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Training for Work in the Informal Sector: New evidence from Kenya, Tanzania and Uganda

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FOREWORD

The phenomenal growth of the informal economy 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 to be 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 agree in advance upon a single concept for use by the authors of these papers.

This paper is the result of collaboration between the International Training Centre of the ILO Turin and the InFocus Programme on Skills, Knowledge and Employability. It was prepared by Hans Christiaan Haan, consultant. An unedited version of the paper has been included in an Occasional Paper of the ILO International Training Centre of Turin, entitled "Training for Work in the Informal Sector: new evidence from Eastern and Southern Africa". 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.

Table of contents

ACRONYMS

BDS	Business development services
BDSC	Busega Domestic Science College (Uganda)
CBS	Central Bureau of Statistics (Kenya)
CISP	Centre for Informal Sector Promotion (Tanzania)
DANIDA	Danish International Development Agency
DfID	Department for International Development (United Kingdom)
DIT	Directorate of Industrial Training (Uganda)
FASERT	Foundation for the Advancement of Small Enterprises and Rural Technologies (Uganda)
FDC	Folk Development College (Tanzania)
FIT	Farm Implements and Tools (ILO/Uganda)
GEMINI	Growth and Equity through Micro-enterprise Investments and Institutions
GDP	Gross domestic product
GoK	Government of Kenya
GoT	Government of Tanzania
GTZ	*Deutsche Gesellschaft für technische Zusammenarbeit* (German Technical Cooperation)
ICEG	International Centre for Economic Growth (Kenya)
IGA	Income-generating activity
ILO	International Labour Organization
IMF	International Monetary Fund
IS	Informal sector
IT	Institute of technology
ITC	International Training Centre (Turin)
JICA	Japan International Cooperation Agency
JKUAT	Jomo Kenyatta University of Appropriate Technology (Kenya)
jua kali	Informal sector producers (Kenya)
KfW	*Kredietanstalt für Wiederaufbau* (German Bank for Reconstruction)
KPM	Kampala Polytechnic Mengo (Uganda)
K-REP	Kenya Rural Enterprise Promotion
KTTC	Kenya Teachers' Training College
MCDWAC	Ministry of Community Development, Women and Children (Tanzania)
ME	Micro enterprise
MIT	Mengo Institute of Technology (Uganda)
MoES	Ministry of Education and Sports (Uganda)

MSE	Micro and small enterprise
MSETTP	Micro and Small Enterprise Training and Technology Project (Kenya)
MVTC	Makerere Vocational Training Centre (Uganda)
NCCK	National Christian Council of Kenya
NEP	National Employment Policy (Tanzania)
NGO	Non-governmental organization
PDDC	Product Design and Development Centre (Kenya)
PTP	Private training provider
PPTP	Private for-profit training provider
PTTC	Post-primary technical training college (Tanzania)
SAP	Structural adjustment programme
SE	Small Enterprise
SIDO	Small Industry Development Organization (Tanzania)
SITE	Strengthening Informal Training and Enterprise (Kenya)
SUP	Skills Upgrading Project (Kenya)
TNA	Training needs assessment
UGT	Uganda Gatsby Trust
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization (Vienna)
USAID	United States Agency for International Development
UVETA	Uganda Vocational Education and Training Authority (Uganda)
VET	Vocational education and training
VETA	Vocational Education and Training Authority (Tanzania)
VTC	Vocational training centre
VTI	Vocational training institute
YP	Youth polytechnic

At the time of the mission, the exchange rates in East Africa were per US$:

Kenya	76.50 Ksh
Tanzania	800 Tsh
Uganda	1800-1850 Ush

1. Introduction

More than a decade has passed since a stocktaking exercise was held at the International Training Centre of the ILO in Turin in relation to the situation of skills development of those working in "informal" micro and small enterprises (MSEs).[1] 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 demand for training as well as the supply of relevant training services available to informal operators.

1.1 Training for the informal sector: the view in 1987

The ILO Turin Workshop on Training for the Informal Sector concluded that training for work in the informal sector (IS) is, and should be, fundamentally different from training for work in the formal sector. It is primarily characterized by a very close link with production, a distinct target group approach and an unconventional delivery for immediate results (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 experiences, 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 two 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, a role for active artisans; good training managers are one of the most crucial ingredients of effective training;

- *financial issues*: it is 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

[1] In this paper the "informal sector" is considered 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 to 10 family workers, apprentices and others, usually casual workers, and (iii) small enterprises that employ 11 to 20 workers. See Chapter 2 for a further discussion of the concept of the informal micro and small enterprises.

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 the 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 reorientation of existing systems is bound to be complicated and time consuming.

The Workshop also concluded 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 informal sector operators. Training is to a large extent an instrument that causes other inputs to come to fruition. It was found that there is a 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 informal sector operators, and whether the planned intervention is feasible and would be cost effective; all interventions in the informal sector, 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 Workshop 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 and usually less expensive, while the trainees who are already working tend to be more mature and motivated than young school leavers.

1.2 Changes in the context of "training for the informal sector"

In the past two decades important developments that can be assumed to have had a major impact on the need for and provision of, training services, have taken place. In particular, the processes of economic liberalization and globalisation have changed the context in which informal enterprises operate. At one level a large number of countries in Africa have adopted "economic reform policies" which have exerted great influence on the labour market situation in these countries, as well as on 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, give a more prominent role for the private sector, and 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.

Structural adjustment programmes have been a mixed blessing for the MSE sector. Studies carried out 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 to: (i) 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) diversify out of product and service markets where economies of scale attendant on mass production favoured larger-scale competitors; (iii) occupy niches better suited to their economies of flexibility and serving an import-substituting function; and (iv) prepare themselves against market saturation by raising barriers of entry (in terms of cost of capital equipment and required skills). Conversely, enterprises that 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 they 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, has 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 (SEs). There is also evidence suggesting that technological innovation has taken place as a result of the significantly increased costs of imported inputs.

While beneficial, at least initially, for 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 into more and sustained employment opportunities for the majority of the poor (*Jobs for Africa*: ILO, 1999). As a result, governments in the region 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 saturated 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 establishments, which in turn requires the introduction of improved technologies in the informal sector and large-scale skills upgrading of informal sector operators.

1.3 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 and programmes/projects. More specifically, the paper seeks to document interesting cases of formal and non-formal training programmes directed at informal MSEs and to identify emerging needs and new trends, if any, and their possible consequences.

Some of the 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 and that 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 vocational training institutes (VTIs), in particular in relation to the provision of training for the informal sector? Has the public training sector indeed embraced informal sector operators as an important part of its target group?

- Have there been changes in the contribution of private training providers (PTPs)?

- 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 "shift in paradigm" 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 (Committee of Donor Agencies for Small Enterprise Development, 2001). 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 (Nelson, 1997).

1.4 Working methodology

The present paper is largely based on information collected during a relatively brief visit to East Africa: Kenya was visited from 8-9 and 21-26 October, Tanzania from 10-14 October and Uganda from 15-20 October 2000. In these countries, interviews were held with relevant government officials, staff from non-governmental organizations (NGOs) and private training operators, and representatives from international organizations and donor agencies.

In addition to information from these key informants familiar with the training sector, a number of training organizations and centres were visited and a large number of documents collected. The data collected and the present paper are bound to reflect the fact that the time allowed for the assignment was too short to identify all the relevant organizations or programmes and to read all the pertinent documents. It is nonetheless hoped and believed that the paper does address the above objectives and that it presents interesting examples of current practices of training for work in the informal sector.

1.5 Acknowledgements

In Kenya, the kind support of Ms. Dorothy McCormick, Mr. Harun Baiya and Mr. 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 the Vocational Education and Training Authority (VETA) and the Deutsche Gesellschaft für technische Zusammenarbeit (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). Overall guidance from Mr. Fred Fluitman (International Training Centre of the ILO, Turin) has been much appreciated.

2. Informal micro and small enterprises in sub-Saharan Africa

Since the "informal sector" was first identified and described in Kenya (ILO, 1972), numerous studies have been carried out concerning its size, structure, characteristics and role in the economy and society. Initially, they were mostly based on snapshots of the sector: one-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 into the sector.

2.1 Informal sector segmentation

For the discussion on the design of effective interventions to support informal MSEs, 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", here also referred to as the "MSE sector" is far from homogeneous. For instance, several observers (see Ashe, 1985; USAID, 1989; Farbman and Lessik, 1989; CARE, 1996) propose that the MSE sector includes three segments:

Income-generating activities are the predominant type of MSEs, especially in rural areas. They refer essentially to pre-entrepreneurial subsistence-type self-employment and function as "the employer of the last resort". Income generating activities constitute an important source of household income supplementing farm 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 income generating activities include: seasonal trading and hawking, pig and poultry raising, and many traditional craft activities.

Micro enterprises are slightly larger than income generating activities, as they work with a few family workers, apprentices and sometimes one or several (up to ten) permanent workers. They are a mix of traditional and more-modern-but-obsolete technology. They lack access to capital, have modest technical skills and lack management. They are more linked with markets, as part of their production inputs are "imported", and they serve local and nearby markets; thus, they are more often 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 micro enterprises are: small shops, metalworking, carpentry, tailoring, and various forms of repair services (e.g. radio and television, cars, household appliances).

Small enterprises 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. Small enterprises are often (on the margin of) formal: they are usually registered with the local government and tend to pay some taxes. Small enterprises are more urban than rural based. Some examples of small enterprises are: saw mills, garment assembly, motorized 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

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

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, income generating activities should be subjects of a poverty alleviation/community development approach, with ample attention to social aspects (e.g. entrepreneurship orientation, credit management, and low-level technical assistance). Small enterprises require a business approach, with support services based on feasibility and market studies.

Table 2: Need for support services by different MSE segments

Type of support	IGAs	MEs	SEs
- credit/loans	high	high	high
- *for working capital*	*. high*	*. high*	*. medium*
- *for equipment*	*. low*	*. medium*	*. high*
- *for premises*	*. nil*	*. medium*	*. high*
- savings	high	medium	low
- management	low	medium	high
- marketing	high	high	high
- technology	medium	high	high

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.

2.2 Main features of informal MSEs in sub-Saharan Africa

Some surveys of informal MSEs in a number of sub-Saharan countries have been carried out which 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-off surveys to provide retrospective information concerning past patterns of growth of currently existing enterprises since their start up[2] (see table 3).

Magnitude

The surveys found that 17 to 27 per cent of the total population of working age are employed in MSEs (in Kenya: 18 per cent). 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 the public sector.

Size distribution of MSEs and labour force characteristics

The majority of MSEs consist of one person working alone, and in Africa (contrary to the Dominican Republic) only 2 per cent of businesses employ between 10 to 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 per cent of the MSE labour force.

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

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[2] National surveys were carried out in Kenya, Lesotho, Swaziland, 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 Liedholm and Mead, 1998.

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 per cent except in Zimbabwe (30 per cent). 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 rural areas.

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 per cent of urban MSEs and nearly 90 per cent of informal enterprises 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 and that the returns/hour of labour are significantly higher for enterprises with two to five workers compared to one-person firms and that they are still higher for the next higher-size group with six to nine 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.

2.3 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.

New MSE starts

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

Table 3: Major features of the informal sector of micro and small enterprises in some sub-Saharan countries (mid-1990s)

	Botswana	Kenya	Lesotho	Malawi	Swaziland	Zimbabwe	Dominican Rep.
MSE employment (as % of working age population)	17%	18%	17%	2%	26%	27%	19%
Share of 1-person MSEs	65%	47%	79%	61%	69%	69%	22%
Share of MSEs with 10-50 workers	3%	2%	1%	1%	2%	2%	18%
Share of hired workers	39%	24%	10%	18%	15%	16%	32%
MSEs in urban areas	24%	15%	18%	12%	25%	30%	6%
MSEs in rural towns	28%	7%	10%	4%	10%	6%	18%
MSEs in rural areas	48%	24%	72%	84%	65%	64%	36%
Sectoral breakdown of rural MSEs:							
- manufacturing	34%	18%	62%	36%	70%	75%	15%
- commerce	64%	74%	27%	60%	24%	16%	75%
Share of enterprises owned by women	75%	40%	73%	46%	84%	66%	46%

Source: Liedholm and Mead, 1998: "The dynamics of micro and small enterprises in developing countries", in W*orld Development*, vol. 26, no.1, pp. 61-74.

