

Training in the informal sector of Belarus

by

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FOREWORD

The phenomenal growth of the informal economy - including in the transition economies - during the past three decades poses a major challenge for the ILO's decent work agenda. The development of skills and knowledge is undeniably a major instrument for promoting decent work in the informal economy.

This report is one of a series of papers on skills development in the informal economy that were prepared in the framework of the InFocus Programme on Skills, Knowledge and Employability. At the same time this series also fits into the preparatory work for the general discussion on the informal economy held at the 90th International Labour Conference (ILC) in Geneva in June 2002.

The papers in this series include literature surveys and case studies reviewing various experiences with regards to skills development in the informal economies of developing and transition countries.

The reader will observe that nearly all of the papers in this series attempt to tackle the problem of conceptualising the 'informal sector'. The development of a conceptual framework for the International Labour Conference report was carried out at the same time as the production and finalization of the papers included in this series. As such, it was not possible to advance a single concept for use by the authors of these papers.

This paper was prepared by Yuri Vesselov, former National Consultant of ILO/UNDP project *Poverty prevention through training and self-employment promotion*. The responsibility for opinions expressed and definitions used in this paper rests solely with its author, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in it.

Acronyms

BEFAF	Belorussian Entrepreneurship Financial Assistance Fund
EBRD	European Bank for Reconstruction and Development
GDP	Gross Domestic Product
IB	Individual businesses
ILO	International Labour Office
IMF	International Monetary Fund
ISB	Incubator of small business
IT	Information technology
NGO	Non-governmental organization
RWG	Regional Working Group
SBSC	Small business support center
SE	Small enterprises
SEP	State Employment Programme
SEPF	State Employment Promotion Fund
SNA	System of National Accounts
UNDP	United Nations Development Programme

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Executive Summary

This paper presents the major characteristics of the informal sector of Belarus, especially the involvement of the unemployed and socially unprotected population in informal entrepreneurial activities. Data are based on the System of National Accounts. Special emphasis is given to the small business subsector. The paper also profiles unemployment (including hidden unemployment) and self-employment and their relationship with the informal sector.

The paper devotes special attention to the training of the unemployed population. The role of the national education system as well as the national and local authorities in the administration and organization of vocational training activities for the unemployed population is described. In particular, the Employment Committee of the Ministry of Labour and its local units play a significant role in the formulation and implementation of self-employment initiatives and job-creation programmes. On the basis of various data, an assessment is made of the effectiveness of the existing vocational training activities for the unemployed population.

The methodology used in the UNDP/ILO project entitled “Poverty prevention through self-employment and income generation” is described in great detail. This project is based on the premise that self-employment requires skills and qualifications to be productive and generate sustainable incomes. This is how the project puts strong emphasis on training programmes, using a modular training approach. Furthermore, the project links training to financial assistance programmes and to post-training business support services.

Vocational training, small business management training, financial assistance and business support services are provided through local poverty prevention programmes.

The application of modern information technologies and distant computer training as well as an individual approach to vocational training is described.

1. The national and regional context of the informal sector

Transition from a centrally planned economy to a socially oriented market economy entailed the application of the new System of National Accounts (SNA 1993) as recommended by the UN, EUROSTAT and other UN family organizations. In particular, according to the 15th International Conference of Labour Statisticians

“the informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations – where they exist – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

Production units of the informal sector have the characteristic features of household enterprises... Activities performed by production units of the informal sector are not necessarily performed with the deliberate intention of evading the payment of taxes or social security contributions, or infringing labour or other legislations or administrative provisions. Accordingly, the concept of informal sector activities should be distinguished from the concept of activities of the hidden or underground economy.”¹

The SNA 1993 methodology recommends that the production of the informal sector be included in the gross domestic product (GDP). The Ministry of Statistics and Analysis cannot conduct regular household surveys due to the lack of financial resources. Therefore, it is not able to obtain qualitative and quantitative data as well as structural characteristics of the informal sector. Besides, when identifying the impact of the informal sector on the national production, governmental authorities, following SNA 1993 methodology, defined the contribution of the informal sector as “other flows” and the informal sector’s contribution as an adjustment to GDP. In this context, the following activities can be considered as constituting the informal sector of Belarus:

- small scale entrepreneurship;
- farming;
- home-based work; and
- provision of services.

In Belarus, **small-scale entrepreneurship** exists in two legally recognized forms: legal entities in the form of small enterprises (SE) and individual businesses (IB). According to the existing legislation, self-employment is possible only in the category of individual business. The labour code states that SEs and IBs can be officially recognized as employers, and family micro enterprises do not need to formalize labour relations.

In 1999, the percentage of SEs and IBs was respectively 35% and 65% of small scale enterprises.² In the first half of 2000, official statistics registered 26,787 SEs and 114,473 IBs. The Ministry of Entrepreneurship and Investments forecasts an increase in the number of individual businesses and a shift in the ratio SE/IB towards individual businesses in 2000. According to the European Bank for Reconstruction and Development (EBRD), private

¹“Resolution concerning statistics in the informal sector”, Resolution II. 15th International Conference of Labour Statisticians, January 1993.

² According to the Ministry of Entrepreneurship and Investments.

business contributes 20% of the whole GDP, 9% of which comes from small enterprises and 11% from incorporated private businesses. Small-scale enterprises employ 462,000 workers or 12.6% of all labour.³ About 80% of their products go to the local market, 14% is exported to nearby CIS countries and 6% go to Western and Eastern European countries.

The distribution of small enterprises by sectors of the national economy is as follows:

Sectors	Percentage of GDP
Industry	19
Transport	5
Construction	11
Trade and catering	48
Community services	1
Others	16
Total	100

The number of private small enterprises, the ratio of workers in these enterprises to the total number of workers in the national economy and the number of individual businesses in different Belorussian regions are presented in table 1.

³ "Transition Report 1999" European Bank for Reconstruction and Development.

