

# INFORMAL SECTOR TRAINING AND RESOURCES NETWORK A CASE STUDY

## 1. BACKGROUND

### 1.1 SCHOOL LEAVER PROBLEM AND UNEMPLOYMENT PROBLEMS

At independence Zimbabwe witnessed a tremendous expansion in the education system. Both government and the communities invested heavily in education in order to increase access and educational attainment. Zimbabweans had and continue to have high expectations of education. Parents invest a great deal in the education of their children in the hope that, when they complete school, will be gainfully employed and provide for themselves and for other members of the family.

Primary school enrolments which stood at 800 000 in 1980 increased to 2.5 million in 1995. Secondary school enrolment increased even more rapidly from 66 000 to 712 000 pupils during the same period. Promotion from primary to secondary school which was prior based on attainment of good grades in grade 7, became automatic. This allowed those inadequately prepared for secondary school to go through. While this shift in policy increased the number of school leavers with 4 years of secondary education it left many unable to access further education in tertiary institutions which require at least 5 'O' level subjects for entry.

Statistics show that only 20% of the nearly 300 000 students completing 'O' level have 5 "O" level passes. The remainder does not. Most of them cannot be absorbed into public tertiary education institutions which required a 5 "O" level entry. Some enrol in private sector colleges and institutions which are quite expensive. The majority of them does not enrol any further education institutions and stay at home. This leaves a very large number of school leavers without many options and opportunities for further studies. Because of the academic nature of the "O" level curriculum, they are not well equipped to engage in economic activities, and continue to be a burden to their parents.

## 1.2 NATURE OF THE SCHOOL CURRICULUM

As indicated most secondary schools in Zimbabwe write the Cambridge ‘O’ and ‘A’ level examinations. The curriculum is heavily academic and does not offer employment skills. Except for schools that were modelled after those established in refugee camps in Mozambique and Zambia, that adopted the education with production philosophy, the curriculum in the rest of the schools remained predominantly academic. Some schools offer practical subjects such as woodwork, metalwork, home economics, dress making and art. The skills developed do not adequately prepare recipients to get into self-employment ventures because the training is not accompanied with business development skills. A further constraint is that the spread of practical subjects is very limited and not diverse enough to cater for all the possible self-employment opportunities that may exist in the economy. The education system has therefore over time been producing educated but unemployable graduates.

There is also a disturbing trend, in which even those graduating out of technical colleges are now failing to secure formal sector employment in certain trades, proving that possession of technical skills does not necessarily result in employment in both the formal and informal sectors.

## 1.3 EMPLOYMENT GROWTH

Over the years the economy has not experienced any real growth. The estimated annual growth rate of 5% of GDP has never been achieved. The absence of economic growth has had a negative impact on employment growth. The implementation of Economic Structural Adjustment Programme and the Civil Service Reform Programme has witnessed retrenchments in all sectors of the economy. The retrenches have added to the already swelled unemployment problems experienced by school leavers. The Second Five-Year National Development Plan (1991-1995)<sup>1</sup> estimated that over 106 000 new jobs would be created during the plan period, in manufacturing, trade and tourism, agriculture,

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<sup>1</sup> Second Five-Year National Development Plan 1991-1995 December 1991.

education, construction, transport and communication sector and the personal and business services sector. The actual jobs created fell far short of this figure, at a time when more and more workers were being retrenched from both the private and public sectors including the armed forces.

The employment and productivity solutions for many therefore lie in the informal sector and SMEs. But they need some basic skills to be able to participate effectively in these sectors.

## 2. INTRODUCTION

In the face of diminishing employment opportunities in the formal sector the informal sector remains the most viable for offering employment opportunities. It was however necessary to identify the skill profiles in the informal sector before training for this sector could be undertaken. To achieve this a study was commissioned in 1993 by the Ministry of Higher Education and the GTZ, to study the possibilities of providing non-formal vocational training for the informal sector.

Among the major findings of this study was that “the most reasonable way to initiate a non-formal vocational training programme, for target groups from the informal sector is to start with **a regional training and resources network in one of Zimbabwe’s provinces.**” It was envisaged that such a network would pool resources together and identify the concrete training needs of target groups. The Study went further and identified Masvingo province as the most suitable for starting such pilot for the following reasons:

- ◆ It has a vast hinterland with a growing number of people depending on non-farm income for survival
- ◆ It has a technical college which is still developing and offers not only administrative resources to organise a regional network but also the opportunity to include additional training facilities for target groups from the informal sector.
- ◆ It can provide an already established organisational network in the form of the NGO, Rural Unity for Development “RUDO”, which can be used to further the activities of a regional training and resources network.

## 2.1 MASVINGO AND ENVIRON PROFILES

### 2.1.1 Population

Masvingo is one of the ten provinces of Zimbabwe situated in the south east of the country, and has eight districts. The table shows the eight districts and the populations of each based on the 1992 national census.<sup>2</sup>

**TABLE 1**

**DISTRICTS OF MASVINGO  
PROVINCE AND POPULATION**

DISTRICT	POPULATION		
	MALE	FEMALE	TOTAL
Bikita	70,692	83,685	154,377
Chiredzi	87,795	95,560	183,355
Chivi	73,225	84,203	157,428
Gutu	90,497	105,305	195,802
Masvingo Rural	89,511	97,267	186,778
Masvingo Urban	25,977	25,766	51,743
Mwenezi	47,539	53,574	101,113
Zaka	88,691	103,294	191,985
<b>TOTAL</b>	<b>573,927</b>	<b>648,654</b>	<b>1,222,581</b>

The sex ratio for the province is 88 males per 100 females. Variations however exist across districts with Bikita having a sex ratio of 84 males per 100 females and Masvingo Urban with 101 males for 100 females. The table shows that Gutu has the largest population while Masvingo urban has the lowest.

