Training for work in the informal sector: new evidence from Eastern and Southern Africa

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TRAINING FOR WORK IN THE INFORMAL SECTOR: new evidence from Eastern and Southern Africa

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At the time of the field work, exchange rates in East Africa were, per USD:

<table>
<thead>
<tr>
<th>Country</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>76.50 Ksh</td>
</tr>
<tr>
<td>Tanzania</td>
<td>800 Tsh</td>
</tr>
<tr>
<td>Uganda</td>
<td>1800 - 1850 Ush</td>
</tr>
<tr>
<td>Zambia</td>
<td>ZKw 2930 - 3200</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>ZD 60 (although significantly higher on the parallel market).</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

This study on training for the informal sector in Sub-Saharan Africa picks up from earlier work on the subject (Fluitman 1989, McGrath and King 1995, Grierson and McKenzie 1996, and Grierson 1996), and seeks to provide fresh evidence from the field with regard to current modalities of skills development of informal sector operators (ie. both owners of micro- and small enterprises, and the workers). The study especially attempts to document new, innovative approaches in Africa with regard to training for the informal sector, which are presented in the form of small case studies. It is based on short visits to Kenya, Tanzania and Uganda (in November 2000) and to Zambia and Zimbabwe (in April 2001).

Important changes

The setting for training for the informal sector has drastically changed in the past decades. Foremost the rate at which the sector has to absorb men an women has multiplied in almost all countries in Africa, as the result of (i) the rapid expansion of the labour force, (ii) the decrease in formal sector employment following the adoption of economic reform policies, and (iii) increased labour force participation as many households are faced with sharply declined incomes and are forced to engage in informal activities to supplement (or replace) existing incomes.

At the same time there have been major changes in the environment in which the informal sector is operating. On the one hand, governments generally have adopted a much more positive stand towards informal sector activities, as they have started to realize that the sector is of vital in the generation of jobs and incomes for the majority of the populations in their countries. The initial notion that the informal sector had no place in the desired modernization of the economy and therefore should be ‘cleaned up’, has now been replaced with a cautious support for this type of activities, even though most of it has not left the ‘paper’ phase.

The economic reforms introduced in Africa, have, on the other hand, proven a mixed blessing for the informal sector. The opening of the economy for the import of industrialized goods, even at much higher prices than before, means that competition for many MSEs products has significantly increased. At the same time, purchasing power has seriously declined, especially among lower and middle classes which are important customers of IS goods and services. Only the MSEs that are relatively sophisticated in technological terms have been better to take advantage of the changed conditions, by upgrading

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1 In this paper the ‘informal sector’ will be take to include (i) ‘income generating activities’, essentially referring to self-employment in traditional, often rural activities, (ii) micro-enterprises mostly in non-traditional activities, working with 1-10 family workers, apprentices, and other, usually casual workers, and (iii) small enterprises that employ 11-20 workers. See chapter 3 for a further discussion of the concept of the informal sector of micro- and small enterprises.
their products and diversifying into new market niches. At the same time, the new entrants in the IS, lacking capital and skills, tend to start simple self-employment ventures (mostly in trading and simple services), threatening to overcrowd the market and further aggravating the situation of existing businesses that are already suffering from declining demand problems.

**Need for skills training**

As a result of all these changes, the need for skills training for the informal sector has hugely increased. If the informal sector is to continue to absorb more people at a modest but reasonable return on their labour, it is absolutely crucial to increase the level of skills of the informal sector operators.

Improved technical and others skills are of prime importance for enhancing the productivity of informal sector activities as well as the quality of the goods and services they produce. This will strengthen the ability of the IS to compete in the present situation of liberalization and globalization of the economy. Technical skills, together with other types of support (e.g. access to credit, technology, markets and information) are crucially needed to enable informal sector entrepreneurs to diversify the product range and find niches to escape from the impending saturation of conventional informal sector markets.

**New training policies?**

The study concludes that in most Sub-Saharan countries the ‘crisis of relevance’ of the vocational training system continues. The training sector has generally proven to be incapable of responding to the changing needs of the labour market: training offerings are still based on the needs for wage-employment, while requirements for self-employment (e.g. basic management skills) are only slowly being introduced. As a result, the system serves only an infinitely small section of the total population in need of skills, and even so many of its graduates do not succeed in finding employment upon completion of the training.

In recognition of this, some countries in Sub-Saharan Africa are in the process of drastically restructuring their training institutions and re-formulating their training policies. This often includes the creation of a more independent and professional *Vocational Training and Education Authority*, tasked with the coordination of, and the provision of support to, public and private sector training providers. Some of them are specifically charged to ensure the provision of relevant and quality training to enable graduates to enter into informal sector (self-) employment, e.g. by assisting to introduce entrepreneurship development courses. In most cases some kind of *training levy* has been simultaneously enacted, although many are not operational as yet. The vocational training re-orientation process appears to be generally slow and cumbersome, even though
they proceed smoother in some countries (e.g. Tanzania and Zambia) than in others (e.g. Kenya, Uganda and Zimbabwe).

As part of the changes at the policy and institutional level there has been a certain re-focusing of vocational training efforts on the informal sector, *inter alia* at the suggestion of influential donors that support these changes (e.g. GTZ, World Bank, DfID, DANIDA and NEDA). In practice, however, the effects tends to get lost in a host of institutional and operational factors that hamper the introduction of a new frame of reference (e.g. more appropriate level of technology, short course duration, less emphasis on training certificates, etc.) and especially a more business-like approach to training that is not always immediately appreciated by existing management and training staff. It furthermore requires new training approaches (e.g. out-reach training), curricula (short, modular courses) and materials (e.g. for trainees with low levels of education), most of which still need to be developed.

**Same training providers?**

The study concludes that in Sub-Saharan Africa the ability to deliver training for the informal sector in the past 15 years has actually deteriorated rather than improved for at least two reasons. First, the training capacity is totally inadequate. In Kenya, for instance, the number of new entrants on the labour market (thus not counting the backlog of those already unemployed) is estimated at 500,000, while the total training capacity is thought to reach some 33,000 or less than 7%. Moreover, the existing training capacity is almost exclusively dedicated to pre-employment training for young school leavers, and is hardly ever used for the large majority of those already working informal sector operators who are in need of skill upgrading.

Secondly, the approaches to training of IS operators are generally deficient. For a long time public sector training institutions persisted in their training approach favouring wage-employment, except that their budgets continuously fell - first their investment allocation so that training centres and equipment dilapidated, and then the recurrent budget affecting the qualifications and motivation of the training staff. No clear vision on the specific role of vocational training for informal sector (self-) employment has yet emerged. As before, existing VTCs offer training in a small range of conventional trades, paying little or no attention to business skills. Especially for girls or women the choice is very limited and mostly consists of textile working and a few other traditional trades.

There is in general an urgent need to make skills training for the informal sector (as well as other training) more *demand-driven*, i.e. more responsive to the -changing- demand for skills in the labour market by employers as well as to the interests of potential trainees for skills which they, primarily, aim to make a living. This means that changes will have to be made in the training content (e.g. inclusion of business skills training) and the training delivery (e.g. modest, competency-based and flexible entry requirements, short courses, suitable training hours and venues). Moreover, there is acute need to broaden technical
training beyond the standard trades for which training is now offered (tailoring, carpentry, etc.), so as to avoid market saturation for the products of these trades. New trades for training should be foremost based on an analysis of the local labour market, and will therefore be different for each vocational training provider.

**Public sector training providers**

Governmental training providers in Sub-Saharan Africa still suffer from inflexible and inappropriate training curricula, sub-standard infrastructure and lack of qualified and motivated training staff. In the wake of structural adjustment programmes their budgets generally have been reduced, which in turn makes it more difficult to change and upgrade their training programmes.

It is not clear if existing public sector training centres are capable to incorporate the sweeping changes required to arrive at demand-led training. For most of them this would require major adaptations, particularly in relation to their capacity for identifying market trends, translating these into training programmes, and finding appropriate delivery modalities to reach the IS operators.

Moreover, this would require substantial funding, for investments to upgrade training facilities and equipment, and to attract and train new staff, develop training curricula and materials, etc. One can say that many of the existing public sector (as well as many of the church-based) training providers are caught in a difficult dilemma: improvements in training quality improvements require resources in excess of current government subsidies, but increased training fees are not likely to be readily accepted by the training clients in view of poor benefits of past training programmes. Some have tried a hand at more cosmetic changes by more attention to entrepreneurship development, but evidently this is not solving the problem and it is found that in actual practice they do not appear to be very successful at it.

**Non-profit training providers**

Private non-profit training providers, mostly church-based organizations (e.g. Don Bosco VTCs), tend not to differ fundamentally from public VTCs when it comes to training approach and delivery. Their curricula are not demand-led as they use standardized training curricula and they appear to value examination grades over employment results. They have few links with the local business community, leading to lack of opportunities for training practicals and post-training employment. In short, they tend to suffer from similar problems as public sector VTCs.

In some countries (e.g. Tanzania) church-based training NGOs have initiated efforts to recover a larger share of their training costs by charging gradually higher fees to the trainees. In some cases this has resulted in a substantial under-utilization of their training capacity. While this is could be sign that the poorer strata from the population cannot
afford to pay for skills training, it can also mean that the target group views the training course not worth the fee amount as the skills transferred are apparently not much appreciated by potential employers nor helpful in starting up a self-employment venture.

**Private sector training providers**

Private for-profit training providers (PPTPs) have mushroomed in Africa in recent years, but the large majority of them offer business skills training (e.g. computer competences). Only in recent years a few PPTPs have entered into basic level-vocational training. In some cases the initiators are former trainers of public sector training institutes, who saw their incomes eroding and started for themselves. While this would appear to be a welcome development, the study notes that the quality of such PPTPs varies considerably. In many cases the training appears to suffer from an undue accent on theory and a lack of practical, hands-on training aspects - in part for a lack of investments in workshops and training equipment.

This also seems to be realized by the PPTPs, who in Tanzania and Zambia have grouped themselves in associations of training providers to become more distinct partners for the new-styled NVTIs in the hope of assistance in the areas of curriculum development, trade testing and, if possible (they say, winking to the donor organizations present) training equipment.

**Importance of traditional apprenticeship training**

The traditional apprenticeship training (TAT) system does not appear to be well developed in Eastern and Southern Africa, when compared to West Africa. Only in Kenya it appears to be somewhat better defined and more prone to respond to new opportunities. Still, in all these countries it is without doubt the most important source of technical and business skills for those working in the informal MSE sector. During the study, several important strengths and weaknesses of traditional apprenticeship training were identified or confirmed.

For years the traditional apprenticeship just existed and hardly changed. It neither enjoyed the attention of the governments (maybe fortunately so) nor was it the subject of technical assistance efforts. Only gradually is it being realized that traditional apprenticeship training (TAT) is responsible for a far larger contribution to skills development than all offerings by other training providers combined, and that it presents especially important advantages when it comes to preparing youth for work in the informal sector. As a result, there are now a small-but-growing number of special programmes to build upon the TAT strengths and overcome its weaknesses.

Major issues with regard to improving apprenticeship training include: (i) how to ensure the genuine participation of the masters in TAT upgrading efforts, (ii) how to improve the quality of the training delivery (i.e. introduction of pre-determined training
plan, improved teaching skills, ensuring adequate training tools and materials, monitoring of apprentice’s progress, trade-testing, etc.), (iii) how to infuse relevant theoretical aspects and new technological developments in apprenticeship training, (iv) how to curb potential misuse of the apprenticeship training system, and (v) how to enhance the impact of the training in terms of post-training employment and especially business start-ups. The present study identified some interesting experiences in relation to a number of these questions.

The SITE Skills Upgrading Programme in Kenya found a way to motivate masters’ involvement by offering them tangible business improvements in the form of new and improved products or better business practices. The ISTARN Traditional Apprenticeship Programme in Zimbabwe provides short, intensive pre-service training courses for prospective apprentices. This makes them more attractive for masters to select them as apprentices as they are less likely to damage equipment, waste materials and produce sub-quality goods or services. IFAD’s Rural Enterprise Project in Ghana combines both approaches to entice IS mastercrafts(wo)men to participate in the programme.

The role of the existing public sector training providers in relation to efforts to upgrade traditional apprenticeship training is not immediately clear. While encouraging experiences are reported by ISTARN in Zimbabwe, SITE in Kenya, conversely, arrived at the conclusion that the conventional structure and culture are obstructing a sustainable contribution to TAT improvement interventions.

In the end, the overriding issue is to what extent traditional apprenticeship training can continue to transfer basic technical and other skills to the rapidly growing number of people seeking entry into the informal sector. In principle all the masters who are training apprentices are grooming their own competitors. And even when he/she is not concerned with this, at sector level there will be a limit to the absorption of additional informal sector operators in one trade. So far, there are only a few isolated cases of informal sector entrepreneurs (e.g. dressmaking in Kenya) who have changed the primary function of their business from production to training.

Some innovations

In addition to improvements in existing training practices, there appears to be another, quite interesting development in the provision of training for the informal sector: training for product development. Essentially this type of training concerns product-based training, and is sometimes linked with some kind of marketing assistance.

It would seem that this type of training fits rather well some of the conditions that have emerged as important for training for informal sector operators: short, modularized and practical training. A disadvantage could be that this type of training only transfers a specific and therefore limited set of skills, which are essentially optimally used while the
product is popular. It usually does not do much to upgrade the basic and theoretical knowledge of the small producers.

Interestingly such training appears to have attracted a new breed of training providers: specialized NGOs of recent origin which have initiated interesting MSE support activities that also include skills training. In Kenya the Product Design and Development Centre, Gatsby Kenya and ApproTEC (see Havers 1998), for instance, are gaining valuable knowledge and experiences in the area of product development. The Uganda Gatsby Trust similarly is operating an interesting scheme of training and technology extension services by university faculty staff and the organization of ‘business clubs’ for intra-sectoral support services. The main question concerning the services of these organizations refers to their sustainability, as they are now at least partially funded by international donors.

Still, in view of the simultaneous need to hugely scale up the capacity to deliver technical training, such models are interesting, as they would appear to hold particular attraction for private, non-profit as well as for-profit training providers. As there is an imperative need to scale up the provision of skills training, utmost efforts are needed to develop these kinds of new models for the provision of technical training. This applies not only to commercial training institutes, but possibly even more to the development of modalities to make use of informal sector apprenticeship arrangements. In this way a more genuinely market-based training delivery system would evolve.

**Conclusions**

The study concludes that there is an urgent need for changes in the provision of training for the informal sector in Africa. Foremost the training should be made demand-driven and flexible, moving away from standard, centre-based courses offerings by permanent staff. To prepare youth for successful entry into the informal sector, technical skills training should be complemented with business skills development. Such a change in focus has important consequences for the design and delivery of skills training.

The study does not yield an immediate unequivocal answer to the question what kind of training provider is most appropriate for training for work in the informal sector. It feels that public sector training providers do not have necessarily have major comparative advantages in the organization and delivery of training for IS operators. Although they still have existing facilities, staff, training content and experience - a host of criticisms applies to each of these. Moreover, their budgets have shrunk to such an extent that their operations are now seriously affected. However, at the same time, church-based training providers are not much different and there were few examples identified of interesting training activities of other types of NGOs (with the exception of SITE in Kenya). Private sector training providers of technical training appear to be coming up only now.
A main conclusion of the study however refers to the need to reflect the segmentation of the informal sector in the organization and delivery of skills training offerings. Depending on their strategies and target group, training providers could (i) direct their training at the ‘high-end’ of the informal sector, ie. providing courses for wage employment in, for instance, small manufacturing workshops, (ii) focus on self-employment in micro-enterprises, which requires preparing trainees for starting their own business, or (iii) contribute to the promotion of income-generating activities.

The option of preparing trainees for subsequent wage employment in small workshops would require least changes for the existing training providers. Such training could be made more effective, for instance by ensuring that the courses are indeed responding to the demand for skills by local small enterprises. Other changes are needed in the delivery of the training. Such a focus appears to be especially relevant for urban areas.

Training for self-employment in micro-enterprises requires major changes for most training providers, for instance with regard to:

- **training organization**: demand-driven determination of trades for which training is offered, competency-based selection of trainees, with attention for possibilities for cost-sharing
- **training delivery**: short duration courses, if possible via out-reach training, at time schedules that are convenient for the trainees
- **training content**: practical, easy to follow for trainees with low levels of education, modular training with ample attention for business practices
- **training follow-up**: early attention for complementary services required for a successful entry into self-employment (e.g. credit, marketing assistance, business counseling).

The promotion of income-generating activities is particularly relevant for the rural areas, and indeed many NGOs are already engaged in such efforts, for instance through the provision of micro-credit. While indeed there may be no great need for technical skills, an effective promotion of IGAs can usually not be done without taking into consideration a ‘technical’ side, in the form of a transfer of practical knowledge on production techniques, raw materials, tools and equipment, and product designs. While this does not necessarily amounts to a real skills training course, it requires activities that can be called ‘para-training’, such as (i) pre-credit technical orientation to prospective recipients of small credits on the kind of economic activities that are interesting, on the technologies that are relevant and where these are available, on the kind of tools and equipment to buy, etc.; (ii) short demonstrations of technologies and production techniques to introduce non-traditional production techniques, including the use of other materials and product designs (or improvements in traditional ones); (iii) short skills transfer sessions lasting no longer than one or a few days on certain technical aspects of the IGAs; and (iv) business counseling in the form of frequent visits to the beneficiaries who have initiate IGAs and deal with minor administrative and technical problems.
Para-training is usually the domain of NGOs, although their role tends to be limited to the organization of a group of training participants, while its actual conduct is done by resource persons from technical agencies (e.g. staff of Ministry of Agriculture). No evidence of this kind of technical promotion of IGAs was found in Sub-Saharan Africa, but is coming up strongly in Southeast Asia.

The study above all makes it abundantly clear that there is an enormous need to scale up the provision of skills training. This will certainly mean that more prominence will have to be given to traditional apprenticeship training and ways to increase its training quality.

Finally, the study provides a number of suggestions for external assistance in the areas of capacity building, introduction of new methodologies, financing of pilot activities to test such new approaches and funding of required investments in the training sector.
1. INTRODUCTION

Recently there has been a resurgence of interest in non-financial services, now labelled ‘business development services’, for the promotion of micro-and small enterprises (MSEs). Whereas various forms of training used to make up the mainstay of interventions to stimulate small-scale economic activities (cf. McVay 1997), with the rapid progress in the development of financial services for MSEs since the 1980s, sometimes referred to as the ‘micro-credit revolution’, interest in and support for training interventions to promote the informal sector has largely diminished.

More than a decade has passed since a stock-taking exercise was organized in 1987 by the ILO Training Centre in Turin in relation to the situation of skills development of those working in ‘informal’ micro- and small enterprises. The present paper essentially intends to provide an overview of some of the major developments that have taken place since then, both with regard to the needs and (effective) demand for training as well as the supply of relevant training services available to informal sector operators.

1.1 Changes in the context of ‘training for the informal sector’

In the past two decades, important developments have taken place, that can be assumed to have had a major impact on the need for and provision of training services. Especially the processes of economic liberalization and globalization have changed the context in which informal sector enterprises operate. At one level, a large number of countries in Africa have adopted ‘economic reform policies’ which have had a significant influence on the labour market situation in these countries as well as the context for training delivery. At another level, even the small producers of the informal sector in Africa have been affected by the accelerated process of globalization.

Economic reforms were adopted in many countries in Sub-Saharan Africa. These structural adjustments included measures to open up the economies, to give a more prominent role for the private sector, and to initiate a withdrawal of the state from direct service provisions to a focus on the policy and regulatory environment. As a result many government services were cut back, for instance in the health and education sectors. No doubt this will have had major implications for the operation of training programmes in the public sector.

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In this paper the ‘informal sector’ will be take to include (i) ‘income generating activities’, essentially referring to self-employment in traditional, often rural activities, (ii) micro-enterprises mostly in non-traditional activities, working with 1-10 family workers, apprentices, and other, usually casual workers, and (iii) small enterprises that employ 11-20 workers. See chapter 2 for a further discussion of the concept of the informal sector of micro- and small enterprises.
Structural adjustment programmes have been a mixed blessing for the MSE sector. Studies done in Ghana and Tanzania show that the effects impact rather differently on different segments of the MSE sector (Dawson 1993). MSEs that are relatively sophisticated in technological terms have been better able to take advantage of the changed conditions. They have been able: (i) to upgrade their products and services to a level where they have been able to develop linkages with the new growth sectors of the economy, (ii) to diversify out of product and service markets where economies of scale attendant on mass production favoured larger-scale competitors, (ii) to occupy niches better suited to their economies of flexibility and serving an import-substituting function; and (iv) to prepare themselves against market saturation by raising barriers of entry (in terms of cost of capital equipment and required skills). Conversely, enterprises which have experienced little technological enhancement have tended to remain largely dependent on low-income groups as their principal source of demand at a time when the purchasing power of these groups has declined, and are susceptible to overcrowding of the market in which they operate.

This view is shared by Tesfaschew (1992) who feels that it is likely that the increased availability of imported production inputs, though expensive, have enabled some MSEs, and notably the stronger ones with a larger technological capability, to diversify into new product lines and, for instance, to compete successfully against imported goods. The retrenchment programmes of public servants, together with lay-offs in the private sector, may have given rise to a renewed impetus for an inflow of skilled labour and modern technology to small enterprises. There is also evidence that suggests that technological innovation has taken place as a result of the significantly increase costs of imported inputs.

While at least initially they may have led to economic growth (which in many countries subsequently declined again), structural reforms in the short run aggravated existing un- and underemployment problems. In Sub-Saharan Africa while a number of countries experienced economic growth at a rate higher than their population growth, the economic recovery did not translate in more and sustained employment opportunities for the majority of the poor (‘Jobs for Africa’: ILO 1999). As a result, governments in the region more than before started to pay genuine attention to the job creation potential of the MSE sector.

Finally, the informal MSE sector is also affected by the process of globalization which refers to the rapid pace of technological progress that has led to an integrated global communication, with instant world-around-the-clock business transactions and the globalized manufacturing of various products. If anything, globalization has made skills training more crucial for the ‘development’ of the informal sector, since without it, the sector will be sunk by imported and locally produced goods. Such a development process depends on significant increases in the productivity and the quality of the goods and services produced by informal sector establishment, which in turn requires the introduction of im-
proved technologies in the informal sector and large-scale skills upgrading of IS operators.

1.2. Objectives of the study

In view of the time elapsed and the changes that have occurred it would appear pertinent to take a closer look at developments with regard to training for the informal sector in the past 15 years. The present study therefore aims to review current policies, programmes and projects that concern skills for informal sector operators, and to draw lessons that may be pertinent for the design and implementation of future policies, programmes and projects. More specifically the study seeks to depict interesting cases of formal and non-formal training programmes directed at the informal sector of micro- and small enterprises, and identify emerging needs and new trends, if any, and their possible consequences.

Some questions of the research questions formulated in relation to the study include:

♦ has the training delivery to the informal MSE sector improved?, which would mean that more owners and workers of informal sector establishments are benefiting from training, that there are more relevant and higher quality courses are conducted
♦ what have been the most important changes with regard to training policies and training delivery systems when it comes to skills development for the informal MSE sector?
♦ what has happened to the role of the government and VTIs in particular in relation to the provision of training for the informal sector?, has the public training sector indeed embraced IS operators as an important part of their target group?
♦ have there been changes in the contribution of private training providers?
♦ have there been any changes in the funding of training for the informal sector?
Such questions are all the more interesting in view of the emerging ‘paradigm shift’ in the area of non-financial services for informal MSEs. They are now labelled as Business Development Services (BDS) and the focus is on the development of ‘market-based’ provision of such services, meaning a demand-led, business-like approach with service provision if possible by private sector providers and cost-recovery by charging market rate fees to the clients (see Steel 2000). With regard to vocational training the ‘principles of good practice’ advocated by the new thinking include: the development of demand-led training programmes, provision of relevant, tailor-made training services, the introduction of participatory methods, and cost-recovery by charging training fees (e.g. Nelson 1997).

1.3 Working methodology

This study integrates a review of pertinent studies and the result of recent field work in six Sub-Saharan countries: Kenya, Ghana, Tanzania, Uganda, Zambia and Zimbabwe\(^5\), carried out in November 2000 and April 2001. Interviews were held with relevant government officials and representatives of non-government training institutions. Discussions took place with practitioners and observers familiar with the local training situation, and a number of trainees. Also some field trips made to visit a number of interesting training providers. In the analysis, use was also made of a large number of documents collected during the visits, complemented with information from other secondary sources (please refer to Annex with a list of documents consulted).

1.4 Structure of the paper

The paper is structured in three parts. Part-I provides background on the overall situation with regard to training for the informal sector; an overview of developments in the concept of the informal sector, complemented by some recent information on the employment and the structure of the IS in Africa; and a brief summary of some of the main developments and good practices in providing support to the informal MSE sector - all based largely on a review of available literature. Part-II contains the main body of the report, with the case studies from the countries visited, Kenya, Tanzania, Uganda, Zambia and Zimbabwe. And part-III present some conclusions.

\(^5\) In Kenya, the kind support of Dorothy McCormick, Harun Baiya and Jeff Njagi was much appreciated. In Tanzania the assistance received from the deputy director and staff of the ILO Area office, as well as staff from VETA and the GTZ adviser Mr Ewald Gold is kindly acknowledged. In Uganda the work could not have been done without the tireless collaboration of Mr Eddie Walakira (Makerere University). In Zambia, kind assistance was received from the ILO Area Office and in Zimbabwe the assistance of SAMAT and in particular Mr Michael Mwasikakata, and the hospitality of SIYB and in particular Mr Joni Musahayana is kindly acknowledged. Overall guidance for the study from Mr Fred Fluitman has been much appreciated.
PART I
2. VIEWS ON TRAINING FOR THE INFORMAL SECTOR

This chapter presents a brief review of relevant literature on training for the informal sector in the past decade. Its purpose is mainly to identify important issues as a background for the case studies in the following chapters.

2.1 Vocational training in crisis

Since the mid-80s there has been a growing discontent with the training programmes that were available for owners and workers of micro- and small enterprises. Questions arose on the effectiveness and efficiency of existing vocational training systems and programmes in many developing countries to adequately transfer relevant skills and assist school-leavers and unemployed to find (self-) employment.

2.1.1 Training for the informal sector

A first major event to review ‘Training for Work in the Informal Sector’ was a workshop organized by the ILO in Turin in 1987. The workshop concluded that such training is, and should be, fundamentally different from training for work in the formal sector: it is primarily characterised by a very close link with production, a distinct target group approach and an unconventional delivery for immediate results (see Fluitman 1989).

With respect to micro-level training interventions, it was concluded that there is not one single approach but that in principle all interventions should build upon what already exists; on the basis of experience the following elements that tend to make interventions successful were identified:

- training needs assessment: i.e. matching interest and aptitudes of prospective trainees with real opportunities identified through market research or employer surveys - in 2 stages
- training methods: learning from ways in which those already working in the informal sector acquired their skills; reduce the duration of the training; experiment with appropriate forms of distance learning and self-instruction;
- trainers and other actors must have in common: special teaching qualities, links with the community, role for active artisans; and good training managers are one of the most crucial ingredients of effective training
- financial issues: worthwhile to attempt lowering training costs while maintaining benefits and to increase benefits per unit of training costs; initiate cost-sharing by trainees.

Other important ingredients of successful training interventions were found to include: clear purpose, favourable environment, participation of beneficiaries at all stages,
paying attention to complementary inputs and follow-up services, sound management and delivery by committed staff, flexible design allowing permanent adaptation of training content and delivery method, early results, long-term perspective of development, and replicability and scope for economies of scale.

With regard to macro-level interventions, such as a reorientation of formal training systems in developing countries, it was concluded that there is a need for these to better reflect economic opportunities and to respond more precisely to training needs. In fact, if training-for-the-informal-sector is to assume meaningful proportions, it is reasonable to first address policies and practices which ‘trigger off’ training or hamper it - however, a re-orientation of existing systems is bound to be complicated and time-consuming.

The Turin workshop, as synthesised by Fluitman, underlined that training does not create jobs (apart from those for trainers, etc.), and interventions which address access to credit, technology, markets, etc., are often more crucial, at least in the opinion of the IS operators - training is to a large extent an instrument which causes other inputs to come to fruition. It was found that there is need and scope to improve the benefits of training for those working in the informal sector, but all interventions should be based on systematic verification of what is needed and wanted by IS operators, whether the planned intervention is feasible and would be cost-effective; all interventions in the IS, whether training is involved or not, must be rooted in a knowledge of the people who work there and their environment, and of their major problems and aspirations.

The synthesis pointed to in-service training modalities, including initial training such as apprenticeship training, as being often more effective than pre-employment training since it is closely tied to employment opportunities that have already been identified. Moreover, it is work-based and therefore practical, usually less expensive, while the trainees who are already working tend to be more mature and motivated than young school-leavers. At the same time the participants of the workshop looked towards public sector National Vocational Training Institutes (NVTIs) to include informal sector operators as one of their prime target groups for training programmes.

2.1.2 Training for self-employment

The early 1990s brought no clear changes in the provision of vocational training. An ILO Expert Consultation on Training for Self-Employment through Vocational Training Institutes, in 1993, essentially repeated earlier observations (see Grierson and McKenzie 1996, see also Grierson 1997). The workshop discussed two dimensions of the ‘crisis of vocational training’: the ‘crisis of cost’ as vocational and technical training is inherently expensive and the ‘crisis of relevance’ as formal vocational training remains fundamentally focussed on wage-employment - sometimes with self-employment training as a kind of by-product. In essence the problem of vocational training is seen as how to respond to the changing labour market demands in times of dynamic global markets and rapid technological change.
The report of the workshop pointed to the lack of responsiveness of NVTIs to the training needs of non-traditional clients as well as in relation to the changing opportunities in the local economies. At the same the workshop sounded a warning with respect to (i) the informal sector’s capacity to solve the unemployment problem beyond acting as “a safety net for many, a means of supplementing and diversifying income for some, and an entry point to the market for the enterprising few” (pg. 13) and (ii) the feasibility to re-orient NVTIs to training for self-employment and, even more, to providing assistance for MSE development.

The design of programmes for skills training, which -unlike credit- is a very heterogeneous product, is relatively difficult, as it includes: correctly identifying and selecting appropriate target groups; developing mechanisms that will accurately identify emerging economic opportunities; designing training programmes of suitable type, duration and level of sophistication; creating low-cost local capacity to provide follow-up services to embryonic enterprises. It identified three common approaches to training for self-employment: (i) general training in entrepreneurship, e.g. by making a business plan (sometimes with a link to credit); (ii) NGO and project-based skills training, again in conjunction with business plan preparation and credit, and (iii) various forms of enterprise-based training, in particular traditional apprenticeship training.

The report draws attention to the need for consists attention for the self-employment application of the training in all the three stage of training programme: trainee selection, training delivery, and self-employment creation. So far, training for self-employment is often an add-on, for instance in the form of some entrepreneurship development training towards the end of the course. When the trainees have not been purposely selected for self-employment training and actually are not-as yet at least-aspiring to become informal sector operators but intend to look for wage-employment, training unit costs will needlessly go up and final impact will remain limited. Available evidence appear to indicate that the later in the process specific support for self-employment is created, the least likely it is that is will be very successful: getting an early start, i.e. selecting those with self-employment intent and potential, is a critical success factor. In other words, more consistency in the successive stages of training interventions would significantly enhance the effectiveness of the training interventions.

In all, the report is not optimistic about a possible role for VTIs in self-employment training: “the appropriate re-orientation for most VTIs will very likely be found to be a re-orientation to the economic and technological changes in the modern skilled wage sector” (pg. 146).

2.2 Apprenticeship training

Just as the concept of the informal sector itself (Hart 1973), the practice of apprenticeship training that prepares individuals for work in the informal sector was first documented for West Africa where the practice is ubiquitous (Loyd 1953 and Callaway 1964).
This apprenticeship system is traditional in the sense that it has evolved over a long period of time during which, while allowing for limited adaptations, it maintained its essential features (Fluitman 1994). Although the traditional apprenticeship training (TAT) system is also found in countries in East and South Africa (see chapters 4-8), it is more widespread and better organized in West Africa (see e.g. Birks et al 1994). Studies from West Africa indicate that some 55-85% of the small producers in the informal sector acquired their skills through the apprenticeship system ([Florida State University] n.d., McGrath et al. 1995).

Apprenticeship training essentially refers to a, written or oral, agreement between a ‘master’ and, usually the parents or guardians of the apprentice for a period of attachment to the firm of the mastercrafts(wo)men with the purpose of acquiring a set of relevant and practical skills. Sometimes the master receives a training fee, in other situations the apprentice has to ‘earn’ the training by receiving no or a minimal remuneration for his/her labour. Generally such a fee is lower than comparable training fees charged by private training providers.

The ‘training’ consists primarily of observing and imitating the master and being corrected if own efforts to imitate fail. The apprentice starts with simple, manual jobs and gradually moves to more complex tasks. Some masters follow a written or more informal-training plan or even structured the training, but in many cases the training offering is determined by their jobs that the firm has to carry out. The training is normally ‘fixed-time’ rather than ‘competency based’. The training is often product-specific and theoretical aspects and some basic technical practices (e.g. precise measuring) are largely ignored; as the trainees do not learn the whole spectrum of skills of a particular craft, some consider them, at best, semi-skilled upon completion of the training. Few apprentices appear to start their own business immediately upon completing their TAT period. A typical career path passes through a number of years of, formal or informal, wage employment.

Informal sector apprenticeship training is sectorally limited to particular trades. Three categories of TAT have been distinguished (Fluitman 1994): (i) apprenticeship in economic activities in which apprenticeship is very common and an apparent pre-condition for becoming self-employed (e.g. car mechanics, carpentry, tailoring and radio & TV repair), (ii) activities in which the present micro entrepreneurs have mostly been apprentices, but not necessarily have any apprentices in their firms now - e.g. because they do not need them any longer or because they cannot attract any (e.g. weaving, metal work, hairdressing, leather work and construction); and (iii) activities in which ap-

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4 In many countries, in Africa and elsewhere, there exist also a modernized form of apprenticeship, mostly in formal enterprises, usually subjected to the conditions stipulated by an Apprenticeship Act, but the total number of this type of apprentices is minute compared to traditional apprentices in the informal sector. Also, labour market absorption rates of the graduates of this type of training is very low (McGrath et al. 1995).

5 This section is largely based on Fluitman and Oudin 1992, Birks et al. 1994, Fluitman 1994, Grierson 1997 and [Florida State University] undated.
prenticeship never has been common, as the (female) entrepreneurs, when necessary, tend to rely on family workers (e.g. soapmaking, meat and fish processing, restaurants and retail).

Family ties continue to play an important role in TAT: some 40% of the apprentices interviewed in Lomé (Togo) and Ibadan (Nigeria) indicated to have chosen a particular master on the basis of kinship; other criteria include the master’s professional reputation and the -stable- turnover of the enterprise. The masters carefully select the trainees on perceived aptitude and trainability, and, particularly, honesty (for which family ties help).

With increasing level of education, the average age of starting apprentices has gone up to around 20 years. In fact, as the result of increased access to training, as well as more supply of educated youth (who have difficulties finding a job elsewhere) so that the best can be selected, the apprentices now tend to have had more schooling than their master. Apprenticeship training appears to complement rather than substitute for education; it is also common for those who managed to follow formal vocational training, to pass through a period of apprenticeship before setting up shop for themselves.

The apprenticeship period varies with the trade, but usually ranges from 3-4 years. Some apprentices do not complete the training: the drop-out rate is estimated at 25% of the intake, and lower in the more traditional trades which tend to attract less educated apprentices. Working hours of the apprentices are long while the working conditions, for all those working in informal sector enterprises, leave to be desired.

Apprenticeship training does not only cover technical skills but also organizational, management and business skills, including costing, marketing, and supplier and customer relations. Some observers (e.g. Grierson 1997) feel even that one of the main advantages of TAT lies in the opportunity for the apprentices to gradually build up social and economic networks that will serve enormously later on in establishing and running an informal enterprise.

TAT is generally recognised to be relevant, effective and efficient - but not perfect. Lack of clear contracts, relevant legislation and monitoring mean that the quality of the training hugely varies, and that at least in some cases unscrupulous employers exploit the apprentices as cheap labour without administering any training. TAT is not exposed to modern training approaches, many of the masters use deficient instruction techniques, and the learning is generally passive and non-experimental (it is usually not much appreciated for the apprentices to pose questions). In other words, there is usually scope to improve training content and structure. Moreover, traditional apprenticeship training is not dynamic: it does not readily allow for the introduction of new product designs and production techniques but rather tends to perpetuate traditional technologies - leading at times to a sectoral closed-mindedness. Moreover, it would appear to form a feeble basis for innovation processes (although they do occur - see King 1996). TAT does not pay much, if any, attention to occupational safe and health issues.
There is thus indeed a need to improve upon some of the TAT aspects, especially with a view to ensure that the informal sector continues to provide training to ever increasing number of youth and unemployed who can not find alternatives for training and employment. Still, there is general consensus that any interventions in the system need to be careful without introducing major changes. Efforts at certification and other regulating measures should be treated very cautiously. It is easy to upset the intricate balances in the system that have evolved over a long period of time; it is especially important that the masters see clear, especially tangible benefits and that their authority is not undermined. In short, uninformed introduction of legislation would appear to be counterproductive.

This was shown, for instance, by the National Open Apprenticeship Scheme (NOAS) that was enacted in Nigeria and included (see e.g. Adams 1993):

- Saturday classes during which the apprentices would acquire basic vocational theory and improve their general knowledge (which was badly chosen as Saturday was the busiest day for most informal enterprises)
- the apprenticeship training would be supervised by a government training official (who never went to work properly, leading to a lack of supervision and ample corruption)
- (initially) government payment of training fees to the masters and stipends to the trainees (the amounts of which were judged too low and the payments of which was irregular)
- stipulated working hours for the trainees which were far shorter than common in the IS (which resulted in conflicts with apprentices who did not participate in the scheme)
- a shorter training period (which, in spite of the higher qualifications of the trainees, was deemed too short by most masters who therefore did not award the usual final certificates).

A review of the results clearly showed the failures of the scheme. The scheme did not use any clear criteria, such as a basic level of workshop equipment or the master’s training abilities, in selecting the masters, while the prospective trainees were selected, without involvement of the masters, not on the basis of any presumed trainability but merely preferring aspirants with the highest level of education. Most crucially, the interruption of the traditional selection mechanisms used by the masters and the written contract meant that neither the masters nor the trainees felt any responsibility for the training. While by 1992 over 100,000 persons had been trained under the scheme, only some 2,500 had opened their own business, while another 8,500 had found a job. In conclusion, the government had introduced well-intended changes in the TAT system, without adequate understanding and appreciation of the importance of the importance of the social interactions between masters and apprentices, without any consultation with the entrepreneurs and without proper implementation capacity.
Possibly the best options are to provide incentives and support services. Complementary training in the form of short courses for a few hours per week could be offered to both the apprentices and the masters. Apprentices would benefit from counselling and guidance - before and during the training. Masters could receive advice and training on selection and training of apprentices. General support measures for the informal sector, including study tours for masters to meet other mastercrafts-(wo)mens will indirectly benefit the TAT. Dissemination of information on training methodologies, together with other information on markets, technologies and support programmes would be helpful.

Strengthening of informal sector associations may help to create a platform for consultations on the needs and ideas of informal sector operators on how to improve apprenticeship training. For any reform process it is of crucial importance to involve the informal sector entrepreneurs in their design and possible also in the implementation of the interventions - directly or through representative trade associations.

Finally, one of the attractions of TAT is its self-regulation. However, this probably only works up to a point, and curbing misuse of the traditional apprentice system, as well as improving the quality and conditions of the training itself, will require some sort of monitoring system.

2.3 Pathways to informal sector employment

One of the most intriguing questions with regard to the promotion of informal sector concerns the contributions of vocational training, education and non-training interventions. This holds particular relevance in the post-structural adjustment context in which governments of especially the poorest-developing countries need to ensure clear priorities in their spending and would benefit from a clear indication of the most direct route to informal sector employment.

Work in West Africa (see Birks et al. 1994) points to education as a critical factor for training and employment, especially in a range of ‘attractive’ economic activities (including: radio & TV repair, car mechanics, tailoring and women’s hairdressing). Informal sector entrepreneurs with a higher level of education were found more likely to obtain pre-employment training, to benefit more from apprenticeship training and to need less time to enter into self-employment. From the study education, at the primary school level and especially at the non-formal and informal levels, through special general and technical education programmes for school leavers, unemployed adults, women and disadvan-

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6 The study distinguishes the following career paths: (i) to ‘more attractive’, higher technology activities typically involves 7 years at school, followed by some technical vocational training (or period at technical school), and nearly 4.5 years of apprenticeship, followed by limited period (less than 3 years) of wage employment before embarking on self-employment; the median age for these entrepreneurs is 25 years at the start of self-employment; while (ii) entrepreneurs in ‘less attractive’ activities have only 3.4 years of schooling, less propensity to undertake technical or vocational training and, if any (only 55% of them), a shorter period of apprenticeship (3.2 years), while the period of family helping is 4-times as long and that of farm and household work twice as long periods Birks et al., 1994:64).
taged groups, appears to emerge as one of the main interventions areas on the part of the government to promote the informal sector.

A study prepared for ODA (McGrath et al. 1995) distinguishes different ‘pathways’ to self-employment. The simplest route can be depicted as Model A, described as the ‘World Bank model:

Model A

| General education | enterprise-based training | self-employment |

After general education the future informal sector operator engages in apprenticeship training in a formal or informal enterprise to learn the trade, and then proceeds to set up his/her own business. The exact transition from training to self-employment remains unclear.

In model B, based on Grierson, the future informal sector operator, upon completing the enterprise-based training (most likely to be informal), seeks a wage job. This will give him/her not only additional experience, but also time to amass the required savings and to make further preparations to set up an own business.

Model B

| Enterprise-based training | wage employment | self-employment |

In the view of Grierson, there are, in addition to economic barriers, also a host of social barriers to overcome in setting up a business. A period of some 5 years of wage employment will help to expand the social networks to do so.

In all likelihood, reality will be much more complex. While there is general agreement that a solid general education is required for successful self-employment, the skills can be acquired through formal training in vocational training institute as well as through formal and informal apprenticeship. There are also ample examples of persons who engage in apprenticeship training after a first period of formal VTI training.
These pathways need to be further complemented with an indication of the available MSE support services. For instance, the need for wage-employment as a mechanism to accumulate personal savings would be diminished when an appropriate credit scheme would make available start-up capital to training graduates (see also chapter 4).

### 2.4 Summary: main issues

While some of the mistrust displayed by Governments towards the informal sector has remained, much has also changed in the past 20 years. The governments in many developing countries are now taking a far more positive stand towards small scale economic activities. In fact, forced by economic realities, they are now banking on employment creation in the informal sector.

From the literature a large number of outstanding issues in relation to training and support for self-employment and IS operators can be identified. They can be grouped in the following areas: training systems, training organization and delivery, post-training assistance, and institutional matters.

#### 2.4.1 Education and training systems

It is clear that the existing capacity for training for those engaged in the informal sector is insufficient. Some therefore argue that public sector VTIs should focus more on the provision of training and support for informal sector operators, while others are sceptical about such a re-orientation for VTIs to include a target group which it traditionally does not view as natural clients. Neither are there any clear answers to the question about funding for self-employment training.

Traditional apprenticeship training, which brings no cost to the community thus exerts considerable appeal. It is also noted to bring various other advantages that result mainly from the fact that the training is rooted ‘in the world of work’ and includes the mastering of technical and business skills as well as building up relevant networks. At the same, it is acknowledge to have a number of serious weaknesses that warrant interventions. Little is found on specifics with regard to such interventions except that utmost care needs to be taken so as not to upset the intricate balance within the system.
A major issue that becomes clear from this literary review refers to the urgent need to upscale training interventions and link them with other support programmes.

### 2.4.2 Training organization and delivery

There is general consensus that training for the informal sector needs to be different from the rigidly structured and examination-based long-term training provided in the past. Rather, the training courses should be short and modularized, a mixture of technical and business skills, and conducted in evenings and weekends. The literature emphasizes an active role for the clients themselves: they are said to value training, know what training they want and should be involved in the design and implementation of the courses.