Table 1: Characteristics of small enterprises in different regions of Belarus

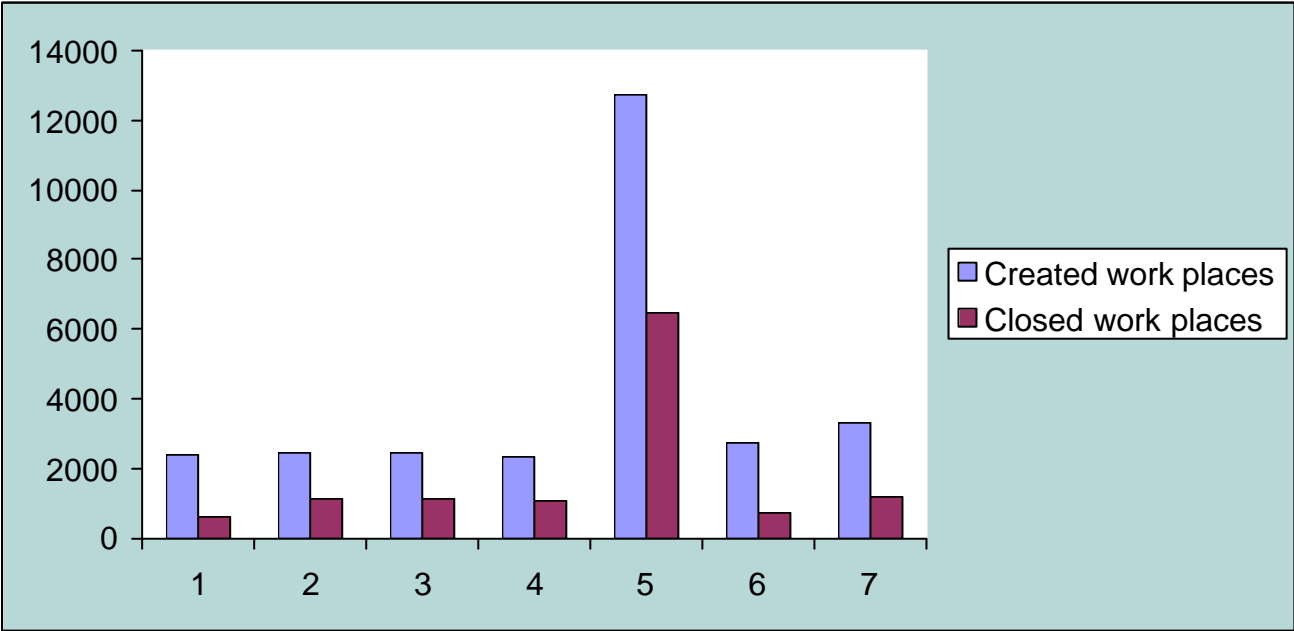
	Brest region		Grodno region		Minsk city		Minsk region		Vitebsk region		Mogilev region		Gomel region	
	1999	1 st half of 2000	1999	1 st half of 2000	1999	1 st half of 2000	1999	1 st half of 2000	1999	1 st half of 2000	1999	1 st half of 2000	1999	1 st half of 2000
Small Enterprises (SEs)	1,789	1,784	1,960	1,934	15,389	18,295	2,341	2,187	2,821	2,082	2,199	2,188	3,029	-
Number of workers in SEs. (thousand)	25,950	-	24,588	21,497	173,345	-	33,200	29,178	19,332	20,000	20,908	-	27,888	-
% of SE workers as a proportion of the total number of workers in the region	8%	-	3.9%	-	15.3%	-	5.6%	5.4%	3.5%	3.7%	3.5%	-	8.4%	-
Individual business persons	19,499	20,907	18,460	17,931	42,032	37,177	15,248	15,978	14,875	15,884	11,040	12,457	16,362	-

The above figures show a trend towards a decrease in SEs and an increase in IBs in all the regions of Belarus. The only exception is Minsk, where the growth in the number of SEs is observed (of over 1000) along with a decrease in the number of IBs (by 5000). Mogilev region has a considerably lower number of IBs than other areas.

More than 50% of all small enterprises and workers of the small business sector are concentrated in Minsk. Gomel and Brest regions have the highest number of workers in small enterprises: 8.4% and 8% respectively. It should be noted that only six regions are presented in the table. However, about 50% of all small business operators are concentrated in regional centers (capitals of regions).

Despite the decrease in the number of SEs throughout the country, the number of jobs created by them continues to grow. Diagram 1 shows figures of jobs/workplaces in SEs created or eliminated in 1999. The distribution of SEs in the regions is similar to the situation in the country – about 50% are engaged in trade and catering, 20% in industry and 10% in transport.

Diagram 1: Number of jobs created or lost in small enterprises in different regions of Belarus (1999)



1. Brest region
2. Grodno region
3. Vitebsk region
4. Minsk region
5. Minsk city
6. Mogilev region
7. Gomel region

The above diagram also demonstrates changes in the number of workers during a year. This aspect of the informal sector is closely connected to the formal sector through various external and sub-contractual arrangements. However, a large number of these enterprises may be defined as micro-enterprises with up to 10 workers. The ratio of revolving capital to assets

needs to be high enough to produce goods or services. In many cases, the development of sufficient revolving capital is inhibited by the use of low levels of technology, poor skills and low incomes. Almost all micro-enterprises work on a single-order basis. They, like the individual businesses, do not usually enter into official contracts between a seller and a buyer, an employer and a worker.

Farming is an underdeveloped subsector of the informal sector in Belarus. Farm enterprises constitute only 3% of all private enterprises. Official statistics reported 2,322 farming enterprises with more than 10,000 workers in 1999. Efficiency and incomes of farming enterprises are too low for extended reproduction. Most of them stand at the edge of survival and get discriminated against by local authorities and administration. The greater part of farming enterprises is situated in Western regions – Brest and Grodno areas, where the collectivist mentality is not very strong, due to some historic and national reasons.

Household-based activities, including craftwork, are another important component of the informal sector. Family members are the main operators in this subsector (mostly unpaid women). Household-based activities cover various markets, regions and seasons. The subsector is characterized by self-employment, especially among the particularly vulnerable groups: youth without professional skills, single mothers, the disabled, demobilized soldiers, etc. Poverty is a prominent feature of this subsector (per capita income of less than 2 US\$ per day). Some households market foodstuffs and agricultural products. According to the Ministry of Statistics and Analysis, for 11 months of the year 2000, state procurement companies purchased the following from the household subsector:

- 562,000 tons of milk (56% of all procured quantity)
- 30,900 tons of livestock (32% of all procured quantity)
- 216,000 units of cattle (44% of all procured quantity).

The above figures prove the importance of the household subsector in agricultural production. Low procurement prices set by government authorities for agricultural production mean low profits.

Services are also highly represented in the informal sector. They include street traders, seasonally employed workers and casual workers. They often change their occupations and have low levels of income, even for the informal sector. The number involved in this subsector is not included in the official statistics, though according to expert estimates it is constantly growing.