The population in this province is largely rural, with an 8% urban population. Like other provinces of Zimbabwe, the population is relatively young with 49% of the population below the age of 15 years. The province also has more women than men who are

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<sup>2</sup> This is the latest census figures available in Zimbabwe

widowed, divorced or separated. The population is predominantly Zimbabwean with only 2% of citizens of other countries.

### 2.1.2 Education Statistics

Education statistics for the province show that:

- Eighteen percent (18%) of the population aged at least 5 years has never been to school.
- Thirty-nine percent (39%) of the population is currently attending school. Ninety-eight percent of these are below the age of 20 years.
- Forty-three percent (43%) of the population had left school at the time of the census. Forty-three percent (43%) of these were between 15 and 34 years of age.
- Males have fared better than females in the area of education.

### 2.1.3 Labour Statistics

Labour statistics for the province show that:

- Of the population above the age of 15 years, 54% of these were in the labour force, with 30% of them were unemployed.
- Of those who were employed 51% of them were engaged in agriculture related occupations. Those engage in services related occupations were 13%
- Thirty-four percent (34%) of those not in the labour force were students.

These statistics show that Masvingo province has high unemployment and a fairly large number of persons, particularly women, who need further education and training. There is a high percentage of women who are single parents and therefore need some form of employment and skills in order to provide for themselves and for their dependants. Most of Masvingo is designated as a **Region 5** area, which means it is characterised by low rainfall. Of late there has been persistent drought which have threatened subsistence agriculture which is the mainstay for most of the rural population. There is also high rural and urban unemployment arising from lack of big industries in the town centres in the province. There is therefore pressure to look into income generating projects for subsistence and poverty alleviation.

## 2.1.4 Education and Training Infrastructure

Masvingo province has 10 colleges and training institutions registered with the ministry of Higher Education and Technology, which include both public and private training institutions. Masvingo Technical College offers that largest number of courses at national certificate, national diploma and higher national diploma. The courses on offer are shown in Box 1.

The seven private vocational and technical training institutions offer own certificates of attendance in the main. Most of the courses offered duplicate those offered at Masvingo Technical College, except for one that offers in addition, Welding techniques and Tractor Maintenance.

In addition to the registered colleges there are a number of other colleges and institutions that operate illegally. The number of colleges and institutions in the province is obviously inadequate to meet the demand for training especially for those wishing to get into the informal sector and SMEs.

### Box 1

Hairdressing  
Applied Art and Design  
Clothing Technology  
Textile Design  
Clothing Construction  
Business Studies  
Accountancy  
Computer Studies  
Marketing Management  
Secretarial studies  
Automotive Precision  
Machining  
Diesel Plant Fitting  
Automobile Electrics  
Motor Vehicle Mechanics  
Sugar Technology  
Electrical Power  
Engineering  
Radio and TV Servicing  
Instrumentation and Control  
Fabrication Engineering  
Drafting and Design  
Technology  
Machineshop Engineering

## 2.1.5 Main Economic Activities and Job Opportunities

Masvingo town has a small industrial area offering limited employment opportunities. Chiredzi has the largest employment opportunities at the sugar estate of the Triangle and citrus estates of the Hippo Valley. Mining also provides some employment, but on the whole the province is mainly agricultural. Employment in this sector is limited because of poor rainfall and the current persistent droughts.

## 2.2 THE ISTARN PROJECT

### 2.2.1 Background

The ISTARN pilot project was first initiated in 1994, as a joint venture between the Government of Zimbabwe and the Government of the Federal Republic of Germany. The implementing Agency on behalf of the Germany Government is the Gesellschaft für Technische Zusammenarbeit (GTZ), while Masvingo Technical College (MTC) assumed responsibility on behalf of the Government of Zimbabwe. In the agreement between the two governments each was expected to make inputs that are vital for the implementation of the pilot. The German Government provided 1.8 million mark. The Zimbabwean government was expected to provide training and personnel to the secretariat.

An audit of the skill profiles of the informal sector in Masvingo town and surrounding growth points was undertaken and this formed the basis of the programme. The project was intended to provide vocational skills to persons in the informal sector and direct entry students were going to join this sector at the completion of their programme.

As recommended by the 1993 study ISTARN was formed as a network of a number of stakeholders, which included training providers both in public and private sectors and others who would provide support services. Training providers included Masvingo Technical College, Chiredzi All Souls College, Victoria High School, Mwenezi Training Centre, Public Service Training Centre, Shagashi and Mushagashi Training centres under the Ministry of National Affairs, Co-operative and Employment Creation. **These would provide skills training.** Support providers included ASTEC RUDO, OCZIM, Barclays Bank, and Ministry of National Affairs, Co-operatives and Employment Creation and Municipality of Masvingo. **These would provide expertise in planning and implementation of the project, in addition to providing loans for start up capital.** A secretariat comprising MTC staff and GTZ staff was created whose responsibility was to build a network of local partners who would have joint ownership of the project.

The programme comprised a short training period in training institutions and a longer period of attachment in an enterprise as a

traditional apprentice, under the Traditional Apprenticeship Programme. The length of institutional training varied from course to course with the shortest being three weeks for such courses as welding, carpentry, and solar electrical installation, eight weeks for such courses as refrigeration, and dressmaking and 10 weeks for motor mechanics.

Part of the training included provision of business training to the enterprise owner in the form of a “Township MBA”.

The ISTARN concept has changed significantly since then, since its inception, as a result of a series of formative evaluations during this period. It started as a vocational training project designed to equip the unemployed youth with skills that would enable them to get employment particularly in the informal sector or to create employment for themselves. The underlying assumption was that provision of skills would facilitate creation of self-employment opportunities for the individual. This did not turn out to be a valid assumption in the long term, as it soon became evident that training was not enough to achieve the goal of self-employment. Other support systems and inputs would be required to achieve such a goal.