While a number of studies on the informal sector clearly emphasize the importance of technological development in the sector (e.g. King 1996 and Maldonado and Sethuraman 1993), no clear link emerges on how to link technical skills training to the introduction of new production techniques and improved product designs.

### 2.4.3 Post-training follow-up assistance

It is universally acknowledged that training by itself will not create (self-) employment and that other support services and in particular financial support is needed for the training graduates to engage in self-employment and set up an informal sector venture. At the same time the literature appears to be generally in favour of a ‘minimalist’ approach, as integrated packages have been proven too costly (and therefore unsustainable) and complex to manage (especially for training institutions). The general suggestion is for MSE support organisations to ‘network’, but no clear guidelines on how to initiate and operate such joint delivery of services have emerged.

For some observers the issue appears to be already largely solved by giving prominence to informal sector apprenticeship training, in which the apprentices build up social networks which can later on be tapped to overcome a variety of socio-economic obstacles. Precious little is known about such networks, how they are constructed, what the role of (informal) apprenticeship training is, and how the process can be externally stimulated.

### 2.4.4 Institutional matters

One of the most prominent outstanding issues concerns the funding of training for the informal sector. No clear answers are provided by the literature on the origin of the funding for such training. Again, many appear to bank on enterprise-based training systems in which the cost of the training is shared between the one hand employers and masters and on the other hand workers and apprentices. Still, even in such systems the costs of interventions to improve the quality of, for instance, the traditional apprenticeship training, will have to be financed in some way.
One of the more interesting innovations addressing both the issues of cost-sharing and the involvement of non-public training providers are training voucher schemes (e.g. in Paraguay and Kenya). Essentially this modality aims to strengthen the market relationship between training customers and suppliers. The MSEs can purchase training vouchers, e.g. at a discounted price, from a government (or another) agency. The voucher entitles the entrepreneur to follow training in any of the pre-qualified training institution, from public, non-profit and for-profit sectors. The providers can exchange the vouchers after the course has been completed and the trainee has completed a minimum part (e.g. 75%) of the course. The small producers decide for themselves which short-course is best addressing their needs. Unpopular courses which are not chosen or which have high drop-out rates, are gradually disappearing as the providers try to receive maximum benefits from the vouchers.
3. INFORMAL MICRO- AND SMALL ENTERPRISES IN SUB-SAHARAN AFRICA

Since the ‘informal sector’ concept was elaborated in Kenya (ILO 1972), numerous studies have been done about its size, structure, characteristics and role in the economy and society. Initially they were mostly based on snapshots of the sector: once-off surveys, often of small-scale activities in the capital or major urban areas only. More recent studies however have adopted new methodologies and provide interesting new insights in the sector.

3.1 Informal sector segmentation

For the discussion on the design of effective interventions to support informal, micro- and small enterprises, it is helpful to set out a basic conceptualization with regard to the sector of which they form part. There is now general agreement that the ‘informal sector’, also referred to as the ‘micro- and small enterprise sector’, is far from homogeneous. For example several observers (see e.g. Ashe 1985, USAID 1989, Farbman and Lessik 1989, CARE 1996) propose that the MSE sector includes the following three segments:

**Income-Generating Activities** (IGAs) are the predominant type of MSEs, especially in rural areas. They refer essentially to pre-entrepreneurial, subsistence type of self-employment, and function as ‘the employer of the last resort’. IGAs constitute an important source of household income supplementing farming incomes. Usually they concern part-time, seasonal activities, based on traditional technologies, local materials and local markets. They have little if any potential for growth, and might be best supported by assisting the women to diversify their activities. Examples of IGAs include: seasonal trading and hawking, pig and poultry raising, and many traditional craft activities.

**Micro-enterprises** (MEs) are slightly bigger than IGAs, as they work with a few family workers, apprentices and sometimes one or a few (up to 10) permanent workers. Their technology is a mix of traditional and more-modern-but-obsolete. They lack access to capital, have modest technical skills and lack management. They are more linked with markets ad part of their production inputs are ‘imported’, and they serve local and nearby markets, for which reason they are more found in larger villages, rural towns and regional centres. Some of them have some potential for growth, or at least for the development of entrepreneurial skills. Some examples of MEs are: small shops, metal working, carpentry, tailoring, and various forms of repair services (e.g. radio & TV, cars, household appliances).

**Small enterprises** (SEs) can be defined as firms with roughly 10 to 20 (sometimes 50) workers. They use non-traditional or ‘modern’ technologies in at least some of the productive aspects of the transformation process. Their products and services
range from simple to complex, and similarly span a range of consumer types. The marketing pattern may be somewhat complex, reflecting innovation in raw material procurement and in output sales. SEs often are (on the margin of) formal: they are usually registered with the local government and tend to be paying some taxes. SEs are more urban-than rural-based. Some examples of small enterprises are: sawmills, garment assembly, motorised transport, construction and medium-scale industrial agro-processing.

Evidently these definitions do not lead to clear cut-off points; rather there are grey areas and overlap. Also, in general there is little ‘graduation’ to the next level, while a, temporary, fallback to the lower level occurs frequently.

**Table 1: Summary of main differences of MSE-segments**

<table>
<thead>
<tr>
<th>Income-generating activities</th>
<th>Micro-enterprises</th>
<th>Small enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mixed with household economy</td>
<td>• Mixed with household economy, but shifting towards separation</td>
<td>• Separate from household economy</td>
</tr>
<tr>
<td>• Self-employment (with some help from family members)</td>
<td>• Up to ten workers (mostly: family workers, apprentices)</td>
<td>• Numbers of workers: 11-50</td>
</tr>
<tr>
<td>• Little no fixed assets (less than USD 500)</td>
<td>• Moderate fixed assets (less than USD 10,000)</td>
<td>• Fixed assets up to USD 100,000</td>
</tr>
<tr>
<td>• Traditional, manual technologies</td>
<td>• Mixed but obsolete technology</td>
<td>• More modern technology</td>
</tr>
<tr>
<td>• Profits for household consumption</td>
<td>• Profits used for household consumption and reinvestment in firm</td>
<td>• Profits used for re-investment in the firm</td>
</tr>
<tr>
<td>• Diversification to increase household income and/or to minimize risk</td>
<td>• Strategy: specialization to increase household income</td>
<td>• Strategy: specialization to increase profits</td>
</tr>
</tbody>
</table>

An important practical argument for such a segmentation of the MSE sector, lies in the different support needs of the distinguished segments (see table 2). These differences should be reflected in the support interventions and underlying strategies. For instance, IGAs should be subject of a poverty alleviation and community development approach, with ample attention for social aspects (e.g. entrepreneurship orientation, credit management, and low level technical assistance). Small enterprise rather requires a business approach, with support services based on feasibility and market studies.
Table 2: Need for support service by different MSE segments

<table>
<thead>
<tr>
<th>Appropriateness and need for services in area of:</th>
<th>IGAs</th>
<th>MEs</th>
<th>SEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>credit/loans</td>
<td>high</td>
<td>high</td>
<td>high</td>
</tr>
<tr>
<td>for working capital</td>
<td>high</td>
<td>high</td>
<td>medium</td>
</tr>
<tr>
<td>for equipment</td>
<td>low</td>
<td>medium</td>
<td>high</td>
</tr>
<tr>
<td>for premises</td>
<td>nil</td>
<td>medium</td>
<td>high</td>
</tr>
<tr>
<td>savings</td>
<td>high</td>
<td>medium</td>
<td>low</td>
</tr>
<tr>
<td>management</td>
<td>low</td>
<td>medium</td>
<td>high</td>
</tr>
<tr>
<td>marketing</td>
<td>high</td>
<td>high</td>
<td>high</td>
</tr>
<tr>
<td>technology</td>
<td>medium</td>
<td>high</td>
<td>high</td>
</tr>
</tbody>
</table>

The differences in capital invested, technologies in use and product markets served, will also have major implications for the design and delivery of skills development programmes.

3.2 Main features of informal sector enterprises in Sub-Saharan Africa

Recently surveys of micro- and small enterprises in the informal sector in a number of sub-Saharan countries provide both a larger coverage and a more dynamic picture of the sector through the use of: panel surveys in which the evolution of a sample of enterprises was followed over time; tracer’ studies to search and re-interview informal enterprises covered in earlier surveys; surveys of MSEs that had previously been operated by members of a household but are no longer in operation; and modified baseline surveys one-shot surveys to provide retrospective information concerning past patterns of growth of currently existing enterprises since their start-up ⁷.

Magnitude

The surveys found that 17 to 27% of the total working age population are employed in MSEs (18% in Kenya). This means that in the African countries surveyed, the estimated total number of people engaged in MSEs is nearly twice the level of employment in registered, large-scale enterprises and in the public sector.

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⁷ National surveys were carried out in Kenya, Lesotho, Swaziland, Africa, Zambia, Zimbabwe and the Dominican Republic. Surveys of the MSE sector in major urban areas were conducted in South Africa. This summary is largely based on Mead and Liedholm 1998.
Size distribution of MSEs and labour force characteristics

The majority of MSEs consists of one person working alone, and in Africa only 2% of businesses employ between 10-50 workers. The working proprietors constitute more than half the MSE workforce, and only in a few countries do hired workers comprise as much as 20% of the MSE-labour force.

In most countries the majority of MSEs are owned and operated by women. Informal enterprises owned by women are however concentrated in a narrow range of economic activities: hairdressing, beer brewing, knitting, dressmaking, crocheting, cane work, and retail trading. Most of them are operated from the residence of the owner.

Location

Informal MSEs are particularly a rural phenomenon: the share of all enterprises in urban locations (defined as more than 20,000 inhabitants) is less than 25% except in Zimbabwe (30%). Even adding MSEs in rural towns (with a population of 2,000 - 20,000 inhabitants), the total share of urban MSEs is less than half.

Composition of activities

As is well known, informal activities primarily concern (street) vending and small trading. Still, in all the countries surveyed, small manufacturing activities were also found to form an important component of the informal sector, especially in the rural areas.
Table 3: Major features of the informal sector of micro- and small enterprises in some sub-Saharan countries (mid-1990s)

<table>
<thead>
<tr>
<th></th>
<th>Botswana</th>
<th>Kenya</th>
<th>Lesotho</th>
<th>Malawi</th>
<th>Swaziland</th>
<th>Zimbabwe</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSE employment (as % of working age population)</td>
<td>17%</td>
<td>18%</td>
<td>17%</td>
<td>2%</td>
<td>26%</td>
<td>27%</td>
</tr>
<tr>
<td>Share of 1 person MSEs</td>
<td>65%</td>
<td>47%</td>
<td>79%</td>
<td>61%</td>
<td>69%</td>
<td>69%</td>
</tr>
<tr>
<td>Share of MSEs with 10-50 workers</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Share of hired workers</td>
<td>39%</td>
<td>24%</td>
<td>10%</td>
<td>18%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>MSEs in urban areas</td>
<td>24%</td>
<td>15%</td>
<td>18%</td>
<td>12%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>MSEs in rural towns</td>
<td>28%</td>
<td>7%</td>
<td>10%</td>
<td>4%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>MSEs in rural areas</td>
<td>48%</td>
<td>24%</td>
<td>72%</td>
<td>84%</td>
<td>65%</td>
<td>64%</td>
</tr>
<tr>
<td>Sectoral breakdown of rural MSEs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>› manufacturing</td>
<td>34%</td>
<td>18%</td>
<td>62%</td>
<td>36%</td>
<td>70%</td>
<td>75%</td>
</tr>
<tr>
<td>› commerce</td>
<td>64%</td>
<td>74%</td>
<td>27%</td>
<td>60%</td>
<td>24%</td>
<td>16%</td>
</tr>
<tr>
<td>Share of enterprises owned by females</td>
<td>75%</td>
<td>40%</td>
<td>73%</td>
<td>46%</td>
<td>84%</td>
<td>66%</td>
</tr>
</tbody>
</table>


Within manufacturing, a number of activities are consistently dominant: textiles and wearing apparel, food and beverages, and wood and forest products: together they constitute about 75% of urban MSEs and nearly 90% of informal firms in rural areas.

**Efficiency**

The results of the survey in Kenya confirmed earlier suggestions (e.g. Liedholm and Mead 1987) that there are substantial differences in economic efficiency between enterprises of different size. The returns per hour of labour, for instance, are significantly higher for enterprises with 2-5 workers than for one-person firms; they are even higher for units of 6-9 workers. This means that even a small increase in size is associated with substantial increases in economic efficiency, which for these small establishments is closely associated with the levels of income earned by those who work in the enterprise.
3.3  Dynamics of informal MSEs

The results of the survey also for the first time permit a more dynamic analysis of the changes in the size and composition of the informal MSE sector over time and under different economic conditions. In general terms the surveys found that the sector is in a constant flux - with components of change moving in opposite directions, so that figures on net change can mask the magnitude of the ‘churning’ that takes place within the sector.

3.3.1  New MSEs starts

Informal enterprises are being established at a substantial rate: from just below 20% a year (of all existing firms at the end of the year) in Kenya to over 30% in Botswana. Mead and Liedholm observe that this is surprisingly high, particularly when compared to the number of start-ups of small firms in industrialized countries, which is typically around 10% per year.

The vast majority of new firms are being created as one-person enterprises, which show substantially higher birth rates than the larger-than-one establishments. Female-headed enterprises show a higher birth rate than male-headed firms do.

According to the authors the implication of these statistics is that, contrary to what is sometimes assumed, there is no overall scarcity of entrepreneurs in Africa. In fact, there are many persons who are even willing to venture into one-person ventures which are typically the least efficient and least remunerative. It should be pointed out, however, that many of them do not have much choice and are rather ‘entrepreneur’ by necessity than by conviction.

3.3.2  MSEs closures

The African surveys estimated the death rates of MSEs at 13 percent of those present at the beginning of each year.

Only less than half of the informal firms closed as the result of economic reasons (such as: lack of demand, shortage of working capital), while approximately one in four of them closed for personal reasons (e.g. illness, retirement) and the rest closed because the owner moved to more attractive other employment positions, or because the firm was forced to close down by the government. Follow-up information in Kenya showed that 60% of those who closed down an informal firm, subsequently opened another business (whereas 15% returned to agriculture, 8% accepted a government job and 17% were no longer economically active).

Most closures occur in the early years of the firm’s existence: in Africa over 50% of the closures had taken place within the first 3 years of start-up (and peaked before the end of the 1st year in Botswana and Swaziland, and between the first and second year in Kenya and Zimbabwe). These results make it abundantly clear that informal MSEs are particu-
larly vulnerable during the fragile initial years when the entrepreneurs are still in the learning process of how to operate a new business.

The survey results also give some indication what type of informal MSEs survive best:

- MSEs that had added workers when compared to those who remained the same size
- firms that started smallest when compared to those which started with more employees
- retail face the highest closure risks (e.g. 30% more than woodworking): real estate, wood processing, wholesale traders, and non-metallic manufacturing enterprises are least likely to close, while trading, transport, and chemical MSEs are most likely to do so
- urban MSEs have an almost 25% greater chance of survival than their rural counterparts
- female-headed households are less likely to survive (but only because in low-return and home-based activities, often to personal and non-business reasons
- the closure rate among low-profit enterprises is negatively related to the GDP growth rate.

### 3.3.3 MSEs expansion

The expansion (or reduction) of informal MSEs are usually measured in terms of number of workers, but in the Kenya survey the expansion could be measured in terms of net increases in real sales of the MSEs. Measured in this way, growth turned out to be almost double the employment expansion, which finding was confirmed in a survey in Jamaica. This clearly indicates the lumpy nature of employment, which also appears to increase with a certain lag after sizeable growth of real sales.

In terms of employment, the surveys found strikingly high overall growth rates: average annual employment growth rate since start-up was 13-16% per year across the 6 countries. This is even more impressive when it is realized that the majority of the MSEs did not grow at all: in most countries less than one in four of the firms actually added workers (and in Kenya more than one in three of the informal firms). Most of the expansion was due to a minority each adding only a few workers. Only about 1% ‘graduated’ from the ME seedbed to end up with more than 10 workers.

The surveys indicate with respect to the informal firms that are most likely to expand:

- there is an inverse relation between enterprise expansion and age of the MSE: younger MSEs are more likely to show higher rates of growth (also shown in Kenya) - much of the expansion occurs in the first 2 years (and in Kenya after 8 years downsizing)
an inverse relationship was also found between rate of growth and initial size of the firm
- the rate of MSE growth is influenced by economic sector: manufacturing and service MSEs more likely to expand than those in trading - but specific sectors that are likely to generate more jobs vary from country to country (“unique fingerprint”)
- MSEs located in rural towns and villages are less likely to expand; moreover, MSEs operating in commercial areas or even along the roadside showed a markedly stronger tendency to expand than those operating in the home
- male-headed MSEs are more likely to expand fast (11%) than female-headed ones (7%)

Other authors (e.g. McPherson) provide evidence that entrepreneurs who had received some vocational training expanded their firms faster than those without such training. In Kenya entrepreneurs with at least 7 years experience, like entrepreneurs who completed secondary school, were found more likely to expand more rapidly.

3.4 The informal sector and the macro economy

These GEMINI studies offer an interesting impression of the intricate relationship that informal MSEs have with the rest of the economy. It was found that when economy is growing well, MSEs also thrive, expanding by engaging additional workers - while other entrepreneurs are closing their firm to move to more rewarding activities. When the economy is stagnating, MSEs face hard times and only a few of them are expanding while others will even lay off workers - at the same time there is also an increased pressure for new labour market entrants, who cannot find a wage job, to start new businesses, even if these yield only marginal returns.

Kenya presents a good example of this ‘churning’. In 1994, employment in MSEs grew by nearly 100,000 as the net result of 250,000 people starting work in such activities (227,000 in new enterprises and 27,000 taken on in existing businesses), and of 157,000 people who stopped working when their firm closed. In other words, in 1994, when GDP hardly expanded, about 70% of the net new jobs came into existence as a result of net starts, with only 30% coming from expansions. In the next year, 1995, when the rains were good and the business climate improved, these figures were reversed: only about 30% came from net starts, while close to 70% came from an expansion of new enterprises.

It was also found that the incomes from jobs in those enterprises that expanded their employment, which are probably more towards the top-end of the informal sector, the incomes earned were more than twice the level in those enterprises that were newly established: ‘expansion jobs’ appear to be substantially more productive, compared to those that result from new business starts (which probably are more at the bottom-end of the informal sector).
In sum, data suggest that when the economy is more buoyant, a significant number of new employment openings in MSEs comes from an expansion of existing enterprises, resulting in jobs that produce better incomes for those working in the enterprises. In times of economic stagnation, in contrast, exiting MSEs tend to cut back on their employment; a larger percentage of new jobs result from new enterprises being started, often in product lines that yield substantially lower returns.

3.5 Conclusion

The insights in the segmentation of the informal MSE sector and its functioning in relation with the general economic situation, holds important implications for national governments and international donors seeking to promote the sector to stimulate its employment and production. A first important implication is that, under certain conditions, the informal MSE sector can indeed contribute to the creation of productive employment. The most crucial condition refers to the context of a dynamic economy: it may be unrealistic to expect that even the most effective IS programmes and projects will be successful in assisting MSEs to expand in times of economic decline.

The number of new informal establishments is so large that it is impossible to provide adequate services to all of them. Since the sector is diverse and heterogeneous, it includes various target groups all with different potential contributions to the economy and different sets of support needs. The analysis based on the results of the surveys also appears to suggest, for instance, that there is wisdom to focus interventions on MSEs that have survived the first two years and possibly will become growers.

Mead and Liedholm point out that different categories of MSEs can make different contributions to the dual objectives of poverty and growth.

'Survival activities', which include many new and very small MSEs that do not expand in terms of employment, are particularly appropriate target groups for poverty alleviation, and can be extremely important in helping a large number of very poor people become a little less poor. Programmes could increase the likelihood that these enterprises can survive and can earn somewhat higher and more reliable levels of income, particularly by providing a small amount of a single missing ingredient, working capital, which is all that is required to sustain the enterprise and to enable it to improve its performance. It seems likely that helping more of these enterprises survive can make a greater contribution to MSE employment and incomes than equal efforts aimed at the promotion of new starts.

Enterprises that are seeking to expand can often make a major contribution in the area of growth, and they are an important mechanism to help people to move up and out of poverty. They are subject to a different set of dynamic forces, since employment increases mainly by existing firms taking in additional workers. The simple provision of working capital will generally be quite inadequate, as many other constraints loom large
for these enterprises, including a range of non-financial constraints as well as a need for more substantial loans for the purchase of fixed capital. Many of these enterprises seeking more vigorous growth paths have reported that the most serious problems they face are in the area of markets: finding buyers for their products, and suppliers for their needed inputs.

The important conclusion is that policies and projects must take account of the diversity of MSE-sector, focusing on the types of enterprises and on particular stages in the enterprise's life cycle where the interventions can do most good.
PART II
4. TRAINING FOR THE INFORMAL SECTOR IN KENYA

Kenya is among the relatively more industrialized countries in Africa. At independence (1963) it started with a well-established economic base and the country’s industrial sector expanded rapidly between 1960-70. Most of the progress was reversed during the 1980s following two decades as the result of economic mismanagement and the structural adjustment policies that were hesitantly adopted (see Ikiara and Ndung’u 1999). Un- and under-employment have severely increased, a bellowing informal sector as the residual recipient of labour, earnings declined in the 1980s and 1990s (real average earnings fell by as much as 50% in the first half of the 1990s), and the conditions of vulnerable groups worsened considerably as the result of reduced access to education, health, housing, water and sanitation. Kenya’s relations with major donors remain strained in the wake of concerns about the political climate and incidences of high-level corruption.

<table>
<thead>
<tr>
<th>KENYA (1999)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
</tr>
<tr>
<td>‣ population growth (90-99)</td>
</tr>
<tr>
<td>‣ pop. aged 15-64</td>
</tr>
<tr>
<td>‣ urban population</td>
</tr>
<tr>
<td>‣ labour force growth (90-99)</td>
</tr>
<tr>
<td><strong>GDP per capita</strong></td>
</tr>
<tr>
<td>‣ economic growth (98-99)</td>
</tr>
<tr>
<td>‣ agricultural sector</td>
</tr>
<tr>
<td>‣ manufacturing sector</td>
</tr>
<tr>
<td><strong>Quality of life</strong></td>
</tr>
<tr>
<td>‣ pop. below poverty line *</td>
</tr>
<tr>
<td>‣ life expectancy at birth</td>
</tr>
<tr>
<td>‣ adult illiteracy</td>
</tr>
</tbody>
</table>

* international poverty line of USD 1 per day

4.1 Informal MSE sector

4.1.1 Importance

The MSE sector in Kenya has expanded dramatically in the past 20-30 years: in 1972 self-employment and informal jobs accounted for just over 10% of total employment, which increased to 55% in 1994. In the same period public sector employment declined from 36% to 21% and modern private sector employment from 54% to 24% (Ikiara and Ndung’u 1999). In 1998, the informal sector, in Kiswahili called Jua Kali (hot sun) sector, was estimated to employ almost three million people, or 63.5% of the labour force (Ferej 1999), and without doubt has continued to expand since.

According to the National MSE Baseline Survey conducted in 1999, the MSE sector in Kenya comprises almost 1.3 million enterprises who employ a total of 2,361,250 workers, including the firm owners (the rest of this paragraph is based on CBS/ICEG/KREP 1999). This means that MSEs employ 65% of the total non-agricultural labour force in the country. The MSE sector employs more people than the formal sector (which employs only 1.6 million people).

Two-thirds of MSEs are rural-based. They are especially important in regional centres and small towns where 35% and 59% of all households are engaged in some form of small-scale non-agricultural activity. Over 90% of the informal enterprises are forms of self-employment. The average size of the informal businesses is a mere 1.8 workers - with little difference between rural and urban averages. Less than 2% of the firms have more than ten workers.

4.1.2 Structure

As in other countries, trade is by far the dominant economic activity in the MSE sector: nearly two-thirds of all firms are engaged in small-scale buying and selling of goods. Only 13% of them are engaged in manufacturing activities (slightly more in rural than in urban areas), and less than 2% in construction. Almost 15% of MSEs are involved in services; interestingly more than two-thirds of all repair services are carried out in urban areas.

---

8 The survey defines MSEs to employ up to 50 workers.
Table 4: Economic structure of the informal sector in Kenya (1999)

<table>
<thead>
<tr>
<th>Economic sector</th>
<th>Urban Employment</th>
<th>%</th>
<th>Rural Employment</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>92,465</td>
<td>11.5</td>
<td>249,738</td>
<td>16.1</td>
</tr>
<tr>
<td>Construction</td>
<td>17,720</td>
<td>2.2</td>
<td>25,246</td>
<td>1.6</td>
</tr>
<tr>
<td>Trade</td>
<td>417,725</td>
<td>51.8</td>
<td>1,052,885</td>
<td>56.0</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>81,334</td>
<td>10.1</td>
<td>103,280</td>
<td>6.7</td>
</tr>
<tr>
<td>Transport</td>
<td>25,161</td>
<td>3.1</td>
<td>12,049</td>
<td>0.8</td>
</tr>
<tr>
<td>Real estate</td>
<td>34,134</td>
<td>4.2</td>
<td>13,770</td>
<td>0.9</td>
</tr>
<tr>
<td>Professional services</td>
<td>140,781</td>
<td>17.5</td>
<td>94,960</td>
<td>6.1</td>
</tr>
<tr>
<td>Total</td>
<td>809,320</td>
<td>100</td>
<td>1,551,930</td>
<td>100</td>
</tr>
</tbody>
</table>


The majority of MSEs are owned by women. They are more likely to be operated from the home of the owner than those owned by men. Women-owned MSEs tend to be confined to a limited number of economic activities: textile, clothing and leather and bars, hotels and restaurants, while men are dominant in repair services and wood-based manufacturing.

4.1.3 Levels of income and other findings

The survey also found that employment in the MSE sector is better remunerated than often assumed: on average the small producers generate a gross income which is 2.5 times higher than the minimum wage (and 3.6 times higher than the GDP per capita). Even the salaries that are paid in the sector to the hired workers in the urban areas is 4.5 times the minimum wage; however in the rural areas it is lower, i.e. 0.8 times the minimum wage.

A few other findings of the survey include:

- with regard to the level of technology of the MSEs surveyed, it was found that an alarming 93% of them did not own any machines; and the machines used are often human-powered
- sub-contracting hardly occurs in the MSE sector in Kenya: only 6% of all MSEs have sub-contracting relationships, mostly with other MSEs (3.1%) and larger firms (2.1%), the rest with farmers and government; the incidence of sub-contracting is somewhat higher in construction and transport (but not in manufacturing)
as far as the reasons for getting into MSE activities are concerned, one third said that they did not have any alternative, 22% were attracted by the prospects of a better income, and 14% preferred self-employment

- almost two-thirds of the MSEs do not keep records
- the market orientation of MSEs is very limited: almost half of the MSEs did not do anything to promote their products; almost two-thirds indicated that have no specific source of market information
- only 12% of the MSEs were registered and 39% were operating with a license, mostly obtained from the local authorities
- some two-thirds of the MSEs have some security of tenure to their workspace, whereas 15% can be considered to have an ‘insecure tenure’, meaning that they can be removed from their workspace at any time; rural MSEs fare somewhat better here than urban ones.

4.1.4 Main problems and assistance received

The survey also provides some insights in the problems faced by small producers and the assistance they receive. Notably, in this survey the lack of credit came not in first place as it usually does. The main problems of MSEs in Kenya concern to infrastructural problems: in the urban areas in the form of power interruptions and inaccessibility to electricity, lack of work sites and poor security, and in the rural areas poor roads and transport and poor access to water were the main constraints indicated. An important second category of constraints concerns competition and lack of demand, including lack of information about consumer preferences, inadequate marketing strategies and having too many competitors. Interestingly, urban small producers appear to experience such market-related problems much more frequently than rural MSEs. Urban MSEs also frequently experience interference from authorities, which is only a minor problem for rural MSEs. Finally, about half the MSEs interviewed also experienced problems with a lack of skilled manpower and a shortage of raw materials and stocks.
Table 5: Most severe constraints faced by MSE entrepreneurs

<table>
<thead>
<tr>
<th>Most severe constraints</th>
<th>Urban areas</th>
<th>Rural areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets and competition</td>
<td>61.5%</td>
<td>38.5%</td>
</tr>
<tr>
<td>Lack of credit</td>
<td>56.3%</td>
<td>43.7%</td>
</tr>
<tr>
<td>Poor roads and transport</td>
<td>34.4%</td>
<td>65.6%</td>
</tr>
<tr>
<td>Shortage raw materials and stocks</td>
<td>50.6%</td>
<td>49.4%</td>
</tr>
<tr>
<td>Interference from authorities</td>
<td>80.8%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Poor security</td>
<td>60.0%</td>
<td>40.2%</td>
</tr>
<tr>
<td>Lack of worksites</td>
<td>77.7%</td>
<td>22.3%</td>
</tr>
<tr>
<td>Lack of skilled labour</td>
<td>49.5%</td>
<td>50.5%</td>
</tr>
<tr>
<td>Power interuptions or no electricity</td>
<td>na.</td>
<td>100%</td>
</tr>
<tr>
<td>Poor access to water supply</td>
<td>40.8%</td>
<td>59.2%</td>
</tr>
<tr>
<td>Other</td>
<td>9.1%</td>
<td>7.8%</td>
</tr>
<tr>
<td>No problems</td>
<td>11.5%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>


While most of the problems indicated in this survey are similar to the responses in earlier GEMINI surveys in Kenya (in 1993 and 1995), the incidence of market or demand problems increased markedly, which would appear to refer to the economic decline that the country is experiencing.

This survey also provides some interesting information on the support actually received by MSEs in Kenya, which most probably is one of the countries where government interest and public and private (NGO) support infrastructure is better than in many other countries, certainly in Africa⁹. In spite of all efforts over the years to create and strengthen MSE support programmes and institutions, 93% of the MSEs in the country still did not receive any kind of assistance in the past five years. The most common assistance concerns credit: some 10% of the MSEs in the country receive a loan or credit from a variety of sources. Only 7% of the MSEs received any kind of non-financial assistance: management and technical training is the second most common form of MSE support.

⁹ The survey indicates the existence of 260 active private and public MSE support organizations in Kenya.
4.1.5 Informal sector policies

Kenya, more than other countries, has actively formulated policies to stimulate the development of its Jua Kali sector (i.e. especially manufacturing MSEs), but it would appear that implementation of these policies is still seriously lagging behind (ILO/EAMAT 1996). Recent research points especially to the lack of analytical and implementation capacity at the level of local government in relation to the MSE sector (Mullei and Bokea 1999).

The effect of the structural adjustment policies of the 1990s on the development of the MSE sector has yet to be researched. It can be expected that the overall effect has been starkly increased competition stemming from the large numbers of entrants in the MSE sector; raised costs of production inputs; and higher rate of business closures. It is possible that the stronger MSEs, and especially those operating at somewhat higher level of technology, have benefited from the liberalization of the economy. To the extent that economic reforms have resulted in higher income levels in the rural areas, rural MSEs may have benefited. The deep recession of the Kenyan economy at present, however, makes it impossible to clearly note any progress in the MSE sector.

After benign neglect for the larger part of the past 2½ decades, the Jua Kali sector has steadily been assuming a more prominent role in Kenya’s national development planning. The National Development Plan 1989-93, for instance, sought to create 1.9 million jobs of which one third was to be generated by the small-scale and Jua Kali sectors, mainly through:

- provision of technical and business skills training to existing entrepreneurs
- de-regulation and liberalization of the MSE sector
- provision of incentives in the form of workshop sheds
- encouraging the formation of (geographical) Jua Kali associations.

In the Sessional Paper no. 2 of 1992, GoK set out the important position that its role in the development of the Jua Kali sector would be one of facilitator rather than an interventionist one. Since then, “an enormous amount of work has been done to identify various rules and regulations affecting start-ups, operation and growth of MSEs in Kenya, … however, very little positive action resulted” (Karingithi 1999). A major constraint for the formulation and implementation of policies and programmes for the informal MSE sector has been the fact that the responsibility for the Jua Kali sector has been scattered among various government ministries and agencies. This only changed with the cabinet reshuffle in 1999 when most functions and programmes related to the sector were regrouped under the Ministry of Labour and Vocational Training.

4.2 Education and training policies

At present the education and training sector in Kenya appears to be in a flux. For a number of years, efforts at sector planning have been underway (see e.g. McGrath 1997), but the national policy on vocational training has not yet emerged. The process has been
hampered by the government reshuffle in 1999. As one of the outcomes of this, the Ministry of Research, Technical Training and Technology (MRTTT), which up to then was responsible for both technical training and the development of the Jua Kali sector was split up, with basic vocational training becoming the responsibility of the Ministry of Labour while the Higher Colleges of Technology went to the Ministry of Education. As a result of the large number of training initiatives, the continuing institutional confusion on training responsibilities, and plain lack of time, the present study will touch only on two aspects of the current training sector, both of which represent attempts made to reorient student towards self-employment: the 8-4-4 and the introduction of business skills education.

4.2.1 The ‘8-4-4’ education system

Since the expanded education opportunities after independence did not result in the expected automatic employment of the primary school leavers, in 1984 a fundamental restructuring of Kenya’s education system was decided. Known as “8-4-4” (replacing the “7-4-2-3” system), it places emphasis on attitudinal and skills preparation for the world-of-work and self-employment in particular. New subjects such as woodwork, metalwork, leatherwork, tailoring and business skills, together with agriculture, home science and art, were added to the curriculum. The new system encountered problems from the start: the implementation was done in a hurry without proper testing; most schools lacked teachers, workshops and equipment to implement practical education; technical subjects still form only a small part (15% of learning hours) of a broad curriculum offered in primary schools; and the curriculum appears to have been made in ignorance of the skill needs of the informal sector (Oketch 1995). Moreover,

The attitude of pupils to technical education … is further undermined by lack of basic facilities and qualified teachers to handle the practical subjects in most of the schools. Innovative attempts by some schools to use local craftsmen to demonstrate certain skills to the students have received negative reaction from the students who feel or believe that they know more than the local craftsmen. This has undermined the integrity of practical subjects in the eyes of the learners…. Teachers’ and pupils’ attitudes to learning practical subjects have remained negative… (Oketch, 2000:62).

The results are consequently mixed: while the curriculum has a number of useful vocational elements, the students cannot link what they learn directly with employment or production; only a minority of school-leavers when asked to indicate the source of their skills mention practical subjects taught in school (Shiundi, quoted in Oketch 1995). Even a high government official told the author once how his daughter had the item for her crafts examination made by a Jua Kali entrepreneur. Other observers feel that the curriculum is too broad and overloaded on core subjects such as English, mathematics and science (quoted in McGrath 1997). It is seen likely that as one of the outcomes of the current
debate on education and training in the country, some of the practical subjects will be reduced to optional status or disappear altogether (ibidem).

Furthermore, the new system is costly for the parents who, although voluntary in theory, have become central in the financial strategies of the schools. This might be one of the reasons for the apparent sharp decline in enrolments over the life of 8-4-4 and the continued failings of the Kenyan school system with regard to access, repetition and drop-out (McGrath 1997).

4.2.2 Business education

Possibly the major change in Kenya’s education and training system in the past decade has been the introduction of business skills education at almost all levels of education and training - in primary and secondary education and from YPs to National Polytechnic. In addition, there is now a master’s programme in entrepreneurship in the Jomo Kenyatta University of Appropriate Technology (JKUAT) and a higher diploma course at the Kenya Teachers Training College (KTTC).

This type of education appears to be widespread, although its quality is not known; there are indications that it is not actively offered at all institutions due to staffing and other constraints, although a new team of well-oriented trainers and managers has been trained at KTTC and JKUAT (McGrath 1997). It seems that some VTC principals refuse to employ qualified teachers, while the skills of the trainers are very marketable which makes them difficult to be retained by VTIs. The impact of business skills education is not yet clear. Some of the students appear to more interested in obtaining the credentials than genuinely acquiring the skills and they copy existing business plans instead of developing their own.

4.3 Training providers

In Kenya there is a longstanding awareness that employment needs to be conceived in terms of more than formal and agricultural jobs, and training initiatives have included the development of Youth Polytechnics (YPs), community-based Harambee Institutes of Technology (now known as Technology Institutes), and various donor-funded Technical High Schools (now known as Technical Training Institutes).

There is a large number of public and private training institutions in Kenya offering technical training, including: over 600 Youth Polytechnics, 20 Technical Training Institutes, 17 Institutes of Technology and three National Polytechnics; furthermore the National Youth Service operates training centres, and there are Industrial Training Centres, YMCA Vocational Training Centres and Christian Industrial Training Centres (CBS/ICEG/K-REP 1999). The Youth Polytechnics (see Case study A below) account for almost one third of all the trainees enrolled in these training institutions (Oketch 1995). In addition there are a large number of private-for-profit training institutes, many of
which have come up in recent years and concentrate on courses in office and business skills.

### 4.3.1 Institutes of Technology

The Institutes of Technology (previously known as the Harambee Institutes of Technology) were started in the 1970s within the spirit of self-help: they were originally set up and funded by the local communities. They created a tradition of community involvement in the management of VTCs, ensuring that “the majority of Kenyan training institutions are not simply the statist enclaves common in… many other countries” (McGrath 1997:16). ITs were to train school-leavers as crafts(wo)men to meet the growing demand for skilled manpower in the rural areas. They were to produce self-employable people at a higher level of skills and technology than the YPs; the training takes three years. Management skills were included as part of the curriculum. In the mid-80s there were 15 ITs with a total enrolment of 3,900 students. They attracted considerable funding from government as well as donors. Assessment studies of ITs found that they have to some extent achieved their objectives but many of their students, once graduated, fail to establish their own businesses, and that less than 10% become self-employed. since the skills obtained in ITs refer to relatively capital-intensive equipment, the graduates require considerable amounts of capital to start up a business, and as this is generally not available many of them try to find wage employment.

### 4.3.2 Technical Training Institutes

There are in Kenya also 20 Technical Training Institutes (previously known as Technical High Schools) which essentially seek to upgrade the basic knowledge of school leavers to enable them to enter one of the country’s three National Polytechnics. They offer a 4-year mostly theoretical programme, although they also provide some introductory training in workshop technology and the training includes attachment to an industrial firm. They tend to produce middle-level skilled manpower for the modern sector.

### 4.3.3 National Youth Service

The National Youth Service (NYS) also provides technical training, and is, in fact, the second largest training programme for unemployed after the YP programme. It recruits youth up to 30 years, and stimulates good citizenship and provides work and specialized training. NYS operates a vocational training centre in Mombassa for training in masonry, carpentry, motor vehicle mechanics, fitting and plumbing, electronics, welding, panel beating and tailoring. In the mid-1980s it had an enrolment of some 7,000 students. NYS was originally directed at primary school leavers, but over the years has recruited more and more secondary school leavers. Also, while it started with a rural focus, it has gradually adopted an urban bias.
4.3.4 Training capacity

Statistics show that the large majority of youth from each level of education will not find a place in the next higher level of education, nor find a job in the formal sector (data from DANIDA 1998). In 1995, enrolment in primary schools, secondary schools and universities was 5.5 million, 632,000 and 44,900 respectively. In 1996, almost 440,000 pupils sat for the Kenya Certificate of Primary Education, of whom only 150,000 (i.e. less than one third) proceeded to secondary schools. In 1997, some 156,700 candidates sat for the Kenya Certificate of Secondary Education, of whom only 17,287 (i.e. 11%) qualified for admission to public universities. The exact capacity of the training sector is not immediately known, but in 1995 about 33,000 trainees were enrolled in teacher training colleges (51%), technical training institutions (25%) and Youth Polytechnics (24%).

4.4 Apprenticeship training

The private sector has in recent years filled part of the vacuum left by the public sector. There are no data on the number and quality of non-government training facilities. They include various church-owned and other NGO training centres; private-for-profit training providers, many of whom have come up in recent years and focus on the development of business skills; and the traditional apprenticeship system.

Most of the technical training in the MSE sector is carried out through the traditional apprenticeship system, particularly in manufacturing and services. A study carried out by the World Bank in 1992, estimated that 40% of all trainees acquire their skills through apprenticeship (quoted in CBS/ICEG/K-REP, 1999:55) 10. The 1999 MSE Baseline Survey registered a total of almost 53,000 apprentices. Most of them were in wood-working (41%), retail (32%) and repair services, with minor numbers in pottery, construction and textiles.

The average period of the traditional apprenticeship depends on the economic activity. It is 6-12 months in textiles and 12-18 months in metal-and woodworking (Baiya and Jeans 1998).

A survey among mastercrafts(wo)men and apprentices who participated in the Skills Upgrading Programme of SITE found that:

- 75% of the SITE host trainers charge fees for their apprenticeship training - these fees constitute 8% of reported business profits in wood working, 9% in metal working and 18% in textiles

10 This is confirmed by a tracer study conducted on behalf of the World Bank Micro- and Small enterprise Training and Technology Project, which found that 38% of the MSE owners in the Beneficiaries Group and 39% in the Control Group had obtained their skills through apprenticeship training (GoK/Office of the President/ MSETTP 1999:20). Of the mastercraftsmen who participated in the SITE project (see Case study D), 60% were trained through the apprenticeship process themselves (Baiya and Jeans, 1998:10).
76% of the trainees pay fees for their apprenticeship training, ranging from USD 5-16 per month (mean: USD 12)

80% of the mastercrafts(wo)men do not regard their apprentices as immediate competitors - in fact, a large proportion of them develop sub-contracting linkages with their former apprentices depending on their quality consciousness.

4.5 Changing training needs of MSE sector

It is estimated that there are around 500,000 new entrants to the labour market every year, including some 10,000 university graduates, 120,000 secondary school graduates and 250,000 primary school leavers (ICEG 2000). With the shrinking public sector and the severe economic recession undermining employment in the formal sector, there can be no doubt that the MSE sector will have to absorb the very large majority, some observers say even 80% (DANIDA 1998), of these new comers. Existing training capacity is by far inadequate to deal with such a high number of people who need to be prepared for informal employment.

Few studies were found that chart the exact training needs of the MSE sector. The National MSE Baseline Survey discussed earlier (see CBS/ICEG/K-REP 1999) shows that the micro- and small entrepreneurs are relatively young: the mean age of male entrepreneurs is 36 years and that of female entrepreneurs 33 years. Their level of education is relatively low: just over 10% has no education at all, more than half of them (54%) has only education up to primary, and 33% has secondary education. The survey results indicate a relation between the level of education and the level of incomes. It was also found that entrepreneurs with higher levels of education are more frequently member of a membership organization, and those with university education remarkably often member of “other business associations” (as different from popular informal mutual insurance groups and regular, geographical MSE associations).

The survey also provides information on the role of training for the MSE sector in Kenya:

- A total of 85% of all IS operators have not received any training at all; the figures are slightly higher for rural and women entrepreneurs. Technical training is more frequently (8.3%) given than management training (0.9%).
- Training is not deemed to be very important by the small producers: about half the MSE owners indicate that their workers have no need for training, 23% suggest management training for them and only 10% feel they require technical training. Their own training needs are almost identical, although in manufacturing and construction the entrepreneurs feel more need for technical than for management training. In other words, while relatively more technical training is offered, entrepreneurs are more interested, for themselves as well as for their workers, in management training - with the exception of clearly technical trades.
Two-thirds of those who were trained, sponsored themselves, 9\% by private business institutions, 7\% by the government and 6\% by the church.

The survey results also suggest a relationship between the possession of vocational training certificates and income, but weaker than in the case of education.

Existing information does not permit a gender analysis of the training needs of informal sector operators. Even a specific study of training needs of informal workshops does not honour its objective to establish whether training needs vary by gender (see BOX).

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**Training needs of informal workshops in Nairobi**

A recent study of training needs in informal workshop clusters in Nairobi found that in Ziwani, one of the oldest informal sector clusters in Kenya, consisting of metal working and car repair activities, more than three quarters of the enterprises had apprentices - ranging from one to 20 per firm. The owners of the firms obtained their skills predominantly (71\%) "on-the-job", in various training centres (19\%), and from friends (7\%).