Development trends of the different segments of the informal sector depend on the market situation, institutional support of government bodies with regard to financing, marketing, vocational training, and the development of self-employment. Current government policy is based on the priority of state ownership of production factors, support to large monopolist enterprises and kolkhozes,⁴ and strict price and income regulation schemes. In this framework, the informal sector is ignored. For example, less than one per cent of budget revenues was directed to financial support of small business development in 2000. Actual expenses of the State Employment Promotion Fund (SEPF) for self-employment promotion constituted a little more than 100 US dollars per unemployed person in 1999. Self-

⁴ A kolkhoz is a collective farm legally entitled to ownership of land, premises and the farm products. Since 1932, kolkhozes have been major producers of agricultural products in Belarus.

employment as a legal category was recognized at the government level in 2000 and it was included in the State Employment Programme (SEP) adopted by the Government in 2000. Therefore, the informal sector with its low productivity and profitability is underestimated at the highest political and social decision making levels in Belarus. There is a lack of adequate policy, research and valid statistics on it.

State authorities hope that macroeconomic growth started in 1998 will influence positively the employment level and improve the situation of the informal sector. But the real situation seems to be much more unfavourable as the absence of investment in human and capital resources of the informal sector leads to increased poverty and underemployment.

2. The problems of unemployment

Unemployment and poverty are key issues that cannot be solved effectively in post-socialist society while the low productivity and profit margins of the informal sector are ignored. Unemployment, especially hidden unemployment, is related to the growth of the informal sector and poverty. Table 2 illustrates the dynamics of officially registered and hidden unemployment between 1995 and 1999 in Belarus:

Table 2: Unemployment growth in Belarus 1995-99⁵

Indicators	1995	1996	1997	1998	1999
Unemployment among active population %	2.5	3.8	3.5	2.5	2.2
Unemployment among the not retired, able-bodied population %	2.1	3.1	2.8	2.0	1.8
Estimated unemployment %	11.4	11.8	11.3	10.2	9.5

The “hidden unemployed” include those workers who work on a part-time basis or are placed on extended administrative leave. Hidden unemployment also covers surplus workers who cannot contribute to production due to economic decrease or structural changes but are officially still registered as “employed”. Under certain conditions this part of the workforce will be “released” and will try to enter the open labour market or they will work in the informal sector.

When analyzing the data presented in table 2 it should be noted that statistical methodology applied in Belarus recognizes as “unemployed” only those citizens who are officially registered in the State Employment Service. Unemployment level is in fact four times higher when applying ILO household analysis methodology. In this case it constitutes 12-14%. Industry, transport and construction are the subsectors where hidden unemployment is the highest. The Belarus labour market is also characterized by:

⁵ “Belarus in figures”, Statistical report (Minstat, 2000).

- high labour mobility
- transfer of labour from industry to service sector and exchange between various sectors
- a decreasing level of officially registered unemployment
- disparity of labour demand and supply in terms of qualification levels
- women and youth unemployment.

During the 1990s, the average annual number of the employed has decreased by 600,000 employees, while the number of the able bodied population has grown. For example, the number of workers in industry has fallen by 0.5% in 1998, 2% in 1999 and 2.4% in January-September, 2000. At the same time in the service sector, the employment volume is constantly growing thus indicating sectoral reallocation of labour. The growth of employment in the service sector constituted 3.5% in 1998, 2.6% in 1999 and 1.6% in January-September, 2000. Besides, a huge part of the able bodied population moved into the informal sector.

Analyzing the existing situation of the labour market, further expansion of the informal sector seems inevitable due to prevailing youth and women unemployment as well as to the lack of adequate investment in job creation in the formal sector. Migration into the informal sector affects mainly the following vulnerable groups: youth from ages 16 to 29, single mothers, disabled persons and pensioners. The most skilled part of surplus labour continues to enter the small business subsector. Uneducated youth and unskilled workers will continue to be engaged in low productive activities and live in poverty if an unemployment and poverty prevention policy and innovative approaches to the informal sector are not developed and enforced.

3. The educational system in Belarus and training needs in the informal sector

As stated in Article 14 of the Law on Education in the Republic of Belarus, “all the state and non-state educational establishments form the national education system”. In 2000, in Belarus there were 4,000 registered primary education establishments, 5,000 secondary schools, 248 vocational training establishments, 145 specialized secondary establishments, 39 state and 19 non-state higher education establishments and more than 850 retraining establishments and specialized training organizations (music schools, art schools, creative centers etc.).

The system of vocational training and retraining has been developing under the conditions of a centralized economy and now the process of transformation is too slow to satisfy the needs of the market environment. Vocational training establishments are not flexible in terms of adaptation to market changes and employers’ demand for qualified and professional personnel. Vocational training schools continue to provide employees for those sectors which are in fact experiencing production slumps and an outflow of labour. The quality of education in a number of vocational training schools does not correspond to existing industrial needs. Many secondary school leavers enter the labour market without relevant skills. On-the-job training and retraining systems face serious problems.

The professional structure of the labour market does not correspond to present day industrial relations. Industrial employment dominates, employing 51% of all those who are

employed. The remaining part of the employed population is unskilled. Vocational training and retraining has to change its orientation from "administratively guaranteed" employment to market-oriented and demand-driven employment. Organizational and institutional changes are needed to sustain effective liaison between the education and training systems and the labour market. A flexible and employment-oriented vocational training system is an important component of an employment policy and is to some extent already functioning at national and regional levels in Belarus.

According to the Law on Employment in the Republic of Belarus, vocational training, retraining and skills upgrading of the unemployed are to be organized by the State Employment Service at specialized training centers or at primary, secondary and higher educational establishments. The specialized training centres consist of establishments such as training centers of ministries, employment services, enterprises and institutions. Job-seekers are sent on to take training after registration at employment service units.

Vocational training is implemented on a demand driven basis depending on available work places. The following stages form the system of vocational training for the unemployed:

1. Training needs assessment through analysis of existing labour market environment; all the employment opportunities are considered.
2. Conclusion of contracts with training establishments and trainees.
3. Formation of training groups by an employment service and training implementation.
4. Training quality control for ensuring compliance with vocational training standards.
5. Examination of trainees. A successful trainee obtains a diploma.

The system of vocational training for the unemployed population is based on the following organizational principles: decentralization, flexibility, openness and democracy. It focuses on effective networking of all the involved authorities at national and regional levels. Vocational training activities are financed through target-oriented national programmes involving employment services, educational establishments, local administration and tripartite institutions.

The Employment Committee at the Ministry of Labour in cooperation with concerned government authorities is responsible for coordination, financing, training programme development and legislation enforcement within the system of vocational training for the unemployed population. The Ministry of Education develops and provides relevant training materials. Regional employment services coordinate the activities of local employment centers through the provision of necessary methodological and financial assistance.