**ISTARN** has four main components, with the Traditional Apprenticeship Programme being the main one.

### **2.2.2 Traditional Apprenticeship Programme**

The main thrust of this programme is that participants of the project were to be attached to a business enterprise as apprentices after a short spell of training in the colleges.

The first intake of apprentices was selected by the Member Based Organisations from their membership. Masvingo Technical College provided a college based one-week technical training. Basic business training was also provided to the enterprises apprentices were to be attached in order to strengthen the businesses. The training so offered acted as an incentive for the acceptance in the apprentice with enterprise owners. The Secretariat which was established at the Masvingo Technical College co-ordinated the process and provided funding, including a subsistence allowance of

Z\$200 per month to each apprentice. This was disbursed by the secretariat to the MBOs who were then expected to disburse to the students. Recruits were expected to repay this money into a revolving fund but the recovery rate was very poor. It also identified enterprise owners who had capacity and capability to take on traditional apprentices. It also monitored the business activities of the enterprises. In the process they checked on placements and ensured that learning was taking place in the enterprises.

Initially contracts of apprenticeship were signed between ISTARN and enterprise owners. ISTARN also signed a separate contract with each apprentice. No contract was signed between apprentice and enterprise owner. The enterprise owner was expected to:

- ◆ provide and make training space available,
- ◆ train the apprentice in their respective trades,
- ◆ ensure a varied and reasonable level of business activity to provide the apprentice with adequate practice for him to learn the trade,
- ◆ ensure a safe working environment to the apprentices,
- ◆ help in assessing the performance of apprentices and providing monthly assessment reports, and
- ◆ provide any other assistance and training needed by the apprentice.

Enterprise owners were not expected to pay the apprentices in the first 3 months of attachment until the apprentice had become productive. After this period the enterprise owner would be expected to contribute to 50% of the apprentice allowance in cash or in kind. It was assumed that once the enterprise owner was contributing to the expenses of the apprentice he/she would be obliged to make sure that there would be enough work to keep the apprentice busy. This however did not work in practice as enterprise owners did not have adequate resources to pay the apprentices the 50% of the allowance.

To strengthen in the programme the secretariat introduced an apprentice appraisal form to guide the enterprise owners on the skills, which ISTARN expected the apprentice to have mastered at the end of the attachment period.

Enterprise owners were assisted on the business side by introduction of a raw material bulk purchase scheme which enabled them to access raw materials at low prices. A tool-hire-to-buy scheme was also introduced together with a business support service.

The apprentices on their part registered a number of complaints, which included:

- ◆ the working environment did not have adequate safety features,
- ◆ enterprise owner were not providing working clothes,
- ◆ the workload in some enterprises was seen as being too heavy,
- ◆ there was insufficient work in some enterprises
- ◆ there was in some cases a shortage of raw material and tools,
- ◆ some apprentices who were eligible for monthly allowances were not given the allowances.

As a result of a review of the experience with this first group of apprentices, and the findings of the Madembo evaluation<sup>3</sup> some changes were introduced when the next group of apprentices were engaged. Although this second intake of thirty-nine apprentices was selected, mostly from MBOs, a new policy of **90:10** meaning **“90% up to you and 10% up to us”** was introduced. The introduction of this new policy brought about the following changes:

- ◆ Those selected by the MBOs had to secure their own apprenticeship with the enterprises as a sign of their commitment.
- ◆ The contract would now be signed between the apprentice and the enterprise owner.
- ◆ Other apprentices not coming from MBO would be accommodated in the programme. This would include those coming from Informal Sector Associations (ISAs).
- ◆ Apprentices would provide their own their own safety gear in line with the 90:10 principle.
- ◆ Subsistence allowance could now be used for the tool hire-to-buy scheme instead of being used for subsistence only.

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<sup>3</sup> Traditional Apprenticeship Programme: Evaluation Report: By Madembo R C and Chinoda J Z , October 1996.

- ◆ MBOs would also participate in the monitoring visits to the enterprises.
- ◆ Certificates reflecting the examination of technical skills were introduced into the programme.
- ◆ Apprentices were expected as a first step to seek employment in the informal sector after completing the programme, rather to venture out into self-employment.

With these changes ISTARN programme was transforming from its initial supply-driven initiative into a demand-driven initiative. It was also the beginning of the change in focus of ISTARN from a training initiative into an employment creation programme. It was also at this stage that the underlying assumption that provision of skills facilitates creation of self-employment opportunities was seriously questioned.

In spite of these changes things went very much the same as they had done with the first intake. Problems arose from the over-exception of the apprentices, who made demands for tools and loans and for further training. The secretariat organised the tool hire-to-buy scheme for them, but did not provide loans. It was recognised at this point that there was need for apprentices to start off by seeking employment in the informal sector first, in order to acquire the capital required for self-employment.

By the time of the forth intake, which comprised more participants from ISAs, a wider range of course options had been introduced in line with the options that had been identified during the skill audit in the province. The new options included; metalwork, dressmaking, radio and TV repair, motor mechanics, refrigeration, and carpentry. **The introduction of these courses assisted in increasing the number of women who joined the programme.** An element of fees was also introduced in some trades, despite the fact that subsistence allowances, and loans were no longer provided in the programme.

The change in recruitment method has not adversely affected the number of applicants for this programme. On the contrary the programme has remained popular with the number of applicants increasing.

