

Opportunities in Emerging Urban Centres: Markets Development, Business Networks and Employment Creation



1. Introduction

Emerging Urban Centers (EUCs)¹ in rural Tanzania have become epicentres of rural-urban transformation and potential drivers of economic growth. The EUCs' rapid population growth increases the demand for urban services (e.g. health, education, and road networks), as well as agricultural and non-agricultural products. Dynamic rural economies, related to greater

involvement in commercial farming by farmers in the rural hinterland, add to this increasing demand for services and produce. These changes lead to the growth of markets, businesses, and employment opportunities for which business and social networks play central roles in easing the flow of goods and resources.

This policy brief outlines how rural-urban connections influence markets, business networks and employment creation in the EUC. Likewise, the brief contends that the EUCs are lacking adequate governance structures and practices to support further growth and address challenges associated with these changes.

The four EUCs studied are all in the process of becoming townships with administrative and economic self-governance:

¹ EUCs are rapidly growing (demographically and economically) settlements that are generally not acknowledged formally as urban entities. EUCs are involved in an administrative process in which they form part of a larger entity that is about to be given urban administrative status (see RUT Policy Brief No. 1 (2020)).



EUCs are attracting new business investments, Ilula

Ilula, Madizini, Kibaigwa and Igowole. Ilula (Kilolo District, Iringa region) and Kibaigwa (Kongwa District, Dodoma region) are areas designated to become townships (urban) with a township authority in place; Madizini (Mvomero District, Morogoro region) and Igowole (Mufindi District, Iringa Region) are examples of areas designated for a township, but the township authority is yet to be put in place.

2. EUCs as marketing and business nodes

Markets play an important role in rural-urban transformation processes. Markets in this case refer to not only a physical place, but also to the exchange of goods, services and information. EUCs importantly facilitate communication between agricultural producers, traders and other marketing actors like transporters, not only from within the country, but also from beyond country borders (depending on the commodities exchanged). The sharing of information on sources of goods and hiring of services like transportation of goods to and from the EUC is operated via social and business networks involving close kinship relations (family, relatives) and business colleagues.



Shops in the outskirts of Ilula, expansion of business area

By being centres of economic growth and located close to rural hinterlands where production takes place, EUCs act as critical intermediaries in marketing. This provides opportunity for development of markets not only for the main crop dominating the area but also other agricultural and non-agricultural commodities.

The expansion of the markets has spurred development of businesses whose investment emanates from opportunities created via demand for agricultural produce like tomatoes, maize, rice, trees, and non-agricultural products including farm inputs and consumer goods and services.

Via rural-urban linkages, EUCs become nodes for marketing and business networks that strongly stimulate investments and local economies

3. The range of businesses emerging in EUCs is enormous

Typically, businesses in EUCs are developed around the main crop for example tomato in Ilula, rice and sugarcane in Madizini, maize in Kibaigwa, and trees and tea in Igowole.



Tomato trading at TASAF market in Ilula



Logs transportation in Igowole

Majority of the emerging businesses are involved in trading of crops, transportation, manufacturing/processing, general wholesale and retailing, and services provision. The challenges for business development are limited initial and working capital and lack of formalized institutional support related to market information. Businesses in the EUCs also rely on business networks and social networks to access necessary market information and capital, and knowledge. Despite capital being a constraint towards business development, majority of small businesses are poorly networked thus limiting resource access.

Two major types of networks are identified: i) Strong network ties with close knit relationships made mostly by non-migrants like family, relatives, and ii) weak network ties involving migrant businesses and business fellow/friends mostly those doing similar businesses.

This distinction is important in identifying the processes through which businesses are established and expanded, how information is shared, and financial capital is accessed.

Though located in rural areas, social and business networks enable traders to link horizontally with other kinds of businesses in the EUC and vertically with regional and international markets. Social and business networks also enabled EUC businesses to significantly increase their sales turnover and profits, especially those linked within the networks of dominant crop value chains.

Business networks and social capital are important parts of the solution to the challenges that business development in EUCs are facing

The critical issue raised here is that the market development process is taking place in a commercial, urban-like centres, the EUCs, but governed as if they were rural places. Thus, even though the rapid rural-urban transformations spark EUCs as critical nodes for markets and business, governance structures and practices are yet to support adequately this process.

The continued positive role of EUCs as market and business nodes depends on adequate institutional support

4. Business related employment creation

Market development and business networks in EUCs, generate new businesses and employment opportunities. Employment in this case is used to imply when a person gets an opportunity to work or take up a job for others or for oneself (self-employment). Working for others can be bound by a formal or informal agreement for payment/ reward in



Paddy processing factory in Madizini generating employment to traders/brokers, transporters, stall vendors, loading and unloading (cullies)

kind or cash. Business owners in EUCs use social and business networks to identify people to employ. These people typically are not just residents of the EUCs but from nearby as well as distant rural hinterlands.

Youth tend to migrate to EUCs (like to other formal urban areas) due to existence of employment opportunities in otherwise rural regions



Box manufacturing at the tomato market, Ilula

The growth of non-farm activities around the main crops lead to establishment of businesses directly linked to the crop including post-harvest processing, transportation, and trading. However, other businesses particularly service-oriented businesses, such as mobile money kiosks and mobile phone repair, and input supply and financial services, do also develop.

Businesses that were linked more directly with the crop value chain like manufacturing and processing, transportation, and crop trading created more employment opportunities than other businesses.

Crops with many value chain actors like tomatoes have created more employment opportunities and implicitly fuelled business investment and reinvestment via income created

Besides social and business networks there is limited formal institutions' support to business development and employment opportunities. To a large extent, however, informal institutions such as traders associations characterize the support of the businesses.

5. Development and policy implications

Located in otherwise rural settings, EUCs, primarily through their social and business networks, have shown

the potential of facilitating market development, spurring business investment and creating large pools of employment opportunities. The effect of which has led to improvements in both incomes (national income through taxation and household income) and livelihoods. EUCs are therefore business nodes for rural hinterland and urban markets, and focal points of rural-urban transformation. The process of EUCs transformation and subsequent establishment of township authorities is an issue that requires institutional support to growing businesses and market development.

Institutional support is required for strengthening business skills and creating pre-conditions for investments in farm and non-farm business. Business skills required include skills for managing, operating and maintaining or running of businesses in EUCs. Pre-conditions including sources and access to formal financial capital, supporting infrastructure e.g. rural road networks and power supply.



A retail shop in Ilula

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Front Photo: Maize transportation in Kibaigwa EUC.

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Related readings:

Evelyne Lazaro, Jytte Agergaard, Marianne Nylandsted Larsen, Jeremia Makindara, Torben Birch-Thomsen (2019). Urbanisation in Rural Regions: The Emergence of Urban Centres in Tanzania. *The European Journal of Development Research*, 31(1), 72-94

Marianne Nylandsted Larsen and Torben Birch-Thomsen (2014). The Role of Credit Facilities and Investment Practices in Rural Tanzania: A Comparative Study of Igowole and Ilula Emerging Urban Centres. *Journal of Eastern African Studies*, 9(1): 55-73

Stephen Aniseth Nyaki (2020). Business Development and the role of social networks in business investment and employment creation in Tanzania's Emerging Urban Centres. Unpublished PhD-thesis submitted March 2020 to Sokoine University of Agriculture and University of Copenhagen (pp. 263).



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