With regard to the recruitment of apprentices by these MSE owners, there does not appear to be a fixed set of admission criteria: the main entry requirement is actually their ability to pay the training fee (69\%), completed primary (16\%) and physical abilities (8\%). Almost half of the apprentices who sign up for training, drop out before finishing the training period - in almost two-thirds of the cases as the result of difficulties in payment of training fees. Two-thirds of the masters provide letters of recommendations to their apprentices - but there is little testing of the training results, as only 10\% of the apprentices are sent for trade testing, and most are judged by the quality of the work they do.

Some of the apprentices receive payments during the training period, ranging from KSh. 2,000 to 3,000 (USD 25-40). More than 60\% of the apprentices are said to stay on after completion of the training period – then they are paid between KSh. 2,000 - 6,000. The cost of the training is estimated by the MSE owners to range from KSh. 500 - 90,000, depending on the economic activity. The main problems mentioned in relation to providing apprenticeship training were lack of training tools and equipment, operating costs to run the training programme, and lack of workshop space.

The study concludes that

- apprenticeship training programmes are rather static without any changes over the years
- apprenticeship training focuses only on the technical aspects of production and repair
- training methodology is practical ‘learning-by-doing’
- many of the apprentices stay on after the training period
- graduated apprentices who start a business, are competing for the same jobs as their ex-masters.


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The enormous influx of entrants in the Jua Kali sector in recent years clearly is threatening the absorption capacity of the sector. Already many of the markets for MSE goods and services are effectively saturated and the potential for gainful insertion of additional job seekers in the more traditional MSE trades has become extremely limited.
4.6 Case study A: Youth Polytechnics

The concept of Youth Polytechnics (YPs) was developed and popularized in the mid-1960s by the National Christian Council of Kenya (NCCK) as a solution to the problem of education and employment of primary school leavers. In a study titled “After school, what?”, it was argued that the school-leavers were unable to become self-employed or get wage jobs because of inadequate education and training. YPs (originally called ‘Village Polytechnics’) were to provide rural youth with skills that could be used in the local economy. They would provide practical training, linked with production, and so assist in the formation of a cadre of trained artisans and other self-employed workers.

While initially the NCCK was the main sponsor of the YP programme, the YPs were in the early 1970s taken over by the government, which paid mainly for the salaries for the teachers. They were expected to become self-sustaining over time, on the basis of a training-cum-production model producing goods for the local market.

The programme expanded massively over the years. There are now over 600 YPs. Most of them are small training centres that provide local youth with an opportunity to learn practical skills, usually in masonry, carpentry, tailoring, dressmaking, knitting, home economics and livestock raising. A survey of YPs conducted in 1989 registered a total of almost 24,000 students in 18 different courses, and puts the average output at an average of 6,379 per year for the 1987-92 period (quoted in Oketch 1999). However, it would appear that less than 20% of total YP capacity is utilized: in 1995 YPs were estimated to have the capacity to absorb up to 40,000 school leavers, but actual enrolment was only 7,927 (DANIDA 1998).

Earlier assessments of the YP programme found that they were successful in changing the attitudes of young people towards technical education and manual work, and that it had enabled many young people to engage in gainful employment. More recent studies indicate that YPs have lost most of its original focus, without indicating a clear reason for this. Possibly this is related with the increased role of, and especially the decreasing contributions from, GoK. YPs now offer opportunities for training only to a small faction of the rural school-leavers and unemployed. They have become more attached to the formal trades certification system, and most of its trainees are now concerned about certificates and finding a wage job and less interested in entrepreneurial skills and self-employment.

The areas for which YPs are offering training are rather limited, and the skills in home economics and tailoring are not even in high demand in the rural areas. The training in business skills is inadequate for those considering to enter into self-employment. In fact, in the early 1980s less than a quarter of the YP trainees were found to become self-employed. There is need for credit schemes to support the ventures started by YP

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11 This paragraph is largely based on Oketch 1995 and DANIDA 1998.
graduates and assist them to purchase tools and equipment. This should be done on an individual basis, as it has been shown that while the government is encouraging them to work in groups, the trainees prefer to be self-employed individually.

A further problem of YPs is their poor image in the community, where they are seen as catering only for school drop-outs who are generally considered as failures. Other problems include (DANIDA 1998):

- YPs lack training for innovative skills: all training is done in the same trades and in the same kinds of products
- YPs get few orders and as a result the trainees lack practical experience; there are also few incentives for instructors to engage in active marketing of YP production capacity
- many YP management committees and instructors lack a clear vision of the role and purpose of their institution, and the overall focus consequently tends to remain limited to passing as many trainees for the trade test as possible
- the instructors’ technical and pedagogical skills are inadequate and their motivation is undermined by salaries below subsistence level
- there is an “appalling” lack of tools and training materials for practical exercises
- in a number of YPs, buildings and workshops are in need of refurbishing and expansion
- there are no textbooks available and the theoretical side of the different trades are mostly dealt with on a copy-note basis
- YPs succeed only in limited industrial attachments for their trainees, who consequently possess only limited practical experience when they graduate which results in low job opportunities.

Possibly the most important problem of YPs at this point in time concerns their finances. As YPs are community-owned, GoK is not responsible for them. Still, it supports about half of the existing 600 YPs, supposedly the most promising ones, generally with a contribution to trainer salaries. In recent years this contribution has been starkly reduced. In a recent news article, the Permanent Secretary of Labour, under which the technical training now resorts, is quoted as saying that

the government plans to upgrade some 120 YPs to offer high quality training to Jua Kali artisans: “the aim is to rehabilitate, strengthen and upgrade youth polytechnics to make them centres of excellence in skills” - [for instance through] a new scheme of service to motivate the instructors to improve their service delivery; a proposal for funding will be send to the donors (Daily Nation, 23 October 2000).

DANIDA, which started to support Youth Polytechnics already in the 1980s, has recently expanded its assistance to include YPs in Taita Taveta, Kitui, Makeuni, Kwale and Thika districts (see DANIDA 1998). This Micro-Enterprise Development Programme aims to strengthen the 17 YPs in these districts through:
community mobilization programmes to empower them to better manage organizations

\* insertion of practical training in the curriculum of the YPs

\* skills upgrading and broadening of knowledge of YP managers and trainers

\* acquisition of tools and training materials to improve the quality of YP training

\* introduction of skills development courses for women groups and small farmers

\* introduction of short training courses on technical and management subjects for people already active in the Jua Kali sector (as owners, workers or apprentices)

\* provision of credit as well as technical and management support to local MSEs.

The programme will furthermore establish links between YPs, Self-Help Women Groups and Jua Kali Associations, and create Business Development Centres (BDCs). The latter will carry out market surveys, maintain a data base for use by Jua Kali artisans and other stakeholders, conduct training in business skills and provide advisory services on business planning. Initially these services will be free of charge, but the long-term perspective of the BDCs is that they have to be run commercially and will become self-sustainable. One of the ideas is to register them as share-holding companies. Initially DANIDA would take 50% of the shares, while the rest is distributed to the other stakeholders (YPs, Women Groups, Jua Kali associations). After two years of operation, DANIDA would gradually offer its shares for sale to the private enterprises, Jua Kali associations and other suitable ventures in the districts.

### 4.7 Case study B: World Bank Training Voucher Scheme

Since the early 1990s, the vocational training sector in Kenya has been dominated by the World Bank Small Enterprise Training and Technology Project (MSETTP). After lengthy preparations the project document was signed in 1994, financed with a USD 24 million loan. The main objectives of the project are: (i) providing skills upgrading for 10% of the MSE manufacturing sector (some 32,000 enterprises), (ii) increasing access of MSEs to technology, marketing information and relevant infrastructure, and (iii) improving the policy and institutional environment.

MSETTP’s includes a **Training Voucher Scheme** modelled after a similar scheme of the Inter-American Development Bank in Paraguay (see Goldmark and Schorr 1999). This component (Riley and Steel 2000) was only started in 1996 as a pilot programme. It is directed at (i) micro enterprises that employ between 1-10 workers, and are run by women or demonstrate potential for growth, and (ii) small enterprises that employ 11-50 workers. It aims to develop a market for a broad range of training, technology and other business development services, by catalysing the demand for such services. Eligible MSEs can purchase the vouchers to get training for its owner(s) or workers providers at 10-30% of the actual face value. The important point is that the vouchers can be used for any kind of training from any of the registered training providers. It was expected that by subsidizing the initial contacts between MSEs and (private) training providers, through a demon-
oration effect an environment would be created in which skills training is properly valued so that the MSEs are willing (and able) to bear a sizeable portion of the training costs (or even the total costs).

In all, a large number of different types of training providers were listed before the start of the pilot phase, including: mastercrafts(wo)men, private training institutions, public sector training centres, technology and financial institutions, consulting firms and individual trainers or consultants.

The project works with ‘allocating agents’ who can be Jua Kali associations, NGOs and others able to liaise with the MSE sector and so facilitate the decentralization of the voucher scheme implementation. The role of these allocation agencies is (i) to market the scheme to potential beneficiaries, (ii) to assist MSEs in filling in the voucher applications, including baseline data (8 pages), and (iii) to act as business advisors to help MSEs to select the most relevant type of training. In compensation for these services they receive 3% of the voucher value.

The pilot phase of the voucher scheme took place in Nairobi and Machakos, and covered five economic sub-sectors: textiles, woodworking, metalworking, motor vehicle mechanics and food processing. A tracer study of the pilot phase was carried out in August-September 1997 (see GoK/Office of the President/MSETTP 1999). In all interviews were held with 369 respondents that could be traced from the original sample of 494 firms from whom baseline data were available. Its main findings include:

- private training providers benefited most from the scheme: some earned up to the maximum KSh. 2 million through the vouchers, while others did not earn anything
- public training providers generally lost out on the benefits of the scheme as they were less able to market themselves and did not have the resources to conduct several training course before redemption of the vouchers
- some of the changes noted in the training providers included: increased incomes; increased networking with others; development of new training programmes; increased training resources and staff; trainers identified need for ToT courses; and increased demand for training from existing and potential MSEs
- many of the allocation agencies were Jua Kali associations, who benefited through: increased income; acquisition of office space and equipment; extra publicity; networking start of credit schemes; and sponsoring of some of their members to participate in training or exhibitions
- many of the allocation agencies complained about the delays in the payment of the compensation
- there was also some impact on the responsible ministry (then Ministry of Research and Technology) as its officers were exposed to new responsibilities and operations.
Interestingly, the study found that while the MSEs in the control group saw the mean of their sales decrease by 2%, possibly because of the worsening economic situation, the MSEs who participated in the training voucher scheme saw the mean of their sales more than double: from KSh. 8,342 to KSh. 18,235 per month. The beneficiaries of the scheme performed better than the control group on almost all variables studied (see table below).

<table>
<thead>
<tr>
<th>Table 6: Measured effects of the voucher training provided by MSETTP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficiaries Group</strong></td>
</tr>
<tr>
<td>Increase</td>
</tr>
<tr>
<td>Assets</td>
</tr>
<tr>
<td>Volume of sales</td>
</tr>
<tr>
<td>Diversification of products</td>
</tr>
<tr>
<td>Business liabilities</td>
</tr>
<tr>
<td>Business expenditures</td>
</tr>
<tr>
<td>Business creation (i.e. women start-ups)</td>
</tr>
<tr>
<td>Employment creation</td>
</tr>
</tbody>
</table>

*Source: Based on GoK/Office of the President/MSETTP 1999.*

In sum, according to this tracer study, the beneficiaries of the voucher training programme became aware of the need to upgrade existing skills and acquire new ones, while the training providers and the training allocation agencies became sensitized to the specific training needs of the MSEs. The study notes, however, that further interventions, such as credit and technology upgrading, are required for the Jua Kali entrepreneurs to fully realize their potential, create more jobs and possibly graduate to the next layer of (formal) small and medium enterprises (GoK/MSETTP 1999:5).
The voucher scheme appears to have had especially important impact on (i) public training institutions and (ii) apprenticeship training. Public training institutes were found to have engaged least in public relations and marketing. Apparently they felt confident that the millions of shillings made available to Jua Kali operators would automatically fall their way. During the first phase, only 15% of the ME-vouchers went to buy training from public institutions (Riley and Steel 1999).

There is considerable circumstantial evidence that mastercrafts(wo)men markedly changed their position vis-à-vis apprenticeship training. They adapted, condensed, costed and packaged their training offerings as specific products\textsuperscript{12}, and as a result the more successful mastercrafts(wo)men have turned apprenticeship training into a profitable business activity - some even found training to be more profitable than their manufacturing and/or repair activities - especially as apprentices set up their own businesses thereby increasing competition, and now see training as their principal business (Riley and Steel 2000).

The WB project has generated, right from its conception, considerable debate on its intentions, design and results, and over time positions appear to have become quite fixed. Whatever its merits, the sheer size of MSETTP means that its influence on the training sector in Kenya will be felt for years to come. There can also be little doubt that the large sums of money, placed in the hands of the small producers themselves will have changed the perception of the role and format of training forever: by subsidizing demand for training, the preferences of MSEs have conditioned the form, duration and content of training courses, as well as the type of training providers, which together have lead to the provision of short, low cost (on average some USD 200 per course) and practical courses that impart readily useable skills. Already some of the training providers report that some of the MSE participants, after having received basic skills training, have paid the full costs to receive more advanced training - because they did not want to wait the six months required to pass before they are entitled to purchase another voucher (Riley and Steel 1999).

Some observers in Kenya’s training sector are less convinced about the projects short-term results and long-term effects. The main notions that are traded, usually on the basis of pure hearsay - without further proof than that there are a significant number of training professionals who give credence to these stories (see e.g. McGrath 1997), include:

\begin{itemize}
  \item unequal access to information has lead to market failure
  \item new private training providers have come up in Nairobi but not in other areas
  \item there are serious questions about the quality assurances built into the project, and especially there are persistent anecdotes that suggest that trainers and trainees
\end{itemize}

\textsuperscript{12} Whereas traditional apprenticeship training usually takes one year or even more, the training reimbursed through the voucher scheme is to last no longer than one month.
are splitting the money available from the voucher without any training taking place
- the substantially subsidized vouchers are distorting the training market
- the sustainability of the training system as promoted by the project is rated as doubtful.

MSETTP is nearing its end, and the final verdict on its achievements can only be made after a detailed evaluation of its results and impact has been made. So far, there can be little doubt that this project will have a long term effect on the training market in Kenya as it has shown a different manner to deliver training, and it will particularly leave behind relevant experiences in more the organization of demand-driven training. It is, for instance, very interesting that many of the public sector training centres did not immediately benefit from increased training purchasing power of small producers: while they had expected an ‘automatic’ influx of trainees, many of them failed to attract any extra trainees.

4.8 Case study C: Product Design and Development Centre

A recent phenomenon in the training sector in Kenya is ‘training for production’, which maybe could be more aptly described as ‘product-based training’. Essentially it refers to an interesting mix of skills development and product development: small producers receive, usually short-term, skills training that is entirely focussed on the production of a new or improved product.

Product development can be defined as the systematic and creative generation of products which serve the physical needs and psychological desires of people at a price that they can afford or are willing to pay (Masera 1998), i.e. the development of products in which interact available technologies, design creativity, and market demand (combining consumer preferences and their financial possibilities). In the case of MSEs this involves not only the entire production phase but also their marketing activities.

Traditionally training for the informal sector has hardly been directed at product quality or product development (cf. Nelson 1997). In recent years, however, a number of local organizations in Kenya have initiated this kind of skills training: ApproTEC, K-ICK/ZWIKA, Product Design and Development Centre and the Gatsby Trust Kenya. The activities and achievements of the first organization have been amply described elsewhere (Nelson 1997; Havers 1998) as, to a lesser extent, has been the second one (see ZIWA Creations 1998). The present discussion will focus on the third.

The Product Design and Development Centre (PDDC) aims at the commercial promotion of Kenyan handicrafts. It is owned by the Artisan Trust (UK) and was granted a

This paragraph is largely based on PDDC 2000.
certificate of compliance under the Kenyan Companies Act in November 1997. Essentially it seeks to improve the design and quality of Kenyan handicrafts, especially in soapstone, sisal and wood, and commercially promote its export to Europe and the USA. At present its director is employed on a UNDP expert-contract.

In PDDC’s analysis, there is interest in Kenyan handicrafts in industrialized countries, for instance in Europe, but usually their quality leaves to be desired. On the basis of the GEMINI National MSE Survey, it estimates that there are 4,290 craft enterprises in the country employing 4,865 owners and workers (i.e. an average firm size of only 1.1 workers). The main problems of crafts in Kenya include: (i) low productivity, which is about one-third of craft productivity in some Asian countries (e.g. Philippines), modest and unstable product quality, (iii) difficulties in timely delivery for larger contracts, and (iv) lack of contacts with international buyers of handicraft products.

PDDC’s main activities are: (i) improving the technical capacity of artisans through training, (ii) providing design consultancies at national and international level, and (iii) developing ‘satellites’ which are rural production and training centres. It operates training-cum-production workshops, together with a show room and sales outlet, in one of the more affluent areas in Nairobi. Here independent craft producers are based who benefit from technical assistance provided by the Centre and from the sales outlet. The showroom sales are used to test the (expatriate) market’s reaction to designs, production methods, textures, colours and prices - success and failures in the showroom are used to guide the product development process. The Centre states to attach particular importance to foster a sense of leadership in its entrepreneurial trainees.

The training offered by PDDC consists of both technical training in commercial craft manufacturing, and entrepreneurship development and training in business skills. The training is largely provided ‘in the field’, and in particular in the ‘satellites’ where PDDC has formed groups of craft producers. The first ‘satellite’ was set up in Isolo River (Kitui) for the manufacturing of sisal items. It employs some 700 women, who received training in improved product designs and the importance of quality products. A similar ‘satellite’ was established in Machakos, where a UN-volunteers was already working was a group of women. ‘PDDC Machakos’ now consists of an office (with fax and email) and two workshops, and developing a capacity to dye sisal. It is financed by the commissions on the sales from Isolo.

Between March 1998 and March 2000 8,750 craft producers were trained. They paid a token training fee, resulting in a total training revenue of some USD 300. According to information from PDDC staff, the craft producers are now charged more realistic fees. There are also seminars and workshops given on various business topics in the PDDC facilities in Nairobi. They draw a mixed audience, consisting of handicraft producers linked to PDDC and others who come from different areas in Nairobi. They pay KSh. 500 (USD 7) per day for these workshops. The PDDC training is still heavily subsidized by UNDP.
PDDC claims to have achieved the following results:

- 600-800 craft artisans trained per month
- creation of 700 jobs in sisal production based on exports of products
- development of new products in metal casting, resin manufacture, paper making and paint finishes, inter alia through the consultancy visits of experts from the UK, Philippines Mexico and Thailand
- introduction of product design and development to the University of Nairobi
- publication of a series of technical and management papers
- production of a catalogue and a web-site
- establishment of one of the leading craft showrooms in Nairobi.

In 1998/99 the company had a turnover of some USD 170,000 and made a profit of USD 23,333 (PDDC 2000). PDDC says to distinguish itself by not competing on price but on quality and design.

PDDC has recently formulated a business plan for an ambitious expansion for the period 2000-2003. It envisions to strengthen its development services (supported by donors) and its marketing of handicrafts, in which skills development through training will continue to play an important role. As part of its drive for innovations in craft designs, it will make extensive use of computer-aided design techniques to develop prototypes which subsequently will be market-tested. The plan would require a financing of USD 520,225. The craft producers who will be trained in the future, will be charged fees that will begin to cover full costs. As part of its future plans, “serious considerations will be given to moving some of the artisanal training which is now given in Westlands to the parts of Nairobi that are closer to the areas where large number of poor people live. This will make training more accessible to entrepreneurs and artisans and reduce travel costs for poor clients” (PDDC, 2000:41). The focus of PDDC’s handicraft promotion will remain on the local market.

4.9 Case study D: SITE and improving traditional apprenticeship training

The Kenyan NGO SITE (Strengthening Informal Training and Enterprise), together with Appropriate Technology (APT UK) implemented from February 1996 to August 1998 the Skills Upgrading Project (SUP) to: (i) upgrade the technical and managerial skills of mastercrafts(wo)men and trainers to enable them to diversify their production, (ii) strengthen the capacity of mastercrafts(wo)men to provide quality training to their apprentices, and (iii) to strengthen the capacity of selected vocational training institutes to support the former on an ongoing basis. The project has resulted in a number of noteworthy experiences.

14 This Case study is largely based on Baiya and Jeans 1998, Grierson 1998 and SITE 1999.
4.9.1 Approach

The project started with ‘market trends survey’ on the basis of which it selected metalworking, woodworking and textiles as its priority sub-sectors as these were found to have the best potential for growth and employment creation. The survey also served to identify the gap in skills needed to enable the entrepreneurs to improve their market performance. Subsequently training was given to a total of 20 trainers from VTIs together with individual consultants, who would be the resource persons for the project and transfer improved skills to the participating entrepreneurs.

The project suffered an initial setback when the mastercraftsmen, ‘host trainers’, displayed little interest in upgrading their technical skills - many of them already had years of experience in their business. This lead to an important change in the approach of the project which subsequently became its hallmark - a more participatory process of needs rationalization and dialogue with prospective project clients based on the following notions:

- skills training for mastercrafts(wo)men should translate into direct business improvement (either through a new or improved product or improved business operation)
- training content, delivery mode and time schedule needs to be flexible
- training provision is a continuous learning process, in particular for project staff
- host trainers are not only interested in improved delivery of apprenticeship training but also in overall management of training.

In practical terms, the recruitment of the mastercrafts(wo)men was done through meetings with potential host trainers, organized through Jua Kali associations. While initially only 20% of the participants of these ‘training needs rationalization meetings’ actually participated in the training, this increased to 90% at the end of the project. Relying on contacts with Jua Kali entrepreneurs through associations proved quicker and far less costly.

The project originally considered to provide more theoretical training to supplement the practical training through the host trainers. It was found, however, to be much more cost-effective to build up the base of host trainers first and then broaden their training in skills and theory. Another new feature of the project was to stimulate the mastercrafts(wo)men to use their apprentices as sales representatives to source business for their enterprise. This exposed the apprentices to the wider aspects of running a business, which was much appreciated.

There were two other changes to adapt project implementation to changing conditions and early project findings. The involvement of VTI was reduced as this required an institutional reorientation that was beyond the project’s mandate and capability. The credit component built into the project was also given less prominence in view of the limited capacity of the project to follow-up and recover the loans. Out of 31 applications re-
ceived, 12 of SITE’s clients qualified to receive financial assistance for the purchase of equipment, in part because it would enhance the use of skills learned in the training and it would provide services to other MSEs.

4.9.2 Project activities

During the project period 43 courses were designed and conducted for host trainers and apprentices. Three of the courses focussed specifically on pedagogy for the host trainers, ten were technical skills courses, eight business skills courses and 20 mixed courses. In all 419 mastercrafts(wo)men were trained, 284 apprentices benefited directly from training by the project and 1396 received improved training from the project’s host trainers.

The project furthermore developed training materials based on the demands from the clients, and four publications were prepared and made available to the host trainers. A video was produced about a training course on wood and metal finishing.

4.9.3 Project results and impact

As a result of project activities, host trainers improved their training of apprentices, inter alia by eliminating gaps in apprentice enrolment, reducing time and costs of training, improve content and quality of training, and ensuring that training concerns productive activities and not limited to menial and unplanned duties.

As a result almost all the mastercrafts(wo)men involved in the project, increased their number of apprentices by 15-20%. The Jua Kali workers were found to take home 14-20% and the general increase in employment of the participating MSEs was 22%.

Other reported successes with regard to the mastercraftsmen:

- 88% of the host trainers applied their new skills
- 73% made new or improved products
- 58% penetrated new markets
- a 57% increase in turnover and a 25% increase in profits
- better workshop layout and improved organization of production
- 88% of the apprentices indicate to make use of the skills transferred and 73% make new and improved products
- and with regard to the apprentices:
- training leads to increased confidence in starting an own business, highlight problems with capital and worksite, and increase awareness of financial aspects of running a business.
4.9.4 Training cost

The SUP project had a total budget of a modest USD 320,000 for 2½ years, of which 20% should be considered as ‘learning process’ costs (Grierson 1998).

The cost of the training courses conducted fell drastically during the project implementation period. Cost of technical training courses, for instance, fell from KSh. 5,690 (USD 96) per trainee in November 1996 to KSh. 1,204 (USD 20) in January 1998. The main cost reduction (95%) was achieved in the recruitment of the host trainers, while the cost of training delivery and follow-up activities were cut by 60-70%.

As a result of the cost reduction, total costs per training course declined by 79% - the share of training delivery costs constituted 75% of total costs at the end of the project 15.

Table 7: Cost structure of SITE’s Skills Upgrading Programme

<table>
<thead>
<tr>
<th></th>
<th>Nov 1996</th>
<th>Jan 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-training activities</td>
<td>$806 (56%)</td>
<td>$40 (13%)</td>
</tr>
<tr>
<td>Training preparation and delivery</td>
<td>$526 (36%)</td>
<td>$228 (75%)</td>
</tr>
<tr>
<td>Post-training follow-up</td>
<td>$114 (8%)</td>
<td>$38 (12%)</td>
</tr>
<tr>
<td>Total training costs</td>
<td>$1,147</td>
<td>$306</td>
</tr>
</tbody>
</table>

Source: Based on Baiya and Jeans 1998.

A partial recovery of the training costs was achieved through charging fees. At the end of the project the level of cost-recovery was around 30% (and over the total period of the project only 10%) - excluding the development cost of the training. The fees charge were gradually increased during the project period, so that participant contributions rose from 7% of indirect costs in the beginning of the project to 77% towards the end. In absolute terms, the cost-recovery was highest for the technical skills courses, but as this type of training is more expensive, the cost recovery rate was lower that for the business skills training courses.

The project noted that cost-sharing through training fees is influenced by a number of factors, such as the awareness of potential benefits of the training and the interest in specific or more ‘elitist’ skills (e.g. skills for high quality fabrics or skills for the production of more complex and expensive products such as hammer mills). The project also ob-

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15 The project noted that there are severe distortions in the market for consultant and trainers. While they would accept a fee of KSh. 150 per hour when approached by an existing VTI, they refused to collaborate for anything less than KSh. 500 when directly approached by SUP.
served that there are ripple effects across the sector as Jua Kali entrepreneurs share new skills and approaches with others or are copied by others.

### 4.9.5 Lessons learned

The project resulted in a number of important ‘lessons learned’. First, mastercrafts(wo)men are not immediately interested to receive skills training and need to be ‘hooked’ (Nelson 1997). It is necessary to put the training in the broader context of business improvement and a transfer of marketable skills that will result in tangible gains. Related to this, care needs to be taken to deliver the training in a flexible manner, taking into consideration the opportunity costs of the labour and time of the participating mastercraftsmen.

Second, in spite of the realization that apprenticeship training is increasingly becoming fee-based, the motivation for the mastercraftsmen, except for a few in textiles, is not to make training their primary activity. They seek foremost training in skills that will result in an increased income from the productive activities of their businesses. Still, there is a distinct potential to increase incomes from training - especially by increasing training efficiency (through cost reduction and faster and more productive output from the skills transfer) than from larger numbers of apprentices.

Third, the training interventions proved a useful entry point for an upgrading of the level of technology of MSEs. The training of finishing of metal and wood products, for instance, resulted in increased demand for new equipment that had not been used in the sector before. This by itself proved unexpected interesting opportunities for relations with private sector, as the Sandolin Paints company was found willing to take care of the delivery of this course.

Fourth, the development of linkages with VTIs proved disappointing. Memoranda of understanding were signed with six VTIs, but two (government) VTIs showed structural constraints to collaborate, and the other demonstrated varying levels of commitment and ability to work with the project. In the end these institutions failed to become sustainable providers of training and wider business development services to the Jua Kali sector. At the same time, one of the trainers of a public sector VTI in Mombassa, modelling after the training he had given within the SUP framework, conducted training courses on his own, which were overbooked and earned him KSh. 12,000 (some USD 200).

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16 There are a few cases of textile MSEs in Nairobi, Mombassa and Nakuru that participated in the project, who have shifted their focus from production to training. This might be related to the generally depressed situation of small-scale tailors and dressmakers, which, in addition to operating in a almost saturated market, have in recent years suffered from wide-spread *mitumba* (i.e. import and sales of second-hand-clothing).

17 Following this example, one of the government VTIs approached Crown Paints and secured expert training for its regular students at no cost.
Fifth, there is scope to promote independent trainers who are close to the MSE sector as providers of training and other services to this sector. They can probably provide such services in a more sustainable manner than VTIs and other MSE support organizations. Especially for VTIs in their traditional form and structure appear to have little potential for employment promotion in the informal sector.

Six, SUP found the collaboration and good will of the Jua Kali associations of prime importance to mobilize and work with MSEs. Communication through these associations reduced cost and time.

Finally and most importantly, SUP has shown that it is possible and practical to upgrade Jua Kali enterprises through carefully targeted skills development; project studies show that there is a distinct application of the new skills which appears to result in increased growth, innovation and productivity of the participating MSEs (Grierson 1998).

4.10 Conclusion

The development of Kenya’s informal sector in the past two decades may leave much to be desired. Technological development in MSEs has been slow and partial, their productivity and product quality remains low. Its enormous expansion in terms of employment has been mostly at the bottom-end in simple self-employment activities. While a number of IS operators are earning a reasonable living, most of the sector’s workforce is barely (or not) scraping by. Jobsite security is still inadequate and the economic recession has a negative impact on sales and incomes.

On the positive side the situation of the informal sector appears to have improved somewhat in recent years in a number of respects. There is now more recognition on the part of the government for the important role its plays in providing incomes and employment to large numbers of the population. Government policies have improved although their implementation have remained rather weak. The level of organization in the sector in the form of associations has markedly increased (cf. Haan 1999) and there is a slowly increasing ‘technological confidence’ among informal operators (King 1996).

With regard to skills development for informal sector operators, however, the picture is still rather bleak. While the introduction of entrepreneurship aspects in general and vocational education is a step in the right direction, it must be feared that the actual implementation has greatly reduced its final impact. More importantly, the capacity of the vocational training sector in Kenya is by far inadequate. The curriculums are not demand-led and inflexible, and the central control of curriculum development has prevented intensive relations between industry and VTIs. Their impact is very limited due to inappropriate training. Increased training fees are seriously affecting the enrolment of students in VTIs. There is a lack of government funding for vocational training at all levels.
Among government officials vocational training is very much seen as linked to the process of globalization and, more directly, to Kenya’s strategy for industrialization strategy by the year 2020 (as formulated in the country’s Eighth National Development Plan launched in 1996). Still, with the industrialization strategy lacking details and the absence of an official vocational training policy, very few well-focused, high-quality training programmes are in existence.

The Ministry of Labour and Vocational Training appears to be well aware of these problems. In an internal analysis it is concluded that indeed all is not well in the training sector. It summarizes the main problems as:

- low success rate of external examinations
- declining student enrolment in particular -traditional- courses and trades
- widespread lack of tuition materials such as textbooks and workshop materials
- limited opportunities to gain meaningful exposure to work through industrial attachments
- growing unemployment among graduates of technical training institutions
- growing burden of fee payments shouldered by parents
- poor conditions of equipment and physical facilities
- low frequency and poor attendance of VTC board meetings, in spite of growing expenditure on salaries for board of Governors staff.

It is felt that various external forces should not be used to excuse the dismal performance, but also recognize the complacency and general lack of preparedness in the management of technical and vocational training programmes. The Ministry has embarked upon a programme to support the 85% of the training graduates who do not manage to obtain a formal sector job.

The NGO and private sector have only to a limited extent filled up the gap left by the public sector. While there appears to be a certain mushrooming of new private training programmes, they invariably aim at the transfer of business skills. A number of NGOs have set up interesting and often successful training programmes, but their total output is very small in relation to the enormous need for skills training and technology upgrading.
5. TRAINING FOR THE INFORMAL SECTOR IN TANZANIA

Tanzania obtained independence in 1961 and formed in 1964 a union with Zanzibar to become the United Republic of Tanzania. It has a population of 31.5 million (estimate for 1997), of which 46% is under 15 years old. Between 70-80% of the population is still living in the rural areas. Agriculture is the country’s main economic sector, employing 80% of the labour force and contributing almost half of GDP and 85% of exports.

<table>
<thead>
<tr>
<th>TANZANIA (1999)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
</tr>
<tr>
<td>- population growth (90-99)</td>
</tr>
<tr>
<td>- pop. aged 15-64</td>
</tr>
<tr>
<td>- urban population</td>
</tr>
<tr>
<td>- labour force growth (90-99)</td>
</tr>
<tr>
<td><strong>GDP per capita</strong></td>
</tr>
<tr>
<td>- economic growth (98-99)</td>
</tr>
<tr>
<td>- agricultural sector</td>
</tr>
<tr>
<td>- manufacturing sector</td>
</tr>
<tr>
<td><strong>Quality of life</strong></td>
</tr>
<tr>
<td>- pop. below poverty line *</td>
</tr>
<tr>
<td>- life expectancy at birth</td>
</tr>
<tr>
<td>- adult illiteracy</td>
</tr>
</tbody>
</table>

* international poverty line of USD 1 per day


After Independence the country adopted a socialist development model, with emphasis on the one hand, on the development of capital goods industry and, on the other, on village-based small-scale activities (e.g. Ujamaa Act from 1967 which discouraged the formation of individual proprietorships in industrial activities since such activities were to be under the village communal ownership). This path was left with the introduction of economic reforms policies in the 1980s.

The first IMF/World Bank inspired Structural Adjustment Plan (1983-85) was followed by the Economic Recovery Plan (1986) and the Economic and Social Action Plan (1988). The main planks of these programmes were to liberalize trade, to provide incentives for agricultural development, to privatize public enterprises, to introduce appropriate monetary and fiscal policies, including a devaluation of the national currency and generally to downsize the role and the size of the state (see Dandi 1999).
Some political liberalization followed in the early 1990s with the acceptance of multi-party democracy.

5.1 Informal MSE sector

5.1.1 Informal sector employment

Most Tanzanians are employed in small holder agriculture. Outside agriculture the informal sector is by far the most important employer: a national survey in 1990/91 showed that 2.4 million people were employed by this sector, of whom 40% in the urban areas. That is more than all the jobs provided by the country’s formal sector (i.e. government, parastatals and private enterprises). Most of the IS employment is self-employment (75%).

Table 8: Informal employment in Tanzania (1990)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dar es Salaam</td>
<td>315,558</td>
<td>190,971</td>
<td>124,587</td>
</tr>
<tr>
<td>Other urban areas</td>
<td>634,145</td>
<td>354,526</td>
<td>279,619</td>
</tr>
<tr>
<td>Rural areas</td>
<td>1,419,206</td>
<td>985,526</td>
<td>433,680</td>
</tr>
<tr>
<td>Total country</td>
<td>2,368,909</td>
<td>1,531,023</td>
<td>837,886</td>
</tr>
</tbody>
</table>


IS employment constituted 35% of total employment (1990/91). This number has without doubt still significantly increased in recent years, as the result of high rural-urban migration and lack of opportunities in the formal sector. The Ministry of Labour indicated that in 1997, 30% of the labour force is un- or under-employed. Some 60% of the unemployed are young, and unemployment is also high among women and in the urban areas.

A survey of the informal sector of Dar es Salaam in 1995 indicates that IS employment had increased by 2.4% per year in the period 1991-95. That would mean that the IS itself by now employs almost 1.2 million people, of whom 43% are women. It can be safely assumed that the larger part of the expansion of the MSE sector will have taken place within the ‘last resort’ segment, i.e. simple self-employment activities.

5.1.2 Structure

Informal sector enterprises and employment are concentrated in trade and commerce-related activities.
Informal sector manufacturing has been gaining ground, in part through advances of agro-processing (MoT/Poverty Reduction Task Force 2000). The informal sector is also important for women, although many of them are engaged in small scale activities as family workers which receive no or below-average remuneration. Even when working in non-family enterprises, their lower levels of education and skills, less access to worksites, working capital and (market) information, cause their incomes to be on average lower than that of men. Moreover, many women are also employed in hazardous occupations. Young girls are often working in domestic and related services.

5.1.3 MSEs policies

Prior to the 1990s Tanzania had a state-run economy, and GoT has long been hostile towards the IS perceiving it as illegal activities. During the 1970s and early 1980s various laws and regulations were introduced to control the operation and development of private industries.

Remarkably, while the informal sector is by far the largest ‘employer’ in the country, there is in Tanzania no specific policy to promote the sector. Under the guidance of the ILO a draft National Policy for Informal Sector Promotion was prepared in 1995, but is was never formally adopted. Still, over the years the contributions made by the informal sector have gradually become more appreciated in the country (Dandi 1999).

The National Employment Policy (1997) postulates intensified efforts to create a more enabling environment for employment creation. With regard to the informal sector, NEP

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### Table 9: Economic structure of the informal sector in Tanzania (19990)

<table>
<thead>
<tr>
<th>Economic sector</th>
<th>Employment</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>236,377</td>
<td>10.0</td>
</tr>
<tr>
<td>Mining and quarry</td>
<td>21,721</td>
<td>0.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>526,249</td>
<td>22.2</td>
</tr>
<tr>
<td>Electricity &amp; water</td>
<td>6,246</td>
<td>0.3</td>
</tr>
<tr>
<td>Construction</td>
<td>163,438</td>
<td>6.9</td>
</tr>
<tr>
<td>Trade, hotels &amp; restaurants</td>
<td>1,1213,700</td>
<td>51.2</td>
</tr>
<tr>
<td>Transport</td>
<td>78,070</td>
<td>3.3</td>
</tr>
<tr>
<td>Community and personal services</td>
<td>123,579</td>
<td>5.2</td>
</tr>
<tr>
<td>Total</td>
<td>2,369,380</td>
<td>100</td>
</tr>
</tbody>
</table>

aims to strengthen the segments of the rural and the urban informal sector that have potential for the creation of self-employment. It seeks, for instance, to promote the use of appropriate technologies. However, NEP lacks concrete strategies and action programmes, and does not provide for adequate coordination mechanisms between different line ministries or national and local government. Some observers feel that implementation pace is slow, and that so far there are few tangible results and even activities discernible as the result of the NEP (ibid.).

In NEP and other government documents, emphasis is placed on the need to stimulate entrepreneurship in the country, for instance by promoting entrepreneurship in education and vocational training and supporting business promotion institutions. More recent thinking emphasizes still stronger commitment towards support for self-employment through specifically targeted training, reduced taxes and streamlined licensing procedures. Still, the current contribution of the IS as a provider of employment and income in Tanzania is underestimated in the policies and few efforts are made towards realising the identified potential... As for now, policies, laws, regulation, as well as public and private services do not sufficiently take the interest of the IS operators into account and they are often an impediment to the development of the IS (Pfander and Gold, 2000:15).

NEP has been under review and in the revised draft there is a stronger commitment towards support self-employment and informal MSEs, e.g. through training specifically directed at self-employment. Other measures indicated are development of basic infrastructure, streamlining of licensing procedures and lowering of taxes.

In 1999 the National Employment Promotion Services Act was adopted (GoT/Taskforce on Poverty Reduction 2000). It has not yet become operational but it is to introduce strategies to implement NEP. The Act establishes committees at national and local government levels to deal with employment promotion agencies, which are created through the Act.

In the meantime, the Ministry of Industry and Commerce has started, with assistance from UNIDO, to formulate a special Small and Medium-size Enterprise Policy.

5.1.4 Main problems and assistance programmes

The major problems as identified by the IS operators themselves are: limited access to capital, inadequate demand for their goods and services, lack of appropriate equipment (and spare parts), and difficulties in finding worksites (IS survey 1991). A lack of qualified workers was all the way at the bottom of the problems identified by the MSE owners.
Observers also point to the total of policies, laws, regulations and public sector services which do not adequately take the interests of the informal sector into consideration. The regulatory framework, for example, poses various hurdles to small producers (Pfander and Gold 2000):

- the process of business registration and licensing passes through various authorities and “it is hardly possible to comply with them all without ‘greasing’ the process at a certain stage
- the Health Act and Factories Ordinance date from 1950 and define standards (e.g. waste disposal, water usage and sewerage) in a manner that informal enterprises cannot comply with (even formal registered businesses are known to have problems to do so)
- the registration of a business requires opening of an income tax account which is cumbersome and requires keeping accounts, which few informal business(wo)men do.

For many years the Small Industries Development Organisation (established in 1973) was the main support organization for the informal MSE sector. Structured along the lines of SIDO in India and with substantial support from UNIDO, it provided a broad package of support services, which include credit, industrial estates, various types of training and technology assistance. SIDO operated Training-cum-Production centres as well as Common Facility Workshops. Post-SAP budget cuts meant that most of its subsidized services had to be severely curtailed and even completely halted.

At the moment SIDO administers the National Entrepreneurship Development Fund that provides finical support to micro-enterprises, industrial cooperatives and associations in Dar es Salaam, Kilimajaro, Tanga and Coast Regions. It started with an initial capital of TSh. 800 million which has grown to TSh. 1,940 million. It has serviced so far some 6,500 enterprises, many of which are engaged in livestock and similar activities in the rural areas (GoT/Taskforce on Poverty Reduction 2000).

Adam (1998) furthermore notes the following areas in which measures have to be taken to enhance the labour absorption capacity of Dar es Salaam’s informal sector: exposure of informal sector enterprise owners to new market niches; development of public infrastructure; and closer linkages between the formal and informal sectors.

With the reduction of public sector services for the informal sector, numerous private sector support providers have come up in recent years. They include for-profit enterprises as well as non-profit NGOs. In fact, the difference is rapidly becoming blurred since, in line with the upcoming paradigm on ‘business development services’, most of

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TRAINING FOR WORK IN THE INFORMAL SECTOR

18 There is also the Youth Development Fund which was established in 1993/94. Through this fund GoT seeks to promote youth employment and income generation activities. In 1995/96 some TSh. 150 million were allocated, in 1997/8 around TSh. 200 million and in 1998/90 TSh. 100 million. Some 5,000 youth have accessed this fund.
them practice cost-sharing and some of their fees are actually meant to cover all operational and investment costs (e.g. in the case of micro-finance operations) and the service provision therefore no longer easily distinguished from commercial operations.

Most of them appear to provide short training courses in business skills (e.g. FAIDA). Other refer to micro-credit and finance programmes (e.g. PRIDE Tanzania) or are involved in marketing assistance (see Gibson and Tomesen 2000), advocacy and capacity building. Only a small number of NGOs and private providers appear to be engaged in technical training 19. Still, so far only a minority of the informal sector operators have received any kind of external assistance: the informal sector survey carried out in 1995 in Dar es Salaam, arguably hosting the largest number of IS-support organizations, found that only 3% of the firms interviewed had ever received outside support - only one quarter of which was provided by government agencies and training accounted for the largest proportion of all types of assistance received: 50% technical training and 11% management training (Adam 1998).

Indeed one of the main stumble blocks for an effective promotion of the informal sector in Tanzania is the absence of an efficient institutional framework for supporting and coordinating informal sector interventions by government entities, NGOs and private for-profit organizations, and donor agencies.

5.2 Overview of training sector

5.2.1 Education and training policies

With regard to education, Tanzania has a large tradition of preparation of children for the real world of work through general education. From the 1968 Policy on Education for Self-Reliance the emphasis has been on creative thinking and agricultural knowledge. Still, the youth, as well as their parents, continued to view general education as a preparation for wage-employment (Dandi 1999). In recent years, as a result of the reduction in government expenditures, which has seriously affected general education (as well as vocational training), the national enrolment rate in primary schools has dropped 77% in 1995 to only 60% in 2000 (Pfander and Gold 2000).

The policy framework for vocational training in Tanzania has changed considerable over the years. The first Vocational Training Act (1974) sought to suitably train a cadre of workers to support the development of large-scale industries. In 1981 GoT approved a 20-year Development Plan for Vocational Training which envisioned the establishment of a Vocational Training Centre (VTC), with an industrial focus, in each region, and a VTC in each district with a focus on agriculture and local crafts. A subsequent review of the VET system (1986-90) found that the VTC operated in isolation form the economic sector

19 From a list of 12 NGOs reviewed by Dandi (1999), only one -the Centre for Informal Sector Promotion, CISP, in Moshi- was found to be involved in technical skills training.
it was supposed to serve, various deficiencies in the training delivery, and the trade testing system as expensive, complicated and inefficient (Pfander and Gold, 2000:6).