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

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 willing to venture into one-person enterprises 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 "entrepreneurs" by necessity rather than by conviction.

MSE closures

The African surveys estimated the closure rate of MSEs at 13 per cent per year (the number of firms which have disappeared over the total number of firms at the beginning of the year).

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

Most closures occur in the early years of the firm's existence: in Africa over 50 per cent of the closures had taken place within the first three years of start-up (and peaked before the end of the first 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 particularly 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 of what type of informal MSEs are most, or least, likely to survive:

- MSEs that had added workers when compared to those which remained the same size;
- firms which started smallest when compared to those which started with more employees;
- retail MSEs face the highest closure risks (e.g. 30 per cent 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 per cent greater chance of survival than their rural counterparts;

- female-headed households are less likely to survive (because in low-return and home-based activities) often due to personal and non-business reasons;

- the closure rate among low-profit enterprises is negatively related to the gross domestic product (GDP) growth rate.

MSE expansion

The expansion (or reduction) of informal MSEs is usually measured in terms of the 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, a finding 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: the average annual employment growth rate since start-up was 13-16 per cent per year across the six countries. This is even more impressive when considering that the majority of the MSEs did not grow at all: in most countries, less than one-fourth of the firms actually added workers. Most of the expansion was due to a minority of MSEs each adding only a few workers. Only about 1 per cent "graduated" from the micro enterprise seedbed to end up with more than ten workers.

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

- there is an inverse relationship between enterprise expansion and age of the MSE: younger MSEs are more likely to show higher rates of growth (also shown in Kenya) and much of the expansion occurs in the first two years (and in Kenya after eight years of downsizing);

- an inverse relationship was also found between the rate of growth and the initial size of the firm;

- the rate of MSE growth is influenced by economic sector: manufacturing and service MSEs are more likely to expand than those in trading - but specific sectors that are likely to generate more jobs vary from country to country ("unique finger print");

- MSEs located in rural towns and villages are less likely to expand; moreover, MSEs operating in commercial areas or even along the roadside show a markedly stronger tendency to expand than those operating in the home;

- male-headed MSEs are more likely to expand more rapidly (11 per cent) than female-headed ones (7 per cent).

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

2.4 The informal sector and the macro economy

The Growth and Equity through Micro-enterprise Investments and Institutions (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 the economy is growing well, MSEs also thrive, expanding by engaging additional workers - while other entrepreneurs are closing their firms 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 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), a number partially offset by 157,000 people who stopped working when their firm closed. In other words, in 1994 when GDP hardly expanded, about 70 per cent of the net new jobs came into existence as a result of net starts, with only 30 per cent 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 per cent came from net starts, while close to 70 per cent came from an expansion of new enterprises.

It was also found that 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 are more probably at the bottom end of the informal sector).

In summary, data suggest that when the economy is more buoyant a significant number of new employment openings in MSEs come 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, existing 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.

2.5 Conclusion

The insights into the segmentation of the informal MSE sector and its functioning in relation to the general economic situation hold important implications for national governments and international donors seeking to promote MSEs to stimulate their 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 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 it would be wise to focus interventions on MSEs that have survived the first two years and are likely to grow.

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

"Survival activities", which include many new and very small micro enterprises 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 micro 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 on 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 the MSE sector, focusing on the types of enterprises and on particular stages in the enterprise's life cycle where the interventions can be most beneficial.

3. Training for the informal micro and small enterprises 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 of economic mismanagement and the structural adjustment policies that were hesitantly adopted (Ikiara and Ndung'u, 1999). Un- and underemployment have severely increased, a fast-growing informal sector has become the residual recipient of labour, earnings declined in the 1980s and 1990s (real average earnings fell by as much as 50 per cent in the first half of the 1990s), and the conditions of vulnerable groups worsened considerably as a 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 4: KENYA (1999)

Population		**29 million**
-	population growth (1990-99)	2.7 %
-	population aged 15-64	53 %
-	urban population	32 %
-	labour force growth (1990-99)	3.3 %
GDP per capita		**US$ 360**
-	economic growth (1998-99)	0.5 %
-	agricultural sector	27 %
-	manufacturing sector	11 %
Quality of life		
-	population below poverty line*	26.5 % (1994)
-	life expectancy at birth	50 yrs. M, 52 yrs. F
-	adult illiteracy	12 % M, 27 % F

* International poverty line of US$ 1 per day.

Source: *World Development Report 2000/01* (World Bank).

3.1 The informal MSE sector

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 per cent of total employment. This increased to 55 per cent in 1994. In the same period, public sector employment declined from 36 to 21 per cent and modern private sector employment from 54 to 24 per cent (Ikiara and Ndung'u, 1999). In 1998, the informal sector - called in Kiswahili the *jua kali* (hot sun) sector - was estimated to employ almost 3 million people or 63.5 per cent 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, which employ a total of 2,361,250 workers, including the firm owners (the rest of this paragraph is based on CBS/ICEG/KREP, 1999[3]). This means that MSEs employ 65 per cent 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 the MSEs are rural based. They are especially important in regional centres and small towns, where 35 per cent and 59 per cent of all households are engaged in some form of small-scale non-agricultural activity. Over 90 per cent of the informal enterprises

[3] The survey defines MSEs as those which employ up to 50 workers.

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. Fewer than 2 per cent of the firms have more than ten workers.

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 per cent of them are engaged in manufacturing activities (slightly more in rural than in urban areas) and less than 2 per cent in construction. Almost 15 per cent of MSEs are involved in services. Interestingly, more than two-thirds of all repair services are carried out in urban areas.

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/leather and bars/hotels/restaurants, while men are dominant in repair services and wood-based manufacturing.

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 are 4.5 times the minimum wage; however, in the rural areas they are 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 per cent do not own any machines; and the machines used are often human-powered;

- subcontracting rarely occurs in the MSE sector in Kenya: only 6 per cent of all MSEs have subcontracting relationships, mostly with other MSEs (3.1 per cent) and larger firms (2.1 per cent) (the rest with farmers and the Government); the incidence of subcontracting is somewhat higher in construction and transport (but not in manufacturing);

- as for the reasons for going into MSE activities, one-third said that they did not have any alternative, 22 per cent were attracted by the prospects of a better income, and 14 per cent 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 do nothing to promote their products, and almost two-thirds indicated that they do not have any specific source of market information;

- only 12 per cent of the MSEs are registered, and 39 per cent are 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 per cent 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.

Main problems and assistance programmes

The survey also provides some insights into the problems faced by small producers and the assistance they receive. Notably, in this survey the lack of credit did not come in first place as it usually does. The main problems of MSEs in Kenya concern infrastructural problems: in the urban areas, they are in the form of power interruptions and inaccessibility to electricity, lack of worksites and poor security. In the rural areas poor roads/transport and poor access to water are 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 (61.5 per cent) appear to experience such market-related problems much more frequently than rural MSEs (38.5 per cent). Urban MSEs (80.8 per cent) also frequently experience interference from authorities, which is only a minor problem for rural MSEs (19.2 per cent). Finally, about half the MSEs interviewed also experience problems with a lack of skilled manpower and a shortage of raw materials and stocks.

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/demand problems has increased markedly, which would appear to be associated with 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 probably is one of the countries where government interest and the public and private (NGO) support infrastructure is better than in many other countries, certainly in Africa.[4] In spite of all efforts over the years to create and strengthen MSE support programmes and institutions, 93 per cent of the MSEs in the country received no assistance at all in the past five years. The most common assistance concerns credit: some 10 per cent of the MSEs in the country receive a loan or credit from a variety of sources. Only 7 per cent of the MSEs receive any kind of non-financial assistance: management and technical training is the second most common form of MSE support.

Informal sector policies

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

[4] The survey indicates the existence of 260 active private and public MSE support organizations in Kenya.

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 a higher rate of business closures. It is possible that the stronger MSEs, and especially those operating at a 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 two-and-a-half 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 were to be generated by the small-scale and *jua kali* sectors, mainly through:

- provision of technical and business skills training to existing entrepreneurs;
- deregulation 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, the Government of Kenya clearly stated that its role in the development of the *jua kali* sector would be one of facilitator rather than interventionist. 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.

3.2 Education and training policies

At present, the education and training sector in Kenya appears to be in a state of flux. For a number of years, efforts at sector planning have been under way (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, Technology and Technical Training (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 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 students towards self-employment: the “8-4-4” and the introduction of business skills education.

The “8-4-4” education system

Since the expanded education opportunities after independence did not result in the expected automatic employment of 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 carried out 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 per cent 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 ¼ 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 ¼ . Teachers’ and pupils’ attitudes to learning practical subjects have remained negative ¼" (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 mentioned practical subjects taught in school (Shiundi, quoted in Oketch, 1995). Even a high government official told the author that 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 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 (ibid.).

Furthermore, the new system, although voluntary in theory, is costly for the parents who 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-outs (McGrath, 1997).

Business skills 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 youth polytechnics (YPs) to national polytechnics. In addition, there is now a Masters' 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 cadre of well-oriented trainers and managers has been trained at KTTC and JKUAT (McGrath, 1997). It seems that some vocational training centre (VTC) principals refuse to employ qualified teachers, while the skills of the trainers are very marketable for which reason they are difficult to retain by VTIs. The impact of business skills education is not yet clear. Some of the students appear to be more interested in obtaining the credentials than genuinely acquiring the skills, and they copy existing business plans instead of developing their own.

3.3 Training providers

In Kenya there is a longstanding awareness that employment needs to be conceived in more than just terms of formal and agricultural jobs. In this regard, training initiatives have included the development of 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 are a large number of public and private training institutions in Kenya that provide technical training, including: over 600 YPs, 20 technical training institutes, 17 institutes of technology (ITs) and three national polytechnics. Furthermore, the National Youth Service (NYS) operates training centres, and there are industrial training centres, YMCA vocational training centres and Christian industrial training centres (CBS/ICEG/K-REP, 1999). 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. The YPs (see case study A below) account for almost one-third of all the trainees enrolled in these training institutions (Oketch, 1995).

Institutes of technology

The ITs (previously 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 and created a tradition of community involvement in the management of vocational training centres, 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 craftsmen 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

Youth Polytechnics. The training takes three years. Management skills were included as part of the curriculum. In the mid-1980s, 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 less than 10 per cent 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.

Technical training institutes

In Kenya, there are also 20 technical training institutes (previously 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 four-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.

National Youth Service

The National Youth Service 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 of age, stimulates good citizenship and provides work and specialized training. The National Youth Service 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. The National Youth Service was originally directed at primary school leavers, but over the years it has recruited more and more secondary school leavers. Also, while it started with a rural focus, it has gradually adopted an urban bias.

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 the Danish International Development Agency (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 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 per cent), technical training institutes (25 per cent) and YPs (24 per cent).

3.5 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 (PPTPs), many of which 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 per cent of all trainees acquire their skills through apprenticeship (quoted in CBS/ICEG/K-REP, 1999: 55).[5] The 1999 MSE Baseline Survey registered a total of almost 53,000 apprentices. Most of them were in woodworking (41 per cent), retail (32 per cent) and repair services, with minor numbers in pottery, construction and textiles.

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

A survey among master craftsmen and apprentices who participated in the Skills Upgrading Programme of Strengthening Informal Training and Enterprise (SITE) found that:

- 75 per cent of the SITE host trainers charge fees for their apprenticeship training - these fees constitute 8 per cent of reported business profits in woodworking, 9 per cent in metalworking and 18 per cent in textiles;
- 76 per cent of the trainees pay fees for their apprenticeship training, ranging from US$ 5-16 per month (mean: US$ 12);
- 80 per cent of the master craftsmen do not regard their apprentices as immediate competitors - in fact, a large proportion of them develop subcontracting linkages with their former apprentices, depending on their quality consciousness.