### **2.2.3 Other Components of ISTARN**

The Traditional Apprenticeship Programme is only one component of ISTARN. While it is acknowledged that ISTARN initially started as a training initiative designed to provide skill for self-employment practice, experience during these initial phases indicated that there were other inputs and services that were necessary to achieve the objective of employment creation on a sustainable basis. Other components that are vital for attainment of the objectives and which have contributed to the success of ISTARN are:

- Small Business Advisors Service
- Working with the informal sector Associations (ISAs)
- Marketing informal sector products, through the Marketing Intermediary Support Programme

### **2.2.4 Small Business Advisors Service**

The small Business Advisors Service (SBAs) was introduced to work with both entrepreneurs who have engaged traditional apprentices and those who have not as long as the latter have potential for growth. The TAP graduates who are now in business also benefit from the SBA programme.

The service provides advice to entrepreneurs on how best to manage their enterprises, through identifying problems areas, and imparting management skills to business owners. This service was initially provided by ISTARN. After efforts of capacity building, the service is now shared among ISTARN, Ministry National Affairs Employment Creation and Co-operatives, Life Sowing Ministries, and Mwenezi Development Training Centre. Over 80 SBAs have been trained and capacity building efforts are still continuing.

The SBA service collects financial information on the conduct of the business. The information is obtained through the use of the “busiform” which was developed for this purpose. Information obtained through the “busiform” is compiled into a “busiform database.” The performance of the business over time is thus monitored via this database. A number of reports can be produced on “individual businesses and on businesses by sector, by gender, by advisor, by network partner by turnover and by other selection

criteria.”<sup>4</sup> The database also provides information on the effectiveness of the interventions provided through ISTARN, and to what extent the intervention have contributed to business growth.

The “busiform database” is maintained by the ISTARN secretariat. The printed copies are sent back to the SBAs in the field at district level and also the MNAECC, and other institutions who provide SBA services.

The application of the “busiform” and the “busiform database” serves the further purpose of improving dialogue and understanding between the Business Advisor and clients, through its ability to assess the improvement of the business, the owner’s understanding of the management of business and the identification of training needs for further improvement. It therefore provides information that facilitates the identification of the necessary interventions by ISTARN that will lead to the improvement and sustainability of the business. An important role of the SBA is that he/she educates the business owner on the intricacies of borrowing and servicing loans, by highlighting the risks involved, and how these can be avoided. Information provided by the “busiform” and financing organisations to determine the creditworthiness of businesses seeking loans from them also uses “busiform database”. Whilst the “busiform” is primarily used to monitor and evaluate the client business progress, it also checks on the performance of the SBA. Plans are underway to decentralise SBA activities including the database to the district level.

A useful and critical component that has led to the success of the ISTARN project is the assistance offered to graduates who intend to set up their own businesses. The graduates are expected to raise a small amount of money in the order of Z\$300 as a working capital after which they approach ISTARN for start up capital. ISTARN does however not provide capital but instead examines the equipment needs of the graduate and provides such equipment in the form of a loan, which will be repayable over a period of 12 months at a concessionary interest rate of 15% per annum.<sup>5</sup> It is

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<sup>4</sup> ISTARN: An experimental approach to informal sector business support in Zimbabwe: Andy Carlton and David Hancock, June 1996.

<sup>5</sup> Current market interests rates are around 48% per annum.

after such a period that SBA services are given to the graduates. Depending on their performance arrangements can be made with Zambuko Trust for financial support in the normal way.

The success of the SBA initiative can be seen from the fact that repayment of loans advanced to ISTARN members by Zambuko<sup>6</sup> achieved a 79.2% average repayment rate over 2 years. **The usual rate for loan recovery is between 30% and 50%.** Further success in the SBA intervention is reflected in the employment growth in the companies that received this service. Obviously the growth of businesses can be influenced by a number of factors, but there is evidence that the SBA has had a positive impact on growth of informal sector businesses in Masvingo province.

### **2.2.5 Informal Sector Associations (ISAs)**

With the development of ISTARN and the increase of many players and other stakeholders, it became necessary to form associations of the key players in the informal sector. **Such associations who would lobby the secretariat, the local authorities and financing organisations for policies and things that would promote interests of their members.** To this end ISTARN promoted and assisted in the setting up of Informal Sector Associations in the 7 districts of Masvingo. In addition to selecting traditional apprentices, the associations are engaged in 2 main activities that address the needs of their members. These are the purchase of raw materials on wholesale, which they sell for cash to their members and to other business owners at low prices. **The initial funds for setting up the wholesaling business was provided by the donor and from membership fees.** Buying wholesale and in bulk has two advantages. First buying in bulk attracts discounts which can then be passed on the members. Secondly buying in bulk protects members from the constant escalation of prices of materials. Thus ISAs are able to keep prices of such raw materials low over a period of time thereby increasing the profit margins of the businesses of their members.

The business of buying and selling materials also generates income, which is used for expanding the range and quantity of raw materials they are able to purchase.

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<sup>6</sup> Zambuko is non-profit organisation that lends funds to SMEs

Because the wholesaling operations have been so far been successful, the ISAs have developed a financial sustainability, which will ensure they continued existence for the benefit of their members.

The ISAs have also set up a hire-to-buy tool scheme, which makes tools available to members at very low prices. Funds for this scheme, in the form of loans, were provided by GTZ with a 12-month repayment period. With this scheme members are able to access tools that are essential for self-employment, easily. The scheme also reduces the need for members to buy expensive tools and equipment which they cannot afford and which they do not need for their day-to-day operations.

A feasibility study has been carried out to examine the setting up of a Provincial ISA, whose results still have to be presented, discussed and adopted for implementation. It is envisaged that a provincial ISA would carry out the following tasks:

- ◆ Manage a central warehouse to increase bulk discounts,
- ◆ Lobby on issues that need collective weight of the association,
- ◆ Co-ordinate activities of common interest and mobilise resources for special projects,
- ◆ Manage a central tool hire-to-buy facility,
- ◆ Discipline wayward members,
- ◆ Capacity building and sponsoring a culture of transparency and democracy.

