the scheme while the two farmers' organisations (FOs) have taken over the responsibility for extension services and supply of inputs. In addition, the FOs takes care of harvesting and transportation of sugar cane to the factory, but these activities are outsourced to contractor firms. In principle, the new organisational form results in new opportunities for private investments in Madizini in activities directly related to the sugar value chain. But also in other activities that initially were derived from the economic dynamics in the sugar value chain and gradually took on their own virtuous circle logics as the urban economy increased in scope and diversity. Concerning the first category, some of the out-growers have invested – either as individuals or as cooperatives - in trucks or tractors which are used for transportation in the harvest season. A few contractors hire out labour services in the harvest season, including one owned by a handful of resource strong out-growers and local businessmen; the others are based outside Madizini but have experience in providing the same kind of labour service to another sugar company in the region

(namely Kilombero). Also, the building of dormitories and hiring out of accommodation (shared rooms) for the seasonal migrant workers is an important source of income. Only a couple of local shops sell agricultural inputs like fertilizer, pesticides, etc., and most of the economic activities in Madizini are actually of the second category i.e. established because of consumer demand in turn stemming from wages (rural workers) and income (out-growers) from sugar cultivation.

The following description goes into more detail with this second category of activities by reporting on some of the results from a survey of 30 business operations in Madizini. The description focuses on: 1) the types of businesses and development trajectories, 2) the sources of investment capital and working capital, and 3) the re-investment practices. The number of businesses has increased significantly during the last decades and most are owned by migrants (80%). Most of the businesses are primarily operated by the owner or family (self-employment) and the typical owner is a male (about 75%) with an average age in the early forties. A third of the business owners have experience from running a previous business and the employment generating effects are quite substantial as 40% of the shops have employees. Notably, most of the owners (more than 75%) are also engaged in sugarcane cultivation or other activities related to sugarcane farming. The shops are dominated by traditional general stores (selling basic consumer goods like rice, sugar, salt, cooking oil, vegetables, etc.) although more specialized shops (clothing and footwear, furniture, electrical and electronic items, motorbikes, etc.) and other businesses (spare parts, hardware, pharmacy, etc.) are increasingly being established.

As for the initial investment capital, it is usually (for about 75% of respondents) based on the owner's own resources/savings from the involvement in sugar-related activities or savings from wage labour in the MSE, either through employment at the factory or in the sugar fields (plantation work). In contrast, formal loans constitute slightly more than half (53%) of the working capital while only less than 25% of the investment capital. Notably, none of the business owners reported use of informal loans for either.

The business owners reported that the lion's share of the surplus was devoted to the reproduction of the household (e.g. consumption of clothing, shoes, food, various and durable goods). However, most of them (80%) indicated that some of the surplus was re-invested. Concerning re-investment practices, the most important area (for nearly 60% of the respondents) is in property either by building new houses or improving/enlarging the old facilities. Other important areas for re-investment are land and means of transportation into which 25% of the respondents have allocated resources. In contrast, relatively few (8%) have re-invested directly in the shop or in other businesses.

Comparison of residents in Madizini Township and one hinterland area (Kunke village) revealed that 83% of the Madizini respondents had access to a form of credit services compared to only 61% of the residents in Kunke village. Similarly, the mean amount of credit received by Madizini residents was higher than in Kunke village (Tshs 798,111 compared to 363,267). The savings and credit services can be categorized as being formal or informal. The formal services include Commercial Banks and Savings and Credit Cooperative Societies (known in short as SACCOS) while informal services are those offered by individual lenders and

Rotating Savings and Credit Associations (ROSCAs). There is one Commercial Bank in Madizini Township (the NMB Bank) and two main SACCOS (the Turiani SACCOS and Mtibwa SACCOS). Reasons reported for not taking credit, even where the services were available, included high risks of being indebted and lack of collateral.

In general, greater proportion of the rural residents (58%) who sought credit services obtained it from the informal sources (25% from ROSCAs and 33% from individual lenders). The situation in Madizini Township was different whereby only 41% relied on the informal credits (25% from ROSCAs and only 16% from individual lenders). On the other hand, the Turiani SACCOS was used by highest proportion of respondents (20%) seeking formal services followed by the NMB Bank (13%), among the three formal saving and credit facilities available in the area. The analysis indicated that only 20% of rural households sought credits from Turiani SACCOS compared to 33% of the urban households. This pattern appears to be the same for the NMB Bank whereby only 13% of the rural residents obtained credits from this bank as compared to 22% of the urban respondents.