3.6 Changing training needs of the 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 per cent

[5] 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 per cent of the MSE owners in the beneficiaries group and 39 per cent in the control group had obtained their skills through apprenticeship training (GoK/Office of the President/ MSETTP, 1999:20). Of the master craftsmen who participated in the SITE project (see case study D), 60 per cent were trained through the apprenticeship process themselves (Baiya and Jeans, 1998:10).

(DANIDA, 1998), of these newcomers. Existing training capacity is 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 (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 per cent have no education at all, more than half of them (54 per cent) have only education up to primary, and 33 per cent have 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 members of a membership organization, and those with university education are remarkably often members of "other business associations" (as opposed to popular informal mutual insurance groups and regular, area-based MSE associations).

The survey also provides information on the role of training for the MSE sector in Kenya. A total of 85 per cent of all informal sector operators have received no training at all; the figures are slightly higher for rural and women entrepreneurs. Technical training (8.3 per cent) is more frequently given than management training (0.9 per cent).

Training is not deemed to be very important by the small producers: about half the MSE owners indicate that there is no need for training of their workers, 23 per cent suggest management training for them and only 10 per cent feel they require technical training. The training needs for themselves 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 given, 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 per cent were sponsored by private business institutions, 7 per cent by the Government and 6 per cent by the church.

The survey results also suggest a relationship between the possession of vocational training certificates and income, but this relationship is 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).

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.

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 metalworking and car-repair activities, more than three-quarters of the enterprises had apprentices - ranging from 1 to 20 per firm. The owners of the firms obtained their skills predominantly "on the job" (71 per cent), in various training centres (19 per cent), and from friends (7 per cent).

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 per cent), completed primary school (16 per cent) and physical abilities (8 per cent). 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 a result of difficulties in payment of training fees. Two-thirds of the masters provide letters of recommendation to their apprentices, but there is little testing of the training results, as only 10 per cent 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 (US$ 25-40). More than 60 per cent 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 are 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;
- the 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.

Source: Mary Kinyanjui, A study of training needs and aspects of training in informal workshop clusters in Nairobi (1997).

3.7 Case study A: Youth polytechnics

The concept of YPs[6] 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 school leavers could not become self-employed or obtain 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.

[6] This paragraph is largely based on Oketch, 1995 and DANIDA, 1998.

While initially the NCCK was the main sponsor of the YP programme, the YPs were gradually (1970-71) taken over by the Government, which paid mainly the salaries of the teachers. They were expected to become self-sustaining over time, on the basis of the production of 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 put 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 per cent 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 it was 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 the YPs have lost most of their original focus, without indicating a clear reason for this. Possibly this is related to the increased role of, and especially the decreasing contributions from, the Government. The YPs now offer opportunities for training only to a small fraction of the rural school leavers and unemployed. They have become more attached to the formal trades certification system, and most of their trainees are now concerned about certificates and finding a wage job and less interested in entrepreneurial skills and self-employment.

The areas in which YPs are offering training are rather limited. 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 entering into self-employment. In fact, in the early 1980s less than a quarter of the YP trainees were found to take up self-employment. There is a need for credit schemes to support the ventures started by YP graduates and assist them to purchase tools and equipment. This should be done on an individual basis as it is evident that, while the Government is encouraging them to work in groups, the trainees prefer to be self-employed individually.

A further problem of the 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;

- 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 is 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 the YPs at this point in time concerns their finances. As the YPs are community owned, the Government 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 trainers' 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 turn them into 'centres of excellence in skills' "- [for instance through] a new scheme of service (i.e. salary payments) to motivate the instructors to improve their service delivery; a proposal for funding will be sent to the donors (Daily Nation, 23 October 2000).

DANIDA, which started to support YPs in the 1980s, has recently expanded its assistance to include YPs in Taita Taveta, Kitui, Makeuni, Kwale and Thika districts (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's 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 the YPs, self-help women's groups and *jua kali* associations and will create business development centres. The latter will carry out market surveys, maintain a database for use by the *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 business development centres 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 per cent of the shares, while the rest would be distributed to the other stakeholders (YPs, women's 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.

3.8 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 Micro and Small Enterprise Training and Technology Project (MSETTP). After lengthy preparations, the project document was signed in 1994, financed with a US$ 24 million loan. The main objectives of the project are: (i) providing skills upgrading for 10 per cent 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.

The MSETTP includes a training voucher scheme modelled after a similar scheme of the Inter-American Development Bank in Paraguay (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 to 10 workers and are run by women or demonstrate potential for growth, and (ii) *small enterprises* that employ 11 to 50 workers. It aims to develop a market for a broad range of training, technology and other BDS by catalysing the demand for such services. Eligible MSEs can purchase the vouchers to get training for its owner(s) or workers at 10-30 per cent 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 demonstration 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 master crafts(wo)men, private training institutions, public sector training centres, technology and financial institutions, consulting firms and individual trainers/consultants.

The project works with “allocating agents” which 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 to: (i) market the scheme to potential beneficiaries, (ii) assist MSEs in filling in the voucher applications, including baseline data (eight pages), and (iii) act as business advisers to help MSEs to select the most relevant type of training. In compensation for these services, they receive 3 per cent of the voucher value.

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

- PTPs benefited most from the scheme: some earned up to the maximum KSh. 2 million through the vouchers, while others earned nothing;
- 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 courses 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 training-of-trainer courses; and increased demand for training from existing and potential MSEs;
- many of the allocation agencies were *jua kali* associations, which 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 compensation;
- there was also some impact on the responsible Ministry (then the 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 per cent, possibly because of the worsening economic situation, the MSEs which 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 5).

Table 5: Measured effects of the voucher training provided by the MSETTP

	Beneficiaries group		Control group	
	Increase	**Decrease**	**Increase**	**Decrease**
Assets	65 %	4 %	40 %	7 %
Volume of sales	45 %	6 %	16 %	6 %
Diversification of products	13 %	0 %	2 %	0 %
Business liabilities	16 %	17 %	16 %	13 %
Business expenditures	30 %	10 %	28 %	9 %
Business creation (i.e. women start-ups)	28 %			
Employment creation	42 %	2 %	22 %	7 %

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

In summary, 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/Office of the President/MSETTP, 1999, p.5).

The voucher scheme appears to have had an especially important impact on (i) public training institutions and (ii) apprenticeship training. Public training institutions 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 per cent of the vouchers went to buy training from public institutions (Riley and Steel, 2000).

There is considerable circumstantial evidence that master crafts(wo)men markedly changed their position vis-à-vis apprenticeship training. They adapted, condensed, costed and packaged their training offerings as specific products,[7] and as a result the more successful master crafts(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 (ibid.).

The World Bank project has generated, right from its conception, considerable debate on its intentions, design and results, and positions appear to have become quite fixed over time.

[7] 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.

Whatever its merits, the sheer size of the 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 the 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 led to the provision of short, low-cost (on average, some US$ 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 (ibid.).

Some observers in Kenya's training sector are less convinced about the project's short-term results and long-term effects. The main notions that are traded, usually on the basis of pure hearsay, indicate that there are a significant number of training professionals who give credence to these stories (McGrath, 1997):

- unequal access to information has led to market failure;
- new PTPs have appeared in Nairobi but not in other areas;
- there are serious questions about the quality assurances built into the project and, especially, there are persistent anecdotes that suggest that trainers and trainees 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.

The 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 way of delivering training and, in particular, will leave behind relevant experiences in 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.

3.9 Case study C: Product Design and Development Centre (PDDC)[8]

A recent phenomenon in the training sector in Kenya is "training for production", which perhaps 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 focused on the production of a new or improved product.

[8] This paragraph is largely based on PDDC, 2000.

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 available technologies, design creativity, and market demand (combining consumer preferences and their financial possibilities) interact. 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 (Nelson, 1997). In recent years, however, a number of local organizations in Kenya have initiated this kind of skills training: ApproTEC, K-ICK/ZWIKA, the PDDC 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 (ZIWA Creations, 1998). The present discussion will focus on the third.

The PDDC aims at the commercial promotion of Kenyan handicrafts. It is owned by the Artisan Trust (UK) and was granted a 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 to commercially promote their export to Europe and the United States. At present, its director is employed on a United Nations Development Programme (UNDP) expert contract.

According to the PDDC's analysis, there is interest in Kenyan handicrafts in industrialized countries, for instance in Europe, but usually their quality leaves much to be desired. On the basis of the GEMINI National MSE Survey, it is estimated 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 Kenyan crafts are: (i) low productivity, (ii) modest and unstable product quality, (iii) difficulties in timely delivery for larger contracts, and (iv) lack of contacts with international buyers of handicraft products.

The PDDC's main activities are: (i) improving the technical capacity of artisans through training, (ii) providing design consultancies at the national and international level, and (iii) developing "satellites" which are rural production and training centres. It operates training-cum-production workshops, together with a showroom/sales outlet, in one of the more affluent areas in Nairobi. Independent craft producers are based here 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; successes and failures in the showroom are used to guide the product development process. The Centre attaches particular importance to fostering a sense of leadership in its entrepreneurial trainees.

The training offered by the PDDC consists of both technical training in commercial craft manufacturing and entrepreneurship/development 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 United Nations Volunteer was already working with a group of women. PDDC Machakos now consists of an office (with fax and e-mail) and two workshops and is 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 US$ 300. According to information from PDDC staff, the craft producers are now charged more realistic fees. There are also seminars/workshops given on various business topics in the PDDC facilities in Nairobi. They draw a mixed audience, consisting of handicraft producers linked to the PDDC and others who come from different areas in Nairobi. They pay KSh. 500 (US$ 7) per day for these workshops. The PDDC training is still heavily subsidized by the UNDP.

The 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 United Kingdom, the 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 website;
- establishment of one of the leading craft showrooms in Nairobi.

During 1998-99, the PDDC had a turnover of some US$ 170,000 and made a profit of US$ 23,333 (PDDC, 2000). The Centre tries to distinguish itself by not competing on price but on quality and design.

The PDDC has recently formulated a business plan for an ambitious expansion for the period 2000-03. It envisages strengthening 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 financing of US$ 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 a 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 the PDDC’s handicraft promotion will remain on the local market.

3.10 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 master craftsmen/trainers to enable them to diversify their production, (ii) strengthen the capacity of master craftsmen to provide quality training to their apprentices, and (iii) strengthen the capacity of selected VTIs to support the former on an ongoing basis.[9] The project has resulted in a number of noteworthy experiences.

The approach

The project started with a "market trends survey" on the basis of which it selected metalworking, woodworking and textiles as its priority subsectors, 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 master craftsmen, "host trainers", displayed little interest in upgrading their technical skills; many of them already had years of experience in their business. This led 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 master craftsmen 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 master craftsmen was done through meetings with potential host trainers, organized through *jua kali* associations. While initially only 20 per cent of the participants actually participated in these "training needs rationalization meetings", this increased to 90 per cent at the time of actual training. Relying on contacts with *jua kali* entrepreneurs through associations proved quicker and far less costly.

The project originally considered providing 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 broaden their training in skills and theory. Another new feature of the project was to stimulate the master craftsmen to use their

[9] This case study is largely based on Baiya and Jeans, 1998; Grierson, 1998; and SITE, 1999.

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 VTIs 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 received, 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.

Project activities

During the project period, 43 courses were designed and conducted for host trainers and apprentices. Three of the courses focused specifically on pedagogy for the host trainers, ten were technical skills courses, eight business skills courses and 20 mixed courses. In all, 419 master craftsmen were trained, 284 apprentices benefited directly from training by the project and 1,396 received improved training from the project's host trainers.

The project furthermore developed training materials based on the demands from 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.