The results of the vocational training activities for the year 1999 may help to clarify all the components of the vocational training system for the unemployed population. In 1999, activities of employment service units in vocational training focused on the implementation of SEP and relevant local employment initiatives envisaged within it. A primary aim was to provide vocational training and employment opportunities for more than 29,000 job-seekers as well as to improve training quality, organization and methodology.

In 1999, the system of vocational training for the unemployed population received a powerful stimulus for further development. As a result, compared to previous years, the

number of trainees and the efficiency and role of training within national employment initiatives increased substantially (see table 3).

Table 3: Efficiency of training interventions by sector, 1999

Sector	No. of selected trainees	No. of graduated trainees	No. of employed trainees	Average duration of trg. (in months)	Average cost per trainee (in millions of roubles)
Industry	2,732	2,160	1,970 (91%)	3.6	5,434
Construction	3,863	3,115	2,301 (74%)	4.3	4,973
Services	12,538	11,391	7,995 (70%)	4.3	6,187
Agriculture	700	480	388 (81%)	4.8	4,505
Commerce and business	9,189	8,707	5,244 (60%)	4.4	5,164
TOTAL	29,022	25,853	17,898 (69%)	4.8	5,253

Analysis of the above data clearly shows that priority is given to training for job-seekers in the services sector (12,538 trainees) and in the commerce and business sector (9,189). The effectiveness of the training is determined by the ratio of employed trainees to graduated trainees. This indicator is not so high in the services sector (70%) and in commerce and the business sector (60%), while in traditional sectors it is much higher: industry: 91%; agriculture: 81%. As indicated by follow-up monitoring, 30-40% of trainees trained for employment in services and business sectors entered the informal sector and did not register their employment. Only 2-3% of graduated trainees are re-registered as unemployed.

Vocational training is organized mostly at vocational training establishments (122) and vocational training centers (66) where secondary education is a requirement for admission. Training needs of the informal sector are satisfied through training in the fields of commerce (sales manager, advertisement specialists, insurance agents, auditors, auto-service, travel services, etc.). Besides, at higher and secondary establishments, the curriculum was complemented by the topic "small entrepreneurship". Craft schools and training centers provide training primarily for disabled persons.

In 1999, the curriculum included 122 occupations (83% - industry occupations with 77.3% of all trainees). In the same year, 9.2% of trainees acquired skills which were the most typical of the informal sector and in the first half of 2000 this number constituted 10.3%. In Mogilev region, new occupations have been introduced into training programmes – "farm mistress" and "agriculture manager".

For the period of 1999-2000, local employment centers have not been working with non-state educational establishments. In 1998, the latter withdrew from this segment of the training market due to a strict price regulation policy and low profitability. The lack of informal training institutions such as craft schools, apprenticeship centers, art schools (decorative sewing, straw art etc.) engaged in traditional Belorussian activities reduces the potential of the vocational training system. Shortage and weakness of local NGOs (women associations, job-seekers clubs etc.) in the field of training restrain its development. There is the absence of an effective system of social partnership in the field of vocational training for the unemployed, bidding schemes for financing educational establishments of all ownership forms, the lack of modern training techniques and methodology.

4. Vocational training for the unemployed seeking self-employment and individual entrepreneurship: An example

Productive self-employment with sustainable long-term income generation through entrepreneurial activities depends on skills and qualifications of unemployed individuals in selected fields of business. It is on this premise that the ILO/UNDP Project on "Poverty Prevention through Self-Employment and Income Generation" was launched in 1998-99 in two pilot regions of Belarus. This project targeted unemployed school leavers, disabled persons, demobilized soldiers and single mothers. It included training programmes for the unemployed and financial as well as non-financial assistance for the self-employed. With respect to training, the project focussed mainly on vocational training and small business management training.

Training is necessary for each beneficiary. It is based on up-to-date training programmes which should assist a newcomer to enter the business environment. Besides knowing about the production technologies, an individual businessperson needs to be familiar with occupational safety rules, environmental protection methods, certification of goods and services etc. The difficulty is that beneficiaries are of different ages and educational backgrounds and their previous experience and motivation differ. That is why trainers have to customize the training using modular training methods and make it more individualized and at the same time, more effective. The project experience has shown that there is need to introduce new approaches to vocational education and training for the informal sector.

One of the first steps of the project was to have specialists of local employment centers carry out preliminary selection of candidates for self-employment. A candidate should possess at least a minimum of experience and skills to be successful in running a selected business activity. Some case studies on self-employment in the form of individual entrepreneurship suggest there can be failure if an unemployed person is trying to run a business that is not familiar to him/her. Firstly it is crucial for successful self-employment that a chosen business activity responds to a promising market "niche" in the local market. Secondly, previous training, skills and experience play an important role and thirdly, there needs to be a readiness for individual entrepreneurship and self-employment.

However training of the unemployed faces some obstacles and limitations. For instance, the absence of educational establishments, especially in rural areas, means trainees sometimes need to leave a permanent location for a long period to take training. This is inconvenient and expensive and even impossible for some vulnerable groups such as disabled persons, single mothers etc. That is why the self-employment methodology envisages the implementation of on-site training at local training establishments, in close cooperation with a local employment center. Modular training techniques developed by ILO experts in collaboration with the International Module Training Development Center (Moscow) have proved to be particularly relevant for the training of unemployed populations in rural environments.⁶

⁶ "Recommendations on planning and development of self-employment programmes and income generation activities in rural areas". International module training development center (Moscow, 1998).

Advantages of the modular approach compared to traditional training methods are the following:

- an individualized approach to a trainee on the basis of preliminary assessment of the trainee's potential;
- shorter periods of training;
- increased motivation and self-sufficiency during the training;
- increased productivity on completion of the training;
- improved adaptation to new work conditions;
- reduced influence of the trainer.

A Regional Working Group (RWG) addresses the following issues:

- selection of local educational establishments;
- selection and retraining of trainers at specialized module training centers of Belorussian higher establishments;
- preparation of modular training programmes and manuals on specified occupations and business activities;
- organization of module training courses.

These are described below.

4.1 Selection of a local educational establishment

RWG determines which activities and occupations can be taken up by the unemployed. The source of such analysis is market research. RWG carefully studies the capacity of local educational establishments to identify resources needed for effective vocational and business training. It is necessary to know:

- the occupations for which training is available at an establishment;
- that training provided corresponds to existing training needs;
- availability of modular training programmes;
- duration (in hours, days, months) of training courses on various occupations;
- equipment, tools and materials needed for successful training implementation;
- frequency of the training;
- cohorts of trainees (sex, age, educational level);
- accommodation conditions;
- availability of supporting facilities (lecture halls, laboratories, libraries etc.)
- training fees;
- and other relevant information.