### **2.2.6 Marketing Intermediary Support Programme**

The success of the ISTAR concept depends to a large extent on the sustainability of the self-employment initiatives and the strengthening of the informal sector. One of the biggest constraints in the development and promotion of the informal sector is limited markets for goods and service produced in this sector. Often the demand for good and services is insufficient and erratic, because it depends on the economic power of informal sector clients. The sector is characterised by too many businesses competing for a small market because of duplication of the services and goods offered on the constrained market. As a result little capital is available for growth of enterprises leading to stagnation or even collapse in the absence of regular and reliable orders.

The development of the Marketing intermediaries concept came out of the realisation that there was a structural limitation in the growth of businesses in the informal sector due to lack of viable markets, and this in turn would limit the ability of the sector to create employment.

Market intermediaries are individual entrepreneurs who look for opportunities for sub-contracting contracts in the formal sector. They maintain contacts with the ISTARN secretariat on information on informal sector manufacturers who have potential to take on such contracts successfully, based on information available in the “busiform database”.

As ISTARN developed the need to develop a wider market was recognised and this led to the formation of the Market Intermediary Support Programme (MSIP). The objective of the programme is to increase market opportunities by linking small businesses to big business in the formal sector. Such linkages result in the flow of money from the formal sector to the informal sector. This flow of capital can lead to expansion of the informal sector and increase employment opportunities. Before such a programme can succeed, a number of constraints need to be addressed.

These include:

- Cultural barriers including language.
- Lack of knowledge, expertise, understanding and trust of one sector by the other.
- Lack of ability of small informal sector businesses to undertake large orders for a variety of reasons.
- Lack of management skills and poor work ethic in the informal sector.
- Lack of product consistency and quality control, arising from lack of production equipment and proper premises.
- Difficulties in communication arising from lack of telephones in many informal sector businesses.
- Length of time big businesses take to pay to the usually cash strapped small businesses. This can be between 30 and 90 days.
- Closed networks on the formal sector that tend to exclude those in the informal sector.

A successful MISP would have to address these constraints. The function of such a programme were identified as:

- Identifying and researching viable opportunities
- Negotiating orders from the formal sector.
- Identifying, training and accrediting suitable informal sector manufacturers on a product by product basis.
- Farming contracts out in manageable portions to accredited suppliers.
- Sourcing raw material and credit for contracts.
- Liaison and trouble shooting during contract period.
- Quality control of finished products.
- Assembly and delivery of the competed order to the customer.
- Transparent record keeping to show fairness in contract management and apportioning of work
- Liasing with SBAs to build the management capacity of accredited businesses and those seeking accreditation.<sup>7</sup>

Such BISP provide a number of advantages for both the formal and informal sectors, in that the contracts entered into provide an environment, where quality of products are ensured; the informal sector contractors do not need huge working capital; and have some guarantees over risks. The prices become competitive and business opportunities are increased. Most important, the bridging of the gap between the formal sector, which is predominately white, and the informal sector, which is predominantly black, results in desirable political and economic good-will which can only auger well for good race relations in the long term.

There has been one such initiative attempted in Masvingo. This involved a contract that Danish Telecommunications Company that had been awarded a contract to install fibre-optics phones throughout Zimbabwe. The Danish company wanted manhole covers made. A local businesswoman acted as intermediary between this company and a team of informal sector manufacturers. The detailed costing for the project was done and training for the production of the product was conducted at Masvingo Technical College. The contract was split between three informal sector manufacturers. The intermediary for materials, and transport extended credit to the contractor, while she also carried

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<sup>7</sup> ISTARN an experimental approach to informal sector business support in Zimbabwe., Draft November 6, 1998

out liaison, material sourcing, trouble shooting and product assembly functions. The contract was successfully completed, leading to the extension with an order 10 times as large as the initial one.

A number of lessons were learnt from this first experience which should guide future such intermediary initiatives. These will be dealt with under the section on lessons learnt.

### **3. EVIDENCE OF ACHIEVEMENTS OF ISTARN**

Whilst it has been widely acknowledged that ISTARN has been a success, how is the success to be measured, and what are the indicators of this success? The success of ISTARN as an employment creation initiative can be measured against some international trends and standards, based on growth and employment opportunities in the informal sector particularly in Sub-Sahara Africa. That this sector is assuming more and more importance is accepted, and it is against this background that the initial underlying assumption on the relationship between provision of skills and employment creation will be tested.

Since its inception, ISTARN has been evaluated four times and each progress review has introduced changes that have changed its outlook and objectives to make it more responsive to unemployment and productivity problems in Masvingo province. While it started as a training initiative, over time it has developed into more than a training programme by the introduction of interventions that are necessary and vital for employment creation either in the informal sector, or self-employment by graduates of the programme.

#### **3.1 Traditional apprenticeship programme**

The traditional apprenticeship programme is one of the main components of the programme, with 317 apprentices having gone through the programme to date. One key success indicator for such a programme is its ability to address the original objective of employment creation, and increasing employment opportunities. A formative case study of the traditional apprenticeship programme by

Nell and Shapiro<sup>8</sup> suggests that “the real indicator of success in a programme which provides vocational training for the informal sector is a crude estimate of how many (as a percentage) ex-trainees are self-employed within six months of completing a training of not more than six months duration.”