Activities financed through credits can be divided into two groups, which include economic and social activities. The economic activities financed through the credits include farming (mostly commercial crops such as sugar cane and rice), livestock keeping, and establishing or expanding trade businesses. The social activities financed through credits included building of residential houses, purchasing of household assets such as furniture, paying for education, coping with natural calamities such as fire and floods, and emergencies.

As mentioned above, informal sources of credit (i.e. individual lenders and rotating savings and credit associations or ROSCAs) were also important for the residents in Madizini Township and in the hinterland villages. The informal lending involved an agreement between the money owner and the borrower. This type of credit services was reported to be easy and quick, but the interest rates were extremely high, sometimes up to 50%. This source of credit was found to be the most important one among the credit seekers in the rural area. The other informal source of credit was the ROSCAs. These are based on associations formed by individuals who agree to make regular contributions to a fund which is given in whole or in part to each contributor in rotation. This type of association was common among groups of women, men or both, as well as tribal groups. The group sizes ranged from 5 to 25 members per group, and collections were on daily, weekly or monthly basis. ROSCAs were found to be the second most important credit provider to the rural (Kunke village) residents after the individual lenders.

Summary

Madizini is clearly experiencing rapid development as regards population growth, spatial expansion, the housing situation, and commercial activities. However, urban planning and governance do not match this transition from rural to urban activities and ways of living. Urban infrastructures, such as sewage, garbage collection, etc., are not developed, and the township area though demarcated has not been surveyed. The negative environmental and life quality implications for the more densely populated parts of the township close to business centre are obvious. But, the lack of surveying and spatial lay out of the area also has negative implications for Madizini livelihoods, e.g. the lack

of collective and household investments. This situation is clearly experienced by the local administration that is not adequately equipped, neither politically or administratively, to meet the needs of the growing urban population.

It is clear that the rural-urban linkage is important for alleviating poverty in rural areas. Households in the rural areas that have economic linkages with the urban (EUC) were relatively less poor compared with those having no linkages. The number of households who engage in sugar cane production as out-growers is decreasing because of changes in the trading, processing and manufacturing system of sugar. The changes have made it difficult and very risky for small out-growers to stay in the sugar cane production. Most of them are turning to rice production. Rural residents have difficulties in accessing the formal credit services, and therefore they tend to rely more on the informal systems.

Most private business operators are not diversifying or increasing their own non-agricultural asset portfolio but rather increasing the standard of living of the household (better house, means of transportation) or venturing into landlord activities (renting out accommodation) – if not transferring new wealth back into increased ownership of land.

Synthesis Summary of Findings

Lazaro, E. A. and T. Birch-Thomsen

The four emerging urban centres (EUC) Madizini, Kibaigwa, Ilula and Igowole centres are evidence of transformation of rural villages to emerging urban centres. The transformation and subsequent growth of these centres to a large extent stem around a value chain of a dominant crop (Sugarcane for Madizini, Maize for Kibaigwa, Tomato for Ilula and Tea for Igowole). The centres are characterized by above average population growth, number and diversity of economic activities. Establishment of important infrastructure including construction of highway road, electricity, market and agriculture processing facilities influenced rural-urban migration leading to rapid population growth in EUC. The increase in number and diversity of economic activities result from investments by both migrants and non-migrants in EUC. Notable common investments/businesses include general merchandize shops, guest houses, restaurants as well as agricultural value addition businesses (sunflower oil processing and cereal milling). The role of financial services in the establishment and further development of investment/businesses is very limited. SACCOs, community bank (MuCoBa), commercial banks and informal financial services are important sources of financial services. Incomes generated from agriculture, mainly from the dominant crops (different activities through the value chain) are the most important source of capital for establishment of economic activities/businesses. The growth of business further attracted people (migrants) for livelihood improvements. Evidence from this research shows clear linkages between the growing EUC and immediate as well as distant rural hinterlands. The linkages are in the form of mobility of

people, remittances and investments and show poverty reducing effects both in rural as well as in EUC. In immediate rural hinterland these linkages have contributed in improvements in livelihoods including improvements in incomes and housing facilities. People in rural villages that had economic activities in EUC were relatively better off compared to those who do not have economic activities.