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, improving content and quality of training, and ensuring that training concerns productive activities and is not limited to menial and unplanned duties.

As a result, almost all the master craftsmen involved in the project increased their number of apprentices by 15-20 per cent. The general increase in employment of the participating MSEs was 22 per cent.

Other reported successes with regard to the master craftsmen were:

- 88 per cent of the host trainers applied their new skills;
- 73 per cent make new/improved products;
- 58 per cent have penetrated new markets;
- there has been a 57 per cent increase in turnover and a 25 per cent increase in profits;
- there is a better workshop layout and improved organization of production;

- 88 per cent of the apprentices indicate that they make use of the skills transferred, and 73 per cent make new and improved products;

and with regard to the apprentices:

- training has led to increased confidence in starting their own business, has highlighted problems with capital and worksites, and has increased awareness of the financial aspects of running a business.

Training costs

The SUP had a total budget of US$ 320,000 for two-and-a-half years, of which 20 per cent 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 (US$ 96) per trainee in November 1996 to KSh. 1,204 (US$ 20) in January 1998. The main cost reduction (95 per cent) was achieved in the recruitment of the host trainers, while the cost of training delivery and follow-up activities was cut by 60-70 per cent. As a result of the cost reduction, total costs per training course decreased by 79 per cent; the share of training delivery costs constituted 75 per cent of total costs at the end of the project.[10]

Table 6: Cost structure of SITE's Skills Upgrading Programme

	Nov. 1996	Jan. 1998
Pre-training activities	$ 806 (56 %)	$ 40 (13 %)
Training preparation and delivery	$ 526 (36 %)	$ 228 (75 %)
Post-training follow-up	$ 114 (8 %)	$ 38 (12 %)
Total training costs	$ 1,446	$ 306

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 per cent (and over the total period of the project only 10 per cent) excluding the development cost of the training. The fees were gradually increased during the project period, so that participant contributions rose from 7 per cent of indirect costs in the beginning of the project to 77 per cent 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 than 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

[10] The project noted that there are severe distortions in the market for consultants/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 the Skills Upgrading Project.

complex and expensive products such as hammer mills). The project also observed that there are ripple effects across the sector as *jua kali* entrepreneurs share new skills and approaches with others or are copied by others.

Lessons learned

The project resulted in a number of important lessons learned. First, the master craftsmen are not immediately interested in receiving skills training and need to be "hooked" (Nelson, 1997). It is necessary to put training in the broader context of business improvement and transfer of marketable skills leading to 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 master craftsmen.

Second, in spite of the realization that apprenticeship training is increasingly becoming fee based, the motivation for the master craftsmen except for a few in textiles,[11] 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 in finishing of metal and wood products, for instance, resulted in an increased demand for new equipment that had not been used in the sector before. This by itself presented unexpected interesting opportunities for relations with the private sector, as the Sandolin Paints Company was found willing to take care of the delivery of this course.[12]

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 others 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 BDS 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 (approximately US$ 200).

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 VTIs

[11] There are a few cases of textile MSEs in Nairobi, Mombassa and Nakuru that participated in the project, which have shifted their focus from production to training. This might be related to the generally depressed situation of small-scale tailors and dressmakers, who, in addition to operating in an almost saturated market, have in recent years suffered from widespread mitumba, i.e. the importation and sales of second-hand clothing.
[12] Following this example, one of the government VTIs approached Crown Paints and secured expert training for its regular students at no cost.

in their traditional form and structure appear to have little potential for employment promotion in the informal sector.

Sixth, the 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 costs and time.

Finally and most importantly, the 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).

3.11 Conclusion

It seems fair to say that the development of Kenya's informal sector in the past two decades has been rather disappointing. Technological development in MSEs has been slow and partial, and their productivity and product quality remains low. Their enormous expansion in terms of employment has been mostly at the bottom end in simple self-employment activities. While a number of informal sector operators are earning a reasonable living, most of the sector's workforce is barely (or not) surviving. Job-site 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 it plays in providing incomes and employment to large numbers of the population. Government policies have improved, although their implementation has remained rather weak. The level of organization in the sector in the form of associations has markedly increased (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 curricula are neither demand-led nor flexible, 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 industrialization strategy to 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/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;
- the growing burden of fee payments shouldered by parents;
- poor conditions of equipment and physical facilities;
- the growing debt burden in many training institutions;
- low frequency and poor attendance at VTC board meetings, in spite of growing expenditure on salaries for the Board of Governor's staff.

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

The NGOs and the private sector have only to a limited extent filled 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.

4. Training for the informal MSE sector in Tanzania

Tanzania obtained independence in 1961 and in 1964 formed 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 per cent is under 15 years old. Between 70-80 per cent of the population is still living in the rural areas. Agriculture is the country's main economic sector, employing 80 per cent of the labour force, contributing almost half of GDP and 85 per cent of exports.

Table 7: TANZANIA (1999)

Population		**33 million**
-	population growth (1990-99)	2.6 %
-	population aged 15-64	52 %
-	urban population	32 %
-	labour force growth (1990-99)	2.6 %
GDP per capita		**US$ 240**
-	economic growth (1998-99)	3.1 %
-	agricultural sector	48 %
-	manufacturing sector	7 %
Quality of life		
-	population below poverty line	19.9% (1993)
-	life expectancy at birth	46 yrs M, 48 yrs F
-	adult illiteracy	17 % M, 36 % F

* International poverty line of US$ 1 per day.

Source: *World Development Report* 2000/2001 (World Bank).

After independence, the country adopted a socialist development model with emphasis, on the one hand, on the development of the capital goods industry and, on the other, on village-based small-scale activities (e.g. *Umajaa* 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 changed with the introduction of economic reform policies in the 1980s. The first International Monetary Fund (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 monetary and fiscal policies, including a devaluation of the national currency, and generally to downsize the role and the size of the state (Dandi, 1999).

Some political liberalization followed in the early 1990s with the acceptance of multi-party democracy.

4.1 The informal MSE sector

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 per cent were in the urban areas. That is more than all the jobs provided by the country’s formal sector (i.e. government, parastatals and formal private enterprises). Most of the informal sector employment is self-employment (75 per cent).

Table 8: Informal employment in Tanzania (1990)

	Total	Men	Women
Dar es Salaam	**315,558**	190,971	124,587
Other urban areas	**634,145**	354,526	279,619
Rural areas	**1,419,206**	985,526	433,680
Total country	**2,368,909**	**1,531,023**	**837,886**

Source: Planning Commission and Ministry of Labour, 1990: *The informal sector in Tanzania* (quoted in Pfander and Gold, 2000).

Urban informal sector employment constituted 35 per cent 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 30 per cent of the labour force in 1997 was unemployed or underemployed. Some 60 per cent of the unemployed are young, and unemployment is also high among women and in urban areas.

A survey of the informal sector of Dar es Salaam in 1995 indicated that informal sector employment had increased by 2.4 per cent per year in the period 1991-95. That would mean that the informal sector itself by now would employ almost 1.2 million people, of whom 43 per cent 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.

Structure

Informal sector enterprises and employment are concentrated in trade and commerce-related activities.

Table 9: Economic structure of the informal sector in Tanzania (1990)

Economic sector	Employment	%
Agriculture	236,377	10.0
Mining and quarry	21,721	0.9
Manufacturing	526,249	22.2
Electricity & water	6,246	0.3
Construction	163,438	6.9
Trade/hotels/restaurants	1,213,700	51.2
Transport	78,070	3.3
Community and personal services	123,579	5.2
Total	2,369,380	100

Source: Informal sector survey 1991, quoted in Adam, 1998.

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

MSE policies

Prior to the 1990s, Tanzania had a state-run economy, and the Government has long been hostile towards the informal sector, perceiving it as an illegal activity. 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. In 1995, a draft National Policy for Informal Sector Promotion was prepared, but it was never formally adopted. Nevertheless, over the years the contributions made by the informal sector have gradually become more appreciated in the country (Dandi, 1999).

The National Employment Policy (NEP) (1997) postulates intensified efforts to create a more enabling environment for employment creation. With regard to the informal sector, the NEP aims to strengthen the segments of the rural and the urban informal sector that have potential for the creation of self-employment. For instance, it seeks to promote the use of appropriate technologies. However, the 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 the implementation pace is slow and that so far there are few tangible results or even activities discernible as a 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 informal sector as a provider of employment and income in Tanzania is underestimated in the policies, and few efforts are made towards realizing the identified potential... As for now, policies, laws, regulations, as well as public and private services, do not sufficiently take the interest of the informal sector operators into account, and they are often an impediment to the development of the informal sector" (Pfander and Gold, 2000, p.15).*

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

In 1999, the National Employment Promotion Services Act was adopted (GoT/Technical Task Group on Poverty Alleviation, 2000). It has not yet become operational, but it is to introduce strategies to implement the 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 the United Nations Industrial Development Organization (UNIDO), to formulate a special Small and Medium-size Enterprise Policy.

Main problems and assistance programmes

The major problems, identified by the informal sector 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 (informal sector Survey, 1991). A lack of qualified workers was at the bottom of a list of problems identified by the MSE owners.

Observers also point to the 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 in doing so);

- the registration of a business requires opening an income tax account that is cumbersome and requires keeping accounts which few informal business (wo)men do.

For many years, the Small Industry Development Organization (SIDO) 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 included 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 financial support to micro enterprises, industrial cooperatives and associations in Dar es Salaam, Kilimanjaro, Tanga and Coast Regions[13]. It started with an initial capital of

[13] There is also the Youth Development Fund which was established in 1993-94. Through this Fund, the Government seeks to promote youth employment and income-generation activities. In 1995-96 some TSh. 150

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/Technical Task Group on Poverty Alleviation, 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 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 is therefore no longer easily distinguished from commercial operations.

Most of the providers appear to provide short training courses in business skills (e.g. FAIDA). Others refer to micro-credit/finance programmes (e.g. PRIDE Tanzania) or are involved in marketing assistance (Gibson and Tomesen, 2000), advocacy and capacity building. Only a small number of NGOs/private providers appear to be engaged in technical training.[14] 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 informal sector-support organizations, found that only 3 per cent 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 per cent technical training and 11 per cent management training (Adam, 1998).

Indeed, one of the main stumbling blocks to 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.

4.2 Overview of the training sector

Education and training policies

With regard to education, Tanzania has a long tradition of preparing 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, continue 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

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million were allocated, in 1997-98 around TSh. 200 million and in 1998-90 TSh. 100 million. Some 5,000 youth have accessed this Fund.

[14] 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.

has seriously affected general education (as well as vocational training), the national enrolment rate in primary schools has dropped from 77 per cent in 1995 to only 60 per cent in 2000 (Pfander and Gold, 2000).

The policy framework for vocational training in Tanzania has changed considerably 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, the Government approved a 20-year Development Plan for Vocational Training that envisaged the establishment of a 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 vocational education and training (VET) system (1986-90) found that the VTC operated in isolation from the economic sector it was supposed to serve and there were various deficiencies in the training delivery, and the trade testing system was expensive, complicated and inefficient (Pfander and Gold, 2000).

The redirection of economic policy following SAPs and the consequent changes in the labour market made a major overhaul of the VET system in the country necessary, which led to the second VET Act (1994). The Act established the VETA which has a number of functions:

- providing vocational training opportunities and facilities for such training;
- establishing a VET 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 per cent over the gross emoluments paid by employers of firms with four or more employees. Collection coverage is not complete yet, and it was estimated to have reached 60 per cent in 1998 (Pfander and Gold, 2000:8). In February 2000 VETA started a major campaign to register all training centres.

VETA is specifically required 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 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 mindset at the 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).

The main training providers

There are several types of public and private sector training providers in Tanzania:[15]

VETA training centres

In 1994 VETA "inherited" 20 vocational training centres, of which almost half were subsequently closed while others were strengthened. These VTCs are, together with company training institutes, the main providers of a 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 to the informal sector.