Tracer study results for the first and second intake show that of the total of 74 apprentices, 41 (55.5%) were self employed, 24 (32.4%) were employed and 9 (12.1%) were unemployed. Some of those who started their own enterprises achieved this within the six-month time scale of successful interventions. An important factor is that 52% of the apprentices were using the skills and knowledge that they had acquired during training. An on-going tracer study has revealed that of the 134 who are actually in the trades they trained in, 85 (63.4%) are self-employed and 49 (36.6%) are employed. **Results from a similar youth skills training project show that 61% of the students have remained unemployed 10 months after completing the programme.**

These results show that some successes have been scored by ISTARN. However some crucial question still remain for conclusive success to be declared. Nell and Shapiro identified these:

- Is the employment success a medium and long-term income generating option?
- Is the income so generated sufficient to support the family?
- Does the employment address ISTARN’s main issue of job creation and employment in a meaningful way?
- How many of those who begin by being employed eventually go on to self-employment?

It is still too early since its inception to evaluate ISTARN on these issues, but these items should not be lost sight of and should be evaluated with time.

Another key success indicator has to do with the impact of the process on the enterprise where the apprentice was attached, given the support that ISTARN provides to such enterprises. This is however difficult to measure, and is fully discussed under SBAs.

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<sup>8</sup> Adding Value: A formative case study of the Traditional Apprenticeship Programme of the Informal Sector Training and Resources Network (ISTARN) Masvingo Province Zimbabwe, By Nell and Shapiro, May 1998.

The cost of creating a job in the informal sector is a crucial measure of the success of the ISTARN approach. Available data shows that it costs about \$10 000 to create a job in the informal sector compared to between \$80 000 and \$100 000 in the formal sector. The cost for creating jobs through ISTARN is much lower than the average for the informal sector as the following estimates by trade for the 1997 apprentices show:

Carpentry	\$4 314
Refrigeration	\$5 323
Welding	\$5 389
Radio and TV	\$6 110
Motor mechanics	\$8 084
Dressmaking	\$4 433

It is apparent that the cost of creating jobs for each trade will differ because of the inputs required, but the figures indicate a fairly low investment compared to the formal and informal sectors. This is a good success indicator for ISTARN.

While the original objective was to promote self-employment, the programme did enhance employment creation in both the formal and informal sectors of the economy. To this extent it achieved in making recipients employed.

### **3.2 Small Business Advisors**

The small business advisors service was introduced to strengthen the management of enterprises to which apprentices were attached, and collect information on the financial performance of the enterprises through the “busiform” and “busiform” database.

While no formal evaluation has been undertaken to determine the success of this initiative, there is evidence that the “busiform” and its resultant database have been successful in providing information on the performance of the enterprises and that they did contribute to improvement of financial management and performance. Records based on the “busiform “ were used to identify those enterprises, which were credit worth, and with potential for growth. Because of the advise of the SBA and information on the enterprise those who were given loans had a better rate of payment and achieved an average

repayment rate of 79.2% (compared to the usual 30% to 50% recovery rate for similar SME projects) over a 2 year period.

On the business front some successes show growth in:

- ◆ Turnover of 33.96%
- ◆ Operating profit of 11.7%
- ◆ Direct costs by 27.98%
- ◆ Net current asset value by 141.92%
- ◆ Fixed asset value by 219.02%
- ◆ Staff employment by 46.39
- ◆ Finished stock on hand by 69.29%
- ◆ Current debtors by 208.15%

However operating profit margin fell by 16.62% during the same period.

While the results show a general improvement in business operations it cannot be clearly demonstrated that the intervention by ISTARN was the single cause of the improvement. But there is evidence that it did play an important part especially in the creation of the additional employment by 46.39%, which is the goal and main objective of the project.

### **3.3 Informal Sector Associations**

Informal sector associations (ISAs) were created in the 7 provinces of Masvingo to represent the interests of the informal sector, and to develop an organised client base. The ISAs engage in activities that benefit its members, notably the purchase of raw materials at wholesale for resale to its members at reasonable prices. This enables members to increase their profit margins. From the income ISAs make in selling raw materials, they contribute to the tool “hire-to-buy” scheme, which enables members to purchase tools. ISAs match the amount that ISTARN contributes to the purchase of tools, while members only pay 20% of the cost of the tools. This way, members have been able to purchase tools that are vital for the operation of their enterprises at low cost. ISAs were also able to support their members in getting serviced stands from the local authorities.

Because of a conscious need to address the concerns of women members, targets for women participation set in the PPM of 1997

were exceeded so were those set for 1998. This is crucial given the rather high statistics of widowed, divorced and single-parent women in the province.

### **3.4 Marketing Intermediaries**

There have only been two attempts at setting up market intermediaries with limited success. While the concept is a sound one there have been some problems and constraints that have been identified in the implementation of the MT Marketing example, which provide lessons for the future. The one important success of this initiative is that it proved that market intermediaries could serve an important function in increasing and widening the market for informal sector enterprises. The Price Waterhouse report, Review of Marketing Intermediary Concept for ISTARN, by Carlton, Billing and Murombedzi has gone some way in providing pointers for viable and sustainable market intermediaries.

*An important success factor that contributed immensely to the success of ISTARN is the development of trust between ISTARN and its clients as business owner realised that ISTARN is serious about understanding their problems and assisting in resolving them.*

## **4. EXPLAINING THE SUCCESS OF ISTARN**

The Success of ISTARN can be attributed to a number of factors. This section will explain the factors that were instrumental in the success of ISTARN. It will deal with factors related to the organisation of ISTARN and those related to each of the components of ISTARN.

### **4.1 Organisation of ISTARN**

This section discusses success factors that have contributed to success in the organisation and implementation of ISTARN as a programme. It also discusses factors that have tended to inhibit successful implementation.

### 4.1.1 Success Factors

The following have been identified, by the various evaluations that have been carried out since its inception, as the factors contributing to the success of the ISTARN programme.