4.2 Selection and training of trainers for effective modular training

The role of trainers in the training of the unemployed is important. They need to have in-depth knowledge of the subjects, as well as being familiar with development objectives and aims of a local employment (self-employment) programme, features of each trainee cohort and, of course, they should be aware of their responsibilities.

Trainers are selected among experienced specialists of educational establishments (primary, secondary and higher) and specialized training centers. Some of them are

professional practising specialists with in-depth awareness of technological processes in different industrial activities. Trainers should also know how to apply modular training methods to be able to organize the training and to develop training programmes and manuals on concrete occupations and business activities. Trainers participate actively in the development of training programmes on business activities that will be the sources of income for the trainees.

The main objective of training for self-employment is to help the trainees obtain competencies that will facilitate a new production activity or service. Trainers must be professionals who can provide the relevant skills and knowledge to the trainees.

Training of the trainers selected for the training of the unemployed has been conducted at special seminars. These seminars entitled “Development of modular training programmes and elements” and “Organization of modular training” have been held since 1998 by the training center “Algorithm” of the Employment Committee of the Ministry of Labour and by the Module Training Center of Mozyr Pedagogical Institute. During these seminars, trainers of local training centers study the specifics of the modular training system, assimilate methods of training programmes development, techniques of effective information lay-out, principles of test and case study development as well as methods of training organization.

Trainers elaborate on the modular training programmes for possible income generation activities in a region on the basis of the findings of the market research. During the research, the needs for goods/services as well as potential entrepreneurs who need relevant training are identified. Local business opportunities and individual features of beneficiaries are taken into account when developing modular training programmes for concrete entrepreneurial activities.

4.3 Development of modular training programmes

The development of modular training programmes is based on a systems approach to future self-employment activities of a trainee. The first step is a detailed description of the whole technological process of an expected production or service activity, i.e. functions of each engaged working unit are described. The description corresponds to professional characteristics of an occupation involved in the technological process or to some specific characteristics of various occupations.

Then the entire work cycle is divided into separate stages or modular components. A modular component is an independent activity within a work cycle. The result of each modular component constitutes an item produced, a service rendered or a solution reached.

The description of a production activity through modular components should preserve the order of tasks to be executed. A short description of a component as well as a list of tools, equipment and materials applied is indicated in addition to the title of a modular component.

An example of the division into modular components is provided in Annex 1.

Work within each modular component includes specified operations (steps) implemented in a logical production order. A worker should obtain adequate skills to execute all the operations in conformity with requested standards.

Identification of skills and determination of their types (psychological, intellectual and emotional) is conducted by developers (trainers) of modular training programmes during analysis of modular components. Training material aimed at acquisition of the identified skills and relevant knowledge is elaborated in the “training elements”. A training element is an autonomous training manual aimed at the acquisition of practical skills and theoretical knowledge through self-training or training under a trainer’s supervision.

Know-how of the modular training implies a standardized approach to the elaboration of training programmes and elements. Each training element includes:

- precise training objective;
- the list of necessary equipment, tools and supporting materials;
- the list of supporting training elements and manuals;
- text and illustrations;
- examination questions and practical exercises.

The title of a training element should be understandable, clear and objective-oriented. Objectives of a concrete training manual are listed at the beginning of the element. All the technologies, tools, instruments and techniques described in the element should correspond to recognized standards of a concrete occupation. Skills and knowledge obtained by a trainee are to respond to the market environment and should maximize chances for a successful business activity. Examination questions and practical exercises, which are compulsory, help to reveal effectiveness of implemented training. In the case of positive examination results a trainee takes on the next training element, otherwise retraining is needed.

After completion of all the training elements of a modular component, a qualification test is taken to assess skills and knowledge obtained within the component. As a result of such quality control, a trainee may clearly see the results of the training at any time.

A set of training elements on the skills indicated in modular components constitutes a modular training programme on a specified occupation or business activity. Modular training is conducted mostly on an on-the-job basis with an individual approach.

A trainer plays a key role in identifying relevant equipment, tools and other training means. When choosing equipment and materials, their availability for the "real world" conditions is to be regarded. The sources for the provision of necessary equipment and materials should be available within a local area. In the case of on-the-job training, a trainer also controls the installation and operation of equipment. If there is a great quantity of equipment and materials, a trainer keeps a special inventory book where all the inflows and outflows are recorded.

4.4 Organization of the training

Duration of the training at local training centers varies depending on a chosen occupation or business activity, educational level and work experience in a concrete professional sphere. A reasonable term of modular training programmes does not exceed 2 or 3 weeks.

Before the beginning of the training, a trainer carefully checks the correspondence of training facilities to sanitary and fire protection norms and environmental regulations. He or she then goes through a short manual with the trainees and explains the following:

- features of individual work with training manuals;
- clarification of specialized terms and definitions utilized in the modular training;
- compulsory safety measures;
- self-control techniques to observe the quality of operations and work;
- time-table to keep records of time spent for a particular training element;
- techniques for current and intermediate control.

An effective tool for skills and knowledge assessment of a potential trainee is a preliminary examination which includes theoretical questions and practical exercises included in training elements of a programme. The results of a preliminary examination are used for elaboration of an individual training programme. Individual programmes differ from basic ones as they include only those training elements which are necessary for a particular beneficiary. Each individual training programme is structured in the form of tables.

All the training elements of a programme are classified under different titles – occupational safety, certification, theory, practical exercises. Technical and graphic information are grouped in the form of tables under the above rubrics in accordance with modular components. Within individual training programmes, a trainee develops a graph of the training process addressing the following:

- order of training elements;
- availability of work places in a workshop if some groups are being trained simultaneously;
- approximate time of training element acquisition;
- examination after completion of a training element;
- intermediate examination after completion of a training component.

During the training, a trainer assists each trainee and maintains relevant occupational safety conditions. He/she has to possess the necessary skills and demonstrate them professionally. Training for self-employment entails small business management training. This includes simplified business planning schemes, accounting, taxation etc. The informal approach to training is implied by previous experience of beneficiaries in entrepreneurial and professional activities. Trainees are encouraged to participate in the elaboration of training programmes and plans.

Trainers involved in the training on income generation activities should be aware of planning, organization and management of small business in order to provide advice to newcomers on practical production exercises as well as on business planning for self-employment. A trainer supervises the training and registers individual results of beneficiaries. The training is not over until all the practical exercises are registered in a special record book duly signed by the trainer.