Appendices

Appendix 1: Workshop Programme

Rural-Urban Complementarities for the Reduction of Poverty (RUCROP): Identifying the Contribution of Savings and Credit Facilities

Workshop Programme 20th August, 2012

| “Open workshop with stakeholders” | | |
|-----------------------------------|--|---|
| Time | Topic | Presenters/Facilitators |
| 8:30 – 9:00 | Arrival and Registration | SUA/RUCROP –MSc Students |
| 9:00 – 9:10 | Welcoming remarks | SUA/RUCROP, Lazaro |
| 9:10 – 9:30 | Presentation overview RUCROP Project | DGG- |
| 9:30 – 10:00 | Opening remarks | Invited Guest/Regional Administrative Secretary (RAS-Morogoro Region) |
| 10:00 – 10:30 | Group photo & Tea break (MSc-poster viewing) | All |
| 10:30-10:45 | Overview findings Igowole EUC | Makindara/Marianne/Msese |
| 10:45-11:00 | Overview findings Ilula EUC | Kilima/Torben/Elizabeth/Godfrey |
| 11:00-11:15 | Overview findings Madizini EUC | Msuya/Jytte/ Doroth/Zerida |
| 11:15-11:30 | Overview findings Kibaigwa EUC | Lazaro/Christopher/Mkubya |
| 11:30-13:00 | Plenary (feedback project findings) | All (Lazaro/Torben) |
| 13:00-14:00 | Lunch (possible MSc-poster viewing) | All |
| 14:00-16:00 | Selected Stakeholders presentation – (experience) <i>proposed topics</i> Migration Savings& credit Investments Land use Value chain | Msuya/Jytte |
| 16:00 – 16:30 | Plenary & way forward | Makindara/Marianne |
| 16:30-17:00 | Concluding remarks | Kilima/Torben |

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Appendix 3: MSc Students Poster Presentations

Appendix 3.1 Kibaigwa

SAVINGS AND CREDIT SERVICES TO SUPPORT RURAL-URBAN LINKAGES IN TANZANIA: A CASE OF KIBAIGWA IN KONGWA DISTRICT

Mkubwa Wambura

Department of Agricultural Economics and Agribusiness, Sokoine University of Agriculture, Morogoro - Tanzania

INTRODUCTION

- Credit and savings create potential for the growth of business investments and help in rural-urban linkages
- Microfinance institutions enable many poor people to get access to small loans but many people of needy borrowers are still not reached with any form of financial institution.

METHODOLOGY

Study location Kibaigwa Township



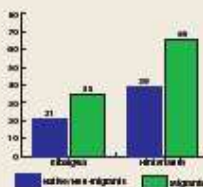
KIFISSACCO

DATA COLLECTION

- At Kibaigwa Township the sub villages selected was Nyarera and Kawawa while at immediate hinterlands the villages selected was Pandambili and Mitanana
- A random selection of 30 heads of household in each of the four villages was done to make a total of 120 respondents. Also by using snowball technique 40 key informants were identified and interviewed due to the reason that key informants were knowledgeable to provide relevant information, ideas and insights on aspects related to RUC and credit and savings.
- Key informants identified were: 5 Traders; 12 Village officers; 4 Kibaigwa Township authority officials; 12 SACCO's officials and 5 Kibaigwa market officials.



Presence of Kibaigwa market trader facilitate rural-urban interactions



Microfinance services in Kibaigwa Township were far fewer than the current population of farmers around Kibaigwa Township and the immediate hinterlands leading to limited availability of credit and savings services to majority of farmers (55% at Kibaigwa Township and 66.7 % at immediate hinterlands). This undermined rural micro-enterprise activities, due to lack of capital for investment which had prevented farmers from adopting improved farming practices because of their inability to purchase the necessary inputs required in the production.