Post-primary technical training colleges (PTTCs) and folk development colleges (FDCs)

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 no longer operate (see case study C).

Church-owned training centres

In Tanzania, there is 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 the focus on traditional courses (mainly carpentry, masonry, motor mechanics, tailoring and secretarial services), traditional training methods, and the need to combine training with production (see case study B).

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).

[15] This paragraph is, inter alia, based on Pfander and Gold, 2000.

Private commercial training providers

In recent years, a large number of "private" training providers have appeared; one report indicates the existence of 37 private training institutions (GoT/Technical Task Group on Poverty Alleviation, 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 on various business skills; few of them conduct technical training on a regular basis. There are also a number of genuine private sector companies which provide training in "soft" skills, such as secretarial services, computer science, commerce, and catering, which do not require major investments. Their relationship with VETA remains unclear.

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), and it does not need to be subsidized as the costs are borne by the (families of) apprentices, and the skills development takes place in the same environment in which the skills most likely will be used.

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 the Ministry of Agriculture and the Ministry 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 a basic level for small producers.

Company-based training centres

Whereas internal training had been 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 minute in comparison with the need for skills training: not even 10 per cent of the youth leaving school (before or after graduating) can be absorbed into the existing training system. The national vocational training capacity was estimated in 1995 at only some 47,000 places.[16] Of these, 8 per cent are in the VETA vocational training centres (3,500), while 35 per cent are in private VTCs, 31 per cent in church-owned VTCs, 22 per cent in company training centres and 4 per cent in VTCs of other line ministries.

At the same time, it is observed (Adam, 1997 and 1998; Pfander and Gold, 2000) 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, the limited resources of existing VTCs, and the discouraging effect of limited employment

[16] In 1997 there were 315 training providers registered with VETA.

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 changes in labour market needs. They are largely supply driven, predominantly focus on traditional and mechanical trades and neglect 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 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.

Interestingly, network relations are gradually being formed between the different training providers. For instance, some of the small NGOs involved in skills training but which 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: TSh. 50,000 per month plus costs of materials for a group of five trainees, which would cost some TSh 300,000 at a private training institute).

4.3 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 become 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 are dependent on the training qualities and interest of the workshop owner/manager. 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/consumer safety, are not being given adequate attention (Adam, 1997 and 1998; Pfander and Gold, 2000).

A study into traditional apprenticeship training[17] in Dar es Salaam (Nell and Shapiro, 1999) presents some interesting findings.[18] With regard to the entrepreneurs, the study found

[17] Traditional apprenticeship is defined as a situation in which the trainee and/or his/her family and the owner/manager of an enterprise agree that the skills used in 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 assistants for whom the training purpose is far less explicit. For instance, 14 per cent of them had no kind of agreement with their master regarding the training - which in the case of masons is even more than one-third. As almost 40 per cent of masons indicate that the main reason for taking on apprentices is "to get extra help" and it was found that it was most common for masons (58 per cent) to pay the apprentices, it would seem that a number of these "apprentices", e.g. those without any kind of agreement, rather serve as cheap labour.

that they feel that finding a worksite, financing and marketing are the most important constraints to the firms. They do not perceive much difficulty 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 indicated 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 that the total number of apprentices currently in training was 556, which gives an average of 4.1 apprentices per firm.[19] 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 childcare. This means that it is far easier for young men than for young women to enter into apprenticeship training.

While traditional apprenticeship, particularly in Africa, has always been linked to assisting family members in obtaining productive skills, the study found that only 3 per cent of the owners/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 per cent of them state they do this "to help young people get a start in life". More than one-quarter of them are honest enough to admit that they do it "to get extra help" (which is frequently indicated among caterers and child carers). In return for their labour, 31 per cent 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 also receive food.

The most common criterion applied in taking youth as apprentices is "trustworthiness of the candidate", followed by "age" (between 16-18 years old) and "level of education". Only 12 per cent of apprentices have a written contract with their master on training, while three-quarters have a verbal agreement. The agreements include arrangements with regard to working hours and holidays (38 per cent and 5 per cent respectively), duration of training (29 per cent) and health and safety provisions (14 per cent). It was found that only 19 per cent of apprentices actually pay the master for their training, while 45 per cent were 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 are found in catering, child care, hairdressing and masonry, where apprenticeships are generally nine months or less - even though more than one-third of the masons and hairdressers feel that their trades do not require more than three months of training. Car mechanics have the longest apprenticeship period, being one year or more, with 17 per cent being from three to five years. Over 90 per cent of apprentices are submitted to a

[18] The study focused 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 were found to be more male dominated). In all, 330 interviews were conducted, half of them with enterprise owners and the other half with business managers.

[19] The study observed that this is far higher than in Zimbabwe where a similar study resulted in an average of two apprentices. The authors indicated in their opening that the apprenticeship system is more developed and market-oriented there than in Tanzania.

trade test at the end of the training period. The test is informal, set up by the master, and it is not clear to what extent it is 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 per cent of all the apprentices trained by the interviewed enterprises in the past five years. The largest number of them (29 per cent) set up a business for themselves in the same trade in which they were trained. This was found to be twice as common for young men (33 per cent) than for young women (16 per cent). Another 12 per cent found jobs in informal enterprises in the same trade. Others are still in the same enterprise where they were apprenticed, while 4 per cent are unemployed (again twice as many young women as men).

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

	All	Males	Females
Employed in enterprise	6.3 %	7.7 %	2.0 %
Still in the business	3.5 %	2.5 %	6.6 %
Found job in formal business in same trade	0.1 %	0.2 %	0,0 %
Found job in informal business			
-- in same trade	11.8 %	11.9 %	11.7 %
-- in different trade	2.4 %	2.7 %	1.5 %
Set up business			
-- in similar trade	28.5 %	32.6 %	15.8 %
-- in different trade	3.1 %	2.8 %	4.1 %
Unemployed	3.7 %	2.7 %	6.6 %
Unknown	40.6 %	37.0 %	51.5 %
Total (absolute number)	794	598	196

Source: Nell and Shapiro, 1999.

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

The masters were also asked about their own training needs. Most were interested in technical skills and marketing abilities.

The most important reasons why the masters have not yet followed such training are that it is too costly, financial constraints (69 per cent), training is given at the wrong hours (18 per cent), there is no time to follow training (11 per cent) and there is no relevant training available (9 per cent). They were found to be willing to pay for appropriate training, depending on the time and quality/relevance, on average some TSh. 16,000, although some went as high as TSh. 650,000. Over half the masters were found to be prepared to let their apprentices follow additional training, but should pay for this themselves.

Table 11: Training needs of "masters" of apprentices

	Technical skills	Management skills	Finance/ accounts	Marketing skills	Literacy/ numeracy	None
Masons	++	+	+	++	-	-
Caterers	++	+	+	++	-	-
Tailors	++	-	-	++	-	-
Welders	++	-	+	++	-	-
Mechanics	++	-	-	+	-	-
Carpenters	++	-	+	++	-	-
Child carers	+	++	+	-	-	-
Hairdressers	++	-	+	+	-	-

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

The study identified an interesting development that is taking place in tailoring. Tailors are increasingly interested in running training-for-fee courses rather than employing apprentices. Almost two-thirds of the tailors demanded payments from their apprentices - small sums from TSh. 2,000-3,000 per month. They gave the lowest payments to their apprentices, and only just over half of them receive food.

The study concludes 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 the apprentices perceive the traditional apprenticeship practice as fragile, they feel that "any attempt to intervene directly in the practice may 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". They suggest that if there were to be any training intervention, it should be at the level of the master, assuming that better technical and business skills will make the apprentice more productive and able to produce better quality items, which will have an indirect positive "trickle-down" effect on the apprenticeship training.

4.4 Training needs of the 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 leave primary school with little or no professional skills. Less than 10 per cent 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).

Put another way, of the age cohorts of primary school leavers, secondary education takes in only 10-15 per cent, the vocational training infrastructure covers some 5 per cent, which means that possibly 85 per cent 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 informal sector Survey indicated that only 2 per cent of the informal operators had acquired any skills through the formal training system. The same survey shows, however, that skills are not perceived by 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.

4.5 Case study A: VETA-ILO-GTZ - Pilot programmes for informal sector training

Background

Tanzania's VETA realizes that the task of preparing 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 the public and private sectors. It is seeking a model for this pilot activity to support traditional apprenticeship training that would evolve and could subsequently be included within its regular training programmes.

VETA has identified a number of constraints to skills development in informal worksites through training by master craftspeople:

- there is no uniform training system nor training plan which ensures the transfer of a set of relevant skills from master craftspeople to apprentices;

- training is not a priority, and master craftspeople lack the pedagogical skills required;

- skills transfer is limited to technical skills and does not include business skills or 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 of both parties; often there is a family relationship between the master and the apprentice, and in other cases the fee is waived on the understanding that the apprentice will contribute cheap labour;

- training takes place at the present technological level of the informal sector 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.

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 focus(ed) 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 master craftspeople, for which reason it focused on manufacturing (carpentry, tinsmithing, welding), services (car and electrical repair, panel beating) and trade (food vendors and traders). Of the 95 master craftspeople identified (employing some 200 apprentices), 14 were women. A training needs assessment (TNA) was carried out among them by trainers for VETA and other institutions (VETA, 1998). Some of the findings included: 75 per cent of the craftspeople had completed primary education and the rest less than that (with 5 per cent never having gone to school); and 92 per cent of them had obtained their skills through apprenticeship and practice without formal vocational training, while 8 per cent had followed training at a vocational training centre, 7 per cent a grade-III trade test and 1 per cent a grade 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 TNA 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. The trainees can be taught individually, responding to their actual training needs. A preliminary assessment indicates that these modules are cost effective, provide adequate training and are successful in integrating non-VETA members into 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 offered reflects 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 its 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 are relatively 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 or sufficiently developed. Rather than directed at the trainees, it would seem future assistance could be aimed at the master crafts(wo)men themselves. Some of them indicate a lack of expertise in the areas of craft skills, management, finance/bookkeeping, and marketing.

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,[20] the following results and experiences can be formulated:

- a participatory approach should be used to plan the training courses;
- training concerned a mix of technical and business skills (record keeping, pricing, marketing and customer relations); 80 per cent 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 (three to four hours' training);
- it is difficult to break the gender-based male over female dominance in particular trades;
- master crafts(wo) men do not want to be trained in front of their apprentices;
- training resulted in improved quality of informal sector goods and services, which in turn positively influenced sales and profits;
- in the carpentry course, 20 per cent of the employees gained so much confidence that they opened their own workshop;
- training for butchers and abattoir workers proved catalytic for subsequent support from others (e.g. the City Council);

[20] The information pertains to pilot activities on apprenticeship training (Oct. 1997-March 1999), *mama/baba lishe* operators in trade, restaurants, manufacturing and agriculture/fishing (Nov. 1999-May 2000), training for safe meat dressing and selling (1999) and training for carpenters (2000).

- accreditation through certification is important;

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

In summary, 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, much 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.

4.6 Case study B: Church institutions and vocational training [21]

Church-based organizations are among the most important training providers in Tanzania. They were estimated in 1995 to be responsible for 30 per cent of all vocational training conducted in the country, against VETA's vocational training centres with only 9 per cent. 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 showed that they face a crisis of identity, role, orientation, approach and instruments (Chonjo et al., 1999). The study investigated eight training centres run by church-based organizations throughout Tanzania.

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 completed primary education. Gradually, secondary school leavers also want to join, as they cannot find a job. The trainees usually come from the diocese. They are predominantly (79 per cent) boys. Training for girls tends to be limited to traditional tailoring.

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 a year, and its members are not necessarily chosen for their expertise on training; there tends to be no representation from the local business community. Most VTCs lack management systems such as personnel systems, clear job descriptions, recruitment procedures, etc.

The VTCs 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 are 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.

[21] This paragraph is largely based on Chonjo, Mbugua, Nyambo and Redecker, 1999.