- 4.1.1.1 The programme has undergone continuous formative evaluation<sup>9</sup>. This has assisted in the continual review of the impact of the programme and facilitated modifications and adjustments that have enabled it to respond to changing needs and circumstances. Thus the greatest strength of the programme has been that the implementers have recognised the dynamic nature of the programme and have made the necessary adjustments, as the goal and objectives changed with circumstances, and as their understanding of the complexities of the informal sector grew. Subsequent project planning matrices took into account the results of previous project progress reviews. Thus the programme has been able to respond dynamically to challenges and opportunities that have presented themselves during its development.
- 4.1.1.2 The programme is comprehensive in that it is not just a training initiative but has other critical support strategies that are necessary for the creation of employment, and for strengthening the informal sector.
- 4.1.1.3 It has built into it the necessary support structures that ensure that beneficiaries (enterprise owners and graduates of ISTARN) get continuous assistance and advice, which is critical for sustainability of their enterprises.
- 4.1.1.4 There is commitment to the project, not only on the part of the beneficiaries, but also on the part of the organisers and support providers.
- 4.1.1.5 Interventions are based on real and identified needs of the economy, the environment and the beneficiaries.
- 4.1.1.6 ISTARN has made a concerted effort to address issues of gender balance in its programme, by including those trades that would be

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<sup>9</sup> Since its inception ISTARN has been greatly studied with as many as 4 project reviews being done.

of interest and benefit to women. It now attempts to provide greater support to women than it does its male clients.

- 4.1.1.7 The change in emphasis on the 1997 PPM to **“marketing needs of the informal sector are met”** as a Result area 4 gave the programme a new and innovative development, which resulted in the creation of the Marketing Intermediaries.
- 4.1.1.8 The linkage of the programme to Masvingo Technical College has given it status and recognition, in addition to having access to good infrastructure and training facilities. The desire by Masvingo Technical College to have ownership of the programme when donor pulls out is a positive development, which should ensure the survival of the programme.
- 4.1.1.9 Providing loans in the form of tools and equipment to graduates rather than capital ensured that the loan was directed to enterprise activities. This reduced the usual problems associated with abuse of loans for other things other than those intended for the loan.
- 4.1.1.10 The loans to graduates in the form of tools and equipment meant that the demands of trades and not the desires of the graduates regulated the size of the loans. As a result the loans were the barest minimum required and therefore relatively easy to pay back. The requirement that graduates provide their own working capital before the loans were given engenders commitment on the part of the graduates.
- 4.1.1.11 The bringing in of Zambuko, which had experience in lending and recovering money, was good for the programme. The arrangement where ISTARN through its SBAs worked closely with Zambuko in identifying and preparing clients to be credit worth also contributed to the success of the programme, and to a high loan recovery rate.
- 4.1.1.12 Providing a loan facility through Zambuko enabled clients to get over the mostly complained about hurdle of lack of loan facilities and the reluctance of other established financial institutions to lend money to operators in the informal sector who often cannot come up with the collateral required by these institutions.

4.1.1.13 The key factors that have contributed to the success of ISTARN were summarised by Nell and Shapiro as follows:

- ◆ Clarity on the problems
- ◆ Some basic research around a clear programme concept and ongoing research related to it.
- ◆ Staff with an understanding of the informal sector and growing skills and expertise in the area.
- ◆ An increasingly businesslike and market related orientation
- ◆ Flexibility and creativity
- ◆ Contact with others working in the field
- ◆ Flexible funding
- ◆ Good related support service which are flexible and targeted
- ◆ Ongoing efforts at monitoring and evaluation.

#### **4.1.2 Inhibiting Factors**

The following are factors that were identified as weaknesses that could have impacted negatively on the project.

4.1.2.1 There was tension in the initial stages between supply-driven approach of the project in the beginning and the demand-driven approach, which the project has now adopted. In the absence of continued support there is the danger that the programme will revert to the supply-led training model, and drift away from the demand-led multi-pronged approach it has developed into.

4.1.2.2 Subsistence allowance given during the first phase created a demand for training based on the desire to access the allowances and not on motivation for wanting to go into business.

4.1.2.3 The programme from the start was not well documented although this has improved with time.

4.1.2.4 Ministry of Higher Education and Technology did not fully meet its obligations of providing the necessary staff. The Ministry is now committed to meeting its obligations fully.

4.1.2.5 Ministry of Higher Education and Technology has not adjusted easily from deviating from its mission of providing training to

recognising the need of other components of the programme that would contribute to the programme's main objective of employment creation.

- 4.1.1.6 There is concern that the quality of some of the services offered under the programme might not be maintained in the face of over-stretched resources and multiplicity of the demands made on it.
- 4.1.2.7 Relations between the MTC co-ordinator and the GTZ advisor and the MTC co-ordinator and the project staff were not always ideal for the good of the programme.
- 4.1.2.8 There was too tight control of the budget by the GTZ advisor, which led to a lack of transparency which, was in contradiction to the principles and guidelines of the GTZ development policy. This tended to reduce ownership of the programme at the local level.
- 4.1.2.9 Cumbersome government bureaucracies inhibited the programme from being quickly responsive to changes and have also contributed to weakening the implementation of the programme and timeous achievement of the project goal.
- 4.1.2.10 Other constraints and weaknesses have been identified as:
  - Insufficient clarity on what constitutes success.
  - Insufficient testing of the implementation process against the findings of the other comparable programmes in order to learn and contribute to the body of the knowledge around such a programme.
  - Insufficient attention to detailed costing and the implications of this.
  - Insufficient specification of indicators that need to be monitored and of the variables against which they need to be monitored.

### **4.1.3 Traditional Apprentices Programme**

The traditional apprenticeship programme which started as the core activity of ISTARN and still plays an important role in the overall achievement of the project goal has had its own strengths

and weaknesses. The following are some of the factors that led to the success of ISTARN.