Rural Urban Complementarities

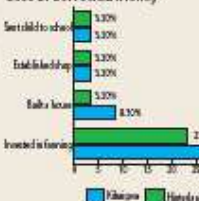
- Good communication network, development of infrastructure, business opportunities and employment opportunities attract many rural dwellers to shift to Kibaigwa Township for permanent settlement

Characteristics of Savings and Credit, Financial institutions and membership

| Microfinance | Kibaigwa (n=66) | Hinterlands (n=60) |
|------------------|-----------------|--------------------|
| KIFISSACCO | 3.0% | 16.7% |
| UDAFWAZOZI | 3.3% | 6.7% |
| Chungu (postbox) | 3.3% | 3% |
| STANB | 3.3% | 3% |
| FINACA | 3.3% | 3% |
| PRIDE | 1.7% | 0% |
| Not members | 89% | 66.6% |

- Financial facilitation of MFI's in providing loans to small and medium enterprises indirectly influences the development of agricultural sector

Uses of borrowed money



Why many farmers fail to borrow from microfinance institutions in Kibaigwa Township?

| Reasons | Kibaigwa (n=66) | Hinterlands (n=60) |
|--------------------|-----------------|--------------------|
| Lack of collateral | 25% | 17% |
| Lack of education | 17% | 33% |
| High interest rate | 58% | 33% |
| Emergency | 8% | 17% |

Decisions to move and stay permanently at Kibaigwa township are made at an individual level. Rural people migrate and stay for a long time in urban area in order to benefit from comparative advantages in the areas of destination. Individuals rationally decide to migrate from rural areas and settle in Kibaigwa urban because they are attracted by the opportunities resulting from commercial farming and expansion of non-farm business

CONCLUSION

Financial facilitation of microfinance institutions in providing loans to medium and small enterprises assist on development of agricultural sector to farmers in Kibaigwa and immediate hinterlands. 55% and 66.6% at Kibaigwa Township and immediate hinterlands were not members of microfinance institutions due to the effect of weekly basis interest rate charged, lack of enough collateral and lack of enough education. Kibaigwa urban centre plays a key role as a centre for trading. Farmers migrate from immediate hinterlands to Kibaigwa Township due to the presence of many income generating activities which promote more business and investments

RECOMMENDATIONS

Marketing research should be done by commercial banks in order to capture Kibaigwa market. More education should be imparted to rural population by both extension workers and microfinance institutions staffs. The government in collaboration with various development partners should consider the possibility of establishing credit institutions to provide specific credit and savings needs to small farmers and small businesses. The problem of rural-urban permanent migration will be reduced by the government to instate policy that creates favourable conditions and investment opportunities in rural areas through: improving and increasing roads, health centers, primary schools and secondary schools, rural electrification, water services and transportation services between villages and townships.



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Appendix 3.2 Madizini

HOUSEHOLD DIETARY DIVERSITY AND NUTRITIONAL STATUS OF WOMEN AND CHILDREN IN MADIZINI AND HINTERLAND VILLAGES

Z. Lumola, J. Msuya and E. Lazaro

Department of Food Science & Technology and Department of Agricultural Economics & Agribusiness, Sokoine University of Agriculture, Morogoro - Tanzania

INTRODUCTION

Dietary diversity is still a challenge to rural and urban households in developing countries, including Tanzania. Diets in such countries are based on cereals and in most cases with insufficient amounts of micronutrients. It is generally considered that a diet which is sufficiently diverse reflects nutrient adequacy, and therefore food security. This study in Madizini Township and its surrounding hinterland villages is based on this principle, which has increasingly become popular among researchers in food security. Accordingly, the more diversified the diet is in a household, the better food security the household is. Nutritional status of children below five years of age and that of women is considered to reflect the poverty level and food security status of a society².

RESEARCH LOCATION AND METHODS

- The study was conducted in Madizini Township and 3 surrounding hinterland villages of Manyinga, Mhonda and Lungu. While Manyinga and Lungu are close to Madizini Township, Mhonda is relatively far away.
- A total of 160 households with children of between 1 and 5 years old were randomly sampled from the village registers.
- A structured questionnaire was administered using face-to-face interviews. A 24-hour recall on household dietary intake was conducted from which dietary diversity score (DDS) was calculated using FAO-Protocol³. Physical measurements of heights and weights of the sampled children and their respective mothers were taken for calculating Body Mass Index, as an indicator of nutritional status⁴.

RESULTS

Dietary diversity

More than half of households in Mhonda (73%), Manyinga (65.6%) and Madizini (61.7%) have high dietary diversity (DDS≥5), compared to only 38.7% of households in Lungu. Mean DDS (Table 1) showed that Mhonda have the highest mean DDS of 2.72 while Lungu have the lowest (2.33), and the difference is statistically significant.