Many of the VTCs are housed in old buildings with a low level of maintenance. They were not designed purposely as training centres and often lack the right conditions (e.g. lighting). In general, they lack space, especially when the production units are based in separate workshops. Some of the VTCs are based in remote areas and even fail to have all-weather access roads, although they usually 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, donated by an international donor, relative to the type of training that they provide. This equipment is largely irrelevant for trainees who will end up in (self-)employment in the informal sector, and in fact it may send the wrong signal to them.

The large majority of the VTCs surveyed (seven out of eight) have production units which are used as a source of income. The trainees are involved in the production; it is even estimated that the trainees spend up to a maximum of 60 per cent of their training time in these workshops.

Training content 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/beautician, shoe repair and other skills are much more appropriate. The training itself is very practical - with 60-70 per cent of the time spent on practical work. The theoretical part of the curriculum also includes English, mathematics, science and civics. The training is mainly focused on technical matters and usually does not include business skills training or a practical period in a workshop outside the centre. The duration of the courses is a standard one to two years, and they are concluded by a VETA examination.

The VTCs face a high drop-out rate, sometimes as high as 30 per cent. This is mainly the consequence of the school fees which parents are no longer able to pay. In particular, girls are taken from centres because of financial problems.

Only few 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.

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 in finding wage or self-employment locally, and the last third is unemployed and still looking for employment.

According to the author, a major reason for the limited impact of training is the lack of attention during 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. Also, they receive no 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. Apparently the training fee is too high, either in absolute terms or because the fee: skill employability ratio 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 per cent).

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 in making 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 vocational training centres. The study estimates that the training unit costs per trainee per year in the former range from TSh. 100,000 to 450,000, while those of the latter reach on average far above TSh. 1 million.

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

In other words, the financial base of the VTCs differs greatly: 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 marketing skills (e.g. unrealistic pricing), have poor design and quality of products, and poor maintenance of equipment.

Table 12: Sources of incomes and training costs in selected church-owned training centres (in TSh.)

Name of institution	Training costs/year	Training fees/year	Sources of income			
			Fees	Production	Donations	Other
Kasasha Village TC	na	na	60 %	28 %	10 %	2 %
Kalwande VTC	734,470	70,000	7 %	61.8 %	-	31.5 %*
Hai VTC	375,000	150,000	42 %	na	na	na
Kilimanjaro YTTC	270,000	154,000	61 %	<----------	--- 39 % ---	------>
Don Bosco VTC	na	65,000	na	na	-	na
Mafinga Luth. VTC	450,000	100,000	20 %	50 %	na	-
Tushikamane VTC	330,000	50,000	22.6 %	30.2 %	30 %	33.4 %*
Kisa Homecraft Centre	240,000	100,000	91 %	-	13.8 %	9 %**

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

Final observations

The training conducted by church-owned VTCs is rather traditional and very much focused on the trainees passing the VETA exams. There is no attention paid to 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 who 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 reflected in mediocre training facilities and continuous dependence on external funding.

In addition, there is ample scope for networking by the church-based VTCs, first with the local business communities, e.g. to organize practical and post-training employment for their trainees, and second with various organizations, both in the public and private sector, that could provide the training graduates who want to start a business with follow-up services, 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, which generally state that their rationale is to contribute towards the development of the communities in which they are located, in actual fact maintain very few relations with these communities 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 suggested that the church-owned VTCs could play a much more active role and, for instance, be converted into 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.

4.7 Case study C: Folk development colleges (FDCs)[22]

Background

The 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).[23] 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.

Objectives and target groups

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 the 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.

[22] This paragraph is largely based on Redecker, Wihstutz and Mwinuka, 2000.

[23] Around the same time in the 1980s, some 3,000 PTTCs were set up with very similar objectives and activities and support from DANIDA. These PTTCs, set up by the main political party in 1997, provide a two-year training programme in domestic science, carpentry, masonry and tinsmithing in approximately 200 centres. They tend to lack funds for recurrent expenditures, do not have sufficiently qualified teachers, and use deficient training curricula. As a result, PTTCs also face a low capacity utilization: the enrolment stands at some 4,000 students versus an initial capacity of 50,000 places. It can be concluded that at the moment PTTCs are not contributing effectively to training for self-employment (GoT/Taskforce on Poverty Reduction, 2000).

Organization, staff, facilities and training curriculum

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

Originally the curriculum at the FDCs focused on three core areas: (i) agricultural skills, (ii) home economics (nutrition, cookery, needlework 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 youth. But in recent years the FDCs stopped the short courses for adults and now focus on pre-employment vocational training for youth, using standardized VETA curricula and preparing for formal VETA certification. The interest in agricultural subjects is often low. In other words, the FDCs are no longer any different from other VETA vocational training centres, and they actually complain about the situation of 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. The tools and equipment are mostly obsolete and worn out.

According to the guidelines from MCDWAC, all FDCs should be guided by an Advisory Board, with ample representation from 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 few relations with local businesses, and only one of them has an apprenticeship scheme (in motor mechanics).

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 therefore migrate to nearby towns in search of (self-)employment opportunities. Many of them do not find 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 per cent, another report states that current average FDC capacity utilization is estimated at only 15 per cent (MOT/Taskforce on Poverty Reduction, 2000). One of the main problems leading to this situation is the difficulties the parents of the trainees have in meeting the training fees (or their willingness to do so in view of the poor training results).

Training costs and financing

Initially, the financing of the expenditures of the FDCs was 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 that they have production units but their incomes are unknown (and even questionable). When in 1994 the Government stopped its contributions to cover only 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 is even one FDC where the fee is only TSh. 25,000).

Final observations

The FDCs in Tanzania appear to be fragile. Their total revenue from training fees is small and inadequate to purchase new tools and equipment. As a result, the FDCs are now turning 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 further increase, thus lowering the incomes from fees still further.

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

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

4.8 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, only 12 per cent of the male informal sector enterprise owners and 6 per cent of the women have finished primary school, and 8 per cent and 24 per cent respectively have never been to school (Nell and Shapiro, 1999).

At the same time, the magnitude of the employment and training problem is enormous. 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 per cent are 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 minimal, 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 FDCs are caught is characteristic for almost all vocational training centres: they need to cover a (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 are 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 significant that Nell and Shapiro (cc. 1999) 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 taken 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.

5. Training for the informal MSE sector in Uganda

With an average income per capita of only US$ 320 (1999), which is less than two-thirds of the sub-Saharan average, and 46 per cent of the population living below the national poverty line (and 15 per cent in extreme poverty), Uganda is one of the poorest countries in Africa. However, 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 (the average annual growth was over 7 per cent between 1988 and 1998).

Table 13: UGANDA (1999)

Population	**21 million**
- population growth (1990-99)	2.7 %
- population aged 15-64	51 %
- urban population	14 %
- labour force growth (1990-99)	2.6 %
GDP per capita	**US$ 320**
- economic growth (1998-99)	7.7 %
- agricultural sector	44 %
- manufacturing sector	9 %
Quality of life	
- population below poverty line *	36.7 % (1992)
- life expectancy at birth	42 yrs M, 41 yrs F
- adult illiteracy	24 % M, 46 % F

* International poverty line of US$ 1 per day.

Source: World Development Report 2000/2001 (World Bank).

Uganda is still very much a rural country, with only 13 per cent of its population living in urban areas. Agriculture is the main economic sector, employing over 80 per cent of the working population and contributing 45 per cent of GDP. The industrial sector is still small (9 per cent 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 privatization of public sector companies.

According to some estimates, the unemployed and underemployed reach at least 40 per cent and, with Uganda's labour force growing at 3.4 per cent annually, there may be up to 600,000 new labour market entrants every year (e.g. Keating, 2000; 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 per cent of the primary school age group is enrolled in education, and the literacy rate is more than 70 per cent.

5.1 The informal MSE sector

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).[24] This means that the informal sector employs about 90 per cent of total non-farm private sector workers; its contribution to GDP is more than 20 per cent. Informal sector employment is estimated to expand at more than 20 per cent per year.

A national MSE survey carried out in 1994-95 (USAID/IMPACT, 1995) showed that 80 per cent of the MSEs are located in rural areas and 8 per cent in the capital Kampala-Entebbe region. Trade is by far the most important activity, with 72 per cent of informal sector employment, followed by manufacturing (23 per cent) and services (6 per cent).

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

Main problems identified

The main problems identified by the 1995 survey concern: difficulties in obtaining production inputs, lack of working capital, insufficient market demand and various personal problems. A government policy paper on the informal MSE sector mentions these as well as a number of other problems, including:

(i) for *micro-enterprises:*

- lack of credit and saving facilities;
- almost non-existent 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 efficient sectoral organization and common interest groups;
- poor physical infrastructure facilities;

[24] 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).

(ii) 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.

Interestingly, while most of the problems of micro and small enterprises appear to be similar, the paper notes that the support services to address these constraints may require a different approach (USAID/IMPACT, 1995).

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/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 cooperation and coordinate at all levels. A draft Policy Paper on MSE Development was prepared, with an agenda of actions to improve the enabling environment, increase MSE access to financial and non-financial services (training, advice and extension), stimulate technology development and transfer, and improve 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 the ILO Improve Your Business (IYB)/Start Your Business (SYB) methodology); the training costs will be covered from training fees and partly subsidized;

- the rehabilitation and strengthening of at least one VTC 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, which will select potential trainers/master craftsmen, train them, and provide them with necessary tools and equipment for them to conduct training to micro enterprises; the

NGOs will also provide management training (the programme may be supported by, for example, the ILO).

5.2 Overview of the 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 aspire to white-collar jobs, which in the past meant, in particular, government employment. Indeed, the vast majority of VTIs feel that their students/trainees decided to enrol on the basis of their school results which 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 state of flux. Institutional restructuring has created uncertainties, and the long-awaited government policy on VET has still not been decided.

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. The 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, the 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 the DIT, and a task force set up by GTZ similarly proposed a restructuring of the DIT into the UVETA. But in 1998, the 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).

Moreover, the 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 currently a second-best way for students to pursue their 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 coordinating all formal and non-formal training activities. Its main task would be to (ibid.):

- 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.

Public sector training providers

The total capacity for vocational training in Uganda is very limited. The public sector, i.e. the DIT, presently operates only four training centres (at Lugogo, Kasawa, Jinja and Masulita). Of these centres, the Lugogo VTC is probably the best equipped, as it received GTZ support for a number of years.[25]

Total enrolment in state-owned VTCs in 1993 was only just over 500 students/trainees, the large majority (91 per cent) of whom were male:

Table 14: Enrolment in state-owned vocational training centres (1993)

Trade	Total	Men(%)	Women(%)
Electrical installation and fitting	121	97	3
Painting and decoration	22	73	27
Plumbing	36	100	0
Fitting and machinery	60	100	0
Welding and fabrication	79	99	1
Carpentry and joinery	67	99	1
Brick/block laying	71	100	0
Auto mechanics	7	100	0
Motor vehicle mechanics	14	100	0
Weaving and tailoring	34	0	100
Total	**511**	**91 %**	**9 %**

Source: GTZ/VET Taskforce, 1998, based on the Ministry of Gender and Community Development *Country Report*, 1995.

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 youth, i.e. training for a craft-level certificate that takes two years (3,360 hours). In addition to the technical skills, the students/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/block laying and concreting; carpentry and joinery; electrical

[25] The Nakawa VTC is now being upgraded with support from JICA.

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 (three 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 per cent 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 staff. At the same time, the training capacity is only 240 trainees (120 per two-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 per cent of the Lugogo graduates subsequently enter into self-employment.

Private training providers

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

In recent years, numerous PTPs have started 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/trainees. They are not always easy to find, as they are generally unknown by the practitioners working in government ministries, donor projects and NGOs. Below, some information is presented on a few private training institutions conducting technical training courses (see case study B).

The PTPs all appear to be registered with UVETA and also 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 (Kredietanstalt für Wiederaufbau)-funded project to support PTPs. However, the collaboration did not materialize.