The re-direction of economic policy following SAP and the consequent changes in the labour market, made a major overhaul of the VET system in the country necessary, which lead to the second VET Act (1994). The Act established the Vocational Education and Training Authority (VETA) which has a number of functions:

- providing vocational training opportunities and facilities for such training
- establishing a vocational education and training system to meet the demand of the formal and informal sectors for (semi-) skilled labour
- satisfying labour market demand for skills to contribute to enhanced production and productivity
- ensuring that the vocational training system is demand-led and cost-effective
- promoting a flexible training approach and appropriate teaching methods
- increasing access to vocational training for disadvantaged groups.

The role of VETA is thus foremost seen in training coordination through policy making, standard setting, training provision and trade testing. The Act also introduced a vocational training levy which is 2% over the gross emoluments paid by employers of firms with four or more employees. Collection coverage is not complete yet, and is estimated to have reached 60% in 1998 (Pfander and Gold 2000:8). In February 2000 VETA started a major campaign to register all training centres.

VETA is specifically tasked to ensure that the vocational training system becomes demand-oriented, cost-effective and decentralized. To this end, VETA, with the support of various donors (e.g. GTZ, DANIDA and the ILO) has introduced business skills training as part of all the training courses. But with regard to instilling entrepreneurial values in trainees much still needs to be done. Together with GTZ, VETA has started a number of pilot activities to test new approaches to provide relevant training programmes to informal sector operators (see Case study A below).

It is tacitly agreed that, in spite of initiating a change in mind-set at central level and a number of promising pilot activities, the reorientation of vocational training towards the informal sector is still only at the early stages, and that within VETA, and especially its VTCs, there is still a strong tendency to stick to traditional training areas and modalities. There appears to be substantial discontent among non-government training centres about the support they receive from VETA (GoT/Taskforce on Poverty Reduction 2000).
5.2.2 Main training providers

The are several types of public and private sector training providers in Tanzania:

(i) VETA Training Centres
VETA ‘inherited’ in 1994 20 VTCs, of which almost half were subsequently closed while others were strengthened. These VTCs are, together with company training institutes, the main providers of skilled workforce to the industrial sector. At the same time these VTCs, together with church-owned training centres, are the most important providers of crafts training relevant for the informal sector.

(ii) Post-Primary Technical Training Colleges and Folk Development Colleges
PTTCs were established in the 1970s to provide employable skills to primary school leavers while FDCs (supported by SIDA) were to promote adult literacy and vocational skills. Both have become largely ineffective as they face financial problems and various professional constraints in their training delivery. Many of them do not operate any longer (see Case study C).

(iii) Church-owned Training Centres
There are in Tanzania a large number of church-owned training centres scattered all over the country. Many of them have been in existence for a long time, aiming to contribute towards rural development. While many of the centres are reasonably equipped, their impact is limited, due to focus on traditional courses (mainly carpentry, masonry, motor mechanism, tailoring and secretarial services), traditional training methods, and the need to combine training with production (see also Case study B).

(iv) Non-profit training providers
Traditionally NGOs have also filled part of the vacuum left by the public sector and include skills development as part of the services for their target group (which invariably mainly consisted of micro-credit schemes and social services). While NGOs, together with church organizations, could play a major role in skills development for self-employment, their training efforts are so far rather narrow and largely uncoordinated (Adam 1997).

(v) Private commercial training providers
In recent years a large number of ‘private’ training providers have come up; one report indicates the existence of 37 private training institutions (GoT/Taskforce on Poverty Reduction 2000). Many of them are (for tax reasons) registered as NGOs, which have been started by training specialists who before were working in the public sector or in donor-assisted projects. Most of them are small, and deliver ‘tailor-made’ training centred around various business skills; few of them conduct

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20 This paragraph is *inter alia* based on Pfander and Gold 2000.
technical training on a regular basis. There is also a number of genuine private sector companies, which provide training in ‘soft’ skills, such as secretarial services, computer science, commerce, catering - which do not require major investments. Their relationship with VETA remains unclear.

(vi) Informal Sector apprenticeship training
Most of those working in the informal sector have obtained their skills through apprenticeship training. Such training is generally cost-effective as its costs are low (e.g. there is no need for special training centres), it does not need to be subsidized as the costs are born by the (families of) the apprentices and the skills development takes place in the same environment in which the skills most likely will be used.

(vii) Training institutions of various line ministries
Almost each ministry created its own training programme to fulfil the needs of its sector. As a result various ministries such as Min. of Agriculture and Min. of Education still run training centres. Some of them are relevant for the informal sector. Remarkable, for instance, is the number of institutes of higher education that are now using their facilities to conduct training courses at basic level for small producers.

(viii) Company-based training centres
Whereas before internal training was provided by most parastatals, there are now only a small number of larger private companies that have enterprise-based training programmes.

The total training capacity in Tanzania is only minute in comparison with the need for skills training: not even 10% of the youth leaving (before or after graduating) can be absorbed in the existing training system. The national vocational training capacity was estimated in 1995 at only some 47,000 places\(^2\). Of these 8% is in the VETA VTCs (3,500), while 35% were in private VTCs, 31% in church-owned VTCs, 22% in company training centres and 4% in VTCs of other line ministries.

At the same, Adam and others (Adam 1997 and 1998, Pfander and Gold 2000) observed, that for various reasons, the potential of the existing training system is not fully being taken advantage of. High training fees relative to the fee-paying capacity of the potential trainees, limited resources of existing VTCs, and the discouraging effect of limited employment opportunities upon completion of the training, all contribute to low utilization of existing training capacity.

One of the problems of many training centres concerns their reliance on centrally administered curricula which tend to be inflexible and incapable of adjustment to regional labour market needs. They are largely supply-driven and focus mostly on traditional and mechanical trades (e.g. carpentry, tailoring, and car mechanics) and neglect

\(^2\) In 1997 there were 315 training providers registered with VETA.
all service activities. Entrepreneurship skills receive inadequate attention to enable the graduates to set up and run their own business. Basic information about the skills that are required to work in the informal sector is lacking.

The training delivery by VETA and other providers is largely centre-based. A major constraint is formed by the lack of basic equipment, qualified staff, and financial means for an effective training delivery. The trainers are often severely underpaid and consequently lack motivation. The existing centrally administered trade testing system does not correspond to the needs of the world of work.

5.3 Apprenticeship training

In all, only a minor fraction of the total working population receives its skills through training centres. By far most of them pick up their skills through enterprise-based training, such as traditional apprenticeship training, or just through on-the-job trial and error learning. While these informal systems have the advantage that the youth gets acquainted with the real conditions under which they are most likely to work in the future, at the same time such ‘training’ evidently lacks any standardization and quality control, and the outcomes are hugely different as they depend on the training qualities and interest of the workshop owners or managers. Moreover, there are no guarantees that any technical skills will indeed be transferred. The skills that they obtain are often incomplete and important side aspects, such as resource utilization, customer orientation and worker and consumer safety are not being given adequate attention (Adam 1997 and 1998, Pfander and Gold 2000).

A study into traditional apprenticeship training in Dar es Salaam (Nell and Shapiro cc 1999) presents some interesting findings. With regard to the entrepreneurs, the study found that they feel that finding a worksite, financing and marketing are the most important constraints of the firms. They do not perceive much difficulties in finding (semi-) skilled labour. This would appear to indicate that there will be a problem to convince the ‘masters’ to participate in apprenticeship upgrading schemes. The study gives mixed indications on the economic situation of the firms: while the field interviewers rated almost three out of every four as ‘profitable’, they also in-

22 Traditional apprenticeship is defined as a situation in which the trainee and/or his/her family and the owner or manager of an enterprise agree that the skills used on the enterprise will be passed on to the trainee under certain conditions. It would seem however, that the study has not managed to distinguish very clearly between genuine apprentices and other youths who rather should be seen as unskilled assistant for whom the training purpose is far less explicit. For instance, 14% of them did not have any kind of agreement with their master regarding the training - which in the case of masons is even more than one third. As almost 40% of the masons indicate that the main reason for taking on apprentices is “to get extra help”, and it was found that among masons is was most common (58%) to pay the apprentices. it would seem that a number of these ‘apprentices’, e.g. the ones without any kind of agreement rather serve as cheap labour.

23 The study focussed on masons, welders, car mechanics, carpenters, all activities in which men dominate, and caterers, tailors, child carers and hairdressers, in which women were expected to dominate (but both tailoring and catering was found to be rather male-dominated). In all 330 interviews were conducted, half of them with enterprise owners and the other half with business managers.
icated a low level of productivity, a lack of tools and equipment, a lack of space and a lack of work - many times they found the workforce of the firms idle.

Just over half of the firms visited had apprentices. The study found a total number of apprentices currently in training of 556, which gives an average of 4.1 apprentices per firm. There appears to be no direct relation between the level of economic activity of the firms and their number of apprentices. The practice is most common in welding, mechanics and carpentry, and far less in newer trades such as hairdressing and child care. This means that it is far easier to enter into apprenticeship training than for young women.

While traditional apprenticeship, and particularly in Africa, has always been linked to assisting family members in obtaining productive skills, the study found that only 3% of the owners and managers interviewed indicate “kinship” as the main reason to take apprentices. Even fewer refer to “to get training fees” (which is higher than average among carpenters and tailors). Instead, almost 90% of them state to do this “to help young people get a start in life”. More than one quarter of them admit that they do it “to get extra help” (which is remarkably frequently indicated among caterers and child carers). In return for their labour, 31% of the apprentices receive small payments in cash (TSh. 1,000-2,000 per day, or pocket money when the business could afford it), while two-thirds of them get (also) food.

The most common criterion applied in taking in youth as apprentices was “trustworthiness of the candidate”, followed by “age” (between 16-18 years old) and “level of education”. Only 12% of the apprentices have a written contract with their master on the training, while three-quarters of them have a verbal agreement. The agreements include arrangements with regard to working hours and holidays (38% and 5% respectively), duration of training (29%) and health and safety provisions (14%). The study points out that in Zimbabwe over 50% of the contracts are written. In this respect it was found that only 19% of the apprentices actually paid the master for their training, while 45% was said not to pay anything (others had to commit themselves for a certain period of time or contributed towards purchase of materials).

The apprenticeship period is often quite protracted and ranges from under three months to over two years. The shortest periods were found in catering, childcare, hairdressing and masonry, where apprenticeships were generally nine months or less - even though more than a third of the masons and hairdressers feel that their trades do not require more than three months of training. Car mechanics had the longest apprentice period (with 45% of them being trained for one year or more and 17% even from 3-5 years). Over 90% of the apprentices are submitted to a trade test at the end of the training period. The test is an informal one, set up by the master, and it is not clear to what extent they are

24 The study observes that this is far higher than in Zimbabwe where a similar study resulted in an average of two apprentices. The authors indicate in their opening that the apprenticeship system is more developed and marketed-oriented there than in Tanzania.
appropriate. Many masters indicate that there is a continuous assessment of the progress of the apprentices, and that the apprenticeship ends when he/she is working independently and confidently.

The study obtained only information on the current employment status of 60% of all the apprentices trained by the interviewed enterprises in the past five years. The largest number of them (29%) set up a business for themselves in the same trade in which they were trained; this was found to twice as common for young men (33%) than for young women (16%). Another 12% found a job in an informal enterprises in the same trade. Others are still in the same enterprise where they were an apprentice, while 5% were unemployed (again twice as many young women than young men).

Table 10: Current status of apprentices who completed their training period

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed in enterprise</td>
<td>6.3%</td>
<td>7.7%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Still in the business now [?]</td>
<td>3.5%</td>
<td>2.5%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Found job in formal business in same trade</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Found job in informal business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in same trade</td>
<td>11.8%</td>
<td>11.9%</td>
<td>11.7%</td>
</tr>
<tr>
<td>in different trade</td>
<td>2.4%</td>
<td>2.7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Set up business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in similar trade</td>
<td>28.5%</td>
<td>32.6%</td>
<td>15.8%</td>
</tr>
<tr>
<td>in different trade</td>
<td>3.1%</td>
<td>2.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>3.7%</td>
<td>2.7%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Unknown</td>
<td>40.6%</td>
<td>37.0%</td>
<td>51.5%</td>
</tr>
<tr>
<td>Total (absolute number)</td>
<td>794</td>
<td>598</td>
<td>196</td>
</tr>
</tbody>
</table>

Source: Nell and Shapiro 1999.

From more detailed information it appears that the post-training self-employment rate is highest among masons (48%), car mechanics (34%) and welders (32%). Unemployment was particularly high among hairdressers and child carers. And carpenters were most likely to find wage employment in the informal sector (30%), followed by caterers (17%) and hairdressers (10%).

The masters were also asked about their own training needs. Most interest there is for increased technical skills and marketing abilities.
Table 11: Training needs of ‘masters’ of apprentices

<table>
<thead>
<tr>
<th></th>
<th>technical skills</th>
<th>mgt skills</th>
<th>finance/ accounts</th>
<th>market skills</th>
<th>literacy/ numeracy</th>
<th>none</th>
</tr>
</thead>
<tbody>
<tr>
<td>masons</td>
<td>++</td>
<td>+</td>
<td>+</td>
<td>++</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>caterers</td>
<td>++</td>
<td>+</td>
<td>+</td>
<td>++</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>tailors</td>
<td>++</td>
<td>-</td>
<td>-</td>
<td>++</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>welders</td>
<td>++</td>
<td>-</td>
<td>+</td>
<td>++</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>mechanics</td>
<td>++</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>carpenters</td>
<td>++</td>
<td>-</td>
<td>+</td>
<td>++</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>child carers</td>
<td>+</td>
<td>++</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>hairdressers</td>
<td>++</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Classification: -: 0-25% of responses, +: 26% - 50%, ++: 51% to 75%, and +++: 76% - 100%.
Source: Based on Nell and Shapiro 1999.

The most important reasons that masters gave for not having undergone such training were cost and financial constraints (69%), training given at the wrong hours (18%), lack of time to follow training (11%) and no relevant training available (9%). Depending on training time, quality and relevance, they were found to be willing to pay an average of TSh. 16,000 for appropriate training, with some going as high as TSh. 650,000. Over half of the masters were found to be prepared to let their apprentices follow additional training, as long as they paid for this themselves.

The study identified an interesting development taking place in tailoring. Tailors are increasingly considering themselves as providers of training-for-a-fee courses, rather than as employers of apprentices. Almost two-thirds of the tailors demanded payments from their apprentices - small sums of about TSh. 2,000-3,000 per month. They were fewest to give payments to their apprentices, of whom only just over half received food.

The study concluded that although apprenticeship training appears to be widespread in Tanzania, it is rather unsophisticated. This opinion is echoed by others, such as Adam who feels that the concept of apprenticeship training in Tanzania is rather rudimentary and that some of the ‘apprentices’ (e.g. those without even a verbal agreement) do not receive any kind of purposeful training at all. As she perceives the traditional apprenticeship practice as fragile, she feels that “any attempt to intervene directly in the practice may well do more harm than good, and create yet another supply-driven, dependency inducing training programme. Where the practice is working it should be left alone”. She suggests that if any training intervention were to be done, it should be at the level of the master. The assumption for this is that better technical and business skills will
make masters more productive and able to produce better quality items, which will have an indirect positive ‘trickle down’ effect on the apprenticeship training.

5.4 Training needs of MSE sector

The need for vocational training in Tanzania is enormous. Out of the 600,000-700,000 youth who enter the labour market every year, at least some 500,000 youth are leaving primary school with little or no professional skills. Less than 10% of them are estimated to be absorbed by the formal sector, which only generates some 10,000-30,000 new jobs per year (Pfander and Gold 2000).

Or, put in another way, of the age cohorts of primary school leavers, secondary education takes in only 10-15% of an age cohort and vocational training infrastructure covers some 5%, which means that possibly 85% of these youngsters are left without access to education or vocational training.

In addition to skills for the newcomers, there is an enormous need for skills development among those already working in the informal sector. The 1991 IS Survey indicated that only 2% of the informal operators had acquired any skills through the formal training system. The same survey shows however, that skills are not perceived by the small producers themselves as a major problem - rather they see the unavailability of capital, inadequate demand for their goods and services, lack of appropriate equipment and spare parts, and difficulties to find space for their workshops as their main constraints.

5.5 Case study A: VETA-ILO-GTZ - pilot programmes for informal sector training

5.5.1 Background

Tanzania’s Vocational Education and Training Authority (VETA) realizes that the task to prepare the more than 600,000 new entrants to the labour market who are not absorbed in the formal sector, for self- and other types of employment in the informal sector, will need concerted action from public and private sectors. It is seeking for a model to evolve for this pilot activity to support traditional apprenticeship training that would evolve that could subsequently be included within its regular training programmes.

VETA has identified a number of constraints for skills development in informal worksites through training by mastercraftspeople:

- there is no uniform training system nor training plan which ensures the transfer of a set of relevant skills from the mastercraftspeople to the apprentices
- training is not a priority and the mastercraftspeople lack pedagogical skills required
skills transfer is limited to technical skills and does not include business skills, nor knowledge about occupational safety and health

training is not based on a contract and often not even on a clear understanding of the duties and rights and both parties - often there is a family relation between the master and the apprentice, in other cases the fee is waved on the understanding that the apprentice will contribute cheap labour

training takes place at the present technological level of the IS and does not prepare the MSEs for the skills required to meet the new quality standards following trade liberalization and globalization

apprenticeship training does not lead to certification so that the quality of the training provided remains uncertain for both present and future trainees as well as potential employers.

5.5.2 Pilot programmes

In the past three years VETA, together with support from the ILO (1998-99) and GTZ (since 1999, ongoing) has been implementing pilot programmes to improve traditional apprenticeship through building the technical skills and training capacity of informal sector master craftsmen. The pilot programmes focuses on the Dar es Salaam region.

The programme worked through 15 groups, including associations and self-help groups in Temeke, the least developed and assisted district in Dar es Salaam. It purposely sought to include both male and female mastercraftspeople, for which reason it focused on manufacturing (carpentry, tinsmithing, welding), services (car and electric repair, body work and panel beating) and trade (food vendors and traders). A training needs assessment was carried out by the trainers from VETA and other institutions among 95 mastercraftspeople (including 14 women), who were training some 200 apprentices (see VETA 1998). Some of the findings included: 75% of the craftspeople had completed primary education and the rest less than that (with 5% never having gone to school); and 92% of them had obtained their skills through apprenticeship and practice without formal vocational training, while 8% had followed a training at a vocational training centre, 7% a grade-III trade test and 1% a trade I test certificate. A further analysis of the skills of the ‘masters’ showed deficiencies in technical quality assurance, costing, business skills and pedagogical skills. In all a training needs assessment was made of 44 apprentices.

Together with GTZ and DANIDA, VETA has started to develop and test new approaches to the informal sector (see Pfander and Gold 2000). They include the following:

Unit-based Training Approach
Present training courses pretend to be comprehensive and take too long. There is an enormous need for short, modular training curricula. People who are already engaged in self-employment or informal jobs do not have the time to attend long courses. GTZ and DANIDA have now developed with VETA new training modules for the construction sector. They can be taught individually, responding to the ac-
tual training needs of the trainee. A preliminary assessment indicates that these modules are cost-effective, provide adequate training and are successful in integrating non-VETA members in training for the informal sector.

Training for target groups in the informal sector

GTZ is also assisting VETA to develop innovative training offers for special target groups in the informal sector. The main points of departure for this type of training are formed by:

- identification of market niches (or, conversely, trends of saturation) so that the training offers reflect the situation on the labour and product markets
- a local or at most regional perspective aiming to develop an efficient linkage between local producers and the regional market
- prevalent characteristics of the intended target group (e.g. age, sex, education and work experience), together with their socio-economic environment
- existing local training and post-training support infrastructure

Some successful pilot activities have been undertaken in the areas of safe meat dressing and sale, mushroom production and street food vending. It was found that the costs involved in this type of training (e.g. trainers and training materials) are comparatively low.

Traditional apprenticeship

A study undertaken at the request of GTZ/VETA concluded that apprenticeship training is widespread in Tanzania, but still takes place in relatively unsophisticated formats (Nell and Shapiro cc. 1999, see also above). The study advises not to interfere with supplementing training courses for informal sector apprentices because the system does not seem to be stable enough nor sufficiently developed. Rather than directed at the trainees, it would seem future assistance could be aimed at the mastercrafts(wo)men themselves. Some of them indicate to lack expertise in the areas of craft skills, management, finance and bookkeeping, and marketing.

5.5.3 Preliminary results

The pilot activities are closely monitored so as to facilitate further modifications. So far this information is only available in internal documents. On the basis of some of these, the results and experiences can be summarized as follows:

- a participatory approach, involving the trainees, should be used to plan the training courses

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training concerned a mix of technical and business skills (record keeping, pricing, marketing and customer relations) - 80% of the training was practical

- training was conducted for both workshop owners and workers, but they were found to have different training needs: it is more effective to develop separate training packages

- all training was subsidized, with the contribution from the trainees varying from own payment for travel and lunch to TSh. 500 - 1,000 per day (of 3-4 hours of training)

- it is difficult to break the gender-based male or female dominance in particular trades

- mastercrafts(wo)men do not want to be trained in front of their apprentices

- training resulted in improved quality of the goods and services produced by the IS firms, which in turn positively influenced sales and profits

- in the carpentry course, 20% of the employees gained so much confidence that they opened their own workshop

- training for the butchers and abattoir workers proved catalytic for subsequent support from others (e.g. City Council)

- accreditation through certification is important

- there is a need for VETA to link up with credit and other MSE service providers.

In sum, while clear progress is being made in the VETA/GTZ pilot activities in the development of new modes to provide training to the informal sector, a lot of ground still needs to be covered. Moreover, the financial sustainability of GTZ/VETA training interventions for the benefit of the informal sector so far appears to be still decidedly low.

### 5.6 Case study B: Church institutions and vocational training

Church-based organizations are among the most important training providers in Tanzania. They were estimated in 1995 to be responsible for 30% of all vocational training conducted in the country, against VETA’s VTCs only 9%. There are over 150 VTCs registered with the Christian Council of Tanzania and the Tanzanian Episcopal Committee, each with some 30-200 trainees. A recent study shows that they face a crisis of identity, role, orientation, approach and instruments” (see Chonjo et al. 1999). The study investigated eight training centres run by church-based organizations all over Tanzania.

#### 5.6.1 Objective and target group

Many of the training centres are based in rural communities and regional centres. They aim to provide pre-employment skills training to young school leavers, usually with a minimum requirement of finished primary education. Gradually secondary school leav-

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26 This paragraph is largely based on Chonjo, Mbugua, Nyambo and Redecker (1999).
ers also want to join as they cannot find a job. The trainees usually come from the diocese. They are predominantly (79%) boys. Training for girls tends to be limited to traditional tailoring.

5.6.2 Organization, staff and facilities

Most of the VTCs surveyed belong to church dioceses and are run by a director, who reports to a board and in some cases directly to the church hierarchy. In general the ownership and management structure is high on bureaucracy and low on skills development expertise. The Board, for instance, usually meets only once per year, and its members are not exactly chosen for their expertise on training; there tends to be no representation of the local business community. Most VTCs lack management systems such as personnel systems, clear job descriptions, recruitment procedures, etc.

The VTC work with permanent staff, many of whom are graduates from the centre itself. They are often recruited immediately after completing their training and thus have no work experience and tend to lack business skills. Also, their methodological skills and knowledge of pedagogy is limited. They are dedicated to their job (inter alia for fear of becoming unemployed), even though they are generally underpaid (salaries range from TSh. 17,500-35,000); they would welcome motivation schemes.

Many of the VTCs are housed in old buildings with a low level of maintenance. They were not designed purposely as a training centre and often lack the right conditions (e.g. lightning). In general they lacked space, especially when the production units were based in separate workshops. Some of the VTCs are based in remote areas and even fail to have all-weather access roads. They usually do have electricity and water.

All VTCs suffer from an inadequate supply of training tools and equipment. The same tools and equipment that serve for training, are used in the production units. Poor maintenance of the machines causes frequent breakdowns, leading to a waste of training and production time. On the other hand, some of the VTCs (e.g. Don Bosco in Dodoma) have rather sophisticated equipment relative to the type of training that they provide - donated by an international donor. This equipment is largely irrelevant for trainees who will end up in (self-)employment in the informal sector, and in fact will send the wrong signal to them.

The large majority of the VTCs surveyed (7 out of 8) had production units which are used as a source of income. The trainees are involved in the production - it is even estimated that the trainees spent up to a maximum of 60% of their training time in these workshops.

5.6.3 Training contents and delivery mode

The VTCs are almost without exception rather traditional in their training curriculum and delivery. They closely follow the standardized curriculum laid down by VETA and
the objective of the training is rather to prepare the trainees for the trade tests (in which respect they generally do well). The organization of the training is usually centre-based.

The VTCs focus on a limited number of trades: masonry, carpentry, car mechanics, plumbing and electrical installation for boys and tailoring for girls. These trades have been selected without considering their relevance for local employment and often hardly reflect the economic activities found in the communities - where food-processing, hairdressing and beautician, shoe repair and other skills are much more appropriate. The training itself is very practical - with 60-70% of the time spent on practical work. The theoretical part of the curriculum also includes English, mathematics, science and civics. The training is mainly focussed on technical matters and usually does not include business skills training. Neither does the training include a practical period in a workshop outside the centre. The duration of the courses is standard 1-2 years and they are concluded by a VETA examination.

The VTCs face a high drop-out rate, sometimes as high as 30%. This is mainly the consequence of the school fees which parents are no longer able to pay. Especially girls are taken from the centre in case of financial problems.

Only few of the centres provide post-training assistance to their graduates, mostly in the form of a tool kit. The church-based training organizations generally have no linkages with the local business community to facilitate post-training employment of the trainees.

5.6.4 Results and impact

The objectives, approaches, facilities and quality of training of church-based VTCs vary considerably. Still, the impact of their training appears in general to be rather limited. Detailed statistics are usually not available, as they do not carry out tracer studies. As a rule of thumb it is estimated that one-third of the graduates have left the community and are assumed to have migrated to Dar es Salaam, one-third succeeded to find wage or self-employment locally, and one-third is unemployed and still looking for employment.

According to the authors a major role in the limited impact of the training is formed by the lack of attention during the training for employment possibilities in the informal sector. The trainees are not taught any business skills and they are said to be slow to pick up existing opportunities. They also do not receive post-training assistance and lack tools to start working. Conversely, one can say that the communities generally do not offer an attractive environment for the graduates to stay and many of them drift off to the larger towns and cities in search of employment opportunities.

Moreover, while the need for skills development is enormous, the majority of the VTCs surveyed operate below their full capacity. The training fee is apparently too high, whether it be in absolute terms or whether it be the relative fee-to-skill employability cost that is considered unfavourable. This reduces the demand for training, while many of the VTCs also experience high and rising drop-out rates (up to 30%).
5.6.5 Training costs and financing

The cost of the training provided by church-based organizations is relatively high. This is inter alia the result of their high cost structure (e.g. training centres with boarding facilities), and under-utilization of the facilities. At the same time many of the VTCs succeed to make their available resources go a long way - their training approach is often particularly careful.

At the same time, the unit costs of training in these VTCs is low when compared with those of VETA-owned VTCs. The study estimates that the training unit costs per trainee per year in the former range from TSh. 100,000-450,000, while those of the latter reach on average far above TSh. 1 million.

All the VTCs surveyed charges fees to complement other sources of funding: they range from TSh. 65,000 - 154,000 (or USD 80-200) per year. Their total contribution to the available resources varies considerably: from 7% to 91%.

Table 12: Sources of incomes and training costs, selected Church-owned Training Centres (in Tsh.)

<table>
<thead>
<tr>
<th>Name of Institution</th>
<th>Trg costs/yr</th>
<th>Trg fees/yr</th>
<th>Sources of income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fees</td>
<td>Production</td>
<td>Donations</td>
</tr>
<tr>
<td>Kasasha Village TC</td>
<td>na</td>
<td>na</td>
<td>60%</td>
</tr>
<tr>
<td>Kalwande VTC</td>
<td>734,470</td>
<td>70,000</td>
<td>7%</td>
</tr>
<tr>
<td>Hai VTC</td>
<td>375,000</td>
<td>150,000</td>
<td>42%</td>
</tr>
<tr>
<td>Kilimanjaro YTTC</td>
<td>270,000</td>
<td>154,000</td>
<td>61%</td>
</tr>
<tr>
<td>Don Bosco VTC</td>
<td>na</td>
<td>65,000</td>
<td>na</td>
</tr>
<tr>
<td>Mafinga Luth. VTC</td>
<td>450,000</td>
<td>100,000</td>
<td>20%</td>
</tr>
<tr>
<td>Tushikamane VTC</td>
<td>330,000</td>
<td>50,000</td>
<td>22.6%</td>
</tr>
<tr>
<td>Kisa Homecraft Ctr.</td>
<td>240,000</td>
<td>100,000</td>
<td>91%</td>
</tr>
</tbody>
</table>

Notes: * business activities unrelated to training undertaken for income-generation
** income and distributions from the diocese.
Source: Chonjo, Mbugua, Nyambo and Redecker 1999.

In other words, the financial base of the VTCs greatly differs: while some depend mostly on training fees to cover their costs, others get more than half of their incomes from training-related production activities, while still others obtain around one-third from non-training related income-generating activities (e.g. running a social centre with
a hall being rented out for parties and cultural activities, a ‘container business’ importing and selling spare parts).

The study indicates that the financial contribution of the workshops is often below expectations and potential. Some are not even able to meet their own running costs. They appear not to be run as a business (e.g. lacking any kind of business and production planning, absence of market research) lack of marketing skills (e.g. unrealistic pricing), poor design and quality of products, and lack of a proper maintenance of equipment.

### 5.6.6 Final observations

The training conducted by church-owned VTC is rather traditional and very much focussed on the trainees passing the VETA exams. There is no attention for the likely future career of the graduates in (self-)employment in the informal sector. In fact, the study concludes that the understanding of self-employment as a training and labour market concept is still rather weak among church-owned training centres.

The church-owned VTCs themselves feel that a major problem of their training programmes concerns the small number of trainees that can be absorbed in comparison to the high social need for vocational training. Moreover, many of the VTCs now accept that they should focus more strongly on training for the skills that are in demand for (self-)employment. Other problems they acknowledge refer to the high unit costs and continuous under-funding of the running costs incurred by the VTCs. The resulting precarious financial situation is in turn is reflected in mediocre training facilities and continuous dependence on external funding.

There is also ample scope for networking. Church-based VTCs could work together with the local business communities, for instance to organize practicals and post-training employment for their trainees. They could also network with other, public and private sector, organizations that offer services of interest for graduates who want to start their own business, such as SIDO, NGOs that run credit schemes (e.g. PRIDE Tanzania) and institutions that provide business services (e.g. FAIDA).

In this respect it is remarkable that many of the church-based VTCs, who generally state as their rationale to contribute towards the development of the communities in which they are located, in actual fact maintain very few relations with these communities, i.e. outside the immediate congregation. Their facilities are not hired out for use by others, and there are very few contacts with local firms and industries. The study suggest that the church-owned VTCs could play a much more active role and, for instance, be converted in local Small Business Centres. Such centres should have linkages with micro-finance and other MSE support institutions, act as ‘incubators’, conduct market research and provide business counselling and consultancy services.
5.7 Case study C: Folk Development Colleges

5.7.1 Background

The Folk Development Colleges (FDCs) were born out of the idea that technical and business skills needed to be promoted in the rural areas in Tanzania to support adults to engage in gainful activities as part of efforts to stem rural-urban migration. With the assistance of SIDA a total of 53 FDCs have been established since 1975 (initially one for each district). They were originally under the Ministry of Education (MoE) but later transferred to the Ministry of Community Development, Women and Children (MCDWAC), after which government support dropped drastically. Up to 1998 the FDCs graduated a total cumulative number of some 130,000 people, most of whom came from the literacy programmes of the 1970s.

5.7.2 Objectives and target group

The FDCs were primarily a tool for the Post-Literacy Education Programme of the Ministry of Education and aimed their activities not only at the youth but also explicitly at adults. They sought to transfer relevant skills for agriculture and other community-based economic activities, together with providing literacy skills and promoting Tanzanian culture. In practice the emphasis was very much on adult education. Only after the transfer of the FDCs to MCDWAC in 1990, the focus shifted to community development in a broader sense. The target is now primary school leavers and gradually also Form IV secondary school leavers.

5.7.3 Organization, staff, facilities and training curriculum

The FDCs work with permanent staff, many of whom have an educational background and few training and qualifications in craft skills development.

Originally the curriculum at the FDCs originally focused on three core areas: (i) agricultural skills, (ii) home economics (nutrition, cookery, nutrition, needle work and tailoring, and (iii) technical subjects, such as: masonry, carpentry, plumbing, electrical installation, and welding. The courses ranged from short courses, mainly geared towards adults and two-year courses for the youth. But in recent years the FDCs stopped with the short courses for adults and now focus on pre-employment vocational training for the youth, using standardized VETA curricula and preparing for formal VETA certification.

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27 This paragraph is largely based on Redecker, Wihstutz and Mwinuka 2000.
28 Around the same time in the 1980s some 3000 Post-Primary Technical Centres were set up with very similar objectives and activities, and support from DANIDA. These PPTTCs, set up by the main political party in 1997, provide a 2-years training programme in domestic science, carpentry, masonry and tinsmithing in approximately 200 centres. They tend to lack funds for recurrent expenditures, do not have insufficient qualified teachers, and use deficient training curricula. As a result PPTTCs also face a low capacity utilization: enrolment stands at some 4,000 students versus an initial capacity of 50,000 places. It can be concluded that PPTTCs are not contributing effectively at training for self-employment (MoT/Taskforce on Poverty Reduction 2000).
The interest in agricultural subjects is often low. In other words, the FDCs are no longer any different from other VETA training centres and actually complain about competition.

As the original objective of the FDCs was not vocational training, they tend to lack appropriate tools and equipment. Some do not even have the right infrastructure and facilities for skills training. And when they have tools and equipment, it is mostly obsolete and worn out.

According to the guidelines form MCDWAC, all FDCs should be guided by an Advisory Board, with ample representation form the community. In practice the intended ‘ownership’ for the FDC is not always achieved, also because of the limited room left by the bureaucratic procedures and the low frequency of Board meetings. In general the FDCs have in particular few relations with local businesses, and only one of them has an apprenticeship scheme (in motor mechanics).

5.7.4 Results and impact

There is no clear information on the impact of the training. It is thought that many of the graduates cannot find employment in the communities and migrate to nearby towns in search for (self-) employment opportunities. In the end, many of them do not work in the trade in which they have been trained.

Moreover, many of the FDCs are running considerably below their capacity (originally: 60 training places). While according to Redecker et al. the majority of the FDCs have an enrolment of less than 50%, another report states that current average FDC capacity utilization is estimated at only 15% (MoT/Taskforce on Poverty Reduction 2000). One of the main problems leading to this situation concerns the difficulties of the parents of the trainees in meeting the training fees (or willingness to do so in few of the training results?).

5.7.5 Training costs and financing

Initially the financing of the expenditures of the FDCs were to come in equal parts from the government, the communities, and through income-generating activities. With regard to the latter some of the FDCs state to have production units but their incomes are unknown (and even questionable). When in 1994 GoT stopped its contributions to only cover the salary costs of the staff, the FDCs introduced training fees. The FDCs now charge between TSh. 60,000 - 120,000 per trainee per year (there even is one FDC where the fee is only TSh. 25,000).
5.7.6 Final observations

The Folk Development Colleges in Tanzania appear to have overstayed. Their total revenue from training fees is small and inadequate to purchase new tools and equipment. As a result the FDCs are now in a vicious circle: they cannot invest in the necessary changes to improve the quality of their training and without such changes their under-utilization will decrease the incomes from fees still further.

With very small budgets at their disposal, the training courses that they conduct lack quality, in addition to low relevance and absence of follow-up assistance. In brief: upon graduation their trainees do neither possess adequate skills to enter into a formal sector job nor for IS (self-)employment.

In fact, the FDCs hardly differ anymore from other VTCs, as they have the same objectives, target group, training approach and curriculum and (lack of) impact. Only their financial problems seem to be still worse, probably affecting training quality even more than in other VTCs. In all, one wonders if they still are community development centres.

5.8 Conclusion

Tanzania has fallen back from a country with one of the highest primary school enrolment rates in Africa to one of the lowest. The level of education and training of the workforce is generally low: in Dar es Salaam, 12% of the male informal sector enterprise owners and 6% of the women have not finished primary school and 8% and 24% respectively have never been to school at all (Nell and Shapiro cc 1999).

At the same time the magnitude of the employment and training problem is unimaginable. The generally accepted and used estimate is that there are some 700,000 new entrants to the labour market every year, of whom less than 10% is absorbed by the formal sector, which is thought to generate some 10,000-30,000 new jobs per year (there are indications that this number has gone up somewhat in the past years).

The training sector has largely lost its significance. Its capacity is only a drop in the ocean, the facilities are dilapidated, the quality of the training is poor, and, most importantly, the courses are supply-led and do not meet the demands from the labour market. The vicious circle in which the Folk Development Colleges are caught, is characteristic for almost all VTCs: they need to cover an -often growing- part of their cost from training fees, but more and more the potential clients cannot or do not want to pay increased charges for the training courses as they are not convinced about the usefulness of the skills and knowledge that is transferred in finding employment.

So far there are no obvious signs that the private sector has entered into the field of vocational training. Even the traditional apprenticeship training system appears to be very weak and it is telling that Nell and Shapiro in their study reach the conclusion that
this kind of training is best left alone. No immediate examples of genuine private-for-profit technical training providers were found.

With the creation of VETA an important step has been done to bolster the guiding role of the public in relation to vocational training. The introduction of the training levy holds considerable promise, and the pilot activities that VETA is undertaking together with GTZ to develop new training approaches for skills development for the informal sector is also very encouraging. But much has to be done in terms of building up physical and human resource capacity and the widespread adoption of market-based training approaches and delivery.
6. TRAINING FOR THE INFORMAL SECTOR IN UGANDA

With an average income per capita of only USD 320 (1999), which is less than two-third of the Sub-Sahara average, and 46% of the population living below the national poverty line (and 15% in extreme poverty), Uganda is one of the poorest countries in Africa. Still, after a long period of political instability and serious economic decline, the country has in the past 15 years stabilized and achieved impressive economic growth (average annual growth was over 7% between 1988 and 1998).

<table>
<thead>
<tr>
<th>UGANDA (1999)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
</tr>
<tr>
<td>▶ population growth (90-99)</td>
</tr>
<tr>
<td>▶ pop. aged 15-64</td>
</tr>
<tr>
<td>▶ urban population</td>
</tr>
<tr>
<td>▶ labour force growth (90-99)</td>
</tr>
<tr>
<td>GDP per capita</td>
</tr>
<tr>
<td>▶ economic growth (98-99)</td>
</tr>
<tr>
<td>▶ agricultural sector</td>
</tr>
<tr>
<td>▶ manufacturing sector</td>
</tr>
<tr>
<td>Quality of life</td>
</tr>
<tr>
<td>▶ pop. below poverty line *</td>
</tr>
<tr>
<td>▶ life expectancy at birth</td>
</tr>
<tr>
<td>▶ adult illiteracy</td>
</tr>
</tbody>
</table>

* international poverty line of USD 1 per day


Uganda is still very much a rural country with only 13% of its population living in urban areas. Agriculture is the main economic sector, employing over 80% of the working population and contributing 45% of GDP. The industrial sector is still small (9% of GDP). The public sector, which in the mid-1980s was by far the main urban employer, has declined dramatically as a result of government budget cuts and privatisation of public sector companies.
According to some estimates un- and under-employment is at least 40%, and with Uganda’s labour force growing by 3.4% annually, there may be up to 600,000 new labour market entrants every year (e.g. Keating 2000 and Ekongot 2000).

Historically investment in education has been high in Uganda. After it suffered heavily during the period of political instability, the country’s education achievements are again better than in other countries in Sub-Saharan Africa: over 90% of the primary school age group is enrolled in education and the literacy rate is more than 70%.

6.1 Informal MSE sector

6.1.1 Importance and structure

The informal sector is by far the most important employer in Uganda. It is estimated that there are more than 800,000 informal MSEs operating in the country, employing approximately 1.5 million people (PSD/MSEPU 1999)\(^{29}\). This means that the informal sector employs about 90% of total non-farm private sector workers; its contribution to GDP is more than 20%. Informal sector employment is guestimated to expand by more than 20% per year.

A national MSE survey carried out in 1994/5 (USAID/IMPACT 1995) showed that 80% of the MSEs are located in the rural areas and 8% in the capital Kampala-Entebbe region. Trade is by far the most important activity, with 72% of informal sector employment, followed by manufacturing (23%) before services (6%).

The MSE sector in Uganda appears rather weak. Almost half (42%) of all firms are self-employed firms, and 52% had invested a capital amount of less than USD 53.

6.1.2 Main problems identified

The main problems identified by the 1995 survey concern: difficulties in getting production inputs, lack of working capital, insufficient market demand and various personal problems. A government policy paper on the informal MSE sector (GoU/PSD/MSEPU 1999), summarizes the problems of micro-enterprises and small enterprises as follows:

\(^{29}\) A report on a national MSE survey in 1995 indicates that the MSE sector employed at that time 2.5 million workers (see USAID/IMPACT 1995).
### Main problems for micro-enterprises

- lack of credit and saving facilities
- almost non-existing training and extension facilities related to technology transfer and micro-enterprise management
- inadequate information on business opportunities, available services, new technologies and support programmes
- lack of technical training and advice, and business management training
- inadequate information on business opportunities, available services and support programmes, new technologies, taxes/subsidies, rules and regulations
- lack of efficient sectoral organization and common interest groups
- poor physical infrastructure facilities

### Main problems for small enterprises

- limited financial services, especially investment finance
- lack of technical training and advice, and business management training
- inadequate information on business opportunities, available services and support programmes, new technologies, taxes/subsidies, rules and regulations
- unfavourable government legislation, rules and regulations
- poor physical infrastructural facilities

<table>
<thead>
<tr>
<th>Main problems for micro-enterprises</th>
<th>Main problems for small enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>lack of credit and saving facilities</td>
<td>limited financial services, especially investment finance</td>
</tr>
<tr>
<td>almost non-existing training and extension facilities related to technology transfer and micro-enterprise management</td>
<td>lack of technical training and advice, and business management training</td>
</tr>
<tr>
<td>inadequate information on business opportunities, available services, new technologies and support programmes</td>
<td>inadequate information on business opportunities, available services and support programmes, new technologies, taxes/subsidies, rules and regulations</td>
</tr>
<tr>
<td>lack of efficient sectoral organization and common interest groups</td>
<td>unfavourable government legislation, rules and regulations</td>
</tr>
<tr>
<td>poor physical infrastructure facilities</td>
<td>poor physical infrastructural facilities</td>
</tr>
</tbody>
</table>

Interestingly, while most of the problems of micro-enterprises and small enterprises appear to be similar, the paper notes that the support services needed to address them may require a different approach (ibid.).

#### 6.1.3 Government MSE policies

The Government of Uganda has taken an active interest in the development of the MSE sector. In 1996 it established the Private Sector and Micro- and Small Enterprise Policy Unit in the Ministry of Finance, Planning and Economic Development to facilitate policy formulation and to give a ‘strong voice’ for MSEs to stimulate co-operation and co-ordinate at all levels. A draft Policy Paper on MSE Development was prepared, with an agenda of actions to improve the enabling environment, increase MSEs’ access to financial and non-financial services (training, advice and extension), stimulate technology development and transfer, and improve the access to information (PSD/MSEPU 1999).