Table 1: Mean DDS and FVS in the surveyed area

| | Madizini | Manyinga | Lungu | Mhonda |
|-------------|---------------|--------------|--------------|--------------|
| Sample size | n=69 | n=32 | n=31 | n=33 |
| Mean DDS | 2.61±0.66 [B] | 2.65±0.08[B] | 2.33±0.09[C] | 2.72±0.07[A] |

Means (SD) and letters (A, B, C) are the results for the four study sites. Means with different letters are significantly different at p<0.05 using one-way ANOVA.

Geographically Mhonda is better placed for food production, the distance from Mhonda to Lungu can explain the difference in dietary diversity. Whereas Madizini and Manyinga are relatively closer to Mhonda.

Body mass index (BMI)

Mean BMIs of women in all the 3 hinterland villages were significantly lower than that of Madizini Township (BMI = 26.41) at p<0.05. The mean values for the hinterland villages were 22.37 (Lungu), 22.70 (Mhonda) and 22.10 (Manyinga), which were not significantly different from each other. Figure 3 shows the same impression. This implies that dietary diversity does not guarantee normal BMI because other factors such as knowledge on food preparation, food intake and individual food preferences do prevail.

Anthropometric indices of children

Wasting (weight-for-height), underweight (weight-for-age) and stunting (height-for-age) showed no significant differences among the 4 study sites (p>0.05).

Source of foods in the surveyed households

Results in Figure 1 indicate that Madizini Town was the main source of procuring food for most of the items covered in this study. It appears that Mhonda was less favoured by individual households though most retailers source food items from Mhonda. This is partly because of the distance to Mhonda and Madizini.

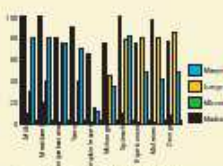


Figure 1: Percentage of households in the surveyed villages purchasing some food items in Madizini market/town

Food consumed

The most commonly consumed food groups were cereals, leafy vegetables, legumes, and oilseeds (Figure 2). Eggs, fish, meat, milk and milk products, and fruits were the least consumed.



Figure 2: Percentage of households consuming food items of the food groups defined by FAO within 24 hours

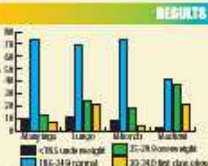


Figure 3: Distribution of Body Mass Index (BMI) for non-pregnant women



CONCLUSIONS

Three issues have been noted in the study:

- Two of the hinterland villages (Manyinga and Mhonda) have shown a similar dietary diversity with Madizini Township, while Lungu showed a lower extent of dietary diversity compared to the rest. This is because Manyinga is close to Madizini Township and Mhonda has relatively more diversified food production.
- Non-pregnant women in Madizini Township have the highest BMI than those in the hinterland villages. However, the indices of underweight children were similar.
- Madizini Township appears to be an important centre for procuring food items among the individual households in the study area.
- Consumption of animal based foods is generally low in the study area. This can be explained by low economic status.

RECOMMENDATIONS

Recommendation for further studies

- There is a need for further studies to investigate the rural-urban interaction in the whole process of procuring food in the study area. For example, there could be other factors explaining why households in Lungu village have lower dietary diversity than the rest of the locations.

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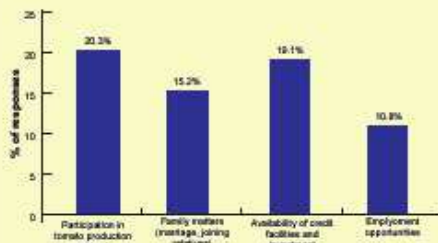
Appendix 3.3 Ilula

THE ROLE OF TOMATO IN ILULA EMERGING URBAN CENTRE

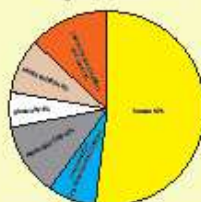
Godfrey Saga
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Tomato Sub Sector in Brief

- The tomato sub sector has been an important agricultural venture in Tanzania as it supports the livelihood of many households. It has been estimated that 65% of households in Tanzania benefit from Tomatoes. In Iringa it is estimated that, more than 30,000 farmers grown Tomatoes as cash crop.
- The introduction and commercialization of this crop has attracted immigrants from places as far as Makete, Ludewa, Image, Ilungu, Njombe, Mbeya and neighbouring immediate hinterland to settle in Ilula. As a result Ilula has developed as one of the emerging urban centres where its economy is largely driven by tomato.
- This immigration normally brings in several development challenges both positive and negative that need to be understood to facilitate planning for the future development.