5.3 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 underdeveloped 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 is 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/trainees who are placed in a business by VTIs for “industrial training”. While no particular training programme is followed, at least the training period is known (three 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. He/she 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 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.

5.4 Training needs of the 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 informal sector operators have been acquired in the informal MSE sector itself, probably during a prolonged period of apprenticeship and as low-paid casual workers. This is borne out by the 1995 National MSE Survey (USAID/IMPACT, 1995) which shows that the majority of all workers in the MSE sector are entirely without skills, while 16 per cent acquired skills through the apprenticeship system and only 6 per cent of the informal sector workers have a certificate from a VTI. 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 informal sector (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 MSEs.

In spite of this low skill level, the 1995 MSE Survey found that less than half of the informal sector operators indicated the need of any training. Among the others, more are interested in management training (23 per cent) than in technical training (17 per cent). 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).

5.5 Case study A: Philanthropy-inspired training centres

Search for private training providers

During the study visits to Uganda, a special effort was made to identify PPTPs. Two sources of information were used to arrive at a list of potential PPTPs operating in Kampala: a list from Farm Implements and Tools (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 PTPs. Thirty of them had an address in Kampala, of whom a dozen seemed to be involved in technical training. Many of the telephone numbers were found to be out of service and, in the end, four of the people 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.

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 for a long time in the public sector and 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.

The BDSC 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. It advertises in the newspapers and interviews the applicants. Some emphasis is placed on an adequate command of English, as the tuition is in English. The BDSC has a capacity of 40-50 trainees. At the moment, it has 40: 12 in catering, 12 in secretarial training, nine in screen weaving/knitting, and eight in tailoring. The courses follow the government-prescribed training curricula, and take one to two years. The trainees sit for examinations at the BDSC, which has been licensed for issuing certificates.

The BDSC has six trainers who appear relatively well qualified (most have certificates and one a university degree), but have no business experience. Their level of remuneration is 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, e.g. 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 where they were attached during their practical training. No statistics are kept on the employment results of the training, but it was thought that most of them found a job (e.g. 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 (e.g. the tailors producing school uniforms).

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

Makerere Vocational Training Centre

A similar case is the Makerere Vocational Training Centre (MVTC) which is locally known as the initiative of a wealthy businessman-cum-politician to stimulate skills development among youth. He set up the 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 a 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 have 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 now is that the Ministry of Education or the Association of Private Sector Training Providers will come to the rescue of the MVTC.

Final observation

It would seem that vocational training centres such as the BDSC and the 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 rather they were set up by an enlightened notion of need to support the poor with skills, which at the same time 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 developments in the labour market, and their training courses are not even always immediately relevant for work either in the formal or in the informal sector. Moreover, they tend to lack a clear vision of 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.

5.6 Case study B: The Mengo Institute of Technology

Background

The Mengo Institute of Technology (MIT) was started in 1991 by two partners. Both of them have solid technical backgrounds and experience in teaching/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 the MIT's principal, while the other is also lecturing at Kyambobo Polytechnic.

Training offerings

The 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, the MIT arranges for enterprise attachments (industrial training) for the trainees in large modern firms (e.g. Toyota) as well as small informal workshops.

Its maximum capacity is over 100 trainees over two shifts (morning and afternoon). At the moment, it has less than half its training places filled.

Table 15: The Mengo Institute of Technology: enrolment 1999-2000

	1999-I	1999-II	1999-III	2000-I
Electrical installation B (craft certificate)	27	14	11	8
Motor vehicle technician B (craft certificate)	20	20	14	10
Radio & television service (craft certificate)	17	11	8	10
Bricklaying and concrete (craft certificate)	2	2	2	2
Electrical and Electronics (ordinary diploma)	9	8	5	5
Civil engineering (ordinary diploma)	13	10	9	9
Architecture (diploma)	4	2	2	3
Total	92	67	51	47

Source: Information from the Mengo Institute of Technology.

The table shows that the drop-out rate is high, on average 50 per cent. A few years ago this was far lower, around 20 per cent. The main reason given for this increase is the difficulties that the students have to pay 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 receive an MIT certificate of attendance.

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 given in English. According to the management, some of the students come long distances because of the Institute's reputation. Many of the students have a job, often in an informal workshop. They come in the morning and work in the afternoon.

The 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 older trainers have considerable work experience, but many are still studying, e.g. at 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 classrooms, but 80 per cent of the time is spent 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". The MIT's intention was different, and it hopes to upgrade its facilities in the future for a more practical approach.

Results and impact

Between 60-80 per cent of 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 vocational training centres whose students tend to be better qualified.

The MIT has recently started to note the post-training of those graduates who return to visit the Institute. In this way, it hopes to get some feedback on the results of its training. Of the approximate 40 ex-trainees on the list, 25 per cent are recorded as self-employed, while the others are now in wage employment. None of those registered are 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 jobs in a formal sector company, informal sector employment and unemployment.

Training costs and financing

The 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 ranged from USh. 80,000- 90,000 (approx. US$ 45) for certificate courses to USh. 130,000 for diploma courses (US$ 72), both per term of three months.

The principal openly admitted that the training provided by the MIT is not as profitable as originally expected. In fact, the audited accounts for 1999 show a deficit of over US$ 6,000. The approximate cost and income structure is shown in Table 16.

The situation is now even more 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 which are doing a brisk business. The Uganda Revenue Authority feels that even if the MIT is not doing well at the moment, it has accumulated "arrears" in tax payment.

Table 16: The Mengo Institute of Technology: Training costs and revenues (Ush. million)

Revenues 1999:	
- from training fees	36 million
- from boarding fees	12 million
Expenditures 1999:	
- salaries (principal and trainers)	21 million
- administration	6 million
- student expenditures	4 million
- exams	3 million
- other expenditures	14 million
Audited loss after provisions, in 1999:	1.1 million

Source: Information from the Mengo Institute of Technology

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

The MIT has only few relations with the Department of Industrial Training. However, it is being invited for seminars on vocational training and has recently been invited to attend a training-of-trainers seminar organized by the DIT. It also tried to qualify for assistance from a KfW project supporting private training providers. The 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.

Final observations

The MIT is an example of a genuine PTP. Its owners perceived a niche in the training market and then started the business. Profits have so far remained 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 the large demand for them. These courses will take three to six months and will be offered in the evenings (a third shift). As no official curriculum for these courses is available, the staff of the Institute will develop them. As no formal certificate for them exists, the pass-outs will receive an MIT certificate of existence. As another indication of the demand-led nature of the training, the Institute has recently added computer and business skills courses. It is also considering including some business skills training in technical courses.

Kampala Polytechnic Mengo

Another private for profit training provider, called Kampala Polytechnic Mengo (KPM), is located close to the Mengo Institute of Technology. Without entering into much detail, the general picture that could be made of KPM confirms the understanding of private for profit training providers that was gained in the interviews in the Mengo Institute of Technology.

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 organized into three shifts.

The courses given by KPM include bricklaying, carpentry, electrical installation, radio and television electronics, motor vehicle technology - all at craft certificate level; building and engineering, draughtsmanship, mechanical and production engineering - at ordinary diploma level; and civil engineering and surveying - at higher diploma level. The courses are given both full and part time. The most popular one is training on building and engineering, which draws some 70 trainees. Last year, about 40 per cent of those who sat for the exams in this subject passed.

KPM has no information on the post-training careers of its graduates. It feels, however, that most, if not all, of its graduates find employment. The City Council of Kampala was mentioned as an important employer in this respect.

5.7 Case study C: Private producers who provide skills training

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

Tree Shade Metal Workshop

The Tree Shade Metal Workshop appears on the FIT list. Its owner is relatively well educated (grade II in engineering) and a keen businessman (e.g. 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 relationship 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 other 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 time of the visit, Tree Shade had only a few apprentices, as eight of them had just gone back to university after their practical training.

An important reason for the workshop owner to take apprentices is 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 studies in engineering. He returned upon completion of his studies to get further training in practical matters.

The owner does not ask for a fee from the trainees. At the same time, the trainees get only a small remuneration for their labour. The worker received practical financial support from the university (some US$ 250 per term) and, in addition, earned a small amount of money from the workshop (e.g. US$ 30-40). Since coming back, he has not discussed his income position. He is primarily interested in learning, and for the time being he is content with the food and lodging provided by his boss. He feels that US$ 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 workshop 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/worker proudly showed a piece of equipment that was developed for use in the workshop). It might be that in the absence of a training fee the owner underpays the trainees, for which reason they leave after some time. 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 the area. The owner is in fact considering moving to another area.

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), which both provide skills training to youth.

The Katwe One-Youth Development Project formerly consisted of a group of local businessmen with small workshops who were given a parcel of land by the Buganda family, at a subsidized rate, for them to provide training to youth. The "project" is registered as a private company. It has in the past received some limited 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 do not get paid for their efforts, except for an incidental USh. 500 (US$ .28) to buy food or refreshment. The valuable exposure that the youth have 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.

5.8 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, but their activities differ. In Uganda, Gatsby was started in 1991 by Dr. Byaruhanga, 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 (a 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) a loan scheme, and (iv) showrooms. The MSEs 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 US$ 100 and is now still over US$ 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 organize seminars in business planning, management, resource mobilization, productivity and quality improvement, bookkeeping and costing, marketing and credit management (Byaruhanga and Musaazi, 1999).

The extension services touch more on production problems. For instance, one to two 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 US$ 300 for a five-day trip, which is about a month's salary for a university lecturer.

The marketing services of UGT consist of showrooms 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 European Union (EU) and other donors. A sizeable part of its incomes comes from two commercial operations: a foundry and a garage on the Makerere campus.

Recently, UGT 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. A first piece of equipment that was developed concerns a machine for the production of interlocking bricks. The transfer will be done by training the Business Club members in its production, on the understanding that UGT will get a 5 per cent commission on all the pieces sold (still to be tried).

The UGT does not service the bottom end of the informal sector; rather, it goes for “winners”: small producers who are serious and entrepreneurial and whose businesses 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 UGT is of interest for training for the informal sector for the following reasons:

- the interesting practice of focusing on “winners”, selected by high membership fees;
- the use of university personnel for MSE extension services;
- the link with a technology development centre;
- the 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, others active in the area of MSE development have observed that the provision of services without direct cost-sharing such as the training and extension services has been shown to have a distortional 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).

5.9 Case study E: UNIDO/USSIA/UGT master crafts(wo)men training

As part of its Uganda Integrated Programme, UNIDO is currently implementing an interesting “master craftspeople” 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: metalworking, carpentry and masonry, electrical installation/electronics, textiles, food processing and leather products.

The project has a small number of staff: a project director (at USSIA), two local consultants in engineering, and an international consultant in small business development. The project collaborates with: USSIA/Gatsby Trust, the Nakawa and Lugogo Training Centres of the Directorate of Industrial Training, and sectoral support centres (ULAIA for leather and TEXDA for textiles). The total budget for the two-year project is US$ 877,000, funded by DANIDA and JICA.

The project started off with consultation workshops that were held in six districts with some 600 small producers. They indicated their willingness 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 advisers were selected, inter alia, on the basis of their acceptance as advisers by their peers.

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

The master craftspeople have now started their advisory services. In addition to in-plant advice they will, together with local VTCs, conduct training needs assessments 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 covering the costs of the course ("break-even" fees have been established at 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: USSIA, Gatsby, the UNDP Private Sector Development Programme, and two of the trained MSE advisers). It expects the USSIA branches/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 master craftspeople who were trained as MSE advisers 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 "brand-name 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 common facilities; to set up an equipment leasing facility (with UGT); to provide curriculum development for entrepreneurship development; and to offer deregulation assistance to facilitate the registration of small businesses and obtaining trade licenses (together with DfID).

5.10 Conclusion

Vocational training and education in Uganda continues to face a range of constraints: it suffers from a cultural bias, lacks direction and is so far limited in capacity, is traditional in approach and above all is ineffective in impact.