With regard to vocational training and extension services, the MSE Policy Paper refers to the imminent creation of the Uganda Vocational Education and Training Authority (UVETA) and foresees:

- the establishment of a country-wide Training of Trainer Programme in small business management (e.g. using IYB/SYB methodology); the training cost will be covered from training fees and partly subsidized
- the rehabilitation and strengthening of at least one vocational training centre in each district, to impart demand driven, tailor-made training geared towards the specific needs of MSEs; the training costs will be covered by training fees, sales of the trainees’ products, funds raised by the business community and from donors
- to these VTCs mobile training and extension facilities will be set up to deliver training to MSEs in remote areas where entrepreneurs have no access to institutionalized technical training
the implementation of a country-wide community-based skills training programme for micro-entrepreneurs organized in groups; this training will be organized by NGOs, who will select potential trainers and mastercrafts(wo)men, train them, provide them with necessary tools and equipment, for them to conduct training to MEs; the NGOs will also provide management training (the programme may be supported by the ILO).

6.2 Overview of training sector

There is a severe cultural bias against vocational training and work in Uganda. The secondary education system, which is relatively small when compared to primary education, is strongly oriented towards academic qualifications and avoidance of physical labour. The youth generally aspires for white collar jobs, which in the past meant particularly government employment. Indeed, the vast majority of VTIs feel that their students and trainees decided to enrol on the basis of their school results that did not allow them to gain entry into a more academic institution; vocational training performs a kind of residual role in an elite academic system (Keating 2000).

The vocational training sector in Uganda is very much in a flux. Institutional restructuring has created uncertainties and the long awaited government policy on vocational education and training has still not been decided.

6.2.1 Education and training policies

The institutional setting of the training sector in Uganda is at present in a state of confusion. Vocational training falls under the Directorate of Industrial Training (DIT), which was created by the Industrial Training Decree of 1972 to meet the need for industrial training to compensate for the forced departure of Indian skilled workers. DIT was to be supervised by an Industrial Training Council, which was however only established in 1992. Instead of functioning as a directorate on its own, DIT became a department of the Ministry of Labour and Social Welfare. The Training Levy Fund enacted in 1972 was never implemented. The Act also provided for a scheme of trade testing and covers apprenticeship training.

The Public Sector Reform Commission recommended in 1993 a more independent status for DIT, and a taskforce set up by GTZ similarly proposed a restructuring of DIT into the Uganda Vocational Education and Training Authority (UVETA). But in 1998 DIT was instead transferred to the Ministry of Education and Sports (MoES). This move has led to apprehension that the quality and effectiveness of training will be affected:
“the decision to place all training centres under the MoES ... ran counter to accumulated experience. Vocational training in school-based, centre-directed frameworks, in particular when carried out with Ministries of Education, is inefficient because of the immense burden placed on the government and because its results are not accepted by the labour market” (Moll 1998:7).

Moreover, MoES has announced plans to implement vocational training in school-based structures (the ‘vocationalization’ of primary and secondary education), integrate vocational institutes and centres, and increase the length of the training from three to four years. It is feared that this will mean that such long-term courses, that supposedly lead to practical skills, will become even more than is already the case, a second-best way for students to pursue the desired academic career. It will also further increase the cost of the training, and because of the resources involved lead to a de facto neglect of short training courses to transfer employable skills. As a result “those most in need of training will be excluded from the system” (ibid.).

The proposed UVETA is expected to stay away from basic training delivery but rather focus on promoting, financing and co-ordinating all formal and non-formal training activities. Its main task would be (Moll 2000) to:

- develop and monitor an output-oriented training system
- standardize training and improve its quality
- promote industry-based, cooperative and privately conducted training provision
- conduct instructor and supervisor training
- administer the National Training Fund.

6.2.2 Public sector training providers

The total capacity for vocational training in Uganda is very limited. The public sector, i.e. DIT operates presently in only four training centres (at Lugogo, Kasawa, Jinja and Masulita). Of these centres the Lugogo VTC is probably the best equipped one as it received GTZ support for some time. Total enrolment in state-owned VTCs in 1993 was only just over 500 students and trainees, the large majority (91%) of whom were male:

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30 The Nakawa VTC is now being upgraded with support from JICA.
Table 13: Enrolment in state-owned vocational Training Centres (1993)

<table>
<thead>
<tr>
<th>Trade</th>
<th>Total</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical installation and fitting</td>
<td>121</td>
<td>97%</td>
<td>3%</td>
</tr>
<tr>
<td>Painting and decoration</td>
<td>22</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>Plumbing</td>
<td>36</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Fitting and machinery</td>
<td>60</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Welding and fabrication</td>
<td>79</td>
<td>99%</td>
<td>1%</td>
</tr>
<tr>
<td>Carpentry and joinery</td>
<td>67</td>
<td>99%</td>
<td>1%</td>
</tr>
<tr>
<td>Brick &amp; block laying</td>
<td>71</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Auto mechanics</td>
<td>7</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Motor vehicle mechanics</td>
<td>14</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Weaving and tailoring</td>
<td>34</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>511</td>
<td>91%</td>
<td>9%</td>
</tr>
</tbody>
</table>


Some changes have been introduced since then. The Lugogo Training Centre, for instance, which before explicitly trained for industry, under the influence of changing labour market conditions (and GTZ), now provides ‘basic skills training’ for the youth, i.e. training for a craft level certificate that will take two years (3,360 hours). In addition to the technical skills, the students and trainees now also receive training in business skills (for three months), which results in the award of a certificate in Entrepreneurship.

Still, the number of trades for which training is given is very limited: automotive electric; auto electric; brick and block laying and concreting; carpentry and joinery; electrical general; electronics; fitting and machining; painting and decorating; plumbing and pipe fitting; and welding and fabrication. The entry requirements are ‘O’-levels. The trainees have to pay a fee of USh. 85,000 per term for full-time training (3 terms per year), and USh. 65,000 per term for part-time training in evening classes (80 hours). The fees are estimated to cover only 25% of the real costs of the training.

One of the reasons of the high training unit cost in the Lugogo VTC would appear to be the high level of staff. The centre has 40 instructors and 30 administrative and support-ive staff - while the training capacity is only 240 trainees (120 per 2-year course level) and 200 trainees who come for skills upgrading or training in evening classes.

In an interview with the principal, reference was made to a study carried out in 1996 which was said to indicate that some 15-30% of the Lugogo pass-outs subsequently entered into self-employment.
6.2.3 Private Training Providers

There are believed to be over 600 Private Training Providers (PTPs) in Uganda, of whom 187 have registered with MoES (Moll 1998). Most of them are church-based training centres.

In recent years numerous PTPs have come up but most of them focus on office qualifications (e.g. computer competences) and various business skills, which require only limited investment and can attract large numbers of students and trainees. They are not always easy to find, as they are generally unknown by the practitioners working in government ministries, donor-projects and non-governmental organizations. Below some information is presented on a few private training institutions conducting technical training courses (see Case study B).

The private training providers appear to be all registered with UVETA and also to usually follow the official standardized training curricula as their main aim is to prepare the trainees for the government-run trade test so as to obtain an official training certificate. In this way most PTPs are incorporated within the formal vocational training structure.

Recently an Association of Private Sector Training Providers has been established. It is still small with some 20 members, and has not yet undertaken any substantial activities. It has a full-time president (a former VTC principal) and a secretary. The Association was the intended counterpart of a KfW-funded project to support private training providers, but the collaboration did not materialize.

6.3 Apprenticeship training

In view of the low capacity of existing training institutions in Uganda, there can be no doubt that most of the skills of workers in the formal and especially the informal sector have been developed in informal ways. Reference is frequently made to the traditional apprenticeship in the country, but it would seem rather under-developed when compared to West-Africa and even neighbouring countries such as Kenya.

It would even appear that the term ‘apprentice’ in Uganda is only applied to a specific group of enterprise-based trainees. This would appear to be due in part to the existing regulations for apprenticeship with regard to contractual aspects (e.g. entrance requirement, period, termination, etc.) as well as content, testing and certification. Informal workshops cannot comply with such regulations which were enacted with an eye on enterprise-based industrial training in the formal sector. As a result, MSEs hesitate to call their trainees ‘apprentices’. In fact, it would seem that a more or less formal master-apprentice relation exists in the case of students and trainees who are placed in a business by vocational training institutes for ‘industrial training’. While no particular training programme is followed, at least the training period is known (3 months). Usually no payment is made, either by the VTI or the trainee, for the enterprises to provide training.
Conversely, the trainee will not receive any income during this period, except some incidental pocket money for personal expenditures.

Most of the skills transfer in the sector will then take place without being considered as such by the business owner or the person hoping to obtain technical skills. S/he will ask to be taken on as an unskilled assistant, probably earning almost no income. The skills development, if any, will occur entirely ad hoc through observation of ongoing productive activities and the occasional rendering of mostly unskilled auxiliary tasks. No training is purposely given and there is no generally accepted period for the training to last. If the trainees feel that they have learned enough to get a better paid job elsewhere they will leave.

6.4 Training needs of the informal MSE sector

Little is known about the level of technical skills in Uganda’s informal sector and the present needs for skills training. In view of the limited capacity of vocational training in the country, it can be safely assumed that most of the technical skills of the IS operators have been acquired in the informal MSE sector itself, most probably during a prolonged period of apprentice and as low-paid casual worker. This is born out by the 1995 National MSE Survey (see USAID/IMPACT Ass. 1995) which shows that the majority of all workers in the MSE sector is entirely without skills, while 16% acquired skills through the apprenticeship system and only 6% of the IS workers has a certificate from a vocational training institute. These statistics would appear to validate the earlier notion that ‘apprenticeship’ in Uganda refers to only a small portion of all the skills that are transferred in the IS (see above).

The percentage of unskilled workers goes up as the size of the enterprise gets smaller, and is also higher for rural MSEs when compared to urban ones.

In spite of this low skill level, the 1995 MSE survey found that less than half of the IS operators indicate to be in need of any training. Among the others, more are interested in management training (23%) than in technical training (17%). There are other indications, however, that demand for training is indeed very high, for instance among the 45,000 clients of micro-finance institutions in Uganda (Mbeine and Anderson 1998).

6.5 Case study A: Philanthropy-inspired Training Centres

6.5.1 Search for private training providers

During its visits to Uganda, a special effort was made to identify Private for-Profit Training Providers (PPTPs). Two sources of information were used to arrive at a list of potential PPTPs operating in Kampala: a list from FIT Uganda and suggestions of two key informants well acquainted with the training of informal sector operators in Kampala.
The list of FIT Uganda contained 90 names and addresses of organizations and individuals who reacted to an advertisement in the national paper for private training providers. Thirty of them had an address in Kampala, of whom a dozen by appearance were involved in technical training. Many of the telephone numbers were found to be out of service and in the end four of the names were contacted (of whom three worked with the same organization). At the suggestion of the key informants, two other organizations were contacted, while a further two were visited as the result of their roadside signs.

6.5.2 Busega Domestic Science College

The Busega Domestic Science College (BDSC) is said to be well-known in Kampala as a trainer for girls. It was started in 1958 by a woman who had been working long-time in the public sector, who together with five other women formed a Mothers’ Union. Land and buildings were found. The initiator passed away last year and the training is continued by the others, one of whom has become the principal.

BDMC aims to provide skills training to young women, without being specific if the skills are subsequently used in formal wage-employment or informal self-employment. It takes girls of 15 years and above, if possible with O-levels. They advertise in the newspapers, and interview the applicants. Some emphasis is placed on an adequate command of English as the tuition is in English. BDSC has a capacity of 40-50 trainees. At the moment is has 40: 12 in catering, eight in tailoring, nine in screen weaving and knitting, and 12 in secretarial training. The courses follow the government prescribed training curricula. The courses take 1-2 years. The trainees sit for examinations at DMC which has been licensed for issuing certificates.

BDMC has six trainers who appear relatively well qualified (most have certificates and one a university degree). They have no business experience. Their level of remuneration was said to be lower than that of government trainers (but they are “at least paid on time”).

In accordance with the standard training delivery, the girls are sent for enterprise attachments, for instance with hotels in Kampala. This has positive consequences for the post-training employment of the trainees, some of whom obtain a job with the enterprises with whom they were attached during their practical. No statistics were kept of the employment results of the training, but it was thought that most of them either found a job: the catering graduates in hotels, the weavers as teachers in other training organizations and the secretaries in the modern sector or with the government, or set up their own business: the tailors producing school uniforms.

BDMC charges training fees of USh. 110,000 per term (USh. 150,000 for boarders). This would mean that a total course costs around USD 500. The total budget of BDSC is USh. 2.75 m. per term for electricity, repairs and welfare of trainees, and USh. 0.55 m. for salaries of the teachers. This would mean that, if indeed all the costs are made by these two
categories, in case half the trainees are boarders, BDMC yields a profit of only USD 1,000 per term for its five owners.

6.5.3 Makerere Vocational Training Centre

A similar case is the Makerere Vocational Training Centre (MVTC) which is locally known as the initiative of a wealthy business cum politician to stimulate skills development among the youth. He set up MVTC under the umbrella of the Kiseka Foundation. Mr Kiseka passed away in 1998, and the Centre is now in a somewhat dilapidated state.

While the VTC has capacity for some 30 students, there are at the moment only five: four in electrical installation and one in tailoring. It has almost no training equipment (of the four sewing machines, one is “missing”). Almost all the teaching staff has left - as no salaries have been paid for months. Since the death of the benefactor, not even the transport allowances have been paid. The principal sees few possibilities to exploit the centre on his own. His only hope is now that the Ministry of Education, or the Association of Private Sector Training Providers, will come to the rescue of MVTC.

6.5.4 Final observation

It would seem that VTCs such as BDSC and MVTC, while indeed operating without subsidies, are a kind of ‘forced’ private training providers. Their origin is not so much a perceived business opportunity, but they were rather set up by an enlightened notion of need to support the poor with skills, which at the same will stimulate economic development of the community.

A lack of business acumen, especially when the initiator him/herself is no longer involved, usually means that these PTPs remain rather conventional in their training courses and delivery. They are not necessarily led by the developments on the labour market, and their training courses are not even always immediately relevant for work in the informal sector.

Moreover, they tend to lack a clear vision on the role of vocational training in relation to changing labour market opportunities and necessities, as well as even the minimal investment funds and appropriate management structures and capabilities. As a result, they tend to be rather rigid in their operations, seldom flourish and often teeter on the brink of collapse.
6.6 Case study B: Mengo Institute of Technology

6.6.1 Background

The Mengo Institute of Technology (MIT) was started in 1991 by two partners. Both of them have solid technical background and experience in teaching and training. They felt at that time that there was sufficient demand for training to ensure them a better income than a teaching salary elsewhere. The institute was started with minimal capital and just a few students. Subsequently they found a third associate who owned suitable facilities (formerly the Uganda Gospel Rehabilitation Centre). This associate withdrew and now the premises are rented. One of the two remaining partners works full-time as MIT’s principal, while the other is also lecturing at Kyambobo Polytechnic.

6.6.2 Training offerings

MIT offers, according to its brochure 22 courses at craft and advanced certificate level, and part- and full-time diploma level. While the courses all lead to trade-testing and government skills certificates, it is clear to all those involved that many of the graduates will end up in the informal sector. The training follows the established government curriculum, which means that the courses take two years for a certificate at craft level, and another year for the follow-up course to get an advanced certificate. The diploma courses also take two years. As part of the course, MIT arrangements for enterprise attachments (‘industrial training) for the trainees in both large modern firms (e.g. Toyota) and informal workshops.

Table 14: Mengo Institute of Technology: enrolment 1999-2000

<table>
<thead>
<tr>
<th>Course</th>
<th>1999-I</th>
<th>1999-II</th>
<th>1999-III</th>
<th>2000-I*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical installation B (craft cert.)</td>
<td>27</td>
<td>14</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Motor vehicle technician B (craft cert.)</td>
<td>20</td>
<td>20</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Radio &amp; television service (craft cert.)</td>
<td>17</td>
<td>11</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Bricklaying and concrete (craft cert.)</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Electrical and Electronics (ord. dipl.)</td>
<td>9</td>
<td>8</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Civil engineering (ord. dipl.)</td>
<td>13</td>
<td>10</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Architecture (dipl.)</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>67</td>
<td>51</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: Information from the Mengo Institute of Technology
Its maximum capacity is over 100 trainees over two shifts (morning and afternoon). At the moment they have less than half of their training places filled as the drop-out rate is high, on average as much as 50%. A few years ago this was far lower, around 20%. The main reason given for this increase is the difficulties that the students have to come up with the fee (most of them pay themselves). The exact cause behind this is not immediately known. The drop-out students who have passed the internal exams still get an MIT certificate of attendance.

### 6.6.3 Training, trainers and trainees

Most of the students are young (between 18 and 35) and male (although there are some female students in electronics and electrical installation). They need to have ‘O’-levels for the craft certificate level courses, and the craft level certificate for the advanced certificate level courses. Work experience can replace educational qualifications to a certain degree. The tuition is done in English. Some of them come from very far - according to the management because of the institution’s reputation. Many of the students have a job, often in an informal workshop. They come in the morning and work in the afternoon.

MIT employs 22 trainers, who are paid on an hourly basis. Their certified skill level has to be at least one higher than the level of the course they teach. Some of the elderly ones have considerable work experience, but many are still studying, e.g. at the university. About a third of the trainers have their own (small) workshop - it is felt that they make good trainers (and sometimes earn bonuses).

One of the main problems of the institute is the lack of workshops and even training equipment. In the auto mechanics course, for instance, some auto parts are available in the class rooms, but 80% of the time is spend on theory. Only one day a week somewhat more practical lessons are given, and for the real hands-on experience, the students have to wait until the period of ‘industrial training’. MIT’s intention was different and it hopes to upgrade its facilities in the future for more practical approach.

### 6.6.4 Results and impact

Between 60-80% of the MIT students who sit for exams pass, some with honours. The MIT training results are said to compare well with those of other institutions, including those of government VTCs whose students tend to be better qualified.

MIT has recently started to note the post-training experience of those pass-out students who visit the institute to ask for a favour, etc. In this ways it hopes to get some feedback on the results of its training. Of the around 40 ex-trainees on the list, 25% are recorded as self-employed, while the others are now in wage-employment. None of those registered is unemployed, but it may well be that those unemployed have less reason to pass by the institute. The principal estimates that the post-graduate situation is split more
or less evenly between job in a formal sector company, informal sector employment and unemployment.

### 6.6.5 Training costs and financing

MIT is a private training institution and therefore seeks to cover its costs from the training fees charged to the trainees. In 2000 the fees for the training courses range from USh. 80,000-90,000 (some USD 45) for certificate courses to USh. 130,000 for diploma courses (USD 72), both per term of three months.

The principal openly admitted that the training provided by MIT is not as profitable as originally expected. In fact, the audited accounts for 1999 show a deficit of over USD 6,000. The cost and income structure is more or less as follows:

**Table 15: Mengo Institute of Technology: training costs and revenues**

<table>
<thead>
<tr>
<th>Mengo Institute of Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues 1999:</strong></td>
</tr>
<tr>
<td>from training fees</td>
</tr>
<tr>
<td>from boarding fees</td>
</tr>
<tr>
<td><strong>Expenditures 1999:</strong></td>
</tr>
<tr>
<td>salaries (principal and trainers)</td>
</tr>
<tr>
<td>administration</td>
</tr>
<tr>
<td>student expenditures</td>
</tr>
<tr>
<td>exams</td>
</tr>
<tr>
<td>other expenditures</td>
</tr>
<tr>
<td><strong>Audited loss after provisions, in 1999</strong></td>
</tr>
</tbody>
</table>

*Source: Information from MIT*

The situation is even critical, as the Uganda Revenue Authority has recently issued a tax invoice of USh. 1.5 million. As it turns out, the tax exemption for education and training institutes that was in existence under legislation from the 1970s, has been withdrawn in view of the large number of private facilities for kindergarten, primary and secondary education, many of whom are doing brisk business. URA feels that even when MIT is not doing well at the moment, it has accumulated ‘arrears’ in tax payment.

Even without the tax threat, the financial situation of MIT is difficult. The principal feels that the salaries of the trainers should be increased. So far, staff turnover has re-
mained low, mainly thanks to the open approach of MIT’s management. The institution would like to invest in its facilities and equipment, but this is presently not profitable.

MIT has only few relations with the Department of Industrial Training. It is however being invited for seminars on vocational training and has recently been invited to attend a training-of-trainers organized by DIT. It also tried to qualify for assistance from a KfW project supporting Private Training Providers. MIT is a member of the Association of Private Training Providers. It would like to receive assistance in the areas of equipment, subsidies for trainer salaries and training-of-trainers.

6.6.6 Final observations

MIT is an example of a genuine private training provider. Its owner perceived a niche in the training market and started their business. Profits have so far remain below expectations, but the management keeps hoping for higher revenues, e.g. through increased enrolment. Interestingly, the management recently developed new training courses in welding, radio repairs, motor rewinding and catering, in view of good demand for them. These courses will take 3-6 months and given in the evenings (a third shift). As no official curricula for these courses is available, the staff of the institution will develop them. As no formal certificate exists for them, the pass-outs will get an MIT certificate of existence. Another indication of the demand-led nature of the training, the institution has recently added computer and business skills courses to its offerings. It is also considering to include some business skills training in the technical courses.

6.6.7 Kampala Polytechnic

Another PPTP, the Kampala Polytechnic Mengo, is located close to the MIT. Without entering in much detail, the general picture that could be made of KPM confirms the understanding of PPTPs that was gained in the interviews in MIT.

KPM is a private training provider started by a professor from the Technology Faculty at Makerere University and a companion. The classes are given in a rather dilapidated building where hardly any training equipment is available. In all, training is given to some 300 trainees, who are organized in three shifts.

The courses given by KPM include brick laying, carpentry, electrical installation, radio & television electronics, motor vehicle technology - all at craft certificate level; building & engineering, draughtsmanship, mechanical and production engineering - at ordinary diploma level; and civil engineering and surveying - at higher diploma level. The courses are given full- and part-time. The most popular one is training on building & engineering, which draws some 70 trainees. Last year, some 40% of those who sat for the exams in this subject passed.
MIT does not have any information on the post-training careers of its pass-outs. It feels however, that most if not all its graduates find employment. The City Council of Kampala was mentioned as an important employer in this respect.

### 6.7 Case study C: Private workshops that offer skills training

This Case study is largely based on interviews with a number of informal sector operators, mostly in the metal-working trade, who were, or had been, involved in the training of apprentices.

#### 6.7.1 Tree Shade Metal Production

The Tree Shade metal workshop appears on the FIT list. Its owner is relatively well-educated (grade-II in engineering) and keen businessman (he is an active member of USSIA and the Gatsby Business Club). His daughter is now enrolled in the metal section of the Lugogo Vocational Training Centre.

The workshop regularly takes on apprentices, especially through the relation that Tree Shade developed, through the Gatsby Trust, with the Technology Faculty of Makerere University. In this way technology graduate students come to work for their practical period in the workshop. Sometimes others apprentices (or their parents) approach the owner directly. The apprentices are selected on the basis of their education (if possible secondary education) and basic understanding of technical matters. At the moment of the visit, Tree Shade had only a few apprentices, as eight of them had just gone back to university after their practical.

An important reason for the workshop owner to take apprentices stems from the fact that it is difficult to get good skilled labour. Indeed, the worker interviewed turned out to have been a trainee in the workshop during his university study in engineering. He returned upon completion of his study to get further training in practical matters.

The owner does not demand an apprentice fee from the trainees. At the same time, the trainees get only a small remuneration for their labours. During his practical, the worker received financial support from the university (some USD 250 per term), and in addition, earned some small money from the workshop (e.g. USD 30-40). Since his return to the workshop, he has not discussed his income position; he is foremost interested to learn and for the time being he is content with the food and lodging provided by his boss. He feels that USD 222 per month (!) would be a normal wage for somebody with his education and experience.

There is no fixed programme for the training of trainees. The teaching depends on the repair and production jobs that have to be done. The trainees do not sit for any kind of examination. They stay until they feel that they have learned enough. Usually they move on after two years to work in other workshops, where, according to the workshops owner, they can get a better salary.
Of all the training providers visited, the Tree Shade workshop would appear to be the most relevant. The workshop is relatively well equipped (e.g. lathe and bending machines), and the owner seems to have good technical knowledge together with ample engineering ingenuity (e.g. the apprentice proudly showed a piece of equipment that was developed for use in the workshop). It might be that in absence of a training fee, the owner under-pays the trainees, for which reason they leave after some time, even to small workshops. The level of remuneration may however also be related to the slow pace of business, which in turn could be related to the fact that the workshop does not appear to be optimally located as there are not many other workshops in its area. The owner is in fact considering moving to another area.

6.7.2 Apprenticeship ‘projects’

A somewhat similar training approach is adopted by other businessmen who mobilize ‘trainees’ as cheap workers. Examples are the Katwe One-Youth Development Project and the Foundation for the Advancement of Small Enterprises and Rural Technologies (FASERT), who both give skills training to the youth.

The Katwe One-Youth Development Project formally consists of a group of local businessmen with small workshops who were given a terrain of land by the Buganda family at a subsidized rate for them to provide training to the youth. The ‘project’ is registered as a private company. In the past it received some small support from CARE and other NGOs, The youth, many of whom are only 10-15 years old, are brought in by organizations working with street children or parents. They sign in daily and, depending on the orders to be carried out, are attached to one of the workshops for the day. There is no clear, predetermined training programme, and in many cases the ‘training’ takes place merely by watching how the owner or worker(s) of the workshops carry out the job. They do not pay for the training and they also do not get paid for their efforts, except for an incidental USh. 500 (USD 0.28) to buy food or refreshment. The valuable exposure that the youth get to technical skills would appear to imply almost gratis labour for the businessmen involved.

The FASERT workshop where youth are trained in panel beating, was only visited very briefly. It similarly raises the question as to the guarantees that the rewards of the ‘training’ process are evenly divided among the business (cheap labour) and the trainees (employable skills). At a cursory glance this does not appear to be the case.

6.8 Case study D: Uganda Gatsby Trust ‘business clubs’

The Uganda Gatsby Trust (UGT) forms part of the UK-based Gatsby Trust organization that was started by Lord Sainsbury - there are sister organizations in Tanzania and Kenya; their activities differ. In Uganda, Gatsby was started in 1991 by Dr Byaruhanga, who is a lecturer at the Faculty of Technology of Makerere University. It has a board on which
serve Gatsby UK, the Vice Chancellor of the University, and Uganda private sector businessmen. UGT has a professional staff of four (director and three assistant managers - for extension services, technology development and administration).

The main services of UGT are: (i) MSE extension services by faculty staff, (ii) attachment of graduate students to MSE workshops, (iii) loan scheme and (iv) show rooms. The MSE interested in these services have to become members of so-called ‘Gatsby Business Clubs’ which have been established (together with USSIA) in 11 districts, for a total of over 500 members. The membership fee for these clubs is astoundingly high: USh. 100,000 per year (which in the beginning was USD 100 and now still over USD 50). It would seem that the members are willing to pay such a high fee as the membership is more or less a guarantee for a loan from the Gatsby loan scheme.

Through the Business Clubs, UGT provides training and extension services to MSEs. While initially it was thought that the main problems of the informal sector would be of a technological nature, enterprise assessments by staff of the Technology Faculty made it clear that they also need upgrading of their business practices. The Business Clubs there organise seminars in business planning, management, resource mobilization, productivity and quality improvement, bookkeeping and costing, marketing and credit management (see Byaruhanga and Musaazi 1999).

The extension services touch more on production side problems. For instance, 1-2 faculty staff spend a week in a particular district to visit all the affiliated MSEs and provide advice on ways to improve their productivity and the quality of their products; emphasis is also placed on equipment maintenance. This interesting use of staff of a technical department of the university is facilitated by a field allowance for the staff of some USD 300 for a 5-day trip, which is about a month’s salary for a university lecturer.

The marketing services of UGT consist of show rooms where the products can be put on display; sponsorship of small producers to visit or participate in local and regional trade shows; and linking up members of UGT Business Clubs to promote internal trading.

While UGT is striving for significant cost-sharing by its clients, so far the membership fees of the Business Clubs do not cover the entire costs of the UGT services. UGT receives financial support from Gatsby UK and some funding for training from the EU and other donors. A sizeable part of its incomes comes from two commercial operations: a foundry and a garage on Makerere campus.

Recently UGT has initiated another support service for the MSE sector: development and transfer of technology, which again will involve students and staff of the Technology Faculty of Makerere University. The first piece of equipment that was developed was a machine for the production of interlocking bricks. The transfer will be done by training the Business Club members in its production, under the provision that UGT will get a 5% commission on all the pieces sold (still to be tried).
Uganda Gatsby Trust does not service the bottom-end of the informal sector, rather it goes for ‘winners’: small producers who are serious and entrepreneurial, and whose business show potential for growth. It is assumed that these characteristics are reflected in the willingness and capacity to pay the rather high membership fee of the Business Clubs.

In conclusion, it would seem that Uganda Gatsby Trust is of interest for training for the informal sector for the following reasons:

- interesting manner to focus on ‘winners’, selected by high membership fees
- use of university personnel for MSE extension services
- link with a technology development centre
- interesting practice of cross-subsidies on the basis of commercial activities.

At the same time it must be said that the sustainability of this service model still needs to be proven. In fact, some observers of the field of MSE development have observed that the provision of services without direct cost-sharing such as the training and extension services, is having a distortionary effect on the market for such services (possibly they were not aware of the membership fee of the Business Clubs, assuming that such services are indeed only strictly available for their members).

6.9 Case study E: UNIDO/USSIA/Uganda Gatsby Trust mastercrafts(wo)men training

As part of its Uganda Integrated Programme, UNIDO is currently implementing an interesting ‘mastercraftspeople’ project. The project essentially aims to provide demand-driven and sustainable advisory services to the MSE sector. It expects to do so by developing the capacities of ‘star’ entrepreneurs operating at district level in the project’s priority sectors: metal working, carpentry and masonry, electrical installation and electronics, textiles, food processing and leather products.

The project collaborates with: the Uganda Small-Scale Industries Association (USSIA), Gatsby Trust, the Nakawa and the Lugogo Training Centre of DIT, as well as with sectoral support centres: ULAIA for leather and TEXDA for textiles. The project has a small staff: a project director (based at USSIA), two local consultants in engineering, and an international consultant in small business development. The total budget for the 2-year project is USD 877,000 funded by DANIDA and JICA.

The project started with consultation workshops that were held in six districts with some 600 small producers. They indicated to be willing to pay a fee of USh. 5,000-10,000 per day for quality advice and skills training. During these workshops candidates to be trained as MSE advisors were selected, inter alia on the basis of their acceptance as advisors by their peers.

Since September 1999 around 180 mastercraftspeople working in the priority sectors have been trained as trainers. The main topics included: adult learning principles,
setting of training objectives, different training methodologies, training needs assessment (TNA) and task analysis, curriculum development and demonstration techniques. Through performance assessment and visits to the workshop the number of prospective MSE advisors has been brought down, and 109 mastercraftspeople went for the second round of training: technical skills upgrading (18 of them are women - one of them in carpentry). This was done through one month, full-time attachment to the participating DIT VTCs. The next training consisted of training in ‘industrial extension’, including such topics as production management and planning (product sampling and plant lay-out), human resource management, financial management, marketing for competitiveness, and, as a practical exercise, an in-plant study of an actual enterprise. In all, some 20 advisors will be trained per district, i.e. three per economic sector. These mastercraftspeople will continue their production activities - the advisory services are, for the time being anyway, a sideline activity.

The mastercraftspeople have now started their advisory services. In addition to in-plant advice, they will conduct TNAs together with local VTCs and set up skills upgrading courses for local producers. There is so much interest for such technical training that in those instances where there are not enough small producers to participate in them to ensure a total fee revenue to cover the costs of the course (‘break even’ fees have been established: USh. 125,000 per week, including food and lodging), the prospective training participants are willing to pay more to make up for the deficit.

The project seeks to build up local capacity, in this case mainly of USSIA, to continue the programme after the closure of the project. It has formed Project Management Committees at district level (members: USSI, Gatsby, UNDP Private Sector Development Programme, and two of the trained MSE advisors). It expects the USSIA branches and Gatsby Business Clubs to become self-sustainable by providing industrial extension services, skills upgrading courses (together with local VTCs) and the provision of various secretarial services (e.g. telecommunications - telephone and fax, computer services, photocopying, electricity (from a generator) and (motorbike) transport. The capital equipment needed for these services is now installed by the project.

The main lesson of the project so far is that the mastercraftspeople who were trained as MSE advisors have clearly grasped the idea that the operations of local MSEs can be improved, and that they can be instrumental in this. They show a sense of voluntarism to assist their peers and get satisfaction from belonging to a cadre that makes a concrete contribution to the upgrading and development of the MSE sector. The incentive is not so much material - in fact, so far they are not being remunerated but only get their expenditures reimbursed. There is little sense of being competitors - in fact, there is a notion of establishing a kind of ‘brandname quality’ for all the goods and services produced by the small producers from one area.

The project has still other ambitions: to form self-help groups in the district centres for bulk purchasing of materials and marketing, and possibly even the operation of com-
mon facilities; to set up an equipment leasing facility (with Uganda Gatsby Trust); curriculum development for entrepreneurship development; and deregulation assistance to facilitate the registration of small business and obtain trade licenses (together with DfID).

6.10 Conclusion

Vocational training and education systems in Uganda face a whole range of constraints, such as cultural bias, lack of direction, limited capacity, too traditional approaches, which make them very ineffective.

The training in both public and private VTIs is largely theoretical, with practice deferred to the period of attachments for industrial training. The training facilities are by and large inadequate and there is a lack of qualified instructors. The curriculum, testing and certification is highly centralized. Entrepreneurship development is usually not included in the training. The cost of the training is high, especially in those VTCs that offer boarding facilities.

The adherence to centralized curricula seriously affects the flexibility of the training providers to adjust their course to developments in the economy and changes on the labour market. The market outcomes of most, if not all, VTIs are poor.

Uganda has progressed less than its neighbours in the formulation of coherent training policies. moreover, the institutional framework of the training sector is not yet fully clear and can therefore not operate effectively. Donors play here a major and possibly confusing role.

Total training capacity is almost negligible when compared to the need for vocational training. Private training providers have started to make up some of the gap left by the public sector when it comes to technical training, but their efforts appear still rather incipient. While this role of the private sector is now being acknowledged, it is not yet fully explored as part of the proposed new strategy for vocational training.

Interestingly, network relations are being formed gradually between the different training providers. For instance, some of the small NGOs involved in skills training lack adequate premises and equipment for practical work, send their trainees in groups for a practical period to one of the public sector VTCs (cost: USh. 50,000 per month plus costs of materials for a group of five trainees, which would costs at a private training institute some USh. 300,000).

Care needs to be taken in dealing with ‘private training providers’. This category appears to include a wide variety of training offerings. From the, limited, findings described above, the following prototypes may be distilled:
1) *philanthropic PTPs* which were started by benevolent public servants or business(wo)men, which, possibly after having enjoyed some kind of external assistance, have been forced to ensure self-financing operations as all sources of revenues dried up.

2) *production PTPs* which have manufacturing or repair as their first line of business, for which they make use of young unskilled workers and trainees, who, since they are supposed to obtain useful skills, receive a below-normal remuneration for their labour - some of these businessmen carry out this type of training under the banner of an NGO or something similar and actually achieve at times donor funding for their ‘training’.

3) *side-line PTPs* activity for professionals who are already in the training business, usually in the public sector (e.g. university or polytechnic) and have started a private training business, sometimes even using the facilities to which they have access because of their primary activity.

Only the latter category can be said to view training as a business opportunity, and arguably would constitute an interesting group of training providers whose capacity, along the lines of the new BDS paradigm, could be built up in the expectation to arrive at sustainable service delivery.

Finally, the findings from Uganda also seems to show that private for-profit providers of training for the informal sector tend to adopt informal sector characteristics themselves. They are difficult to define, to find and to interview.
7. TRAINING FOR THE INFORMAL SECTOR IN ZAMBIA

Zambia is one of the most urbanized countries in Sub-Sahara Africa. After Independence (1964) the country adopted a humanist and socialist development pattern with heavy emphasis on import-substitution industrialization - at the neglect of the agricultural sector. In 1991 the country returned to multi-party politics. Its economic fortunes have been very closely related to the world market price of copper, which, with some fluctuations, has been essentially declining since the mid-1970s. As a result poverty has steadily increased in the country, and especially after the adoption of a series of Structural Adjustment Programmes in the early 1990s real consumption per person has fallen significantly and most social indicators declined substantially.

<table>
<thead>
<tr>
<th>ZAMBIA (1999)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
</tr>
<tr>
<td>› population growth (90-99)</td>
</tr>
<tr>
<td>› pop. aged 15-64</td>
</tr>
<tr>
<td>› urban population</td>
</tr>
<tr>
<td>› labour force growth (90-99)</td>
</tr>
<tr>
<td><strong>GDP per capita</strong></td>
</tr>
<tr>
<td>› economic growth (98-99)</td>
</tr>
<tr>
<td>› agricultural sector</td>
</tr>
<tr>
<td>› manufacturing sector</td>
</tr>
<tr>
<td><strong>Quality of life</strong></td>
</tr>
<tr>
<td>› pop. below poverty line *</td>
</tr>
<tr>
<td>› life expectancy at birth</td>
</tr>
<tr>
<td>› adult illiteracy</td>
</tr>
</tbody>
</table>

* international poverty line of USD 1 per day


In spite of the economic reforms, Zambia’s economic performance in the 1990s has been disappointing. Continued declines in the output of most economic sectors, and especially mining, manufacturing, construction and, during the drought in 1992, agriculture, have led to enormous job losses in the formal sector, sharply declining private sector earnings, and worrisome increase in poverty (see e.g. McCulloch et al. 2000). Noteworthy, there has been a substantial change in the geographical prevalence of poverty in Zambia during the 1990s: while in 1991 poverty was far more prevalent in the rural areas than in the urban areas, a sharp increase in urban poverty combined with an improvement in the
rural standard of living in 1996-98 has resulted in a much narrower difference: 77% of the rural population were counted as living below the national poverty line against 63% of the urban population.

7.1 Informal MSE sector

Although there is more information on the informal sector than is sometimes assumed, only little of it is straightforward. Possibly as a result, many of the documents on ‘training for the informal sector’ quote incorrect numbers about the size of the IS (e.g. 2.3 million or 70% or more of the labour force).

7.1.1 Importance

Following the general practices that the informal sector, both in rural and urban areas, refers to non-agricultural employment, the size of the informal sector in Zambia can be estimated at around 700,000 workers. For most of them, their income from informal activities is the only source of income: only 8% of those in the urban informal have a secondary job (CSO 1997a).

Table 16: Estimates of the size of the (non-agricultural) informal sector in Zambia

<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household budget survey report 93/95</td>
<td>self-employed, unpaid fam. workers and employees in firms with less than 5 workers (excluding professionals)</td>
<td>during agric. off-season: 640,000</td>
</tr>
<tr>
<td></td>
<td>or: workers in firms with less than 5 workers without paid leave and pension entitlement *</td>
<td>during peak agric. season: 368,000</td>
</tr>
<tr>
<td>Living conditions report 1996</td>
<td>Ibiden</td>
<td>1,110,000</td>
</tr>
<tr>
<td>Economic report 1999</td>
<td>unknown</td>
<td>726,990</td>
</tr>
</tbody>
</table>

Note * It is not immediately clear if regular wage workers in firms with less than 5 workers are included or not. It would seem that the other two conditions posed (without entitlements to paid leave and pension) will effectively mean that they are included, but CSO 1997a indicates that ‘employees’ form only a minute 0.1% of total IS employment, which is far lower than the 42% found in a survey of the urban informal sector in Lusaka, Kitwe and Solwezi (see Afro Development Services Ltd. 1995) and the 19% in a national MSE survey in Zimbabwe (McPherson 1998). Based on: CSO 1997a and 1997b, GoZA 2000.
These data mean the informal employment constitutes some 18% of total employment in the country (and agriculture 72\%, leaving only 10% for the ‘modern sector’), and 64% of non-agricultural employment. Other studies show that the informal sector constitutes more than 90% of manufacturing and construction employment in the urban areas (e.g. Tolosi and Nawiko 1997).

Some data support the notion that the economic reform policies from the early 1990s have been a major cause for the steep rise in informal sector employment. A 1995-study of 442 informal establishments in Lusaka, Kitwe and Solwezi (Afro Development Services Ltd 1995) found that over two-thirds of them were less than five years old. This was even markedly higher for informal business engaged in food processing, hair-dressing, and especially assorted vending (90\%) - activities with low barriers to entry in which it is typical to find mainly women. From the available data it is not clear if the informal is still growing. Data in the Economic Report 1999 (GoZA 2000) shows that IS employment grew more than 10\% in 1998 but declined by 4\% in 1999.

The informal sector in Zambia is foremost an urban phenomenon. Almost ¾ of informal sector employment is found in the urban areas (CSO 1997b). More than 60\% of informal employment is found in Lusaka and Copperbelt provinces (ibidem), the most urbanized ones in the country.

7.1.2 Structure

Trading -often of imported items- is by far the most dominant activities, both in urban and rural areas, constituting respectively 79\% and 68\% of the establishments and contributing 79\% and 71\% of total employment of the sector. Manufacturing is the only other sizeable IS activity, while services appears to be inexplicably small in Zambia.

\footnote{Over 97\% of agricultural employment is in traditional farming, and it would seem that it is to a large extent the subsistence agricultural sector that, especially in the rural areas, has absorbed many of those who in the aftermath of economic reform cannot find a job.}
Table 17: Composition of the informal sector in Zambia (1993)

<table>
<thead>
<tr>
<th></th>
<th>Percentages of no. establishments</th>
<th>Percentages of total employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>0.8</td>
<td>0.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>17.4</td>
<td>9.9</td>
</tr>
<tr>
<td>Charcoal burning</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Construction</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Trade</td>
<td>70.6</td>
<td>79.2</td>
</tr>
<tr>
<td>Transportation</td>
<td>4.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Money lenders &amp; landlords</td>
<td>2.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Other services</td>
<td>0.9</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td>99.8</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Calculated on basis of data from Household Budget Survey 93/95 (CSO 1997a).

7.1.3 Some features

There are several factors that point to the fact that the informal sector in Zambia is rather weak. First, small-scale (retail) trading has very low barriers and is generally an indication of a low level of incomes and skills and technologies in the sector. Secondly, over 50-80% of those found in informal sector are self-employed and 18% are unpaid family workers; the numbers of employers and employees is consequently negligible (CSO 1997a). Thirdly, a 1995 study of the informal sector in Lusaka found that the level of start-up capital for informal business is very low: 80% were with less than ZK 100,000 (Tolosi and Nawiko 1997). Finally, one in every six business does not have a fixed place of operation and another two in every six operate from the home of the owner - especially in the case of women (ibidem).

An analysis of those working as small-scale farmers or informal sectors workers (CSO 1997a) show that the IS is especially an important employer for the youth and those with low levels of education. It points to the lack of stability of the informal sector ventures and in particular singles out the need for those in trading to follow buying behaviour of the consumers: “a person selling clothes to-day, maybe selling motor car spare parts tomorrow” (ibidem, pg. 7).

The study found that in 1993 the average income in the informal and small farming sectors was ZK 33,650, with charcoal burn just over half of that amount and manufactur-
ing 40% lower, while trade and construction were some 10-20 higher. As can be expected, informal financial services (i.e. moneylenders) were earning four times the average amount (ibidem). Indicating the steep erosion of formal sector earnings, urban informal sector net monthly profits have been found to be higher (Tolosi and Nawiko 1997).

### 7.2 Problems faced and assistance received

The 1995 survey of urban informal sector firms (see Afro Development Services Ltd 1995), focussing on carpentry, metal working, car repair, tailoring, food processing, hair dressing and ‘variety stall vending’, found that they face a host of problems. Prominent among them, as expected, are lack of access to, and cost of, credit (mentioned by two-thirds of the respondents). More important, however, were the costs and availability of raw materials, and, to a lesser extent, spare parts, production inputs and equipment. More than half of the informal entrepreneurs indicated difficulties because of too much competition and over one-third a lack of customers.

With regard to skills training the study indicates that only few informal businesses perceive a deficient skills of themselves (3-13%) and of their workers (2-13%) as a problem.