In the case of group training, the unemployed must periodically be shown a graph of the training process to adjust an individual training process. There are two grades of training assessment with examination after completion of a training element and intermediate examination which decides if a trainee has “passed” or “not passed”. “Passed” means correct

answers to all examination questions and properly done practical exercises. A final qualification examination is carried out in accordance with the national educational standards for the training in the field of entrepreneurship.

Except for certification of a trainee’s skills and knowledge, each beneficiary has to prepare a business plan for the business activity he/she is planning to run after the training. According to the self-employment methodology adopted in Belarus, all the trainees must justify their business plans at a meeting of the RWG. Knowledge of the effectiveness and social contribution of a chosen business activity is necessary to obtain financial resources from the SEPF and to receive taxation and rent reductions for the period of one year. Besides, RWG expertise controls self-employment activities in the framework of the local employment programme for the unemployed and vulnerable groups of population.

All the necessary training manuals concerning small business management, simplified accounting system and taxation are presented in the volume “Training manuals for self-employment of the unemployed” based on the methodology developed by experts of the UNDP/ILO Project “Poverty prevention through self-employment and income generation promotion”. The above modular training methodology has been successfully applied in training centers of Minsk, Mogilev and Mozyr since 1999. It was planned to introduce this methodology into the SEP as well as into local employment programmes in fifteen regions. A summary of the methodology used in the project is provided in table 4.

Table 4: Methodology for self-employment in Belarus developed under UNDP/ILO project

1	Training for members of RWGs, managers and specialists of local employment centers. Training is focused on planning and implementation of local self-employment programmes.
2	Study of local markets. Development of socio-economic profiles for each region to identify market “niches” for sustainable and long-term self-employment.
3	Selection, questioning and testing of unemployed and socially insecure candidates for self-employment.
4	Module training for the unemployed. It includes business essentials, business planning, occupational safety etc.
5	Preparation and presentation of business plans for self-employment to RWG members and experts of an employment center in order to obtain financial assistance in the form of a subsidy or a loan from the SEPF.
6	Financial assistance to unemployed individuals, secured by a contract with an employment center. The contract envisages covering registration and licence fees and certification costs. Creation of new work places.
7	Technical and advisory support to a self-employed (individual businessperson) for the period of repayment of an interest free loan. Sustainable self-employment and revenues.
8	Interaction between an employment center and local financial and technical assistance organizations to promote self-employment and individual entrepreneurship.
9	Organization of a statistical data bank on self-employment for use by local authorities, social partners and concerned institutions.

4.5 Financial assistance to the self-employed after training

At present, financial support to self-employment programmes (national and local) is implemented through various institutions. The major ones are SEPF and Belorussian Entrepreneurship Financial Assistance Fund (BEFAF). Local self-employment and small

business promotion programmes may also be funded through other financial institutions which are engaged in providing credit, insurance and leasing.

The creditors participating in financial support to self-employment development initiatives may serve as a springboard for sustainable entrepreneurship development based on effective credit and investment schemes. At present Belorussian financial and credit institutions are not interested in lending money to business start-ups. They operate in this segment only within self-employment development programmes due to a high level of credit repayment. But still most of the banks do not provide credits to individual entrepreneurs. Regulations of commercial banks are too complicated for individual businesspersons if they try to access credit resources. Banks request guarantees, charge high interest on loans and use complex administrative procedures, considering individual businesspersons to be high-risk clients.

Therefore, only the following providers of financial assistance are considered when planning financial assistance programmes for the unemployed and vulnerable groups⁷:

Employment Committee of the Ministry of Labour

1. Financial assistance is offered through this Committee to registered unemployed individuals seeking entrepreneurship opportunities. The assistance covers initial costs (issue of a stamp, opening an account, lawyer's services, etc.).

The form of financial assistance	Subsidy; training; methodological assistance.
Amount of assistance	5 times the official minimum wage.
Necessary documents	Application, business plan, test.
Term for documents review	Up to 1 month
Decision-making authority	Director of employment center where an unemployed is registered
Contact	Regional employment centers

2. Financial assistance is also provided to trained individual entrepreneurs for business set up. They have to provide business plans.

The form of financial assistance	Loan
Amount of assistance	Up to 45 times the official minimum wage (up to 90 times for agricultural producers)
Loan interest	Interest-free loan
Term of a loan	Up to 18 months (30 months for agricultural producers)
Necessary documents	Business plan, repayment guarantees, additional information in local employment center
Term for documents review	Up to 1 month
Decision-making authority	Director of employment center where an unemployed is registered
Contact	Regional employment centers

⁷ "The sources of the financial assistance for small business" from the IMF "Small privatization" project, (Minsk 2000), pages 2-16.

3. Financial assistance aimed at the creation of new jobs/workplaces to provide employment to the unemployed population is also made available.

The form of financial assistance	Loan
Amount of assistance	Up to 15 times the minimum wage
Loan conditions	Interest-free loan; guarantee
Term of a loan	Up to 2 years
Necessary documents	Business plan, RWG recommendation, additional information in local employment center
Term for documents review	Up to 1 month
Decision-making authority	Administration of regional employment service
Contact	Regional employment centers

Belorussian Entrepreneurship Financial Assistance Fund (BEFAF)

Types of assistance provided: Targeted financial assistance for investment projects, leasing and microcredit and consulting services.

1. The form of financial assistance	Credit
Amount of assistance	Up to 20 times the minimum wage
Loan conditions	Interest rate up to discount rate of National Bank for investment projects; Pledge (immovable assets, transport, guarantee of a legal entity, bank guarantee, goods for sale). Compulsory property insurance.
Term of a loan	Up to 18 months
Necessary documents	A set of documents for an individual entrepreneur
Term for documents review	From 3 to 14 days
Decision-making authority	Fund Board, Minsk
2. The form of financial assistance	Leasing
Amount of assistance	Up to 20 times the minimum wage
Loan conditions	Interest rate up to discount rate of National Bank for investment projects; Pledge (immovable assets, transport, guarantee of a legal entity, bank guarantee, goods for sale). Compulsory property insurance.
Term of a loan	From 12 to 18 months
Necessary documents	A set of documents for an individual entrepreneur
Term for documents review	From 3 to 10 days
Decision-making authority	Fund Board, Minsk

Microcredit

BEFAF Programme

Joint UNDP and Belorussian Government Programme on microcredit for small scale entrepreneurship.

Financing of revolving capital and fixed assets.