For historical reasons, vocational training is not well appreciated in Uganda. The white-collar syndrome is still pervasive among many strata of the population, even though the informal sector employs by far the largest number of new labour market entrants. One of the consequences of this is that the youth follow training not, in the first place, to acquire skills that address needs, but rather to get a certificate in order to get a job.

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 are 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 in 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. Here the donors play 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 fill some of the gap left by the public sector when it comes to technical training, but their efforts appear still rather weak. 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 who 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 cost some Ush. 300,000 at a private training institute).

Care needs to be taken in dealing with “private training providers”. This category appears to include a wide variety of training offers. From the very limited findings described above, the following prototypes seemingly can be obtained:

- *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;

- *production PTPs* which have manufacturing or repair as their first line of business, for which they make use of young unskilled workers/trainees who, since they are supposed to obtain useful skills, receive a below average 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 at times receive donor funding for their "training";

- *side-line PTPs* which are activities 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 it 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 of arriving at sustainable service delivery.

Finally, the findings from Uganda also seem 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.

6. Summary and conclusions

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 MSEs and the provision of training services by public and private sector training providers. The study focuses on Kenya, Tanzania and Uganda and is based on short visits to these countries, as well as a review of relevant documents.

6.1 Growth of the informal MSE sector and the need for skills development

The informal sector has been expanding explosively in the countries under review since the beginning of the 1970s. In Uganda, it is estimated to grow in terms of employment at a rate of some 20 per cent per year, and in the other countries the growth of informal employment is also very high.

Recent surveys in a number of sub-Saharan countries show that the growth of the informal sector is in fact a complex process of simultaneous expansion and contraction of its different segments. In a nutshell, when an economy is growing well, MSEs also thrive, expanding by engaging additional workers, while other entrepreneurs are closing their firms to move to more rewarding activities; conversely, 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 increased pressure for new labour market entrants who cannot find a wage job to start new businesses, even if these yield only marginal returns.

The MSEs of the informal sector are affected in several ways by the adoption of economic reforms: they open up the local market for imported industrial products, increasing competition while at the same time affecting the purchasing power of the population and inducing large numbers of retrenched workers to find employment in small-scale economic activities.

There is little detailed information on the training needs of informal sector operators, except that few of them have followed any formal or non-formal training. Circumstantial evidence, however, strongly points to the need for increased skills development, together with the upgrading of technologies used in the sector and the introduction of appropriate tools and equipment, in order to increase productivity and enhance the quality of goods and services. In any case, there can be no doubt that with the rapid expansion of MSE employment, the absorption capacity of the most common informal sector activities will have been considerably reduced. Product differentiation is therefore urgently required, in which skills development together with the introduction of new technologies and product design will have to play a major role.

6.2 Training policies and institutions

In Kenya, Tanzania and Uganda, as well as in other sub-Saharan countries, the VET system is in a state of crisis. It has generally proven to be incapable of responding to the changing needs of the labour market. It serves only an infinitely small section of the total population in need of skills development and, even so, many of its graduates do not succeed in finding employment upon completion of training.

In all the countries visited, the training sector appears to be in some kind of flux. The whole sector is in the process of drastically restructuring its training institutions and reformulating its training policies. The process appears to have progressed furthest in Tanzania - where possibly it was most urgent - and is still in the beginning in Kenya - where arguably the existing training system was, in relative terms, in the best shape. In Uganda, there seems to be considerable confusion about the future direction of vocational 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).

The Governments in these countries would appear to have become aware that their current training system is not effective and is in need of major modifications to handle the changes in the demands by the labour market. In Tanzania and Uganda, a new VETA has been set up which is specifically charged with the coordination and provision of support to public and private sector training providers. The VETAs have enacted a training levy from which relevant training programmes will be funded in the future.

With the enhanced recognition of the role of the informal MSE sector, the training policies seek to give special emphasis to training for informal sector operators. In practice, however, this is found to be difficult. It requires the introduction of a new frame of reference which is not always immediately appreciated by existing management and training staff. It furthermore requires new training approaches which need to be developed. In Tanzania, VETA is in the process of developing and pilot testing new training modalities for the informal sector, while in Kenya a large World Bank project is involved in something similar.

6.3 Training for work in the informal sector in the 2000s

At the micro level, not much appears to have changed in the past 15 years. No clear vision on the role of vocational training has emerged. As before, it offers training in a small range of conventional trades, paying little or no attention to business skills. Especially for girls/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 skills upgrading.

The *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. At best, they are now paying more attention to business skills, although even this in actual practice does not appear to be very successful.

Training providers in the private sector have only to a minimal extent filled in the gap left by the public sector when it comes to basic-level technical skills development.

The *non-profit PTPs*, mostly church-based organizations, do not usually differ fundamentally from public vocational training centres in their approach. 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 a lack of opportunities for practical training and post-training employment. In short, they tend to suffer from similar problems as public sector VTCs.

Remarkably, 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 of 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.

At the same time, it was noted that there are examples of a different breed of *non-government training providers*, usually NGOs of recent origin, which have initiated interesting MSE support activities that include skills training. In Kenya, the PDDC, Gatsby Kenya and ApproTEC (Havers, 1998), for instance, are gaining valuable knowledge and experience in the area of product development. The UGT 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 activities of these organizations refers to the sustainability of their services, as they are now at least partially funded by international donors.

For-profit training providers have mushroomed in East Africa in recent years. However, the large majority of them offer business skills training (from computer competences to business plan writing, market research, etc.), and only very few are engaged in technical skills development. This would appear to be caused by the larger capital investment required by technical training, both in terms of training premises as well as in training tools/equipment and materials.

6.4 Traditional apprenticeship training

The traditional apprenticeship system does not appear to be well developed in Eastern Africa, especially in Tanzania and Uganda. In Kenya, it is 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.

The conclusion of the Nell and Shapiro study (1999) on apprenticeship training in Tanzania is that it is too weak, and for this reason alone it should be further reviewed. A further differentiation of types of apprenticeship training is needed, for instance by motive of the master crafts(wo)man and his/her interest in upgrading technical and pedagogical skills to improve the quality and relevance of the apprenticeship training. The example of the SITE project in Kenya appears to show conclusively that once the right footing for collaboration with the master crafts(wo)men has been found, there is ample scope to make this type of training more effective.

6.5 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; nor 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. The church-based VTCs in Tanzania use an interesting rule of thumb in which the graduates end up in equal parts in the formal sector, in an informal MSE or remain unemployed. It clearly shows that the training offered is rather ineffective, irrespective of whether the objective is formal or informal employment.

To this should be added the alarmingly high drop-out rates of many VTCs, especially (but not only) in the public sector, and the low utilization of installed training capacity in countries like Kenya and Tanzania.

6.6 Training costs and financing

Budgets for vocational training appear to have been shrinking in the past decade. Youth Polytechnics in Kenya and Folk Development Colleges in Tanzania receive less government support than before - in both the contribution now essentially covers only 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 costs in the public and private sectors. It was found in Tanzania that training costs per trainee per year were US$ 125-560 in church-based VTCs, while they are estimated at an average of US$ 1,250 in the public sector, i.e. two to ten times higher.

To compensate for the loss of funding from other sources and to 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 centre to centre and from region to region. Here the difference between the public and private sectors is less apparent. In Tanzania, the church-owned VTCs charge US$ 80-200 per trainee per year and the FDCs US$ 75-150. Government VTCs in Uganda charge some US$ 140 per student per year, while the private for-profit sector charges US$ 135-210 per training course at certificate and diploma level.

The study on church-owned training institutions shows that the financial base of these VTCs differs considerably, with training fees covering anything from 7 to 91 per cent of all training costs. For many VTCs, production units continue to form a major source of income (30-60 per cent for the church-based VTCs which operate one).

There is a general feeling in all three countries 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 the private for-profit VTC interviewed in Uganda is experiencing problems in making financial ends meet. At the same time, there are indications that (families of) trainees feel that the results in terms of employment that can be expected from the training do not justify the investment in current 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. by contracting trainers only for the duration of the courses, using training venues provided by the communities, 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 focused 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; renting out or paid use of equipment by small workshops; and advisory services by the staff. Also public sector VTCs could offer "commercial" training courses (e.g. training in computer skills), similar to "back street colleges".

6.7 Interesting skills development innovations

From the case studies that were prepared as part of this study, it can be seen that there are some interesting innovations being introduced in the vocational training systems in Kenya, Tanzania and Uganda.

In Kenya, the World Bank training voucher scheme, for all its deficiencies, has shown that informal sector operators are interested in relevant training. The example of the SITE project for upgrading of apprenticeship training has resulted in some important lessons learned, especially on ways to entice master crafts(wo)men to collaborate with such programmes. The UNIDO project to train and organize informal sector operators as trainers and even MSE business counsellors would appear to be rather ambitious, but again it is yielding interesting experiences in building up training and support capacity within the informal MSE sector.

The VETA/GTZ pilot programme of training for the informal sector in Tanzania holds considerable promise for the development of new approaches and delivery modalities for such training that can be used by public and private sector training providers. It will also yield important experiences about the role of a national, autonomous vocational training body in the coordination of, and support to, public and private sector training providers with programmes geared towards the informal sector.

One intriguing new development comes from Uganda where private for-profit training providers have entered the field of technical training. While they seem, for the time being, still too close to the conventional way of organization and delivering training courses, they appear more open to change to better respond to the current needs of the labour market. For this, they require support in terms of investment capital (for training premises and equipment), as well as the development of curricula for short courses and for skills-upgrading training; more appropriate trade testing systems (if any would be required at all); and training of trainers. In this respect, the establishment of the Association of Private Training Providers in Uganda is a very interesting phenomenon.

Another interesting development is training for product development. Essentially, this type of training concerns product-based training, sometimes linked to marketing assistance. It uses short, modularized and practical training, which fits well the requirements of informal sector operators. A disadvantage is that this type of training only transfers a specific, and therefore limited set of skills, which are essentially optimally used when the product is popular. It usually does little to upgrade the basic and theoretical knowledge of the small producers.

6.8 Final observations

In conclusion, it would seem that training for the informal sector in East Africa has made only limited progress in relation to the situation reviewed at the 1987 ILO Turin Workshop and that many, if not most, of the recommendations made at that time still stand today.

Fundamental changes are required in the training systems and in the roles and approaches of the different training providers in these countries. Some of these changes are already being realized by those concerned, and others have already been set in motion - even though actual results are still piecemeal.

This study would be too small a basis for extensive recommendations. However, there are a number of salient points that call 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.

Further research and pilot activities are also needed in the area of training cost recovery. It has become clear that a number of the "good practices" that are promoted as part of the new paradigm on business development services (BDS) are also relevant for the provision of training for work in the informal sector. Tailor-made and demand-led services, a business-like service delivery, a more prominent role for private providers and the principle of cost-sharing clearly also hold importance for skills training for the informal sector. At the same time, it has to be observed that in general the new BDS approach would appear to be overly general and even theoretical and seriously lacking in sophistication. To make it more useful in operational terms, it needs to take into consideration the segmentation of the MSE sector and focus on differentiation of the interventions.

With respect to skills training for the informal sector, 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.

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 sector¼. 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 extension 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 into training programmes, the results so far appear to be mixed. 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; Forastieri et al., 1996). Other reports indicate various problems in doing so (e.g. Haan, 2001). More research and pilot activities are necessary to develop practical approaches in this area.

International donors and organizations could do much more. ILO projects, for instance, have documented their experiences over the years in the areas of community-based training, rapid market appraisal, participatory technology development (called user-led innovation), and others, which are relevant to those involved or interested in the provision of technical training and technology dissemination to the informal sector.

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 conducting technical training courses (e.g. FUNDES in various countries and SENATI/IPACE in Peru). Further adaptation of these technologies can be made, such as training counselling via the internet, post-training business counselling via e-mail, 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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