In spite of various efforts in the past, MSE support in Zambia is still at a low and incipient level. With regard to policies, the Small Industries Development Act of 1981, which was largely based on the SIDO-model, was replaced in 1996 by the Small Enterprise Development Act. The Act places emphasis on financial incentives for small enterprises, and exempts them from certain procedures, such as the licensing under the Trade Licensing Act. The implementation of the Act has however been slow and cumbersome, for instance since to be eligible for support MSEs need to obtain a certificate from the Small Enterprise Development Board which had a very slow start (Sparreboom 1999). The Board is also tasked with the provision of information on available MSE support services, the development of industrial estates and the establishment of Common Facility Centres for MSEs.

MSE support appears to be focussed on the urban areas where in recent years a number of micro-finance institutions (MFIs) have been established (e.g. CETZAM and PRIDE Africa - Zambia). Assistance to informal entrepreneurs operating in rural areas is probably still largely absent. Here a USAID project has tried to organise so-called ‘district associations’ which have received training in business management and advocacy, and are subject to the (subsidized) provision of business development services, but the impact is not yet clear. Potentially interesting organizations for the promotion of micro-, small and/or medium enterprises include the Small Business Desk of the Zambia Association of Commerce and Industry (ZACCI) and the recently established Chamber of Small and Medium Business Associations.
7.3 The informal sector and skills training

The 1995-survey of urban informal sector firms (see Afro Development Services Ltd 1995) brings some interesting information on the way informal operators obtained (or not) their skills. It shows that two-thirds of the sampled informal sector operators had not undergone any vocational training before starting their business. Rather they had learned their productive skills on-the-job while being employed in a firm.

It appears that in Zambia it is quite common to enter into employment without possessing any skills. The survey found that only one in every five workers had been trained before being employed. Self-teaching is also quite common, especially for women, e.g. in food-processing. It also appears to be more common among young entrepreneurs, possibly indicating a declining supply, at least in relative terms when related to the demand, of training opportunities. Interestingly, almost three-quarters of those who had received pre-employment skills training stated to have attended training centres, which leaves only a minor role for traditional apprenticeship training.

Informal sector operators indicate that they are keen to further skills training. This refers first of all to skills ‘related to current activity’, which were sought by 83% of the respondents. These entrepreneurs were especially keen to acquire skills to improve product quality (41%) and extend the range of products (20%). There was also interest (61%) in obtaining ‘unrelated’ skills, with a view to enter into other economic activities. This was especially common among the youth and among those entrepreneurs engaged in activities for which competition is high, such as hair dressing (90%) and tailoring (88%). There was also ample interest to learn business management skills, such as financial administration, costing and pricing, marketing, and customer relations.

Another training needs analysis of informal sector operators confirms these outcomes, and also found that they prefer on-the-job training, apprenticeship or short-term institutional training during weekends (reported in Kanene 2001).

When asked why the respondent had not obtained so far the skills deemed relevant for the business in which he/she was engaged, it was found that 30% of them thought such training too expensive (especially those in car repair), 27% did not think that such training was available, 18% was not interested, and 14% did not have the time to follow such training (Afro Development Services 1995).

7.4 Education and training policies

The years of economic reforms and slow economic growth have taken a heavy toll on the education and training system in Zambia. The level of expenditure for education has decreased from 4.7% of GDP in 1985 to an alarming 1.8%, which is one of the lowest levels in the world (Sparreboom 1999). For investment in education and training facilities, the country relies almost entirely on donor contributions and increasingly fees, and while it is stated policy to provide education for all, practice is likely to be quite different (ibidem).
In the face of serious unemployment and especially rapidly increasing numbers of unemployed youth, the government of Zambia (GoZA) reformulated in 1996 its technical education and vocational training policies (see GoZA/Min. of Science, Technology and Vocational Training 1996 and 1997). Emphasis was placed on the preparation of the trainees for employment in the informal sector, especially by incorporating entrepreneurship development. The main objective of the new policy is to enhance the level of productivity in both the formal and informal sectors so as to contribute effectively towards poverty reduction. The new training system is very broad-based and no longer puts emphasis on the formal educational background as a requirement for training.

7.4.1 From DTEVT to TEVETA

As part of these changes, the Department of Technical Education and Vocational Training (DTEVT) was in 1998 transformed into the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA). TEVETA is an autonomous body that aims to regulate and coordinate the provision of technical education, vocation and entrepreneurship training in Zambia. It does not itself own or control any training centres but seeks to set standards for all public and private sector training providers. TEVETA is governed by a board of 21 members from both public and private sector organizations and institutions. Daily operations are headed by a Director-General.

TEVETA is also charged with the registration of all training institutions in the country. From a (partial) list appears that in 2000 66 training institutions were registered in Lusaka, 41 on the Copperbelt and another 60 in the rest of the country. It also provides the training providers with guidelines on the level of training fees. For instance, for 2001 it recommends the following fees:

**Table 18: TEVETA: Suggested training fee levels for 2001**

<table>
<thead>
<tr>
<th>Type of institution</th>
<th>Level</th>
<th>Fees (up to 4 trg. progs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Colleges</td>
<td>Diploma</td>
<td>K 500,000</td>
</tr>
<tr>
<td>Colleges</td>
<td>Technician</td>
<td>K 400,000</td>
</tr>
<tr>
<td>Colleges (Trades Trg. Institutes)</td>
<td>Craft</td>
<td>K 300,000</td>
</tr>
<tr>
<td>Colleges</td>
<td>short course</td>
<td>K 300,000</td>
</tr>
<tr>
<td>Vocational Skills Trg. Centres</td>
<td>Trade Test certificates</td>
<td>K 200,000</td>
</tr>
</tbody>
</table>

*Source: TEVETA leaflet*
7.5 Training providers

In Zambia there are essentially four different kinds of training providers: (i) training centres which used to fall under DTEVT, (ii) community-based training centres, (iii) church-based training centres, (iv) private commercial training providers, and (v) traditional apprenticeship.

In all there are an estimated 200 to 300 training providers. Most of them are 'non-formal training institutes' which in Zambia refer to community-, church- and other NGO-based training centres.

7.5.1 Ex-DTEVT training centres

Before the Department of Technical Education and Vocational Training (DTEVT) operated 23 training centres all over the country (although most of them are located in the main urban centres). A study of six of these training institutions (including the Trades Training Institutes in Lusaka, Kitwe and Solwezi) found that their training programmes are targeted at people seeking wage employment, that their entry qualifications are rigid (set usually at grade 12 with full certificate and specific passing levels in some subjects, that they tend to offer training courses of long duration (i.e. from 1 to 3 years), and that the trainees only share a minimum of the training costs through training fees (Afro Development Services 1995).

The establishment of TEVETA has marked the point where the government will withdraw from the direct provision of training, and the public sector training centres will be placed under a management board and essentially be left to fend for themselves. For some time to come the government will continue to fund the salaries of the staff, but the main idea is that the centres will change their ways, become market-driven and increase their revenues from training and other activities.

All this would be a tall order of change for any organization. In view of the severe, multi-faceted and interrelated problems of these training centres, ranging from deficient structures and lack of training equipment, outdated training curricula and lack of qualified and motivated staff, it is to be wondered if these centres will be able to start a new life without substantial investment in training facilities, re-training of staff and upgrading of training content and methods.

Some of these training institutions, notably the Lusaka and Solwezi TTIs (see also paragraph 2.9) have in the meantime broadened their focus to include skills development for the informal sector, by relaxing entry requirements, introducing competency-based modular training, through short courses, and at more convenient training hours (ibidem).
7.5.2 Non-formal and private training institutes

There is in Zambia a large number of non-government training centres operated by church organizations (e.g. Makeni Ecumenical Centre, Mindolo Ecumenical Foundation Centre, YWCA Small Business Development Centre) and other NGOs (e.g. Scouts Association, Kanyama Youth Centre, and the Dzithandizeni and Chilenje Trade Schools - see also paragraph 2.6). They target especially under-privileged out-of-school youths, and work with more modest and flexible entry requirements (i.e. essentially the trainees have to be able to read and write). These institutions also offer more medium- and short-term training courses (i.e. between 6 to 12 months and less, respectively).

Among the private training providers one finds the Kitwe Trades School, which is owned by the Zambia Consolidated Copper Mines (ZCCM).

The study referred to earlier has made an assessment of the capacity of different types of training institutions to reach out to the informal sector:

Table 19: Performance of different types of training institutes (1995)

<table>
<thead>
<tr>
<th>Type of training institution</th>
<th>Public</th>
<th>Church</th>
<th>NGO</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity in terms of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical facilities and equipment</td>
<td>50</td>
<td>67</td>
<td>33</td>
<td>80</td>
</tr>
<tr>
<td>Manpower and/or staffing strength</td>
<td>83</td>
<td>56</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>Skills of instructors</td>
<td>67</td>
<td>78</td>
<td>67</td>
<td>78</td>
</tr>
</tbody>
</table>

Source: Based on Afro Development Services 1995.

From this information it would seem that in 1995 the private sector training institutions were doing somewhat better than the others, even though the differences are small. At that time the public sector training centres were still considered to have adequate staff but it is likely that this situation has worsened considerably since then.

Taking into consideration other indications it is concluded that the non-formal training institutions are more effective than public sector ones, as they better achieving self-employment of the training graduates at appreciable levels (ibidem).
7.5.3 Associations of training providers

The spate of recent developments with regard to skills training in Zambia is also reflected in an interesting positioning of the training institutes in the country, which, from 2000, have started to group themselves into an association.

The origin of this development is not immediately clear. Some of the those involved affirm that the idea comes from the training providers themselves, as they feel the need to be represented towards the government and particularly TEVETA, while also hoping that such a grouping will help to solve pressing problems of staff development and training equipment. Others seem to place the initiative with TEVETA and its donor-funded projects. In this respect the Advisory committee of the NEDA/EISTP project (Kanene 2001:14).

In any case there are now two associations to reckon with. The idea for the Zambia Association of Training Providers (ZATP) was said to be born in 1998 or 1999, and ZATP was eventually registered in 2001. ZATP seeks to overcome the fragmentation of the training sector, and eyes the 300 training institutes in the country, possibly with an emphasis on commercial training providers. It sees the following benefits for its members: (i) support for staff development, (ii) assistance to students to access ‘bursaries’, as used to be available for the students of public sector training centres, (iii) funding of staff salaries is the case for ex-DTEVT training centres, (iv) assistance (from TEVETA) in the area of curriculum development, and (v) self regulation among training providers. However, no membership drive has taken place yet.

Some of those contacted by the proponents of ZATP seem to have decided to form an alternative association. As its name indicates, the Non-Formal Training Association aims at focusing more on non-commercial training providers. It was registered in 2000, and there already exists a nucleus of five NFTIs who are having regular meetings. There appears to be a direct link to the TEVETA/EISTP-EDC project, as these five NFTIs already received equipment support from the project. The association aims at (i) unity among the training providers, (ii) representation towards TEVETA and relevant donors, (iii) joint advertising of training courses, and (iv) mutual assistance in improving the quality of the training delivery by the members.

7.6 Apprenticeship training

In Zambia the notion of apprenticeship usually refers to an arrangement between the parent or guardian of the apprentice and a mastercrafts(wo)man. Earlier formal rules governing training through apprenticeship have been withdrawn, so that apprenticeship now has to rely on informal agreements. Apprenticeship training appears to be rather limited and weak in Zambia. Some information on the traditional apprenticeship system in Zambia can be found in the 1995-study of the urban informal sector (see Afro Development Services Ltd 1995).
It can be calculated that only a small number (9%) of all entrepreneurs obtained their skills through the apprenticeship and other informal training systems. This low incidence of apprenticeship training is confirmed by the low number of apprentices that were found in the survey: only 4% of all workers (including the owners) were said to be ‘apprentices’. It might be that the fact that no fees are paid constraints this type of training, as masters are usually not interested to provide “free training”.

While apprenticeship can be found in a range of informal sector activities, it appears to be more common in metal working, car repair, carpentry and tailoring. The number of female apprentices is low: 95% of the apprentices found in the survey (ibidem), were male. While this no doubt reflects the economic activities on which the survey focussed, it would also appear that many women start their business without any skills preparation (e.g. in food processing, see paragraph 7.3), while the interest of young girls to be trained in tailoring has significantly declined (e.g. as the result of the import of second-hand clothing).

The average period of apprenticeship in the urban informal sector in Zambia is 18 months, after which the apprentices are considered to have adequately mastered the skills (ibidem). In recognition for their productive contribution, the apprentices receive an allowance, at a level less than the minimum wage; they are paid at the convenience of the master. Apprentices, as often all other workers, also receive food during lunch hours. The survey found that the experiences gathered during the apprenticeship period are generally well appreciated, especially by metal workers, hairdressers, woodworkers and tailors.

7.7 Case study A: Community-Based Trade Schools

7.7.1 Background

The Chilenje and Dzithandizeni Trade Schools in Chilenje and Garden compounds in Lusaka are interesting examples of urban community-based training centres. There were started at the initiatives of a few interested persons from the communities, who lobbied for the idea for a trade school with the local MP, the Lusaka City Council and international donors. In the end the city council donated a plot, the donors provided some capital equipment and technical staff (volunteers), and the community was included in the membership of the Board responsible for the running of the trade schools.

Chilenje Trade School started in this manner in 1977 and Dzithandizeni Trade Schools, following its example, started a year later. Both received small, but crucial, contributions in the form of human, equipment and financial assistance from various international donors up to a few years ago.

The link with the community is maintained through the Board, which oversees their operations. In the case of Dzithandizeni is has membership of 13, which representatives of the Community, the City Council (the Community Development Officer), the guard-
ians of the students, the students themselves, the training graduates and the workers of
the Trade School. The Board meets once every quarter and takes final responsibility. It
was stated though that, for instance, the level of training fees was essentially decided by
the management of the school.

7.7.2 Trainees

Both the trade schools take in mainly students from the community in which they
are located. Especially Dzithandizeni has ample requests for training from youth living in
Garden Compound, which is a high density residential area with large numbers of ‘vul-
nerable groups’ that are its target group. They are all interested in pre-employment train-
ing.

Dzithandizeni has special criteria to select the trainees: age 15-25, belonging to ‘vul-
nerable group’ (as measured e.g. by the number of persons in the household having an
income), and having passed grade 7-9 (although in practice the ability to communicate in
English is seen as important). Both Chilenje and Dzithandizeni try to limit the number of
students per course to around 20 trainees. In view of the high demand for car mechanics
training, Chilenje Trade School has both a morning and an afternoon class in this field.

7.7.3 Training delivery and trade-testing

Both the trade schools conduct courses in a limited number of training areas: Dzithandizeni in carpentry and tailoring, while Chilenje added a few years ago car me-
chanics to these to in view of overwhelming demand. The courses all last 18 months. The
original curriculum was largely prepared by the international volunteers who worked in
the trade schools. With the emerging leadership of TEVETA, these have now been
merged with the official curriculum on which the trade-testing is based. Some 80% of the
training is practical and 20% of the time dedicated to theory (which in the case of
Dzithandizeni includes math, English and civics).

The trade-testing is done in collaboration with TEVETA, which means that an offi-
cial from the Examination Commission of Zambia is present at the examination (“they
are very though”). When the trade school it not licensed, it has to take its students to an-
other training centre. This makes the trade-testing rather expensive, as in addition to the
trade test fee of ZK 50,000 per student, a further ZK 50,000 has to be paid as centre fee. In-
deed it has been observed that in some other training centres, large numbers of trainees
can no longer afford the trade-test. Chilenje Trade School is expecting to get its own test-
ing certificate so that it does not have to pay the centre fee.

The recent activities of TEVETA/EDC and STEP-IN have made both the training
centres more aware of the need for entrepreneurship development, which was only incip-
ient in Chilenje and absent in Dzithandizeni. Interestingly, in the latter they have found a
practical way to mix the entrepreneurship and management aspects with the purchase of
the materials by the students, which appears to be very effective. In the former, entrepreneurship development has now also been incorporated in its training curricula.

Chilenje has 11 staff (director, one trainer for tailoring, one for carpentry and two for car mechanics, an accountant and general workers and guards). Its carpentry production unit employs 14 workers and the car mechanics section five workers. Dzithandizeni has a more complicated structure, with a director, two managers (for training and production), a workshop supervisor and a section head for training, a storekeeper and buyer of training and production materials. It has two trainers for carpentry and two for tailoring. The carpentry production unit employs 22 workers and the tailoring unit one.

7.7.4 Training results

In Dzithandizeni the drop rate is rather low (5% - mainly for non-financial reasons, e.g. girls who get pregnant or married), although a few years ago when it was decided that the tailoring students had to buy their own materials, a number of the students left. The markedly higher training fees in Chilenje have lead to substantially higher drop-out rates (up to 50%). The trainees are said to reason that after they have obtained sufficient basic skills to use the equipment, they feel that there is no further need to spend ZK 20,000 per month.

The training appears to be of good quality, and the pass rates are high. In Dzithandizeni 99% of the trainees who sit for exams pass.

Again there is no formal tracer system in place. Still, cordial relations are maintained with the graduates, many of whom continue to live and/or work in the community. Also, through the representative of the graduates in the Dzithandizeni Board, information about the former trainees comes in. The typical ‘career’ of the training graduates is that after finishing the training, they work 2-3 years in the production unit of the trade school itself or in another firm (almost always informal as the modern sector has virtually disappeared and very few places become available), during which period they save. When they can buy the tools necessary to set up their own business, they leave the job and try to make it on their own.

7.7.5 Training costs and revenues

After more than 20 years of support from different donors, both Chilenje and Dzithandizeni trade schools appear to be firmly on their way to operate on their own. Still, at the moment they are supported through the TEVETA STEP-IN and EISDP projects (see above). Through the former both trade schools have been selected to house a Centre for Informal Sector Promotion (CISEP), which means that the salary of the business councillor of the CISEP is provided by the project. Through the Entrepreneurship Development Centre they receive assistance in the form of staff training and training equipment (Dzithandizeni was given ZK 115 million, or USD 38,330 for new equipment, and
Chilenje, which had asked for ZK 152 million, ZK 22 million for a photocopier). The centres have also recently benefited from contributions for new training equipment under a TEVETA/CIDA arrangement.

With regard to their operational costs, both trade schools are essentially -more or less- self-sustainable. This means that while initially they provided training free of charge, they have gradually introduced elements of cost-sharing, starting with requesting the students to pay for their own training materials, to raising the fees from a mere commitment nature to a level of substantial cost-recovery.

Chilenje Trade School has progressed much farther in this than Dzinthandizeni. The former charges ZK 20,000 (USD 7) per month for its courses, while Dzinthandizeni is asking for a mere ZK 125,000 (USD 40) for the total 18-month training period (they said that they are considering to increase this significantly for the new training season). Dzinthandizeni Trade School makes some additional money by letting informal sector operators use the equipment of the centre (for ZK 1,000) - its graduates get a 50% reduction.

The total budget in Chilenje is some ZK 125-130 million (USD 42,000), and in Dzinthandizeni Trade School some ZK 150 million (USD 50,000). Dzinthandizeni management has been calculated that the actual training cost of one -18-month-trainee is now approximately ZK 1.3 million (USD 433), which means that through the training fees they pay in Dzinthandizeni only 10% of the total costs and in Chilenje 25%.

All this means that the training is still funded by the production units of the trade schools. Both have had training-cum-production from the beginning, and have been rather successful with it in part through the appealing designs which the volunteers brought in from Europe -with the opening of the Zambian economy, a number of new and more modern furniture shops have opened up in Lusaka and competition has markedly increased (one observer even alleged that Zambia has become a dumping ground for furniture).

The managers of the schools appear confident about the future. One of them confided that when well organized, even training by itself good give a profit margin of 5-10%.

### 7.7.6 Problems and future plans

Both Chilenje and Dzinthandizeni trade schools are in a process of adaptation. They have realized that their training is loosing its relevance. First, there is now only limited demand for tailoring courses (in part because of the importation of second-hand cloths), while training in car mechanics is very much sought after. Secondly, there is a growing need to expand their services to include informal operators who are already in business and require skills upgrading. As a result, both centres are now considering to conduct shorter courses, aiming to reach a different target group (for the new courses Dzinthandizeni Trade School will consequently waive its age criterion).
The interest in shorter courses applies first to the current type of training. In Chilenje they will reduce the training period to 12 months, while Dzithandizeni has decided to comprise the present training into 6-month courses and maybe in the future to further reduce the training period to three months. Such courses will no longer be followed by official trade-testing, but rather be concluded with a certificate from Dzithandizeni Trade School itself.

The schools are also considering additional short skills-upgrading courses. For the time being, such courses will be given in the trades in which they currently offer regular courses. According to one of the directors, short courses in car mechanics are especially rewarding, as their operational cost, once the training equipment is in place, is far lower than carpentry and tailoring courses which require substantial training materials. Other new short courses will aim at the diversification of informal sector activities, and could include tie-and-dye and upholstery - as a complementary activities for tailors and carpenters. The fees charged for these courses will be higher (e.g. ZK 300,000 for an eight week course) - since they are aimed at those already in business.

The main problems faced by the trade schools include: (i) modest skills level of training staff, especially with regard to management and leadership skills, (ii) need to update training equipment to accommodate new requirements for training (e.g. to keep up with the new techniques incorporated in new model cars), and (iii) cash flow problems with low cash balances making it sometimes impossible to make materials in adequate quantities (and thus resulting in high transport costs).

In Chilenje Trade School it was mentioned that a major threat to the centre is the current thinking on government services which has resulted in the City Council seeking to privatize its business and putting up for sale many of the buildings it owns. It therefore now wants to become a Trust (as is already the case with Dzithandizeni and other trade schools in Lusaka).

7.7.7 Trade Schools and trade associations

An earlier study (Kanene 1998) studied in particular carpenters in Chilenje and Garden compounds and their relation to the Chilenje and Dzithandizeni trade schools. It feels that there are only modest relations between the trade schools and the communities in which they are based, as they only provide training to a very limited number of youth and that after increasing the training fees the training is no longer accessible to the very under-privileged. It also cites evidence that few of the graduates from the trade schools ever manage to gain (self-) employment.

The study comes forward with a number of interesting suggestions, including a recommendation for the trade schools to play a role in supporting the apprenticeship system in carpentry.
7.8 Case study B: Mansfieldt Institute of Technology

7.8.1 Background

The Mansfield Institute of Technology (MIT) is an example of a commercial trainer provider as they are funded in the high-rise buildings along Cairo Road in Lusaka. While most of these offer training courses in computer, secretarial and other business skills, MIT includes in its package courses on motor vehicle engineering, automotive electrical and electrical & electronics.

It was started in the early 1990s by its owner who used to be a car mechanic with one of Zambia’s parastatals - with only five students. By (re-)investing in training equipment the institute grew rapidly and now has in total some 350 students at one time. Around 150 of them are following the technical courses.

7.8.2 Trainees and training delivery

MIT employs three trainers, with a college and university background, who teach the students during five 2-hour training sessions between eight - 18 hours: there are no evening sessions. As a private sector business, MIT tries to make maximum use of its facilities and training equipment. The training courses are more compact than those in public or NGO sector, for instance with only a few weeks holidays instead of months.

With such training hours it comes at no surprise that the students are generally young. They are said to come from all over the country. For the technical courses they need to have at least grade 12, with good passes for mathematics, science and English. They also have to pay K 60,000 (USD 20) per month, which was said to be very comparable with fees charged at other institutes, but compares in fact as very high when compared to those asked by the urban community-based trade schools (see below).

The training courses take between 6-10 months to reach certificate level, and another 12 months for diploma level. MIT makes use of training curricula from TEVETA. It was stated that some 60% of the training time is used for theory. The 40% dedicated to practice takes place in a workshop not far from the classrooms. It was also said that the technical training was mixed with training in business skills (e.g. marketing).

Mansfield is also licensed by TEVETA to organize its own trade testing. This allows MIT to deliver Mansfield certificates and nationally recognized diplomas. Some 10% of the students drop out during the training course, and around 15% of the students who sit for the exams fail.

7.8.3 Training results

After getting their certificate, the trainees look for an attachment. most of the students find these on their own (with MIT merely writing a recommendation letter), while
in some cases it actually assists the students to find a firm. Most (“70-80%”) come back after the attachment period to take the diploma course.

MIT only keeps track informally of the use that the graduates make of the skills received. Some send letters to thank for the training and request references, or pass by to visit the institute. From such contacts it is felt that 40% of the training graduates enter into self-employment, while 40% finds a job -bye and large in a small firm, as there are very few modern sector enterprises left.

7.8.4 Training costs and revenues

The total annual budget of MIT is around K 300 million (around USD 100,000). No exact figure on the profits made could be obtained, but it was said -of course- to be ‘minimal’ 32. MIT is a limited company, with the shares in the hands of members of the family of the founder who passed away.

7.8.5 Problems and plans

The main problems that MIT is currently facing concern:

♦ lack of space, so that every year several the training applicants have to be turned away
♦ deficient technical and business skills of the trainers (e.g. need for refresher courses)
♦ high staff turnover “as result of the liberalized market” (i.e. new employment opportunities)
♦ inadequate training tools and equipment.

MIT will become a member of the Zambia Association of Training Providers (ZATP). In part in the hope that it will help to solve some of these problems. In particular there is a certain expectation that international donors will provide assistance, e.g. in the form of capital to improve or expand training structures and buy more and better training equipment. ZATP is also expected to help in staff training, development of training curricula and training materials, as well as in trade testing.

The Mansfield Institute of Technology has several plans for the future. It has already acquired a plot to build its own training centre - bringing the classrooms and the workshop under one roof. It is also considering to open branch in another part of the country, i.e. the Copperbelt. MIT is also thinking to offer more diploma courses, and even sees a good market for degree courses (in Zambia only the two universities and a few institutes of higher learning are at moment offering that kind of training).

52 When the budget is compared to the total fee income estimated on the basis of the number of students and the fees mentioned there is actually a loss, which probably means that the costs are exaggerated.
7.9 Case study C: Entrepreneurship Development Centres (EDCs)

7.9.1 Background and concept

A special programme has been established at TEVETA to introduce and institutionalize entrepreneurship development (ED) as an integrated part of technical training programmes. This Entrepreneurship and Informal Sector Training project (EISTP), which receives support from NEDA (USD 2.5 million) and DANIDA, has initiated the operation of two pilot Entrepreneurship Development Centres (EDCs).

The EDCs are especially designed to focus the activities of existing Non-Formal Training Institutions (NFTIs), as the clients of the EDCs are called, on the informal sector, and strengthen their capacity to provide relevant training for this sector. To this end the Centres aim to provide support to other training institutions, and especially to assist them in paying more explicit attention to the preparation of their trainees for future employment in the informal sector (e.g. through the introduction of relevant and properly coordinated entrepreneurship and skills training programmes for prospective as well as existing informal sector entrepreneurs).

The Centres are particularly stated to serve to:

- facilitate non-formal training institutions to train potential and existing entrepreneurs
- monitor and analyze trends in industry and the labour market as well as to facilitate regular TNAs in other ways
- manage the Non-Formal Training Institute Support Fund to facilitate the upgrading of training facilities, tools and equipment
- facilitate the design and implementation of training workshops
- establish local networks
- make available reference materials and other relevant publications on entrepreneurship training and MSE development to entrepreneurs and other interested parties.

Managed by the EDCs, the Non-Formal Training Institute Support Fund provides financial support to selected training providers for their capacity building, e.g. purchase of training equipment, staff training (e.g. in entrepreneurship development, community mobilization and upgrading of technical skills), setting up and improvement of management and monitoring systems (e.g. follow-up and tracer systems).

The basic staffing for an EDC is a EDC Manager, an EDC Training Officer and a secretary. During the pilot phase, the EDCs also enjoy the services of an advisor (who is well-versed with the implementation of the EDC concept in Kenya).
7.9.2 Activities and results so far

So far two EDCs have been established: one at the Lusaka Trades Training Institute (TTI) and one at the Northern Technical College (NTC) in Ndola on the Copperbelt. They have undertaken a number of activities, starting with the organization of three Stakeholder Forums (in 1999) to sensitize the key stakeholders on the concept of the EDCs. Subsequently the EDCs conducted a Training Needs Assessment on informal sector operators in Lusaka and the Copperbelt. The idea was to show what kind of training programmes are relevant for the informal sector and it was expected that the NFTIs would repeat such TNAs on their own on a regular basis.

Next the EDCs started their main activity, i.e. capacity building among NFTIs (12 in Lusaka out of the 34 contacted). This mostly takes the form of training of trainers (i.e. NFTI staff) in the following areas relevant for training delivery for the informal sector:

- conduct of Training Needs Assessments
- entrepreneurship development training
- course design and training materials development (especially for competency-based short technical skills courses)
- costing and cost-recovery of training programmes
- improvement of training methodologies
- leadership, management, and community mobilisation
- introduction of appropriate technology
- setting up M&E systems, undertaking tracer studies.

The EDCs have also initiated linkages with other MSE Support organizations, e.g. micro-credit institutions, in order to investigate assistance for the training graduates who want to set up their own business.

The EDCs-managed Non-Formal Training Institutions Support Fund have taken up considerable time and staff resources during the pilot phase. The contributions from the Fund are meant to upgrade training facilities and purchase new or additional pieces of training equipment. The first disbursements were made in April 2000, and have so far been limited to a handful of NFTIs. The contributions are made on the basis of proposals submitted by the NFTIs themselves, and seem to range up to some USD 60,000.

Both the EDCs have an Advisory Committee (AC) that provides advice and assistance in determining their general direction and overall policies. The AC in Lusaka has a membership of 13 members, representing the TEVETA, Lusaka Trades Training Institute (2), Lusaka City Council, NFTIs, MSE support agencies (2), Technology Development Unit of the University, informal sector entrepreneur, MSE Associations (2), and micro-credit organizations (2). It is said that the AC has been the one encouraging the NFTIs to form associations so as to have better representation (Kanene, 2001:14, cf. paragraph 2.5.4).
The EDCs are perceived to make money from the services that they provide. No details are immediately available on the level of fee setting and the long-term strategy. It is reported that EDC in Ndola is “far ahead” of the Lusaka EDC in revenue generation having raised more than ZK 12 million per year (USD 6,000 - Kanene 2001:20). Even this level is however not enough to ensure the financial sustainability of the EDCs, which in fact are qualified as “quite costly, with six staff, a vehicle, computers, etc.” at an estimated level of annual operation costs of ZK 50 million in the year 2000 (ibidem).

7.9.3 Preliminary appraisal

The activities of the EDC pilot phase started in August 1998, while the EDC concept has really been tried out only since July 1999. An internal document sums up some of the lessons learned in this period (EDC undated), while an early assessment of the results of the Centres was carried out in the beginning of last year (see Kanene 2001).

The evaluation found that the NFTIs are rather slow in changing their training logic and to a large extent still not have adopted a demand-driven approach. Worthwhile experiences from the pilot phase concern:

- only a few NFTIs have started to conduct training needs assessments (TNAs) as the basis for their training offerings
- the proposals that they submit for consideration by the NFTI Support Fund tend to emphasize inputs in the form of physical infrastructure and sophisticated equipment
- most teaching staff at the NFTIs turn out to be school-leavers without teaching qualification and knowledge of training methodologies; staff turn-over is very high
- in promoting the entrepreneurship development concept, most of the informal sector associations prefer to be trained by staff from the EDC instead of by instructors from the NFTIs, possibly indicating a certain mistrust in the knowledge and business experience of the staff of the NFTIs; indeed the NFTIs tend to lack entrepreneurial spirit in their training
- the relation with the host institutions is still unclear and distant; the host training institutions have not yet realized the income earning potential of the EDCs and not integrated them as one of their own departments.

It would thus appear that the NFTIs are markedly weaker than expected and far more insecure to abandon their training manners in favour of a drastically new ‘way of doing things’. Some of the areas in which EDC-operations require further strengthening were identified as:

- strengthening of the linkages with NFTIs other than the ones that have received support from the NFTI Support Fund
less emphasis on the operation of the Support Fund which so far has taken too much time
ability to advise NFTIs on tailor-made training curricula
more prominent role for the informal sector operators themselves, e.g. in the formation of informal sector associations (ISAs) and in the setting up and operation of MSE advisory services.

The expected collaboration with the Centres for Informal Sector and Entrepreneurship Promotion (CISEPs) in the areas of financial and marketing assistance for the informal sector operators, has not yet come off the ground, in part as the CISEPs themselves are still in their incipient phase (see paragraph 2.10). This means that the NFTIs do not always see immediate results in terms of enhanced (self-) employment of its graduates, which in turn tends to lessen their commitment to collaboration with the EDCs.

The wider issue here is the advantages and disadvantages of the unbundling of MSE support activities. The upcoming notion in relation to the discussion on Business Development Services (BDS, see e.g. Steel et al. 2000) is to unbundle such services and provide them through networking between different organizations. But the conclusion of the EDC evaluation seems to be that so far this has not worked very well as it notes “the provision of support to MSE critical to actual enterprise launch has been left in the hands of MSE support organisations. However, evidence during the implementation of this pilot project indicates that such institution’s support to TEVETA target groups cannot and should not be taken for granted” (Kanene, 2001:22).

The general weakness of the NFTIs on one side, and the incipient nature of TEVETA/EISD and the CISEPs on the other, means ample room to manoeuvre for the EDCs. There are indications that there is unwelcome competition emerging between the EDCs and their clients, the NFTIs, for instance in the areas of entrepreneurship training and formation of ISAs. There is consequently a need to determine the exact facilitator role of the EDCs. In the new BDS paradigm a facilitator fulfils a temporary function in developing the market for one or more particular business development services by stimulating demand and building supply capacity, after which it fades away.

7.10 Case study D: Centres for Informal Sector and Entrepreneurship Promotion (CISEP)

7.10.1 Background and concept

In June 1998 DTEVT introduced together with the Zambia Congress of Trade Unions (ZCTU) the concept of Centres for Informal Sector Employment Support (CISEP). Through international assistance CISEP Coordinating Offices were established in Lusaka (as part of the activities of the GTZ-supported STEP-IN project) and Kitwe (support by FES). The main idea behind the CISEP concept is to provide back-up support to informal
sector firms and -potential- entrepreneurs, with a view to improve the level of skills, productivity and incomes.

The CISEPs operate under the responsibility of a Board, which includes representatives from all major stakeholders and meets every quarter. The CISEPs are conceived as a franchise arrangement, meaning that the CISEPs can be run by different organizations, which will receive initially financial and advisory support.

The CISEP satellite services centres are to function as a market place and to provide the following services:

- provision of information on, and linking with, available MSE support services and programmes (including credit, training, marketing assistance, product designs, etc.)
- dissemination on interesting market opportunities for MSEs
- provision of business counselling services
- carrying out training needs assessment analysis
- facilitating management and skills training, and marketing assistance
- working with and strengthening informal sector associations (ISAs)

The CISEP satellites are to operate under CISEP-coordinating offices, which are to perform the following tasks:

- facilitating the exchange of experiences between the CISEP service centres and operating a data bank of relevant information on MSE development
- development of training curricula and training materials for entrepreneurship development and technical skills training courses
- monitoring and evaluation of the impact of the CISEP services
- dissemination of CISEP results (e.g. through information material and a newsletter).

7.10.2 Activities and results

In view of the limited period since the CISEP concept was introduced in Zambia, it is rather early to look for experiences that can be transferred. So far, four CISEP Service Centres are in operation in Lusaka. Two of them are located in the Chilenje and Dzinthandizeni Trade schools (see Case study A). They are staffed by one business counselor, who is responsible for their operation and the provision of the various services.

The counsellors are suggested to be 60% of their time in the field and 40% in the CISEP Office. At the time of the Mid-Term Evaluation this was not yet the case, as while “in a few cases the business counsellors have visited the informal sector operators in their operational premises, but this has not been very common except those operating in communal markets” (Mushanga, 1999:7). A remarkable finding at that time was that Saturdays
are the most suitable days for the CISEPs to deal with their clients, since they have more
time on that day than during week-days because of early closing hours.

Obviously, for the business counsellors to perform well, they need to have ample
skills and experiences in various aspect of running an informal enterprise. The MTE
found that appropriate business experience was lacking among some the business coun-
sellors employed at that time.

The most successful activities so far appear to be the short training courses, con-
ducted by resource persons or mastercrafts(wo)men, and resulting in a CISEP certificate.
The CISEPs are also part of the ILO Improve Your Business structure, and facilitate basic
management courses.

An interesting success has been tie-and-dye training for ‘Cross Border Traders -
through their association. They trade their products to Zimbabwe and Botswana, and
make use of the opportunity to bring back better quality dyes from these countries. Other
short skills training has taken place in carpentry. Another activity, more of the CISEP
co-ordinating offices, has been marketing assistance, e.g. the tie-and-dye training gradu-
ates participated in the COMESA Free Trade Area Exhibition in Lusaka.

The CISEPs are working with informal sector associations, most of whom are still in-
formal and weak, although some have already formalized their existence. The associa-
tions play a role in detecting needs and opportunities for training.

7.10.3 First appraisal

From the reports on the operation of some of the CISEPs it would appear that the
approach is making a slow start. As the concept is still unknown and unproven, there are
only 2-5 clients per day, many of whom are merely interested to access credit. In other
words, the value-added of the CISEPs for the participating local MSE support organiza-
tions are not immediately clear.

A further issue refers to the location of the CISEPs, which so far seems to have been
mostly in training centres. The activities foreseen for the CISEPs are however rather dif-
ferent from their current activities, and it is by all means not clear if they will eventually
show sufficient mastership and ownership to fully incorporate them in their activities.
The Mid-Term Evaluation indeed observes that “apart from the Small enterprise Develop-
ment Board in Kabwata, there hasn’t been much involvement of the host organizations in
the operations of the service centres” (Mushanga, 1999:4).
This issue of the sustainability of the CISEPs obviously also touches on the financial aspect of their operations. For the time being, the project pays for the costs of the operation, as well as for the costs of the training courses conducted. Even though the costs of a CISEP are said to be as low as ZK 100,000 (USD 35) per month\textsuperscript{33}, it is not sure if the services offered have the potential to cover these. For instance, the sale of publications so far only brings in a few thousands kwachas, and even though the training fees have been increased from a mere commitment level of USD 1.50 to USD 10, they still cover only 15% of the actual training costs.

A final issue, also identified by the Mid-Term Evaluation, refers to the actual status of the CISEPs. As in any franchising arrangement, there has to be a central body to provide technical support to maintain the quality of the concept. So far this central entity (at least for the CISEPs in existence in Lusaka) is the CISEP Coordinating Office in Lusaka, based at TEVETA and supported by GTZ. The views of TEVET to continue this role and effectively take over the financing of this Office are not clear.

In all, the CISEP concept certainly has interesting aspects, which could lead to the provision of essential services to the MSE sector, particularly with regard to sign-posting for available MSE support activities and linking informal operators to relevant training and other support organizations. But it would seem that the infrastructural embedding of the existing CISEPs both at meso and at macro level is preventing them from living up to their full potential. They seem to be in need of a heavy dose of entrepreneurial creativity: maybe, instead of linking them to existing entities, they should have been ‘privatized’ from the beginning to business(wo)men interested to provide such services to the informal sector.

\textsuperscript{33} The Mid-Term Evaluation mentions the operational costs as: salary, ZK 50,000 allowance (considered too low) and ZK 150,000 for stationary (Mushanga 1999:13).
8. TRAINING FOR THE INFORMAL SECTOR IN ZIMBABWE

At the time of Independence in 1980, Zimbabwe represented the hope of many for a shining example of development in Africa. After a promising start, however, the country has experienced growing economic and political problems. Zimbabwe has a well-developed commercial farming sector as well as a relatively large manufacturing sector for Africa.

<table>
<thead>
<tr>
<th>ZIMBABWE (1999)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
</tr>
<tr>
<td>population growth (90-99)</td>
</tr>
<tr>
<td>pop. aged 15-64</td>
</tr>
<tr>
<td>urban population (% of total)</td>
</tr>
<tr>
<td>labour force growth (90-99)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita</td>
</tr>
<tr>
<td>economic growth (90-99)</td>
</tr>
<tr>
<td>agricultural sector (% GDP)</td>
</tr>
<tr>
<td>services (ibid)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quality of life</th>
</tr>
</thead>
<tbody>
<tr>
<td>pop. below poverty line *</td>
</tr>
<tr>
<td>life expectancy at birth</td>
</tr>
<tr>
<td>adult illiteracy</td>
</tr>
</tbody>
</table>

* international poverty line of USD 1 per day


In 1991 the country adopted its first economic reform policies through the Economic Structural Adjustment Programme (ESAP 1990-93), that, although it was ‘home grown’, was strikingly similar to conventional IMF/World Bank structural adjustment policies. Although it was meant to last for only five years, it lasted for seven years and was followed in 1998 by the similar Zimbabwe Programme for Economic and Social Transformation (ZIMPREST). ZIMPREST was to launch a National Investment Trust, which would also promote small and informal sector enterprises. Recently the GoZI adopted the Millennium Economic Recovery Programme (MERP) to stabilize the economy. In spite of all these economic reforms programmes, Zimbabwe’s economic performance in the 1990s has been rather poor. Especially the manufacturing sector has been seriously affected (Chipika et al. 2000), resulting in a marked decline of its contribution to GDP from 23% in 1990 to 17% in 1999 (World Bank tables 2000).
At the same time, poverty has become widespread. In 1990/91 over one-third of the population was already living below the international poverty line, and without doubt this proportion has seriously increased since then as the result of low economic growth, continued lay-offs of formal sector workers and increasingly higher levels of price inflation.

8.1 Informal MSE sector

8.1.1 Importance

Under the auspices of the GEMINI Programme and with funding from USAID, elaborate data on the informal sector in Zimbabwe were gathered in 1991, 1993 and 1998. The results of the latest survey (see Michael McPherson 1998) show that in early 1998 there were in existence some 860,000 informal manufacturing, commercial and service establishments, employing a total of approximately 1,648,000 persons (i.e. 24.4% of Zimbabwe’s working age population). Almost 90% of the firms are full-time activities operating 12 months per year.

The survey reveals some major changes in the informal enterprises and employment over the past decade. First there has been a tremendous increase, by over 30%, in the number of urban informal sector establishments between 1991 and 1998, while the number of rural IS firms declined by 14% in that period (and by 23% since 1993). Employment in the informal sector steadily increased by nearly 52% in the urban IS and by 9% in the rural IS (but declined by over 10% between 1993 and 1998). No immediate explanation for this shift is available, but it is suggested that it might be related to rural-urban migration as possibly there is a higher incidence of migration among informal entrepreneurs, or as the result of the decline in remittances send from the urban areas which are an important source of start-up capital for MSEs in rural areas (ibidem, page 26). In any case, as a result, the share of urban IS firms increased from 29% in 1991 to 39% in 1998.

As a consequence of the increased employment and the lower number of establishments, the average size of the IS firms went up from 1.56 in 1991 to 1.91 in 1998. An interesting explanation given for this large average size is the perceived social obligation of business owners to employ members of the family (Mhone 1995). At the same time the proportion of self-employment firms declined from 78% in 1993 to 58% in 1998, while there has been some ‘graduation’ to the 2-4 workers and 5-9 workers categories. This is especially pronounced for male-owned enterprises, as more than 70% of the female-owned establishments remain one-person operations (against 86% in 1993).
Table 20: Zimbabwe: distribution of MSEs per economic sector (1998)

<table>
<thead>
<tr>
<th>Economic sector</th>
<th>% of all firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>42.4</td>
</tr>
<tr>
<td>› Food and beverages</td>
<td>5.3</td>
</tr>
<tr>
<td>› Textiles</td>
<td>20.1</td>
</tr>
<tr>
<td>› Wood products</td>
<td>9.4</td>
</tr>
<tr>
<td>› Paper and printing</td>
<td></td>
</tr>
<tr>
<td>› Chemicals and plastics</td>
<td>0.4</td>
</tr>
<tr>
<td>› Non-metallic mineral processing</td>
<td>1.3</td>
</tr>
<tr>
<td>› Fabricated metal</td>
<td>2.6</td>
</tr>
<tr>
<td>› Other manufacturing</td>
<td>3.3</td>
</tr>
<tr>
<td>Construction</td>
<td>1.0</td>
</tr>
<tr>
<td>Trade</td>
<td>45.2</td>
</tr>
<tr>
<td>› Wholesale trade</td>
<td></td>
</tr>
<tr>
<td>› Retail trade</td>
<td>44.6</td>
</tr>
<tr>
<td>› Hotels and restaurants</td>
<td>0.6</td>
</tr>
<tr>
<td>Transport</td>
<td>0.6</td>
</tr>
<tr>
<td>Renting rooms and flats</td>
<td>6.8</td>
</tr>
<tr>
<td>Services</td>
<td>4.0</td>
</tr>
</tbody>
</table>


8.1.2 Structure

There has been a drastic change in structure of the IS, with the share of manufacturing firms sharply declining (from 72% of all firms in 1991 to 42% in 1998) while small trading and, to a lesser extent, services have become far more important (doubling to 45% and 4% respectively).