The form of financial assistance	Micro-credit/leasing
Amount of assistance	Up to 25 times the minimum wage on first application; Up to 50 on the second.
Loan conditions	Interest rate up to discount rate of National Bank for micro-credits; Pledge (immovable assets, transport, guarantee of a legal entity, bank guarantee, goods for sale) or joint liability; Compulsory property insurance.
Necessary documents	A set of documents for an individual entrepreneur
Term for documents review	From 3 to 10 days
Decision-making authority	Fund Board, Minsk

The number of projects financed by BEFAF

Year	1995	1996	1997	1998	1999
Projects	32	33	21	27	70

BEFAF has financed 183 projects since its establishment. For the year 2000, BEFAF approved 76 projects for financing and invested 300 million roubles. Among them: 52 micro-credit projects and 18 projects including credit and leasing. The ratio “approved to financing/financed” indicates poor demand for financial resources provided by BEFAF or the lack of information about the activities of the Fund.

An average amount of resources per project is 4,286,000 roubles. Table 5 shows the utilization of credits.

Table 5: Utilization of micro-credits provided by BEFAF

Use	Number of financed projects	%
Purchase of equipment	15	28.8
Purchase of vehicle	5	9.6
Purchase of equipment, raw materials and tools	4	7.7
Purchase of raw materials and tools for production	22	42.3
Services	6	11.5

The number of credits aimed at purchasing fixed assets constitutes 38.4%. Another 61.6% is connected to investments in revolving capital or services provision.

*Illegal sources for financing small business activities*⁸

Businessmen use illegal sources of credit when they ignore where to find credit from legal sources.

Businessmen involved in trade activities are major users of illegal credit. The capacity of this segment is estimated at 50.8% of all available illegal credit. Small companies with up to 15 workers and minor turnover are the key customers in this financial market. The absence of an "economic (business) history" makes it difficult for start ups to access necessary resources.

It should be noted that illegal credit is used for hidden turnover of commodities. Legal credit for legal turnover is controlled by relevant authorities. Research implemented by the Institute of Privatization and Management shows that hidden turnover constitutes more than 50% of all turnover of goods and services. In the illegal financial market, there are elaborate rules for borrowers. The main feature is high interest rates that exceed those applied in the official financial market. Larger credit amounts imply less interest rates. Interviews of experts revealed the following rates: amount exceeding US\$ 100,000 bear a 1.8% monthly interest rate; from US\$ 50,000 to 100,000: 2-2.5 % monthly interest rate; less than US\$ 50,000: 3-4% monthly interest rate. Rates may differ from the above depending on demand for financial resources and business activities of an enterprise. Illegal credit is mostly short-term; thus, the time for redemption is only a few months. Credit for purchase of fixed assets is rare and illegal financial market is characterized by high level of resource mobility. In many cases, it is impossible to obtain illegal credit if an applicant does not have "friends" in this market.

4.6 Technical and advisory services to self-employed persons following training and financial assistance

Effectiveness of self-employment initiatives for the unemployed and vulnerable groups depends greatly on support provided to business start-ups in the first months of their independent entrepreneurial activities. Therefore, in this period RWG should ensure that adequate consultancy and supervisory support is provided by an expert of a small business support center (SBSC) or an Incubator of small business (ISB).

The aim of the support is to overcome possible constraints in the way of successful self-employment. The term of such support usually covers a period of six months. A supervisor develops a visit list to ensure regularity and consistency of support missions. Frequency of missions is twice a month. The results of the missions are recorded in special forms and then presented to RWG and the beneficiary. At the same time, a supervisor in cooperation with a labour inspector implements an occupational safety and hygiene audit at the beneficiary's work premises. A labour inspector should certify newly created workplaces, otherwise the business may be subject to an administrative penalty or even be forced to discontinue production activities.

⁸ P. Daneiko, A. Shkhat "Financial sources for small business in Belarus. Research paper". Research Center of Institution of Privatization and Management (Minsk; 2000), pages 83-84.

A serious problem arising in the beginning of business activities is the compulsory certification of production with the Belorussian Standardization and Certification Committee. The absence of a quality certificate makes it impossible to sell production, thus, a business start-up faces problems regarding income generation and loan repayment. That is why a supervisor must assist an individual entrepreneur in certification of production.

4.7 Implications for the development of training for the informal sector

Table 6 shows indicators related to the training for the unemployed for the period of 1999-2000 in Belarus. Regional Working Groups consisting of representatives of the social partners expressed their concerns on relevant correlation of the training provided and financial assistance to business start-ups in the form of loans and one-year taxation preferences. National informal sector development policy demands implementation of target-oriented local programmes and initiatives, which are aimed at production and income increase in the informal sector through access to required financial resources. For one year, there has been a substantial increase in the microcredit provided to the trained beneficiaries. It is to be noted that more than 50% of the beneficiaries are single mothers. The average amount of financial assistance per beneficiary has grown by one and a half times. Institutional support units have been clearly identified within the UNDP/ILO project and in the replication of the self-employment methodology. First, it is educational establishments possessing up-to-date training technologies (modular training, training through Internet, distant training) and trained experts on marketing and management. Second, it is local state employment promotion authorities, non-state financial institutions and small business support centers interested in financial, technical and advisory services to the informal sector.

Table 6: Indicators related to the training of unemployed individuals under UNDP/ILO project (1999-2000)

	<i>Indicator</i>	<i>1999</i>	<i>2000</i>	<i>Increase %</i>
1.	Total number of graduated trainees	21,787	22,314	2.4
	Unemployed individuals	21,787	22,314	2.4
	Including:			
	Women	14,636	13,714	-6.3
	Youth in the age of 16-29	16,406	17,434	6.3
	Including:			
	Redundant workers	1,196	718	-40.0
	Demobilized soldiers	239	137	-42.7
	Secondary school graduates	4,869	4,836	-0.7
	Vocational school graduates	643	526	-18.2
	Specialized secondary school graduates	273	210	-23.1
	University graduates	69	78	13.0
	Invalids	198	180	-9.1
2.	In training centers of the state employment service	1,271	1,480	16.4
	<i>In % to all the trained beneficiaries</i>	5.8	6.7	
	In vocational training centers of enterprises and organizations	3,866	4,584	18.6
	<i>In % to all the trained beneficiaries</i>	17.8	20.5	
	In vocational training establishments	6,061	6,713	10.9
	<i>In % to all the trained beneficiaries</i>	27.8	30.1	
	In other training establishments	10,589	9,537	-9.9
	<i>In % to all the trained beneficiaries</i>	48.6	42.7	
3.	Total number of beneficiaries who justified their business plans	761	1,398	83.7
	In the field of goods production	160	292	82.5
	In the field of services	231	348	50.6
	In agriculture	90	108	20.0
	In catering	143	281	96.5
	In trade	137	369	169.3

Analysis of self-employment trends in various fields of activities demonstrates insufficient results of RWG's work in rural areas. This is explained by the following reasons:

- the rural population is not prepared for business training;
- sale difficulties due to strict price regulations;
- complex taxation system and high taxation level as well as taxation payments in advance;
- difficult access to micro-credits and leasing services;
- high rental rates.
-

Informal self-employment in agriculture is organized in different ways:

- self employment in personal subsidiary plots;
- work in personal subsidiary plots through subcontracts with agriculture procurement enterprises;
- craft activities;
- innovative self-employment options (mushroom picking, bee farming etc.).