Migration into Ilula EUC



Factors for growth of Ilula EUC (% responses)



Tomato business at Ilula Market

Methodology, analysis and findings

- This study was conducted in Ilula Emerging Urban Centre (EUC). The term EUC was used to reflect the transformation of Ilula from being rural to urban setting which is differentiated from rural setting by having relatively faster growth in population, social and economic activities in the previous decade. A sample of 134 respondents were included in the study.
- The growth of Ilula emerging urban centre is mainly contributed by Tomato. Evidence from this study shows that tomato is cash crop that fetches high market price. This results into better return per unit area than other crops such as sunflower and maize. Despite having high cost of production, still people are involved because it has short production cycle (2-3 months) and where irrigation is possible it can be produced up to four times in a year.
- The analysis of the factors for the growth of Ilula indicate that, 62% of responses are due to tomato, followed by communication and net work facilities and availability of savings and credit services. Among 134 respondents, 111 (about 83%) were directly involved in the tomato sub sector in different ways such as farmers, transporters, brokers and landlords.
- The tomato sub sector has facilitated the growth of population for about 21% in terms of migration into Ilula, the emergence and growth of other businesses and related investments such as opening food vending centres, establishment of transportation facilities such as lorries for transporting tomato from farms in rural to urban market and other markets, establishment of agro-based and consumer shops and establishment of crop market.

REMARKS

- Although the growth of Ilula EUC is largely due to tomato but this growth is not the same among all sub villages that make up the EUC. This suggests that efforts are required to support further the tomato sub sector that can allow expansion of the other parts of the township. There is a need therefore to improve marketing information, review of subsidy provision system and improve infrastructure that support the tomato sub-sector within EUC and immediate hinterlands.
- The mentioned areas of improvement in one way or another will make the tomato production and trade to be well undertaken. The government in its effort to boost growth of villages as one way of meeting Mifugo plan 2020 and Tanzania Development Vision 2025 is upgrading a new programs such as 'One Village One Crop', 'Kilimo Kwanza'. There fore with these programs the government should focus on tomato sub sector in Ilula for the development of the study area and the ultimate will reduce poverty levels among actors

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THE ROLE OF CREDIT IN ILULA EMERGING URBAN CENTRE

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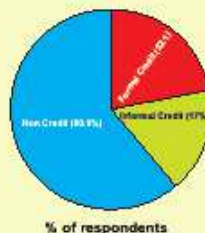
An Overview

Credit services in Tanzania

- In Tanzania there are several sources of credit including formal and informal. It is notable that relatives, friends, neighbours, and traders can be categorised as informal sources while Banks, SACCOs are categorized as formal sources of credit

Credit services in Ilula EUC

- Both formal and informal sources of credit were identified in Ilula EUC. These sources include Mazomba SACCOs, Mama Bahati, FINCA, SICO categorised as formal while relatives and friends termed as informal. Other sources include Mpesa, tigo pesa and Airtel money



Ilula economic activities

- The study was conducted in Ilula Emerging Urban Centre (EUC) as it is continuously being transformed from the hinter to rural to urban setting.
- A sample of 134 respondents were selected for the study using proportionate stratified and snowball techniques.
- In an attempt to assess the accessibility of credit, respondents were asked if they received credit in the previous year from different sources.
- Results show that there were 35 out of 78 respondents 44.9% who obtained credit from different facilities. 15.7% of the borrowers received credit from formal sources and 20.1% from informal. But bigger proportion of 60.9% claimed not to receive any of the two kinds of credit.
- About 60% of the credit received by respondents was mainly used for financing and invest on agricultural and other businesses such as opening shops and petty trade. These activities serves as an indication of possible change of livelihood strategies in EUC.
- During the interview it was observed that the agricultural activities that respondents in vested included tomato production and trade, production of sunflower, maize accounting for 32% of credit use. About 58% of respondents in Ilula EUC used credit to invest within the centre while 12.5% of them used credit to invest in rural areas and support relatives.