The decrease in manufacturing is especially marked in woodworking, food processing and textiles. Possibly this can be attributed to the increased competition from imported goods, which is especially the case in garments (now coming from South Africa).
8.1.3 Levels of income and other findings

The average monthly profits of informal sector activities were in 1998 Z$ 29,400 (USD 136), which represents an annual increase in real terms of 8.6% over 1993.

Although this does not compare too unfavourably with minimum wage levels in the country, the survey shows that negative reasons to start an informal business, such as “too few wage opportunities” and “had no better options”, still dominate. Only those beginning a business in the higher profit sub-sectors, for which the barriers to entry are higher, indicate mostly that they “saw a profitable opportunity”.

8.1.4 Main problems and assistance received

A lack of marketing (especially not having enough customers) and access to finance (primarily for working capital) still top the list of the most important constraints felt by the IS entrepreneurs.

Table 21: Business constraints according to IS business owners (percentages)

<table>
<thead>
<tr>
<th>Constraint</th>
<th>1991</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>17.8</td>
<td>25.6</td>
</tr>
<tr>
<td>Finance</td>
<td>12.6</td>
<td>25.4</td>
</tr>
<tr>
<td>inputs</td>
<td>17.7</td>
<td>17.4</td>
</tr>
<tr>
<td>Tools &amp; machinery</td>
<td>9.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Transport</td>
<td>16.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Other</td>
<td>10.5</td>
<td>9.0</td>
</tr>
<tr>
<td>No problems reported</td>
<td>16.0</td>
<td>14.8</td>
</tr>
</tbody>
</table>

Source: MacPherson 1998

Interestingly while the difficulties in accessing capital were felt to have increased, the survey results also show that more MSEs have received credit from formal credit institutions (1.4%), and micro-credit programmes (1.1%), although the total number of over 21,000 clients obviously remains a drop in the ocean. A lack of technical (or management) skills is not mentioned among the constraints stated by the surveyed MSEs (see also paragraph 3.5).
8.1.5 Informal sector policies

In the early 1980s Zimbabwe enjoyed considerable economic growth, which was used to increase public services in the areas of health and education. Private enterprises, including MSEs, were not in the favour of the new government. In fact, a multitude of controls and regulations, some dating from the previous UDI-period, meant that only very few black entrepreneurs emerged (ILO/SAMAT 2000). A high level of government expenditures resulted in crowding out of the private sector, a high level of inflation and in the end a stagnating economy.

While the economic reforms that were adopted in the 1990s were meant to improve the economy in general and for the private sector in particular, but the haphazard implementation of the reforms (and especially the fiscal reforms), and severe and persistent droughts in the first half of the decade, resulted in low real economic growth and hardships for the private sector (e.g. extremely high interest rates: over 70% in October 1999). Small enterprises which already had a marginal position, suffered especially because of its inability (e.g. lack of finances and technical capability) to deal with the changed environment.

The policies towards the MSE sector remained highly fragmented, with a large number of organizations, institutions and agencies involved in one way or another in MSEs promotion, but in an uncoordinated and often incidental manner. Although numerous studies were undertaken, pointing out the assistance needs of the sector, no clear government policy has emerged so far. One study concludes that “the current policy environment is still not conducive for the development of new small enterprises”, hinting especially at the complexity and time-consuming nature of registration procedures (Rural Investment Overseas, 1997:15).

At the same time, a number of official documents, such as, for instance, Vision 2020, the 1998 industrial policy of the Government of Zimbabwe (GoZI), are clearly hinting at the importance of the development of the MSE sector and contribute partial strategies. But so far, GoZI appears to lack commitment and has not yet formulated a consistent overall MSE policy. During its visit to Harare, the mission was informed that the Ministry of Youth Development, Gender and Employment Creation (MYDGEC), which is now the key government entity dealing with MSEs, together with the Ministry of Trade and Industry, with ILO assistance, are finalizing the process of formulating a coherent policy towards the sector.

In the meantime, MYDGEC has employed a large number of Small Business Advisors who are operating from its provincial offices to support, initially small and medium enterprises but recently also MSEs. The quality of the staff and the lack of transport facilities are so far considered to have limited the effectiveness of the services (Dube et al. 2000).
8.2 Education and training policies

Up to Zimbabwe’s Independence in 1980, the education and training system was generally geared to educate and train (or not) Africans to serve within a social, political and economic system, which was dominated by the minority white population. Least of all were Africans trained to become entrepreneurs or employers. Post-independence efforts to redress this situation put major emphasis on the provision of general education, and in a way continued to give academic education the aura of being successful in preparing for a white collar job.

Only gradually was it realized that a shift was needed from a mass provision of education to a provision of education that is more concerned with its employment results. In 1986 the main goal of GoZI policies for technical and vocational education and training was officially approved as the preparation of students and trainees for the real world of work, community development and self-employment. However, the intended vocationalization of general education “is not proceeding as envisaged” (cf. ILO/SAMAT 1995). Moreover, even now there is an urgent need for a comprehensive policy document on education and training, but in this respect the Presidential Commission on Education and Training (created in 1998) in the end did not live up to the expectations (Raftopoulos 2000).

The Commission found that the organization and management of vocational training in the country was insufficient and uncoordinated. Especially the structures and capacity of MoHET for planning and coordination were deemed to be inadequate, while the approach and style of the various ministries involved in training were found to be rigid and bureaucratic without participation of the target groups and communities to be served in the decision-making process. It recommended that the National Manpower Advisory Council (NAMACO), which is generally perceived to be a weak, government controlled structure, unable to substantially intervene in policy issues, should be transformed into a more independent National Training Council, which would coordinate and monitor all vocational and technical training that up to now falls under a number of different sectors. This Council would form part of new National Council for Higher and Further Education and Training (NACHFET), which is expected to become a reality by June 2001. Some proposals for a broad institutional restructuring have now been worked out (With support from the GTZ-funded National Vocational Training and Development programme (NVTD, see Dube et al. 2001).

While enrolment has expanded enormously since 1980, there is still an under-provision of education, especially in the rural areas where there is a lack of facilities, poor infrastructure and, consequently, long walking distances to the nearest school. As a result, parents move their children from poor district schools to better equipped schools in high-density urban areas, where, in turn, there is now a shortage of school places (ibidem). The drop-out rates are high, largely caused by “unafordability”, while at the same time the relevance of the school curriculum has come into question as continuing to im-
bue the students with aspirations for white collar jobs instead of manual and industrial employment (Kanyenze 1997).

With regard to vocational training, the post-independence manpower planning act and ministry significantly increased the bureaucratic rigidities without resulting in better coordination, created bottlenecks in the area of apprenticeships, and undermined the effectiveness of Vocational Training Centres and Technical Colleges as the deterioration of service conditions led to a shortage of qualified and experienced teachers, training facilities and equipment became inadequate and training curriculum outdated (Raftopoulos 2000).

Furthermore in the 1980s the Zimbabwe Manpower Development Fund (ZIMDEF) was set up, but the operation of the Fund encountered several problems (ibidem):

♦ the available resources are mainly being utilized to cover the recurrent expenditures of the training institutions with a declining share going to investment projects
♦ “little has been used to reimburse those institutions engaged in bona fide training”, and during the 1990s only 4-5% of total income has gone to rebates for employer training
♦ a prohibitive bureaucratic procedure has impeded fund operations.

ZIMDEF is now poised to become part of the NACHFET set-up.

ZIMDEF contributions are used for the Technical colleges, while GoZI provides from its central coffers funding for the Youth Training Centres as well as for the salaries of the training centres of the Zimbabwe Foundation for Education with Production. It should be noted that over the years a large number of international donors (e.g. USAID, ODA/DfID, SIDA) and international NGOs have provided substantial financial and other support to the education and training sector in Zimbabwe.

8.3 Main training providers

Zimbabwe has a relatively well established network of vocational education and training providers, which includes large numbers of public and private training providers. They can be grouped in (i) public sector training institutions, (ii) church-based vocational training centres, (iii) other NGOs involved in technical training, and (iv) private-for-profit training institutions.

Although no precise statistics are available, it is estimated that all together these training providers have a total capacity of some 188,000 training places.
Table 22: Enrolment in vocational and technical training in public and private sector institutions (1998)

<table>
<thead>
<tr>
<th>Vocational/technical institutions</th>
<th>Enrolment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government training institutions</td>
<td>18,355</td>
</tr>
<tr>
<td>Apprentices</td>
<td>5,000</td>
</tr>
<tr>
<td>Registered Private Trg Providers</td>
<td>85,000</td>
</tr>
<tr>
<td>Unregistered Private Trg Providers</td>
<td>40,000</td>
</tr>
<tr>
<td>Correspondence Colleges</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>188,355</strong></td>
</tr>
</tbody>
</table>


Public sector training institutions have a total capacity of only 18,000 training places, which falls far short of the need for technical training from the estimated 200,000-300,000 school-leavers with secondary education entering the labour market every year, since the formal sector is able to absorb only 20,000-30,000 or 10% of them, so that the others have to be prepared for employment in the informal sector (Kanyenze 1997). In other words, private training providers are already responsible for approximately 90% of total training capacity - still far below the required level.

8.3.1 Public sector training institutes

Public sector training in Zimbabwe is currently provided by four types of training centres operating at three different levels:

- Polytechnics, found in Harare and Bulawayo
- Technical Colleges, in Chinhoyi, Kushinga-Phikelela, Kwekwe, Gweru, Masvingo and Mutare
- Vocational Training Centres in Masasa and Westgate
- Youth Training Centres in a dozen of locations.

Whereas the first 3 categories are under the Ministry of Higher Education (MoHET, department of Vocational Training), the latter fell under the Ministry of National Affairs, Employment Creation and Cooperatives, which is now called the Ministry of Youth Development, Gender and Employment Creation (MYDGEC). However, with effect from the beginning of 2001, the VTCs have been placed under the responsibility of MYDGEC. This

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54 Information pertaining to the situation in 1993 indicates that there were at that time over 140,000 ‘O’ and ‘A’ level pupils leaving the educational system, of whom some 16,000 (or only 12%) could find an opportunity for further training (ILO/SAMAT 1995).
decision was apparently taken on political grounds and against the advice of all technical experts (e.g. Dube et al. 2001). In view of the criticisms, all the VTCs have been placed, as a transitional measure, under a Joint Ministerial Committee between both the ministries.

The Youth Training Centres (YTCs) were started in the 1980s to provide skills to young people whose education had been disrupted during the independence struggle. The main courses offered in the YTCs include farming, food technology, secretarial studies, textile technology, carpentry, leather technology, construction, fitting and turning, motor mechanics, and business studies. The training lasted up to three years. The 12 YTCs, which were operational in the mid-1990s, had a total enrolment of 1280; they seemed in need of equipment, training facilities and additional trainers with appropriate qualifications (ILO/SAMAT 1995). Less than 30% of the YTC training graduates find employment upon completion of the training (Dube et al. 2001:5).

The Vocational Training Centres (VTCs) were started by MoHET in August 1998. Their original target group included primary and secondary school drop-outs and leavers who did not succeed to enter into the next level of education, together with retrenched workers and others who missed schooling for whatever reason. They are, to a large extent rural, community-based institutions, with facilities that in terms of infrastructure and equipment are far smaller and less sophisticated than the Technical Colleges. They also offer a smaller range of courses, which are foremost aimed at the immediate skills needs of local communities and existing opportunities for economic development, aiming to stimulate the creation of self-employment.

The initiative to establish 20 VTCs was supported by the GTZ vocational training project. According to a recent monitoring report (Dube et al. 2001) “given that the ministry had almost no funds earmarked or budgeted for the establishment of the VTCs, considerable success has been achieved”: optimal use was made of existing, under-utilized facilities, equipment and infrastructure. Staffing needs were addressed via the seconding of staff from other MoHET training providers (e.g. Technical Colleges). The latter also rendered assistance in the areas of curriculum development, training of trainers and trade testing and certification.

Finally there are ten Technical Colleges and Vocational Training Colleges. The former are in principle conventional training centres, which are reasonably well-equipped and staffed. They offer full-time, long-duration training courses (3-4 years) in a range of technical and business courses, aimed at obtaining the National Certificate. The students are required to have ‘O’-levels; total enrolment is around 7,000. The latter (in Harare and Bulawayo) offer skills upgrading courses and enrol people who are already employed.

The Colleges have in recent years have been oriented more towards informal sector employment, e.g. by providing short courses at adjusted hours (e.g. in the evenings and weekends). At the Mutare Technical College, for instance, an Enterprise Development Centre (EDC) has been establishment in 1997, while the Departments of Automotive En-
gineering, Mechanical Engineering, Wood Technology and Electrical Engineering have formed production units (PUs). Both the EDC and PUs aim to facilitate the development of entrepreneurship among both the students and the teaching staff. They are meant to provide business skills training as well as offering opportunities for hands-on experience. At the same time they provide practical possibilities to assist the local communities by supplying goods and services as well as creating employment. 60% of the income generated in this manner goes to the College and the teaching staff, while the students get 20% of the proceeds.

The immediate impact of the training programmes of public sector training providers is not immediately known. Through GTZ, a number of tracer studies were carried out which shed some light of this question. Studies undertaken in Harare in 1992 indicated that 75% of the graduates secured a job after finishing the training, and similar studies in Masvingo in 1996 found that only 50% of them obtained employment (Suhr 2000:13) - which is still a better result than the YTCs.

8.3.2 Church-based training centres and NGO training

The Roman Catholic Church has been involved in vocational training since the 1960s. It runs two Vocational Training Centres (in Chinhoyi and the Driefontein mission in Midlands (information from ILO/SAMAT 1995). They train the students in agricultural, construction, metalworking, woodworking, and tailoring skills during courses that last up to three years. The courses are relatively practical (only 25% of the time is dedicated to theory), and the VTCs do not experience problems with trainers or training facilities (although for some training areas, the training equipment could be updated and expanded). The training graduates receive a certificate from the training centre itself and are usually not trade tested through the formal system under the ministry of Higher Education. The church-based VTCs do not qualify for funding from government allocations.

The Zimbabwe Foundation for Education and Production (ZIMFEP), a government ‘NGO’, runs a number of training centres, which combine general education with training-cum-production. Its Mupfuru College in Mashonaland West, for instance, caters for ex-combatants and ex-refugees.

In addition to such church-based and other NGOs engaged in more conventional forms of technical training, there are a relatively large number of NGOs active in Zimbabwe with a broader mandate to support MSEs, which are involved in support activities that include or are close to technical training.

55 An earlier study of training needs of informal sector entrepreneurs (Siddiqui and Nyagura 1993) looked at Ranche House College, Glen Forest Training Centre, Danhiko Training Centre, Jamaica Training Centre and Mt Hampden Training Centre in Harare, and the Weya Community Training Centre in Makoni.

56 In the early 1990s there were 51 NGOs listed in the VIICE/ZCC Directory of NGO Training Centres and Programmes, of whom half were engaged in agricultural training and the others in technical skills training (e.g. brocks and roof tiles, welding, blacksmithing, carpentry, construction and mechanics) and/or training for handicrafts (quoted in Zimconsult/UNIDO 1993).
ITDG Zimbabwe, for instance, is involved in the provision of technical assistance and support to small engineering workshops in Gazaland/Highfields and Gweru. It is also involved in support to the small-scale mining sector. Both ITDG (on its own or together with another NGO, ApTech) and another international-based development organization, Environment and Development Activities - Zimbabwe (ENDA) play a major role in the development and transfers of appropriate technologies to the MSE sector in Zimbabwe: they design and build new types of equipment, test these prototypes, and provide support to the (groups of) entrepreneurs who use the equipment.

An interesting study points out that some training centres in the country have been effective in disseminating appropriate technologies to MSEs, and that “the lack of skills appears to be the greatest obstacle facing the adoption of technologies and the ability of small-scale industries to enter into sub-contracting arrangements with large enterprises” (Ndlela, 1993:22).

8.3.3 Private training providers

A study of private training providers in Zimbabwe (Bennell 1997) estimates that there are in Harare Province around 60 formal, registered PTPs, 25 church-based and NGO PTPs, and some 90 unregistered, essentially home-based PTPs - with a total enrolment (1997) of at least 5,000. It also estimates that in the rest of the country, there are some 30 church-based and NGO training institutes offering full-time and part-time training, and maybe “a handful” of commercial training providers. Total enrolment could be between 25,000 - 30,000 students.

Most of these PTPs, especially in urban areas, are involved in academic, secretarial, commercial and computer training courses, while only a few of them conduct technical skills training. In the rural areas technical training by PTPs is more common; one of the larger NGOs, Silveira House, for instance, has enrolment of over 5,000.

The study found that there is also an increasing number of non-registered PTPs, especially in urban areas. These operate on a much smaller scale, and often refer to home-based, ‘one-classroom’ and one-instructor operations. They provide courses with are considerably shorter than those in formalized training institutes. Many of them provide training in tailoring (which is surprising in view of the sharp decrease in actual number of textile MSEs as they find it difficult to compete with imported garments). The non-registered PTPs are markedly cheaper in terms of training fees.

In all, the study estimates that nationally the training enrolment private training institutes is around 100,000 students in formal, registered institutions and some 4,000 in non-registered PTPs. Some further details on private training providers are given in paragraph 9.7.
8.3.4 Other skills development activities

There are a large number of initiatives towards the promotion of small-scale economic activities in Zimbabwe, a number of which are involved in or border on skills development activities\(^ {57} \). A few examples are indicated below.

The Confederation of Zimbabwe Industries (ZCI, with 650-700 members) is running the Zimbabwe Enterprise Programme, funded by USAID and NORAD, which focuses on linking small enterprises with large companies. Some observers say that the programme, in addition to the actual matchmaking for sub-contracting, is also engaged in training activities for participating small enterprises.

The Zimbabwe National Chamber of Commerce (ZNCC, over 1500 members), poised to merge with ZCI, operates a subsidiary company, Microbusiness Development Corporation. The corporation aims to set incubators for MSE entrepreneurs in the main cities. ZNCC also provides training in entrepreneurship development through ‘How to Start and Run a business. Before, it was involved in a Commonwealth Secretariat-funded project to provide training for small companies to improve their performance in the export market.

EMPRETEC Zimbabwe, which forms part of an UNDP-funded international network of entrepreneurial development projects focussing on growth-oriented SMEs, is involved in two MSE-support activities: (i) entrepreneurship development training and (ii) the promotion of business links between its EDT graduates and multinational companies. The linkage mechanism is still said to be rather weak, primarily since the technological between the two sectors is difficult to bridge.

The Indigenous Business Development Centre (IBDC), which was established in 1991 as a lobbying group for the black business community, has set up a technical assistance arm under the name Business Extension and Advisory Services (BESA). IBDC focuses on increasing access of MSEs to low-cost credit, affirmative (marketing) action, for instance with regards to government procurement, and an enabling environment for MSEs. BESA offers a range of services including assistance in Business Plan preparation and sourcing of finance, counselling and extension, and skills training. It is reported to have around 300 regular clients. Some of them seem worthwhile for more in-depth study to further explore these skills development-related initiatives.

\(^{57}\) The information in this paragraph is largely taken from a report prepared for SIDA (see Rural Investments Overseas Ltd 1997).
8.4 Apprenticeship training

In Zimbabwe, as in most other Sub-Sahara countries in Africa, there co-exist a formal apprenticeship scheme alongside the traditional apprenticeship system (see Suhr 2000).

8.4.1 Formal apprenticeship scheme

Formal apprenticeship is considered a form of vocational training, which includes both theoretical and practical skills development, through visiting a Technical College and an attachment period with an industrial firm, respectively. In this way, the apprentice can complete the training programme in four years and obtain a National Certificate.

The scheme is directed at youth up to 25 years, who have obtained a minimum of five ‘O’-levels, including English, mathematics and science. The firms are responsible for the selection of the apprentices, while the Registrar of Apprentices allocates them to the respective technical colleges. The number of formal apprentices is minute (in 1998: 1149) and decreasing (except for hairdressing).

The costs of the first two apprenticeship years, when the apprentice is not yet considered to contribute to the production of the firm, are covered through a rebate for the company in the ZIMDEF training levy (1% of the wage bill), while the final two years have to be paid for entirely by the firm.

There is little information on the impact of the formal apprenticeship scheme. A tracer study conducted in 1996 among the graduates of the Masvingo Technical College indicates rather disappointing results: of the 139 graduates studied, almost 60% were still unemployed, while just under one-third found a formal sector job and fewer than one in ten were self-employed.

Some of the criticisms levelled against the formal apprenticeship scheme include absence of follow-up after the completion of the training and a general lack of a business orientation of the scheme. The cost of the formal apprenticeship training is estimated at Z$ 32,000 per trainee per year (Suhr, 2000:19).

8.4.2 Traditional apprenticeship system

The traditional apprenticeship is not very well developed in Zimbabwe. Whereas in other countries, e.g. in West Africa and South-East Asia, traditional apprenticeship is governed by a specific agreement between the family heads or guardians detailing matters such as the duration, content and costs of the apprenticeship training, in Zimbabwe no clear arrangements are made. Moreover, they only have to pay a marginal fee to the ‘master’\(^{38}\). Studies show that the higher the

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\(^{38}\) A survey commissioned by GTZ/ISTARN found that it is even more common for the ‘master’ to contribute in materials terms (cash, food, shelter) to the training than the apprentice, although some of the latter had to make a
fee the more appreciated and recognized the training and the more likely that the apprentices stay on the job and commit themselves to the business to which they are attached for their apprenticeship (ibidem).

Traditional apprenticeship is particularly an important source of technical skills for those who lack the educational requirements to qualify for formal training and apprenticeship programmes or otherwise did not succeed to enter them. Since requirements are aptitude rather than academic achievements, the informal apprenticeship is essentially open to anyone interested in mastering a trade. In principle this means that it serves not only as pre-employment training for the youth, but is relevant for the unemployed in general. There indeed examples of apprentices who had already received some (basic) training somewhere before starting as an apprentice in an (informal) enterprise.

An important advantage of informal apprenticeship training lies in its markedly lower costs when compared to more formalized training in terms of payment of (i) allowances, food and accommodation, and (ii) misused materials and damage to tools and equipment. In Zimbabwe it is has been calculated that the costs of a period of basic training, technical evaluation, administrative costs, business training and a tool kit per apprentice, was just over Z$ 5,600 (USD 485) per year in 1997 and Z$ 12,800 in 1998 when more expensive trades were added (e.g. refrigeration, motor mechanics and solar electrical installation)\textsuperscript{39}. Even the latter is still only 40% of the estimated costs of the formal apprenticeship scheme (ibidem: 26).

Unfortunately no other, more detailed studies on the characteristics and achievements of the traditional apprenticeship system in Zimbabwe were identified during the mission.

8.5 Changing training needs of the MSE sector

A survey conducted in the early 1990 into the training needs of informal sector entrepreneurs (Siddiqui and Nyagura 1993) provides an interesting picture of the training needs of MSE entrepreneurs. First of all, the main problems that their business are said to be facing are: getting a business site (63% of MSE surveyed), raising sufficient starting capital (63%), acquiring machinery and equipment (50%) and getting raw materials (44%). No reference can be found to constraints posed by a lack of management or technical skills - of either the owner or the workers of the firms (e.g. “recruitment of workers” was only identified as a problem by 7% of the respondents).

Asked specifically about their priorities when it comes to training, the main interests of informal sector operators appear to be in the area of technical skills\textsuperscript{40}.

\textsuperscript{39} The length of the training period depends on the activity so that the training costs vary from trade to trade, reflecting the differences in total allowances etc, the costs of materials consumed, the type of equipment used, etc.

\textsuperscript{40} financial contribution, purchase production materials or stay on in the firm for a period after completing the training (quoted in GTZ/ISTARN 2000b).
Table 23: Specific training needs of informal sector entrepreneurs (1993)

<table>
<thead>
<tr>
<th>Training needs</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgrade of technical skills</td>
<td>80</td>
</tr>
<tr>
<td>Improve quality of products</td>
<td>65</td>
</tr>
<tr>
<td>Business management</td>
<td>63</td>
</tr>
<tr>
<td>Financial accounting</td>
<td>61</td>
</tr>
<tr>
<td>Marketing skills</td>
<td>56</td>
</tr>
<tr>
<td>business organization</td>
<td>48</td>
</tr>
<tr>
<td>Improve design of products</td>
<td>48</td>
</tr>
<tr>
<td>Pricing of products</td>
<td>41</td>
</tr>
<tr>
<td>How to do subcontracting</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: Siddiqui and Nyagura 1993

It would seem then that although it is not immediately felt as a constraint, there is clear interest in technical training among informal sector operators. Probably only few of them actually enjoyed any vocational training, and most of them will have obtained their skills by working in a job in a similar line of business as the one in which they are now. The GEMINI survey indeed found that Zimbabwe’s MSE owners have on average a long 8.8 years of experience in MSE work comparable to their present work (MacPherson 1998:16).

8.6 Case study A: ISTARN Traditional Apprenticeship Programme (TAP)

8.6.1 Background

As part of GTZ’s efforts at business and employment promotion in Zimbabwe, and in particular its longstanding support to the vocational training sector in the country, GTZ is currently implementing a number of more or less related projects:

- Advisory Service for Private Business (ASPB) project which aims to assist in the creation of a conducive environment for the private sector

40 Similarly, when asked more specifically about the most desirable skills at the start of the informal sector business, the large majority (82%) refers to production/technical skills, against only 26% to marketing skills and 11% to management skills, as well as financial administration skills.

41 This Case study is largely based on Mangstrat 2000, GTZ/ISTARN 2000a and 2000b and Suhr 2000.
Micro- and Small Scale Enterprise Promotion (MISSEP) project which seeks to improve the environment specifically for the MSE sector

Informal Sector Training and Resources Network project (ISTARN) which tries to come up with an integrated approach to strengthening the informal sector so as to create employment opportunities and enhance the business viability of informal enterprises

National Vocational Training Project (NVTP) which provides assistance to the Ministry of Higher Education in the area of vocational education and training, and in itself consists of a number of different initiatives (see e.g. Dube et al. 2001).

ISTARN itself is composed of the following initiatives:

- Informal Sector Business Associations (ISAs) attempts to build of the capacity of informal sector associations, e.g. through leadership training and development of linkages with formal business groupings, and to promote the development of ISAs’ business services
- Marketing Support Programme (MSP) seeks to promote the marketing of informal sector goods and services to a wider market
- Small Business Advisory Programme (SBA) aims to render management training and counselling support to MSEs
- Traditional Apprenticeship Programme (TAP) aims to stimulate the creation of self-employment by equipping the unemployment with marketable technical and business skills.

TAP was initially implemented as a pilot project in Masvingo Province in March 1996, hosted by the Masvingo Technical College. In 1999 it was replicated in Mutare Province and Mashonaland. Essentially it is based on the notion that the traditional apprenticeship system is accessible to large number of people, relevant and cost-effective. TAP aims to improve the effectiveness of the traditional apprenticeship system in transferring practical skills without excessive interference.

### 8.6.2 TAP apprentices and activities

The publicity about TAP to inform its target group about the training support opportunities is done in different ways: through newspapers, radio messages, Open and Career Days, pamphlets in public places and through networking with other organizations. All of these have been found to bring certain advantages and disadvantages. Local ISAs and NGOs were found to be good channels to market TAP and help in the recruitment of apprenticeship candidates.

TAP initially focussed on support for a few trades (welding and carpentry). But so as to avoid over-crowding in these sectors, other sectors were added later on, such as dressmaking, radio and TV repair, motor mechanics, refrigeration and solar electrical installation. Now training and other support is provided to in all 19 trades. These economic
sectors were chosen on the basis of a study of the informal sector in the area to ensure that TAP would not result in a saturation of the market. Other factors in selecting trades are the availability of training expertise in the skills, the availability of apprentice placements and the willingness of ‘masters’ to take on apprentices, the time required for someone to acquire the skills, and the initial capital costs to set up a venture in the trade.

Initially TAP also offered some incentives to the ‘masters’ (e.g. free business training and advisory services), but this was discontinued as it led to a commercialization alien to the existing apprenticeship system. No longer are special incentives offered, although the ‘masters’ can still apply for the services - on a fee basis. Care is taken, however, to work with suitable ‘masters’. It was found that not all the interested ‘masters’ present the same opportunities for exposure and training of the apprentices, as some are more innovative, get frequent and interesting orders, possess better instruction skills and discuss more the training and its results with the apprentices than others.

Trainees participating in TAP are selected from the ranks of the unemployed on the basis of entrepreneurial aptitude, since they are thought to become self-employed after the training. This is essentially done by making the selection conditional on the would-be apprentices finding their own ‘master’ for apprenticeship placement, and being able to organize their own food and lodging. This was a reversal from the beginning when ISTARN-TAP offered a subsistence allowance and negotiated the placements of the apprentices. This ‘handholding’ lead the first intake to have unrealistic expectations and resulted in endless complaints at the beginning of their placements about ‘masters’ and workshops.

The most innovative aspect of TAP is arguably the technical training that the apprentices receive in two or three blocks of two weeks before and during the apprenticeship. This training is conducted at the Technical College and includes both theoretical aspects and practicals. The pre-apprenticeship training is especially appreciated by the ‘masters’ with whom the trainees subsequently start their apprenticeship, as it increases the immediate productive usefulness of the apprentices, reduces the risk that tools and equipment are damaged and wasted production materials, and significantly shortens the apprenticeship period.

TAP also offers short-term training in business skills, access to loans to participate in a rental-purchase scheme, and small business advisory services. In addition, the clients can sometimes access the services of the other ISTARN projects, e.g. link up with an informal sector association to purchase production materials at reduced prices.
8.6.3 TAP results and impact

The actual apprenticeship period varies as it reflects the characteristics of the trade in which the training takes. For instance, while an apprenticeship in tailoring takes some eight months, one in motor mechanics lasts at least 18 months. It illustrates one of the most important characteristics of the programme: its flexibility, allowing it to be market-driven. Thereto the training is as short as possible, but as long as necessary; it is offered on an open-entry basis; there is no pre-determined fixed training curriculum; and the vocational and technical skills are interwoven with entrepreneurial and business skills.

All the apprentices receive an ISTARN-TAP certificate of attendance at the end of the training. The apprentices are also given the option to sit for formal trade test (when they exist), but have to pay for this themselves. The programme feels that trade-testing is an option that needs to be treated with care: “while establishing test standards may increase the quality of work apprentices produce, quality is not a sufficient predictor of success in itself and needs to be defined in relation to the target market - what it wants and needs in terms of quality. If accreditation and certification result in higher prices for goods and services in the informal sector, then the training that leads to them may become as irrelevant as that offered currently in formal technical training courses” (GTZ/ISTARN 2000a:22).

Most important of course is the impact of TAP interventions. A recent evaluation (Mangstrat 2000) conducted interviews with 88 graduates, and found that 88% of them were employed:

- 44% self-employed (10% of them creating additional employment for others)
- 31% employed in informal sector (work)shops
- 13% with a job in the formal sector
- 12% unemployed.

From interviews held with (an unknown number of) ‘masters’ (ibidem) it became apparent that:

- 91% are positive about TAP
- 70% indicated that their business grew
- 89% said to have increased productivity and profitability
- 70% preferred to take on pre-trained TAP apprentices over others
- 35% felt satisfied to have assisted unemployed youth in developing practical skills.

Even though experience shows that such results need to be treated with utmost care because of recollection errors and difficulties to filter out the effects of other variables (e.g. the general economic situation), it would appear that two of the most important stakeholders, the apprentices and their ‘masters’ are rather positive about TAP. In fact, there are usually more candidates than there are places.
Similarly, TAP has also become popular among the Technical Colleges, as it promises far higher skills use than their regular training.

### 8.6.4 Training costs and financing

The apprenticeship training is considered cost-effective as it implies low costs on the part of the master (i.e. the very small salary or stipend). For the training institutions, this manner of organizing the training is also much cheaper than their regular training format, especially because the duration is much shorter. Also, TAP makes use of existing infrastructure and resources, e.g. colleges and staff during holidays and in the weekends.

The relevance of the training is deemed high because the apprentice is not taught technical skills, but also receives training in business skills - the latter both as a small part of the training by the master and through additional TAP efforts. Moreover, the training setting exposes the apprentices to the conditions and circumstances prevailing in the sector in which they are expected to establish their own venture and in this way are inducted in its culture and business networks.

TAP operates on the 90-10 principle, which means that “in an intervention such as TAP, where success is so dependent on the mind-set of the participant, the implementing agency offers an opportunity which is 10% of the input, but, in order for the opportunity to be maximized, participants are expected to input 90% of the effort” (GTZ/ISTARN 2000a:21). Since high fees may make training inaccessible for some of the poorest potential clients, the programme is investigating the possibility of establishing a Training Scholarship Fund.

It would seem that for the time being the 90-10 rule is not enforced, as it is reported that trainees pay a course fee of a mere Z$ 500 per ‘term’ (two weeks institutional training block) - apparently only to cover the costs of the training materials (Mangstrat 2000:27).

ISTARN/TAP realizes that it needs to reach significant number of clients to make the programme administratively cost-effective, as well as to contribute in a significant manner to the alleviation of employment and poverty. This requires regular intakes - e.g. 3-6 monthly) and a growing number per intake (from an initial 30-40 to a regular 40-100). ISTARN/TAP itself has enhanced the intake from around 40 to 120 apprentices. All together more than 1,100 trainees have been enrolled since TAP started as a pilot activity.

For the cost-effectiveness of the approach, the actual uptake of the newly acquired skills is most important. This depends in part of the investment in tolls and equipment that the training graduate needs to do to set up his/her own business. TAP has calculated the cost of the training up to the actual start of a self-employed business, i.e. including the tools to set up the venture:
### Table 24: Total training costs for different sectors

<table>
<thead>
<tr>
<th>Training area</th>
<th>Total training cost (in Zim. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpentry</td>
<td>8,228</td>
</tr>
<tr>
<td>Dressmaking</td>
<td>11,958</td>
</tr>
<tr>
<td>Welding</td>
<td>11,707</td>
</tr>
<tr>
<td>Radio and TV repairs</td>
<td>13,020</td>
</tr>
<tr>
<td>Motor mechanics</td>
<td>15,608</td>
</tr>
<tr>
<td>Refrigeration</td>
<td>16,196</td>
</tr>
<tr>
<td>Solar electrical installation</td>
<td>12,688</td>
</tr>
</tbody>
</table>


Initial results show that the graduates of carpentry (1995/6 start up investment Z$ 3,750) fared better than those in welding (initial capital Z$ 6,000).

#### 8.6.5 Preliminary assessment

The ISTARN Apprenticeship Programme presents some interesting innovations and appears to constitute indeed a ‘low cost route to relevant training’. It succeeds in building upon the strong points of the traditional apprenticeship system, without unduly intervening and upsetting the intricate equilibrium that has grown over a period of many years.

Its success would appear to rely especially on two factors: (i) preparation of the unemployed, mostly youth, by giving them pre-apprenticeship training, and (ii) availability of a wide range of follow-up assistance to the training graduates, in terms of support for trade-testing, financial linkages, advisory services, and referral to other ISTARN projects (on marketing and ISAs). Also, it is quite interesting that under TAP, female apprentices have made some in-roads in the trades that have been traditionally the exclusive domain of males, such as welding and carpentry. This has been stimulated by the explicit target of 30% female participation in all TAP-supported training. All this appears to be done at low costs.

A major achievement of the programme is its ability to keep down the costs of the training and follow-up services (even though the available information would appear not make fully clear the subsidy elements in the programme). In fact, TAP has calculated that the total cost of creating a job in the informal sector through TAP, from training up to actual self-employment (i.e. including start-up costs), is only one-tenth of the estimated cost of merely the training involved in a formal sector job (GTZ/ISTARN, 2000a:4).
Other aspects, while interesting, appear to require further work. For instance, while the apprentices are provided with supplementary training in entrepreneurial and management skills, a recent evaluation found that graduates still lack business knowledge and marketing expertise and suggests that more of such training as well as marketing assistance are required (Mangstrat 2000:19).

Some of the main remaining problems refer to (see e.g. Mangstrat, 2000:36-39):

- need to pay more attention to the suitability of the ‘masters’ participating in apprenticeship training as it was found that they not always fully understand their mentoring role and training function
- use of under-utilized capacity of TC and especially their lecturers, which, while potentially cost-effective, according to the evaluation has resulted in a content and level of instruction that is not fully commensurate with the understanding of the target group
- tendency towards over-concentration of training in particular trades, as two-thirds of all apprentices are enrolled in dress-making, carpentry, welding, metal work and car mechanics; while this can be overcome through market studies, TAP has as yet not demonstrated that training institutes have the interest, expertise and resources to undertake such studies on a permanent basis
- sustainability is as yet low as the training fees only cover a small part of the total costs (especially when the various technical assistance costs are taken into consideration)
- the usefulness of support to traditional apprenticeship training as a remedy to overcome the classic constraints of technological stagnation has not been proven; in fact, one of the reports appears to show that TAP did not even succeed to convince the ‘masters’ of welding training to provide the apprentices with protective clothing (e.g. mask for the eyes).
A final remarkable feature of TAP is that this training project is linked to the wider ISTARN project which functions almost as a full-fledged MSE Support Agency providing an integrated MSE support package, just when the upcoming, generally accepted, best practice is to ‘unbundle’ and provide the entire support package through networking of specialized organizations. In a similar vein the long-term institutional sustainability of TAP appears uncertain since “a critical success factor is the existence of the ISTARN as a full-time secretariat or advisory board of the TAP while as a rule training institutions neither have the budgets nor the required expertise and experienced staff to undertake these critical support functions” (cf. Mangstrat 2000:36).

8.7 Case study B: Private for Profit Training Providers

A proper study of private sector training providers (PTPs) was conducted in Zimbabwe in 1997, even though it should be noted that most of the training providers studied were involved in academic, secretarial, commercial and computer training. It surveyed 25 randomly selected PTPs (one third of the total number of PTPs registered with MoHET) in the city centre and high-density areas in and around Harare. In addition it collected information on 30 non-registered private training providers in the same areas.

8.7.1 Background

While during the 1980s only a few PTPs were set up, their number grew rapidly during the 1990s. By and large, greatly stimulated by the increased availability of foreign exchange that allowed for the importation of computers, these new PTPs provide some form of business skills training. Also, with the disappearance of the socialist leanings of the government, which were still common in the 1980s, there has been a greater recognition for the role of the private sector in the provision of training.

At the same time the importance of technical training among these PTPs is limited and probably shrinking. Among the 25 surveyed there was only one specialized in technical training.

8.7.2 Some characteristics

The PTPs surveyed include two NGOs while the rest are Commercial Training Providers (CTPs). The latter were usually started by one or a few entrepreneurs. Typically the background of the managing directors and principals of the PTPs is that they have been working as a middle level civil servant, while also part-time teaching at a PTP, left the public sector in the mid-1980s and started a PTP. They have generally at least some tertiary ed-

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42 This section is largely based on Bennell 1997.
ucation and half of them have studied for some time abroad. Interestingly, one third of the CTPs are owned or managed by women.

The PTP training is usually conducted in rented premises, remarkably often in or near the centre. The classrooms tend to be small making over-crowding common. The equipment is invariably basic and outdated, with the possible exception of some of the computers.

PTPs predominantly work with part-time instructors (the largest PTP in Harare has no permanent teaching staff and 350 (!) part-timers). Except for the larger and ‘elitist’ PTP, the salaries are modest and many of the instructors are not well motivated.

8.7.3 Trainees and training delivery

The total enrolment in the 25 surveyed PTPs is estimated at 34,000 of which only 9% concerns more technical training (e.g. ‘technical courses’, such as motor mechanics, and tailoring).

Table 20: Importance of technical courses for PTPs

<table>
<thead>
<tr>
<th>Subject area</th>
<th>Percentage of enrolment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic</td>
<td>14%</td>
</tr>
<tr>
<td>Sec. &amp; commercial</td>
<td>38%</td>
</tr>
<tr>
<td>Computer</td>
<td>35%</td>
</tr>
<tr>
<td>‘Technical’</td>
<td>5%</td>
</tr>
<tr>
<td>Tailoring</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

*Source: Based on 1997.*

The non-technical training is directed mainly at those from the middle (and higher) classes who are already working, so that the training is given for a few hours in the afternoon, the evening or during the weekends. The more technical training for self-employment is meant for the poorer strata and especially school-leavers. It therefore concerns courses of larger duration (often six months and longer) and takes place during four or more hours per day. It is largely limited to a few trade areas, such as tailoring and motor mechanics.

Interestingly, when a few years ago the demand for existing technical training courses fell, the largest of the PTPs for technical training immediately diversified into new trades, such as refrigeration, welding and car electrics.
8.7.4 Training results

The dropout rate at PTPs is estimated at 10-25%. In general, but especially in the case of technical training, the main reason is financial. No clear information on the pass rates is given.

Most of the non-technical training courses lead to a recognized certificate, often internationally endorsed. In contrast, for technical (and tailoring) courses national certificates are more the norm. These, however, lack status, are poorly administered and show low pass rates. In fact, most of the surveyed PTP reward technical training usually with an internal certificate. This is said to follow from the fact that these courses aim at self-employment and adequate recognition of the internal certificates.

8.7.5 Training costs and revenues

Except for two NGOs, all the PTPs surveyed had to cover all their costs from the revenues of the training, while even the former, in view of declining donor contributions, are said to become more interested in training as an income-earning activity. The study found that there is a wide variance in the training fees charged by these commercial training providers - and that the fees are not related to the training results.

The -monthly- fees for the secretarial, commercial and (short) computer courses are much higher than those charged for the technical courses - the latter (except for motor mechanics) are 50-100% lower. Apparently the fees, in addition to being based on a cost-plus formula, are determined by the status (‘brand name’) of the PTP and the ability of the target group to pay.

No detailed information on the different categories of training costs incurred by the PTPs is provided in the study. It indicates that the high capital outlay and running costs in providing technical training that satisfies MoHET’s registration requirements are a main deterrent for training entrepreneurs to enter into technical training. Still, it estimates that the profit margin of one of the large PTPs of technical training is 25-50%.

8.7.6 Problems and relations with the government

The major problem of the PTPs in recent years has become the deteriorating economic situation in Zimbabwe, which has led to a serious erosion of the purchasing power of (the families of) their prospective clients. For some reason (interest? faith in employment results?), this is more of a problem for technical training than for business skills training - even though the fees may actually be higher for the latter type of training.

A second and related problem appears to be the competition from the non-registered training providers. They are becoming more popular since they charge considerably lower fees - even though this will be most likely reflected in the quality of the training.
PART III
9. SYNTHESIS AND ‘GOOD PRACTICES’

The present study reviews the changes that have taken place in the past 15 years with regard to the training needs of the informal sector of micro- and small enterprises (MSEs) and the provision of training services by public and private sector training providers. The study focuses in some detail on the situation in 6 Anglophone countries in Sub-Sahara, i.e. Kenya, Tanzania, Uganda, Zambia, Zimbabwe and Ghana, based on visits to these countries together with review of relevant documents. It also includes observations of wider relevance, and, although most of the fieldwork was done in Eastern and Southern Africa, it is felt that with regard to many of the issues related to ‘training for the informal sector’ it holds relevance for other countries in Sub-Sahara Africa.