The present education system in agriculture has not been modified and is mainly focused on the training of workers and specialists for kolkhozes. Demand-driven labour market environment is ignored and training is based on the standards adopted some 20 years ago. Therefore, in rural areas new training methods should be introduced into local self-employment programmes.

In Belarus, one of the peculiarities of the informal sector is a high level of professional education of information technology specialists. As a rule, they are skilled programmers previously employed in state research institutions, who are subcontracted by local or foreign companies. They are engaged in software development. The growth of this informal sector segment is demonstrated by the fact that in 2000 more than 500 specialists were employed as programmers in Germany. Experts note that a substantial part of graduated IT students of Belorussian universities work in this informal subsector. In the period of 1999-2000, more than a half the officially registered unemployed were secondary and higher graduates. At present, they form a substantial part of the labour market. That is why a number of training and retraining centers launched special training programmes based on computer technologies. An example is the training center "Algorithm" where training on entrepreneurial activities and accounting is conducted using up-to-date computer facilities. In the Mogilev regional training center, established by the regional employment service, training programmes for self-employment activities devote 120 work hours to distant training components. The center's trainees have prepared these components in the form of relevant software. The volume of the distant training is constantly growing and it will constitute about 50% of the time for the education of business start-ups in 2001.

Up-to-date training methods for the unemployed in the field of information technologies, innovative and venture business will produce the following effects:

- a well balanced labour supply and demand for qualified specialists;
- flexibility of the training system as regards adaptation to labour market changes;
- integration of information and consulting components into a single retraining system;

- creation of quality control mechanism corresponding to relevant educational and professional standards.

It is important also to provide training for self-employment and business activities to vulnerable groups (pensioners, disabled persons etc.). Application of new educational technologies in the field of self-employment and business training needs implementation of the following preliminary activities:

- monitoring and assessment of a long-term outlook for the training for small business activities;
- marketing strategy development for business education based on information technologies and distant learning methods;
- development of software and manuals for business training of adults;
- relevant integration of vocational practice and small business management education for income generation activities.

Forms and methods of training have to be modified to respond to the previous education obtained, work experience, vocational education standards and future activities (including in the informal sector). Provided that occupational guidance is defined, duration of small business management training should not be long. Training programmes are of different durations: from short-term upgrading courses to full retraining activities including vocational training, on-the-job training etc. Forms of the training may be different as well: group training, consulting, distant training etc. Distant and incubatory training methods could play an important role in the training of entrepreneurs.

Distant training is an effective instrument in terms of time and cost saving. It is grounded in self-training by means of updated manuals, computer and video facilities, special software, multimedia resources, Internet etc. Multimedia means represent a new intensive approach towards training as they allow the study of various occupations in a fast and effective way. Such training methods envisage control through special grades, indicators etc. Internet is an effective tool for the training of entrepreneurs. Except for communication and interaction, entrepreneurs may use such an instrument as a worldwide job center.

Unfortunately, there is an absence of effective and well-adjusted coordination of small business management training within the above schemes, and methods of training quality control are not identified within the national educational standards.

5. Conclusions

The training, retraining and skills upgrading of the unemployed and vulnerable groups of the population are an integral part of the national education system. This system must be adapted to short training terms and be relevant to the different educational and professional levels of the trainees, the available training facilities, and to the needs of the labour market.

Market dynamics imply the necessity to establish a flexible employment-oriented training system for the unemployed population relevant to the needs of the labour market. Therefore, new approaches towards training for the unemployed are needed. Regarding the informal sector, it is necessary to:

- establish a management system aimed at the training, retraining, occupational guidance and employment in each region of Belarus;
- select on a competitive basis educational establishments and determine their capacity to implement quality training;
- develop regional training programmes covering different activities of the informal sector.

Regional units of state employment services in cooperation with employers and trade unions should constantly identify priority occupations and new entrepreneurial opportunities in order to elaborate and update relevant training programmes and plans. Training programmes must consider the following :

- consistency of the training and adequate consideration of educational potential and previous work experience of various population groups;
- modular division of the training, flexibility and wide range of methods, techniques and facilities;
- priority to the education of vulnerable groups: long-term unemployed, youth, women, disabled, single parents, refugees etc.

In this context, ILO assistance in the elaboration of new approaches to training for the informal sector is an important contribution. The development of a pilot project in entrepreneurship training initiatives for various groups of population, which reflects the experience of transition economies, could be the first step.

Example of a division into modular components

In the process of the market research in Novogrudok it was identified that:

- the demand of inhabitants for fresh bread is not satisfied due to the lack of bakeries;
- some unemployed persons wish to establish their household-based enterprises (mini bakeries) to satisfy the existing demand;
- a potential entrepreneur needs training on operating a mini bakery and related topics.

As we can see, the research revealed the necessity to assist an unemployed individual in organizing a mini bakery and to train him/her on relevant operating techniques.

Short description of the work (functions of an operator of a mini bakery):

- Baking of bread
- Selling of bread to local consumers.

Baking process may be split into three modular components:

1. Selection of ingredients and preparation of dough;
2. Management of mini bakery;
3. Provision of occupational safety conditions and certification of production.

Description of the first modular component:

The operator identifies necessary ingredients for a certain type of bread; weighs the ingredients and mixes them up; prepares the moulds and dough for baking; puts the prepared dough into the moulds and then into the stove. In order to fulfill the above process, it is necessary to have flour, butter, salt, spices, water, baking moulds, scales etc.

Description of the second modular component:

The operator regulates the temperature of the stove; carefully observes the time of baking; takes out prepared bread and puts it on a cooling grill. In order to fulfill these operations it is necessary to have an oven and fuel.

Description of the third modular component:

Availability and observance of occupational safety rules and certification regulations.