REMARKS

- Evidence from this study shows that, the growth of businesses such as shops, petty trade in Ilula EUC have largely been financed through credit. This kind of different investments resulting from credit use in Ilula EUC is an indication of possible change of livelihood strategies for people in Ilula EUC and increase in household's incomes which will ultimately reduce poverty.
- Therefore the government, NGOs and donor communities in their effort to provide funds through different initiatives such as the current Kilimo Kwanza resolution (Pillar no. 2), Presidential Trust Fund (PTF) to increase household income should focus channeling credit to individuals through both formal and informal credit facilities. This will ensure timely credit delivery to needy. However, follow-up will be critical to ensure compliance.

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Appendix 3.4 Igowole

RURAL – URBAN LINKAGES AND MICROFINANCE SERVICES: A CASE STUDY OF IGOWOLE IN MUFINDI DISTRICT

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INTRODUCTION

The economic importance of rural-urban linkage is widely acknowledged in economic theory. These linkages allow goods and services to flow between rural and Emerging Urban Center (EUC). It includes the flows of ideas, innovation and information. Rural-Urban linkages represent a powerful strategy for enhancing incomes, increasing productivity, promoting employment and alleviating poverty in rural areas as well as urban areas. However, in both rural and urban areas, the poor typically lack financial capital. Financial capital which can encourage poor households to engage in viable income-generating activities and thus, getting rid of the poverty by themselves. Therefore, it is important to understand the role of microfinance services in promoting rural-urban linkages for poverty reduction.

OBJECTIVE

- This study was conducted to assess the role of microfinance services in the development of rural-urban linkages and its effects on poverty reduction.

METHODOLOGY

Igowole was purposively selected because it an emerging urban center (EUC), its location and activities undertaken support a wide range of livelihood activities and trade within the EUC and across the Immediate Hinterland (IH) as shown in Figures 1, 5 & 6. To understand such activities and financial services a sample of 80 households from the EUC and 70 from IH were interviewed individually as well as in groups.



Figure 1: Timber activities



Figure 5: Tea harvesting by casual laborers

RESULTS

Microfinance Services

Despite to the availability of formal microfinance services from MUCOBA and CHAKUPA SACCOS in EUC and IH, the majority of people is receiving financial services from Informal Microfinance. (Fig. 2). This dependence was a result of delayed delivery of services from formal institutions and the absence of formal mortgage. Access to formal microfinance services are affected by household characteristics (Fig. 3). Improving access to microfinance services enable the poor to:

- Smooth their consumption
- Manage their risks better
- Build their assets
- Develop their micro-enterprise

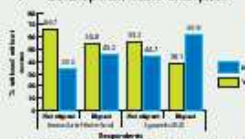


Figure 2: Access to informal microfinance services among respondents



Figure 6: Tea leaves being by simple reaction



Figure 3: Percentage of respondents who do not have access to formal microfinance services by poverty level

Access to savings and credit services from formal financial institutions and utilization of rural – urban linkage opportunities have social and economic implication on the reduction of poverty

Rural – Urban Linkages

Rural – urban linkages plays a significant role in increasing income and occupational diversification at household, which can help to decrease vulnerability to shock and stress and stabilise income (Fig. 4).

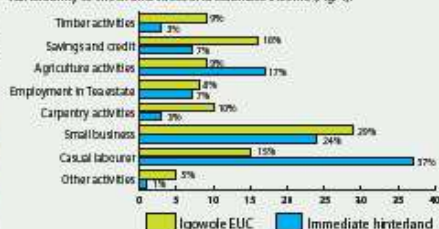


Figure 4: Activities of EUC and Immediate hinterland

The following are types of linkages identified in the study area during the survey:

- Flow of goods (Non/Industrial goods)
- Flow of capital (Purchases of goods & services, savings & borrowings, transfers)
- Flow of people seeking social services and land (seek employment, investment, social services)

CONCLUSIONS

- Rural – urban linkages should be considered into development approach to alleviate rural and urban poverty rather the conventional approaches that attempt to address rural and urban challenges separately.
- There is a need to broaden the coverage of formal microfinance beyond the boundaries of EUC. This expansion has the potential to uplift liquidity constraints in the immediate hinterlands and smooth the flow of goods and services, capital and people between the two ends. These improvements should impact positively on people's livelihoods in these areas.
- The study acknowledges the contribution of informal and formal microfinance in the development of EUC and IH. It suggests the formal sector financial institutions to form a joint venture with informal sector institutions to extend savings and loan facilities to rural and emerging urban households.

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