9.1 Growth of the informal MSE sector and the demand for training

9.1.1 Informal sector employment

The most striking conclusion of a closer look at the provision of vocational training and other services for those who are now or will be in the immediate future engaged in informal sector, is the realization that the informal sector is here to stay. Rather than a transitory phenomenon, as has been conceived and treated by governments and even many practitioners of MSE development, it has become clear that for the foreseeable future, MSEs will remain the pièce de résistance, in the truest sense of the word, of the economies in developing countries. Instead of viewing the informal sector as the arc that will bring its passengers to the dry land of the modern sector, it is the modern sector itself, which is in danger of becoming the Atlantis of our time.

Immediately linked to this realization is the bewilderment caused by the acknowledgment of the scale of the problem. The informal sector has been expanding explosively in all the countries under review since the beginning of the 1970s, which expansion received an extraordinary impetus in the wake of economic reforms in the past decade. In Uganda, for instance, the sector is estimated to grow in terms of employment at a rate of some 20% per year, while IS employment growth is also very high in others countries. In view of the fact that most countries in Sub-Sahara Africa are facing an extremely difficult economic situation, this is not likely to change any time soon. In spite of many years of economic reform, economic growth is low while in some years there is rather stagnation and even contraction. Formal sector employment expands only slowly, or even declines. In other words, there are hardly any new jobs coming up in the modern sector; again in Uganda the modern sector is said to absorb only 10% of the new labour market entrants.

In this situation, the informal sector is considered as the employer of the last resort by two major groups. The first pertains to those affected by the structural adjustment
programmes. This group includes, on the one hand, those who have become unemployed as the result of massive layoffs of employees in the formal public and private sector, as well as, on the other, persons who are forced by the steep decline in purchasing power of their incomes, to engage in extra work activities - in addition to other responsibilities (e.g. household duties and studies) or to the job they already have (e.g. ‘moonlighting’ by employees in the public sector).

The second group is the literally hundreds of thousands who are entering the labour market every year: 500,000-600,000 in Kenya and 700,000 in Tanzania. Many of them have not completed their secondary (or even primary) school education and very few of them have succeeded in acquiring any technical skills or other preparation for self-employment.

9.1.2 Informal employment and demand for skills

In view of these extraordinary large numbers of people who are turning to the informal sector in almost all Sub-Saharan African countries, there is a genuine risk that the sector could be reaching the limits of their absorption capacity. Already expansion is mostly taking place through a multiplication of self-employment ventures in a limited number of economic sectors, especially in trade and personal services. Even in countries, like Zimbabwe and Ghana, where the informal sector was viewed for a long time as relatively ‘developed’ with a high incidence of manufacturing and relatively frequent linkages with other enterprises including medium and large firms, it appears to have succumbed to being largely a mere ‘distributor of poverty’ through street vending and other retailing activities. Trade ventures now constitute 45% (in Zimbabwe) or more (e.g. 70% in Zambia) of all MSEs in the countries under review.

Some have argued that the lack of opportunities for skills training is contributing to the relatively low incidence of manufacturing and repair activities: since the youth has no access to vocational training, they entirely lack technical skills when they enter the labour market, and consequently they have little choice to engage in low-skill trade and services activities. This may be the case or not (there are no doubt other factors are at play, such as, for instance, the access to capital which is of more importance for many manufacturing activities), there clearly is a need to reinforce factors that ‘pull’ people towards small enterprises as a balance against the host of ‘push factors’ that by and large currently determine the development of the informal sector.

If the IS is to continue to absorb more people at a modest but reasonable return on their labour, it is absolutely crucial to increase the level of skills of the informal sector operators. Improved technical and others skills are of prime importance for enhancing the productivity of informal sector activities as well as the quality of the goods and services they produce. This will strengthen the ability of the IS to compete in the present situation of liberalization and globalization of the economy. Technical skills, together with other types of support (e.g. access to credit, technology, markets and information) are crucially
needed to enable informal sector entrepreneurs to diversify the product range and find niches to escape from the impending saturation of conventional IS markets.

9.1.3 Informal sector segmentation and the role of vocational training

Since the ‘discovery’ of the informal sector in the 1970s, important progress has been made in the conceptualization of the sector in two respects. First, it has become clear that the sector is starkly heterogeneous and can be viewed as consisting of 3 segments:

One) income-generating activities are pre-entrepreneurial, subsistence-types of self-employment, characterised by part-time (seasonal) operation, traditional technologies, local materials and local markets, and are a particularly important source of income for poor rural women;

Two) micro-enterprises employ up to 10 workers, mostly family members or apprentices, use a mix of technologies, serve rural markets and often operate in the rural centres; and

Three) small-scale enterprises have 10 to 50 workers, use modern technologies at least for some production phases, are semi-formalized, and usually have some potential for growth. The cut-offs between these segments are not sharp. The importance of distinguishing between them lies in the fact that each has its own set of constraints and requires a particular support strategies.

A second important contribution to our knowledge about informal sector employment refers to insights in the ‘churning’ of the sector, i.e. the complex and uneven process of simultaneous expansion and contraction of different segments of the sector. In other words, when the economy is growing, the high-end of the informal sector is also thriving, with micro- and small enterprises that have potential for growth expanding their operations and engaging additional workers, while at the low-end of the informal sector, income-generating activities of the survival type and self-employment micro-enterprises are shutting down as the persons they employ move to more rewarding activities. Conversely, when the economy is stagnating, MSEs face hard times: only a few of them expand and some will even lay off workers - while at the same time there is an additional pressure on the informal sector labour market caused by new entrants who cannot find a wage job and who engage themselves in self-employment ventures, even if these offer hard conditions and yield only marginal returns.

Judging from the economic performance of most African countries, it has to be feared that most of the new ‘jobs’ that have been created in the past years have been at the low-end of the informal sector where returns to labour are minimal, there is no capital accumulation for re-investment, and closure rate is high. Trade, retailing and personal services are typical examples of such activities.
Both these developments are of immediate relevance for the design and delivery of skills training programmes for the informal sector. The churning of the IS in sequence with the macro-economic situation also hold importance for training providers. It means that in periods of economic growth their training offerings should be geared towards the high-end of the MSE sector, as there are likely to be employment openings for their graduates. Conversely in times of economic down-turn the training providers may want to focus more on ways to promote income-generating activities at the low end of the IS (see below), as the graduates will have difficulties in making commercial use of their newly acquired skills, which, in addition to effecting their statistical performance, may have a backlash on the possibilities to charge training fees.

The IS segmentation provides a useful framework for training providers to organize their training offerings. Depending on their strategies and target group, they could (i) direct their training at the high-end of the IS, i.e. providing courses for wage employment in small and micro-enterprises in manufacturing, (ii) focus on self-employment in micro-enterprises, which requires preparing trainees for starting their own business, as well as upgrading the skills of existing informal sector operators, or (iii) contribute to the promotion of income-generating activities.

Wage employment in small workshops

The option of preparing trainees for subsequent wage employment in small workshops (eg. with up to 10-20 workers) comes closest to the kind of training most of the existing training providers are offering at the moment. However, a number of things still should to make the training more effective, starting with ensuring that the courses are indeed responding to the demand for skills by local small enterprises (other changes refer to new delivery modes).

Such a focus would appear to be especially relevant for the urban areas, since there are few small enterprises offering wage employment in the rural areas.

Self-employment and micro-enterprises

Training for self-employment in micro-enterprises is an entirely different matter for most training providers. It requires a different way of doing things:

- training organization: demand-driven determination of trades for which training is offered, competency-based selection of trainees, with attention for possibilities for cost-sharing
- training delivery: short duration courses, if possible via out-reach training\textsuperscript{45}, at time schedules that are convenient for the trainees
- training content: practical, easy to follow for trainees with low levels of education, modular training with ample attention for business practices
training follow-up: early attention for complementary services required for a successful entry into self-employment (e.g. credit, marketing assistance, business counselling)

**Income-generating activities**

The promotion of income-generating activities is particularly relevant for the rural areas, and indeed many NGOs are already engaged in such efforts. However, it is exactly in the rural areas, and especially those that are resource-poor and have little potential for farming that the scope for vocational training to create local employment is inherently limited. Most of the non-agricultural activities actually refer to IGAs that are part-time, take place in or near the house, are based on local materials and nearby markets, and do not require much capital, skills or even entrepreneurship - in fact, most of them refer to petty trading. Since technical skills usually only play a secondary role and/or are passed between generations (e.g. in case of crafts), skills training is not a very useful entry point and has in fact successfully been taken up by micro-credit schemes 44.

While indeed there may be no great need for technical skills, an effective promotion of IGAs can usually not be done without taking into consideration its ‘technical’ side, in the form of a transfer of practical knowledge on production techniques, raw materials, tools and equipment, and product designs. While this does not necessarily amount to a real skill-training course, it requires activities that can be called ‘para-training’:

- pre-credit technical orientation: orientation to prospective recipients of small credits on (i) credit management, (ii) basic business aspects, and (iii) interesting IGA and micro-enterprise opportunities in their locality (as well as references to how and where more extensive information could be obtained)
- demonstration of technologies and production techniques: short sessions by staff from ‘technical’ agencies to introduce non-traditional production techniques, including the use of other materials and product designs (or improvements in traditional ones)
- short skills transfer sessions lasting no longer than one or a few days on certain technical aspects of the IGAs (e.g. vaccination in the case of small rodents’ projects)
- business counselling in the form of frequent visits to the beneficiaries who have to initiate IGAs to strengthen their confidence, give follow-up advice and information, monitor and -to the extent possible- solve unexpected problems, initiate lin-

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43 Out-reach training generally refers to training that takes place close to where the trainees work and/or live. It particularly refers to skills courses that are not center-based but conducted in rural communities, making use of local training venues (eg. community halls, school building, etc., which are usually made available through community participation (see for ‘community-based training’: Haan 1994).

44 The beneficiaries, after appropriate community organizing, group formation and orientation on credit management and bookkeeping aspects, are eligible for small loans. The amounts of these credits are usually initially (well) below USD 100. Such schemes have generally proven to be successful, at least in terms of credit repayment (now routinely at 95% or more) - even when interest rates are at market (or even higher) level.
kages with others engaged in IGAs as well as suppliers and traders, set up linkages with service providers, etc.

Such para-training is particularly relevant as a supplement to other forms of IGA promotion for two reasons. First, it will strengthen the skills base of people engaged in particular IGAs, possibly enhancing product quality and increasing production batches. More importantly, it is essential for these people to diversify their production and to gradually transfer out of the real ‘survival’ activities into others that have more potential for stable, even increasing, incomes. This in turn could be a first step to improve the household situation and possibly allows for some investments that will lead to some diversification and even limited growth of the venture - or moving on to more interesting economic activities e.g. by setting up a micro-enterprise.

Para-training is usually the domain of NGOs, although their role tends to be limited to the organization of a group of training participants, while its actual conduct is done by resource persons from technical agencies (e.g. staff of the Ministries of Agriculture, Science and Technology, technical training institutes and universities). Very little evidence of this kind of technical promotion of IGAs was found in Sub-Sahara Africa. Interestingly, in Southeast Asia, even conventional training organizations and VTCs are now offering short-training courses in ‘agriculture-related’ IGAs, such as animal husbandry, vegetable and flower growing, or improved farming techniques (Haan 2001-b).

9.2 Informal sector policies

While the climate for the informal sector operators has certainly improved in the past 15 years, it is still laissez faire at best. The urgency of the situation is in no way reflected in any drive of governments in Sub-Sahara Africa to arrive at a consistent, integrated, operational and effective set of policies supporting MSEs to withstand the effects of economic liberalization and globalisation by raising, at a wide scale, their productivity and product quality, and integrating them more genuinely in the economy. Even in Kenya, where informal sector policies have been in the cards since 1986, the actual encouragement of MSEs is very much watered-down by a lack of implementation capacity and even, according to some, intention to do so. While other Sub-Saharan countries have also started the process of formulating IS policies, the support found on the ground, e.g. in the form of positive discrimination (or at least neutral treatment) in the application of government measures, and the availability of effective support services, is only advancing haphazardly.

In the meantime large numbers of informal sector MSEs are negatively affected by the adoption of economic reforms. While the opening up of the local market for imports will boost the availability of production inputs for small (i.e. the somewhat larger and technologically more capable) firms, for the large majority of MSE it will mean greatly increased competition from imported products. Accusations that dumping occurs have never been proven correct, but it is clear that, for instance, the importation of sec-
ond-hand clothing presents an insurmountable problem for tailors and dressmakers (while, it has to be added, at the same time it presents rewarding trading opportunities for others). Further policy research into the validity of the infant industry argument in the case of `MSEs and structural adjustment), and the way it should be applied, is clearly appropriate. At the same time, almost all MSEs are suffering from the considerable decline in purchasing power, which has hit especially hard the lower and middle income strata among which most IS clients are found.

In order to ensure that the informal sector can continue to absorb more persons, the informal sector should expand particularly at the high end, i.e. in productive sectors such as manufacturing and repair services (the best example is formed by small metal workshops that produce and repair parts for equipment and vehicles). Such activities contribute to growth of the economy, yield rewarding returns for its operators, allow for decent working hours and conditions, and create wage jobs for those who do not have the ability or interest to become an entrepreneur. For this, more than benign neglect of, and non-committal policy intentions for, the informal sector are needed. It requires an active role of the government - without it immediately providing MSE support services itself. Rather it should design a clear policy framework to purposely influence the development of the informal sector.

As part of such efforts, governments in Africa should seek to remedy the serious infrastructural problems of the IS, by allocating workshop plots, improving the electricity supply to MSEs, and constructing feeder and rural roads and transport (especially in the rural areas). The policy framework should also pay attention to the effects of macro economic policies on the IS (e.g. economic reforms, and policies for industrial, agricultural and rural development), as well as ensuring educational, training and technology policies suitable for MSE development (see below). Other tasks that the government could undertake include: simplification of licensing and tax procedures, together with so-called ‘one-stop shops’; campaigns to improve the public image of the sector; dissemination of relevant information to MSEs; and the co-ordination of efforts to promote and support the IS.

9.3 Training policies and institutions

In Sub-Saharan Africa education and training have so far been relatively ineffective. In part this is caused by the fact that the underlying notion, held as much by those who have been formulating education and training policies, as by those who are following education, that employment leads foremost to a white-collar job or at least to wage employment. However, it is exactly this type of employment that surged in the wake of a replacement demand after Zimbabwe gained independence, but entirely collapsed over the past 15-20 years. For instance, even Zimbabwe, in spite of its relatively well-developed education and training system, faces serious problems in the provision of relevant and marketable skills to its unemployed and especially its out-of-school youth. It is estimated
that more than 90% of those who sat for the ‘O’-level examinations in 1996 were still unemployed one year later (GTZ/ISTARN 2000a).

In other words, in most Sub-Saharan countries the ‘crisis of relevance’ of the vocational training system thus continues. It has generally proven to be incapable of responding to the changing needs of the labour market: training offerings are still based on the needs for wage-employment, while requirements for self-employment (e.g. basic management skills) are only slowly being introduced. As a result, the system serves only an infinitely small section of the total population in need of skills, and even so many of its graduates do not succeed in finding employment upon completion of the training. In all these countries, vocational training suffers from the socio-cultural problem that it is considered inferior and ‘designed for the less gifted and seen as education for servitude’ (Oketch 1995).

At the same time the education and training sector in these countries appears to be in a flux. In response to the high and still increasing unemployment levels (and often with donor as change agents), many countries in Sub-Saharan Africa are in the process of drastically restructuring their training institutions and re-formulating their training policies. In all the countries visited for this study, changes have been set in motion to overhaul the existing system and establish a more independent and professional Vocational Training and Education Authority. Such a body is to initiate various changes to make vocational training more market-driven. Usually it is specifically tasked with the co-ordination of, and the provision of support to, public and private sector training providers. In particular, they must ensure the provision of relevant and quality training enabling graduates to enter into informal sector (self-) employment, e.g. by setting up entrepreneurship development courses (cf. Zambia). In most cases they have simultaneously enacted some kind of training levy from which relevant training programmes will be funded in the future. The NVTI re-orientation process appears to be generally slow and cumbersome although somewhat smoother in some countries (e.g. Tanzania and Zambia) than in others (eg. Kenya and Zimbabwe).

With the enhanced recognition of the role of the informal MSE sector, training policies purport to give special emphasis on training for informal sector operators. In practice, however, this is found to be enmeshed in various competing institutional and operational factors. It requires the introduction of a new frame of reference (e.g. more appropriate level of technology, short course duration, less emphasis on training certificates, etc.) and especially a more business-like approach to training that is not always immediately appreciated by existing management and training staff. It furthermore requires new training approaches (e.g. out-reach training), curricula (short, modular courses) and materials (e.g. for trainees with low levels of education), most of which still need to be developed. In almost all countries, the National Vocational Training Institutes are in the process of developing and pilot testing new training modalities for the informal sector - mostly under influence (and with funding) of international donors.
9.4 Training providers for work in the informal sector

Since matters often have to get worse before they finally improve, it would seem that in Sub-Saharan Africa the ability to deliver training for the informal sector in the past 15 years has actually deteriorated rather than improved. This is a combination of two aspects: inadequate training capacity and deficient approaches to training of IS operators.

As a corollary to the precipitous decline in the creation of white-collar jobs, the demand for vocational training, especially for self-employment, has enormously increased. In comparison to the need for training, the existing capacity to provide training is minute in all countries in Sub-Saharan Africa. In Kenya, for instance, the number of new entrants on the labour market (thus not counting the backlog of those already unemployed) is estimated at 500,000, while the total training capacity is thought to reach some 33,000 or less than 7%.

For a long time public sector training institutions persisted in their training approach favouring wage-employment, except that their budgets continuously fell - first their investment allocation so that training centres and equipment became dilapidated, and then the recurrent budget affecting the qualifications and motivation of the training staff. No clear vision on the specific role of vocational training for informal sector (self-) employment has emerged. As before, existing VTCs offer training in a small range of conventional trades, paying little or no attention to business skills. Especially for girls and women the choice is very limited and mostly consists of textile working and a few other traditional trades. Moreover, the existing training capacity is almost exclusively dedicated to pre-employment training for young school leavers, and does not serve those already working in the informal sector. In any case, the total training capacity is depressingly small in relation to the enormous and still growing numbers of youth who require vocational training and the large majority of already working informal sector operators who are in need of skill upgrading.

9.4.1 Public sector training providers

Training providers in the public sector still suffer from inflexible and inadequate training curricula, sub-standard infrastructure and lack of qualified and motivated training staff. In the wake of structural adjustment programmes their budgets generally have been reduced, which in turn makes it more difficult to change and upgrade their training programmes.

All this leads to the conclusion that there is an urgent need for changes in the provision of vocational training by public sector providers. Their training should be made demand-driven, i.e. more responsive to the changing demand for skills in the labour market - both directly by employers and, indirectly, through the demand for goods and services produced by self-employed operators. Especially the latter has a number of important consequences for the design and delivery of skills training. Changes need to be made in
the training content (e.g. inclusion of business skills training) and the training delivery (e.g. modest, competency-based and flexible entry requirements, short courses, suitable training hours and venues). Moreover, there is acute need to broaden technical training beyond the standard trades for which training is now offered (tailoring, carpentry, etc.), so as to avoid market saturation for the products of these trades. There are indications, for instance, that tailoring courses are becoming less popular since it is more and more difficult to make a living off these skills (in part because of the large-scale importation of second-hand clothing). New trades for training should be foremost based on an analysis of the local labour market, and therefore be different for each training centre.

It is not clear if such sweeping changes will be within the possibilities of the existing government training centres. For most of them this would require major adaptations, particularly in relation to their capacity for identifying market trends, translating these into training programmes, and finding appropriate delivery modalities to reach the IS operators. Moreover, this would require substantial funding, for investments to upgrade training facilities and equipment, and to attract and train new staff, develop training curricula and materials, etc. One can say that many of the existing pubic sector (as well as many of the church-based) training providers are caught in a difficult dilemma: improvements in training quality improvements require resources in excess of current government subsidies, but increased training fees are not likely to be readily accepted by the training clients in view of poor benefits of past training programmes. Some have tried a hand at more cosmetic changes by more attention to entrepreneurship development, but evidently this is not solving the problem and it is found that in actual practice they do not appear to be very successful at it.

9.4.2 Non-profit training providers

Private non-profit training providers, mostly church-based organizations, tend not to differ fundamentally from public VTCs when it comes to training approach and delivery. Their curricula are not demand-led as they use standardized training curricula and they appear to value examination grades over employment results. They have few links with the local business community, leading to lack of opportunities for training practical and post-training employment. In short, they tend to suffer from similar problems as public sector VTCs.

Most remarkable is that, at least in Tanzania, their attempts to cover a larger share of their training costs by charging -gradually higher- fees to the trainees, has resulted in a substantial under-utilization of their training capacity. While this is often seen as a sign that the poorer strata from the population cannot afford to pay for skills training, it could also very well mean that the target group views the training course not worth the fee amount as the skills transferred are apparently not much appreciated by potential employers nor helpful in starting up a self-employment venture.
9.4.3 Private sector training providers

Private for-profit training providers (PPTPs) have mushroomed in Africa in recent years, but the large majority of them offer business skills training (from computer competencies to business plan writing, market research etc.). They have only to a minor degree filled the gap left by public sector training institutions when it comes to basic level vocational training. There are, however, signs that this may change in the future. Now that it has become commonplace to charge gradually more realistic fees also for the provision of technical training, more opportunities are coming up for private training providers to enter into this market. Such PPTPs to emerge could either be NGOs who professionalize their training offerings (cf. the evolution of NGO micro-credit schemes into full-fledged financial intermediaries), or start-ups of genuine private sector training providers (cf. Mengo Institute of Technology in Uganda and the Mansfield Institute of Technology in Zambia). Already in Zimbabwe, and probably also in countries such as Ghana and Kenya, there are already large numbers of what may be called informal training providers, i.e. private training providers who are not duly registered with the designated ministry.

It would seem that such an option is especially interesting for current trainers of training institutes, especially those in the public sector where incomes are low and often still eroding. Such a development could be supported through the conduct of training-of-trainer courses for entrepreneurship development and business skills training; provision of start-up capital, as well as for instructional methodologies; assistance in registration; and development and dissemination of relevant training curricula and materials.

So far, the quality of PPTPs varies considerably (e.g. see for Zimbabwe: Bennett 1997). In many cases the training appears to suffer from an undue accent on theory and a lack of practical, hands-on training aspects - in part for a lack of investments in workshops and training equipment. This is also seems to be realised by the PPTPs, who in Tanzania and Zambia have grouped themselves in associations of training providers to become more distinct partners for the new-styled Notice in the hope of assistance in the areas of curriculum development, trade testing and, if possible (they say, winking to the donor organizations present) training equipment.

9.4.4 Some conclusions

What is then the conclusion when it comes to the most appropriate training provider for work in the informal sector? The present study unfortunately does not yield an immediate unequivocal answer. It would appear that public sector training providers do not have necessarily have comparative advantages in the organization and delivery of training for IS operators. They still have existing facilities, staff, training content and experience - but the study has made it clear that on each of these a host of criticisms apply. Moreover, their budgets have shrunk to such an extent that their operations are now seriously affected. However, at the same time, the church-base training providers are not much different and there were few examples identified of interesting training activities of
other types of NGOs (with the exception of SITE in Kenya). Also, private sector training providers appear only to be coming up now.

A major development here in most of the countries visited is the creation of a national Vocational Training Authority. On paper this will serve to improve the situation of existing public sector VTCs, as they are expected to bring along funds through a training levy, together with expert advice, especially with regard on how to deal with training for the informal sector. But the harsh reality is that no additional funds have become available and the creation of the Training Authority rather appears to be taken as an opportunity to brusquely demand that VTCs become financially self-reliant (e.g. in Zambia). How this will work out in the future is as yet not clear - also because in all the countries visited major donors (e.g. GTZ, World Bank, DANIDA, DfID and NEDA) are very much involved in the restructuring of the vocational training sector, and are funding various projects that specially aim to provide skills training for the informal sector.

Moreover, the establishment of a Training Authority would appear to signal the beginning of the withdrawal of the state from the direct provision of vocational training - at least at basic level skills training. This is, for instance, the case in the Philippines where with the creation of the Technical Education and Skills Development Authority (TESDA) in 1993, basic skills training is now left to local government and NGOs - with technical assistance and, for the time being, funding - from an ADB-funded vocational training project - by TESDA (Haan 2001b). Again, whether, to what extent and in what form this will also happen in Africa is not yet clear - for pretty much the same reason of ample present donor involvement. One wonders especially what will happen with vocational training in the rural areas, where for the time being neither the public sector nor NGOs have any significant training presence.

What is, however, abundantly clear in all this, is that there is an enormous need to scale up the provision of skills training. This means that more prominence will have to be given to traditional apprenticeship training - and ways to increase its training quality (see below). Maybe in the future NGOs can take a more prominent position with regard to para-skills training for the promotion of, particularly, rural-based IGAs. One would also hope that public (and private?) sector training providers, in addition to providing training for wage-employment, can substantially increase their capacity for out-reach training - for which funding will be a crucial factor.

### 9.5 Traditional apprenticeship training

The traditional apprenticeship training (TAT) system does not appear to be well developed in Eastern and Southern Africa, when compared to West Africa. Only in Kenya does it appear to be somewhat better defined and more prone to respond to new opportunities. Still, in all these countries it is without doubt the most important source of technical and business skills for those working in the informal MSE sector. During the study,
several important strengths and weaknesses of traditional apprenticeship training were identified or confirmed (see table on the next page).

For years the traditional apprenticeship just existed and hardly changed. It neither enjoyed the attention of the governments (maybe fortunately so) nor was it the subject of technical assistance efforts. Only gradually is it being realized that TAT is responsible for a far larger contribution to skills development than all offerings by other training providers combined, and that it presents especially important advantages when it comes to preparing youths for work in the informal sector. As a result, there is now a small-but-growing number of special programmes building upon the TAT strengths and overcoming its weaknesses.

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<th>TAT strengths</th>
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<td>‣ training at an appropriate level of technology, and relevant for the socio-cultural conditions of the area</td>
<td>‣ little infusion of technological progress</td>
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<td>‣ emphasis on practical, hands-on training</td>
<td>‣ lack of attention for theoretical aspects</td>
</tr>
<tr>
<td>‣ training includes basic business skills</td>
<td>‣ pre-determined training programme is usually absent; no training materials</td>
</tr>
<tr>
<td>‣ training allows for gradual building up of (informal sector) business network</td>
<td>‣ small range of low quality training tools and equipment</td>
</tr>
<tr>
<td>‣ training often results in employment in the same workshop</td>
<td>‣ no guarantees against the exploitation of apprentices as cheap labour</td>
</tr>
<tr>
<td>‣ training costs are low (e.g. there is no need for training centres and separate training tools and equipment</td>
<td>‣ often high apprentice to ‘master’ ratio</td>
</tr>
<tr>
<td>‣ training costs are entirely borne by the ‘masters’ and/or (the families of) the apprentices—there is no need for subsidies</td>
<td>‣ ‘masters’ may lack proper teaching skills</td>
</tr>
<tr>
<td>‣ even though TAT is commonly used as pre-employment training by the youth, it is essentially open to anyone interested in mastering a trade, i.e. it can also be used for skills upgrading.</td>
<td>‣ often poor training and working conditions</td>
</tr>
<tr>
<td></td>
<td>‣ seldom linked with post-training skills testing; no accepted training certificate</td>
</tr>
<tr>
<td></td>
<td>‣ no training follow-up or support</td>
</tr>
<tr>
<td></td>
<td>‣ up-front payment of apprenticeship fee is often difficult for apprentices from poor households</td>
</tr>
<tr>
<td></td>
<td>‣ apprenticeship training is more common in male dominated trades, and therefore has less relevance for girls and women.</td>
</tr>
</tbody>
</table>

Major issues with regard to improving apprenticeship training include: (i) how to ensure the genuine participation of the masters in TAT upgrading efforts, (ii) how to improve the quality of the training delivery (i.e. introduction of pre-determined training plan, improved teaching skills, ensuring adequate training tools and materials, monitoring of apprentice’s progress, trade-testing, etc.), (iii) how to infuse relevant theoretical aspects and new technological developments in apprenticeship training, (iv) how to curb potential misuse of the apprenticeship training system, and (v) how to enhance the im-
pact of the training in terms of post-training employment and especially business start-ups. The present study identified some interesting experiences in relation to a number of these questions.

The SITE Skills Upgrading Programme in Kenya found a way to interest masters to become involved by offering them tangible business improvements in the form of new and improved products or better business practices. The ISTARN Traditional Apprenticeship Programme in Zimbabwe provides short, intensive pre-service training courses for prospective apprentices. This makes them more attractive for masters to select them as apprentices as they are less likely to damage equipment, waste materials and produce sub-quality goods or services. IFAD’s Rural Enterprise Project in Ghana combines both approaches to entice IS mastercrafts(wo)men to participate in the programme.

The role of the existing public sector-training providers in relation to efforts to upgrade traditional apprenticeship training is not immediately clear. While encouraging experiences are reported by ISTARN in Zimbabwe, SITE in Kenya, conversely, arrived at the conclusion that the conventional structure and culture are obstructing a sustainable contribution to TAT improvement interventions.

In the end, the overriding issue is to what extent traditional apprenticeship training can continue to transfer basic technical and other skills to the rapidly growing number of people seeking entry into the informal sector. In principle all the masters who are training apprentices are grooming their own competitors. And even when he/she is not concerned with this, at sector level there will be a limit to the absorption of additional informal sector operators in one trade. So far, there are only a few isolated cases of informal sector entrepreneurs (e.g. dressmaking in Kenya) who have changed the primary function of their business from production to training.

9.6 Training results and impact

In view of the various constraints indicated above it will come as no surprise that the training results in terms of good and employable skills appear to be low. One of the more remarkable findings of the present study is that very little is actually known about the fate of the training graduates and thus of the usefulness of the skills imparted. In other words, the training courses are not based on pre-training skills needs assessments and neither is the post-training impact tracked through tracer studies.

Without such information it is difficult to say what the effects of the skills courses conducted by the different providers are. A remarkable variety of training institutions seems to use an interesting rule of thumb, in which graduates end up in equal numbers in the formal sector, in an informal MSE or remain unemployed. If this would be to any extent the truth, it would mean that the training offered by these providers is rather ineffective, irrespective if the objective is formal or informal employment!
To this should be added the alarming high drop-out rates of many VTCs, especially (but not only) in the public sector, and the apparent declining utilisation of installed training capacity in countries like Kenya and Tanzania.

9.7 Training cost and financing

Budgets for vocational training appear to have been shrinking in the past decade. All public sector training providers are facing serious financial constraints. The Youth Polytechnics in Kenya, the Folk Development Colleges in Tanzania and, vocational training centres in Zambia, are all examples of public sector training providers that receive less government support than before - essentially the government contribution now only covers the salary of VTC staff. At the same time most VTCs have maintained their high cost structure with centre-based, long-duration training courses.

The study did not find sufficient data for a detailed analysis of trade-based training unit cost in public and private sectors. In Tanzania training cost per trainee per year are USD 125-560 in church-based VTCs, while they are estimated at an average of USD 1250 in the public sector, i.e. 2-10 times higher.

To compensate for the loss of funding from other sources and cover rising training costs, virtually all VTCs have introduced, and gradually increased, training fees. They vary, in some cases considerably, from course to course, from VTC to VTC, and from region to region. Here the initial gap between public and private sectors appears to be diminishing. In Tanzania, the church-owned VTCs charge USD 80-200 per trainee per year and the Folk Development Colleges USD 75-150. Government VTCs in Uganda charge some USD 140 per student per year, while the private-for-profit sector USD 135-210 per training course at certificate and diploma level.

The study on church-owned training institutions shows that the financial base of these VTC differs considerably, with training fees covering anything from 7 - 91% of all training costs. For many VTCs production units continue to form a major source of income (30-60% for some church-based VTCs).

There is a general feeling in all the countries visited that training fees are at their maximum and possibly already too high for the majority of the target group, whose purchasing power has been hard hit by stagnating and even worsening economic conditions. Even some of the few private-for-profit training providers indicated that they are experiencing problems to make their financial ends meet. One of the larger private sector training providers in Zimbabwe, for instance, already discontinued training in some trades - while opening others in the hope that they will arouse more effective demand. In the case of public sector and NGO training providers, there are indications that the problem is that trainees feel that poor results in terms of post-training employment do not justify the investment in the form of relatively high training fees.
A tentative conclusion would be that VTCs need to drastically reduce their training unit costs by changing their delivery mode to short modular courses, and lowering their fixed costs (e.g. trainers just contracted for the duration of the courses, using training venues provided by the community, asking trainees to bring training materials, etc.). There are various examples that appear to show that potential trainees are willing to pay for short, well-focussed and high quality training courses.

At the same time training providers, especially in the public sector, need to reflect on possibilities to enhance their revenues. There are numerous options to make more extensive use of the training facilities and staff, ranging from fee-charged evening and weekend training courses for skills upgrading of those already working in the IS (or elsewhere); renting out or paid use of VTC equipment by small workshops; and advisory services by the staff. And why could not public sector VTCs offer ‘commercial’ training courses (e.g. training in computer skills), similar to ‘back street colleges’?

9.8 Innovations in skills development practices

In addition to improvements in existing training practices, there appears to be another, quite interesting development in the provision of training for the informal sector, that is, training for product development. Essentially this type of training concerns product-based training, and is sometimes linked with some kind of marketing assistance.

It would seem that this type of training fits rather well some of the conditions that have emerged as important for training for informal sector operators: short, modularized and practical training. A disadvantage could be that this type of training only transfers a specific and therefore limited set of skills, which are essentially optimally used while the product is popular. It usually does not do much to upgrade the basic and theoretical knowledge of the small producers.

Interestingly such training appears to have attracted a new breed of training providers: specialized NGOs of recent origin which have initiated interesting MSE support activities that also include skills training. In Kenya the Product Design and Development Centre, Gatsby Kenya and ApproTEC (see Havers 1998), for instance, are gaining valuable knowledge and experiences in the area of product development. The Uganda Gatsby Trust similarly is operating an interesting scheme of training and technology extension services by university faculty staff and the organization of ‘business clubs’ for intra-sectoral support services. The main question concerning the services of these organizations refers to their sustainability, as they are now at least partially funded by international donors.

Still, in view of the simultaneous need to hugely scale up the capacity to deliver technical training, such models are interesting, as they would appear to hold particular attraction for private, non-profit as well as for-profit training providers. As there is an imperative need to scale up the provision of skills training, utmost efforts are needed to develop these
kinds of new models for the provision of technical training. This applies not only to commercial training institutes, but possibly even more to the development of modalities to make use of informal sector apprenticeship arrangements. In this way a more genuinely market-based training delivery system would evolve.

### 9.9 Role of external assistance

The review of the experiences in the design and implementation of NFE and vocational training programmes for the rural areas in Southeast Asia has made it clear that there is an important although facilitating role for external assistance. It has been shown that such assistance achieves the most positive results when it supports existing, locally initiated programmes - while respecting local decisions with regard to their operation.

A prime area for useful donor support concerns capacity building of local organizations. This can, for instance be done through the financing of training programmes, seminars, study tours, exchange visits and specific bursaries. External assistance has been found to be valuable in the area of strategic planning, which is surprisingly often necessary to help local organizations to determine the vision, mission and actual support services. It is also sometimes easier for outsiders to initiate collaboration between organizations and to organize lobby groups and other fora for advocacy.

Another major area for donor assistance concerns the development and/or introduction of new training methodologies and delivery modalities, together with providing seed capital for the financing of pilot activities to test new approaches on an experimental basis. Most local organizations would also greatly benefit from the sharing of experiences from other countries and, indeed, access to international good practices.

Monitoring and evaluation are both financially and methodologically usually beyond the immediate capability of -especially smaller- local organizations. As a result this usually ends up at the bottom of the priorities list, seriously hampering the process to improve the quality and effectiveness of the programmes. Donors can help in setting up relevant monitoring and evaluation systems (including computers).

Some other areas where external financial and technical contributions would be helpful are: (i) funding of investments in simple training facilities and equipment, (ii) provision of information developments in education and training (e.g. journals), and (iii) tailor-made, short term, intermittent technical assistance to select training equipment, to improve programme management, financial and administrative system, etc.

### 9.10 Final observations

In all it would seem that training for the informal sector in Sub-Saharan Africa has made only limited progress in relation to the situation reviewed in the 1987 ILO Turin workshop and that many of the recommendations made at that time still stand today. Fun-
damental changes are required in the training systems in these countries and the roles and approaches of the different training providers. Some of these changes are already being realized by those concerned or have already been set in motion - even though the actual results are rather slow in coming and possibly still inadequate when they do materialize.

This study would be too small a basis for extensive recommendations. However, there are a number of salient points that stand out for further research. First, there is an urgent need for further analysis of the exact training needs of informal sector operators, taking into consideration the segmentation of the informal MSE sector. Simple self-employment income-generating activities will probably require a different set of technical and business skills than running a small informal business with a number of permanent workers. Only on such a basis will it be possible to design differentiated vocational training interventions for the informal sector. Without such a differentiation, training interventions will not become cost-effective. Similarly, the need and scope for support to different training providers should be further examined.

**Future role for the public sector**

With respect to skills training for the informal sector, exactly the issues of the roles of public vs. private sector VTCs, training for pre-employment vs. skills upgrading and cost-recovery through training fees, are too complex for a general approach of ‘market-based’ service provision. In the case of pre-employment training, for example, one can expect that poor youth most likely do not have savings or access to capital (except from family and friends), and in view of low-cost or even free general education it could be argued that minimal fees ensuring a clear commitment to skills development would suffice. On the other hand, in the case of skills upgrading of small producers who are already in business, it would appear to be reasonable that a substantial share, if not all of the cost, should be borne by the beneficiaries.

**Training for ‘decent work’ in the informal sector**

Another issue that requires further research concerns the role that training-for-the-informal-sector can play towards the promotion of ‘decent work’. At the International Labour Conference in June 2000, the conclusions of the Committee on Human Resources Training and Development were adopted. In relation to the informal sector they state that

“training can be one of the instruments that, together with other measures, address the challenge of the informal sector…. Informal sector work is unprotected work that is, for the most part, characterized by low earnings and low productivity. The role of training is not to prepare people for the informal sector and keep them in the informal sector; or to expand the informal sector; but rather it should go in conjunction with other instruments, such as fiscal policies, provision of credit, and exten-
sion of social protection and labour laws, to improve the performance of enterprises and the employability of workers in order to transform what are often marginal, survival activities into decent work fully integrated into mainstream economic life. Prior learning and skills gained in the sector should be validated, as they will help the said workers gain access to the formal labour market”.

While some donor-funded programmes have experimented with incorporating ‘decent work’ elements in training programmes, the results so far appear to be mixed. Exactly in Tanzania an ILO informal sector project carried out pilot activities that clearly indicated the potential of introducing occupational safety standards and health protection for informal sector operators (van Ginneken 1995 and Forastieri et al. 1996). Other reports indicate various problems in doing so (eg. Haan 2001a). More research and pilot activities are necessary to develop practical approaches in this area.

International donors and organizations in this area on the basis of existing knowledge and experiences could do much more. ILO projects, for instance, have elaborated over the years a number of reports and manuals that document its experiences in the areas of community-based training, rapid market appraisal, participatory technology development (called user-led innovation), enterprise exchange visits, and others, which hold relevance for those involved or interested in the provision of technical training and technology dissemination for the informal sector. The ILO could even become involved in a type of franchising of modular technical training programmes, in a way similar to the SIYB system for entrepreneurship and management training.

**Opportunities for use of ICTs**

Finally, it would seem that recently developed information and communication technologies (ICTs) also hold a vast potential for training for the informal sector. Already in Latin America use is made of videos for the conduct of technical training courses (eg. FUNDES in various countries and SENATI/IPACE in Peru). Further adaptation of these technologies can be made, such as for instance training counselling via internet, post-training business counselling via email, and dissemination of technological and market information. All this would facilitate low-cost training delivery to a wide variety of informal sector operators, especially in the rural areas. No evidence at all of the use of such technologies in the area of skills was found in the countries visited in East Africa.
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ACRONYMS

BDS  Business Development Services
BDSC  Busega Domestic Science College (Uganda)
CBS  Central Bureau of Statistics (Kenya)
CISEP  Centre for Informal Sector Employment Promotion (TEVETA/GTZ, Zambia)
CSO  Central Statistical Office (Zambia)
DANIDA  Danish International Development Agency
DiID  Department for International Development (UK)
ED  entrepreneurship development
EDC  Entrepreneurship Development Centre (TEVETA/EISTP, Zambia)
EISTP  Entrepreneurship and Informal Sector Training Project (TEVETA/NEDA)
ENDA  Environment and Development Activities (Zimbabwe)
FDC  Folk Development College (Tanzania)
FIT  Farm Implements and Tools programme (for the promotion of appropriate tools and implements for farming and food processing)/(ILO/TOOL project 199398)
FIT (Uganda)  Farm Implements and Tools (ILO/Uganda)
GATE  [German Agency for Appropriate Technology]
GDP  gross domestic product
GEMINI  Growth and Equity through Microenterprise Investments and Institutions
GRATIS  Ghana Regional Appropriate Technology Industrial Service
GoK  Government of Kenya
GoT  Government of Tanzania
GoU  Government of Uganda
GoZA  Government of Zambia
GoZI  Government of Zimbabwe
GRATIS  Ghana Regional Appropriate Industrial Technology
GTZ  Deutsche Gesellschaft für technische Zusammenarbeit
ICEG  International Centre for Economic Growth (Kenya)
ICTs  information and communication technologies
IFAD  International Fund for Agricultural Development (Rome)
IGAs  incomegenerating activities
IFAD  International Fund for Agricultural Development (Rome)
IGAs  incomegenerating activities
TRAINING FOR WORK IN THE INFORMAL SECTOR

ILO  International Labour Organization (Geneva)
IS  informal sector
ISA  informal sector association
ISTARN  Informal Sector Training and Resources Network (GTZ, Zimbabwe)
IT  Institutes of Technology (Kenya)
ITC  ILO Training Centre (Turin)
ITDG  Intermediate Technology Development Group (UK, also in Zimbabwe)
IYB  Improve Your Business (ILO management development methodology)

_jua kali_  informal sector producers (Kenya)

KIW  _Kredietanstalt für Wiederaufbau_

KREP  Kenya Rural Enterprise Promotion

MCDWAC  Ministry of Community Development, Women and Children (Tanzania)

MIT  Mengo Institute of Technology (Uganda)

MoES  Ministry of Education and Sports (Uganda)

MoHET  Ministry of Higher Education and Training (Zimbabwe)

MRTTT  Ministry of Research, Technology and Technical Training (Kenya)

MSETTP  Micro and Small Enterprise Training and Technology Project (Kenya)

MSEs  micro and small enterprises

MVTC  Makerere Vocational Training Centre (Uganda)

NBSSI  National Board for SmallScale Industries (Ghana)

NEDA  Netherlands Development Agency

NFTI  NonFormal training Institutes (Zambia)

NGO  nongovernmental organization

PDDC  Product Design and Development Centre (Kenya)

PTP  private training provider

PPTP  private forprofit training provider

REP  Rural Enterprise Project (IFAD Ghana)

RMA  Rapid Market Appraisal

SAMAT  Southern Africa Multidisciplinary Advisory Team (ILO, Harare)

SAP  Structural Adjustment Programme

SHGs  SelfHelp Groups

SIDO  Small Industry Development Organization (Tanzania)

SITE  Strengthening Informal Training and Enterprise (Kenya)

SIYB  Start and Improve Your Business (ILO management development methodology)
STEPIN Integrated Skills Training for Employment Promotion TEVETA/GTZ, Zambia
TEVETA Technical Education, Vocational and Entrepreneurship Training Authority (Zambia)
TNA Training Needs Assessment
tuntemba small traders (Zambia)
UGT Uganda Gatsby Trust
UNDP United Nations Development Programme
UNECA United Nations Economic Commission for Africa
UNIDO UN Industrial Development Organization (Vienna)
UNIFEM United Nations Women’s Organization
USAID United States Agency for International Development
USD USA dollar
UVETA Uganda Vocational Education and Training Authority (Uganda)
VETA Vocational Education and Training Authority (Tanzania)
VTC vocational training centre
VTI vocational training institute
YP Youth Polytechnic (Kenya)
ZATP Zambia Association of Training Providers