#### **4.1.4 Success Factors**

4.1.4.1 Traditional apprenticeship model is familiar to the communities and therefore easily acceptable.

4.1.4.2 The Traditional Apprenticeship programme took into account the decrease of apprenticeship contracts in the formal sector, due to declining employment. It focussed on the informal sector for providing contracts, and dispensed with the normal requirements of apprenticeship in the formal sector of obtaining a clearance certificate from the Apprenticeship Authority.

4.1.4.3 The training component of the programme assisted in persuading enterprise owners who would otherwise not been prepared to take on apprentices who had not had any theoretical training altogether. They believed that theoretical knowledge provided to the recipient adds value that has the following advantages:

- Apprentices are already knowledgeable when they are attached to the enterprise.
- They are less likely to damage tools and equipment in the enterprises they are attached to.
- They can increase production and improve on quality within a short period of attachment.
- They were less likely to waste materials.
- They would be able to learn a lot more quickly than those who came in “raw”.

4.1.4.4. In selecting the apprentices more weight was given to commitment rather than academic qualifications. The 90:10 policy has gone a long way in identifying those who have the right orientation and commitment.

4.1.4.4 In the second phase of implementation, apprentices were expected to find their own attachments and negotiate conditions of these attachments. This approximates closely to the traditional practice and demands more from both the apprentice

and the master, in establishing a relationship, which is beneficial to both.

- 4.1.4.5 Attachment with the enterprises provided opportunities for apprentices to identify and come into contact with future customers.
- 4.1.4.6 Enterprise owners were motivated by a number of factors to take on apprentices, some of which included: patriotism arising from the desire to contribute to the reduction in social ills associated with unemployment of youth; free labour; profit from fees; increasing manpower. All these factors provided apprentices the opportunity to get into the ISTARN programme.
- 4.1.4.7 The training offered to the apprentices in the college was competency-based and enabled them to be tested and to meet the recognition of prior learning through trade testing.
- 4.1.4.8 Apprentices with some theoretical training in some cases knew more than their “masters” and this tended to improve workshop practices. This was also a source of problems depending on the attitudes of the apprentices towards their “ignorant” masters.

## **4.2 Inhibiting Factors**

- 4.2.1 The impact of Traditional Apprenticeship Programme on the performance of the enterprise to which apprentices were attached was not measured. This would have been a good measure of just what value the TAP added to the enterprise.
- 4.2.2 Cost recovery of monies advanced to apprentices has been poor, as result of ISTARN not focussing on this aspect and on cost effectiveness of the programme as a whole. This could hinder sustainability, and replication of the programme.
- 4.2.3 There was some reluctance on the part of enterprise owners to take on apprentices because of a variety of factors which include:
  - Lack of working space and accommodation
  - Fear that tools will be broken
  - Lack of commitment on the part of the apprentices, particularly the first intake
  - Lack of capacity and capability on enterprise owners train the apprentices

- Fear of competition from the apprentices themselves.
- There were unrealistic expectations on the part of some apprentices as a result of poor orientation. This necessitated a review of the programme over time.

### **4.3 Small Business Advisors**

The following were recorded as the success factors of the SBAs that contributed to the success factors of the ISTARN project.

#### **4.3.1 Success Factors**

- 4.3.1.1 The SBAs established dialogue with the enterprise owners and developed mutual understanding that was of benefit to all stakeholders of the programme.
- 4.3.1.2 The development of the “busiform” and “busiform database” contributed to an in-depth understanding of the financial performance of the enterprises, resulting in improved performance.
- 4.3.1.3 Financial analysis of the businesses provided crucial information needed by lending agencies to make decisions on the creditworthiness of prospective borrowers. Loans were given to those businesses that had benefited from the SBAs support and had been monitored with the busiform, and were known to be fundamentally strong. This contributed to the good loan recovery rate.
- 4.3.1.4 The participation of other interested players in the SBAs service assisted in enhancing the service provided, and in providing the capacity necessary for the exportation of the service to other interested players. Capacity has been developed in the Ministry of National Affairs, Employment Creation and Co-operatives to enable it to offer the service.

#### **4.3.2 Inhibiting Factors**

- 4.3.2.1 There were complaints that the interest rates levied by Zambuko were high for the level of business in the informal sector. There was also no grace period for the repayment of the loans. This was

particularly difficult for those that took a long time to establish themselves in business.

4.3.2.2 Because fees are currently not being charged for the SBA service it will not be possible in the long run. Some cost recovery system has to be built into the model. The service needs to be more demand-driven for costs to be recoverable. Specific advice and assistance should be given in specific areas such as developing business plans, training, record keeping and after preparing successful loan applications. This is considered better than giving general advice on business practices which is not quantifiable for payment purposes.

4.3.2.3 The proposed transfer of the SBA service to the Ministry of National Affairs, employment Creation and Co-operatives has raised questions as to whether this ministry will have the right attitude and ability to offer a credible service.

#### **4.4 Informal Sector Associations**

The following were identified as success factors of the ISAs that contributed to the success of the ISTARN project. Also included are factors that inhibited the smooth and successful implementation on the ISTARN project.

##### **4.4.1 Success Factors**

- 4.4.1.1 Creation of ISAs made members appreciate the importance of collective action and also gave them a sense of achievement.
- 4.4.1.2 Through their wholesaling of raw materials ISAs have managed to increase the profit margins of their members.
- 4.4.1.3 The “hire-to-buy” tool scheme made it easy for their members to establish and sustain their enterprises at reduced cost. It put at the disposal of its members, expensive specialist equipment which they would otherwise not have been able to afford.
- 4.4.1.4 Plans to set up a provincial ISA will go a long way to strengthening both the business aspects and lobbying aspects of ISAs as a whole.

## **4.4.2 Inhibiting Factors**

- 4.4.2.1 ISAs do not take the needs of the women members especially in the bulk purchases of raw materials seriously. There has been too much emphasis on those raw materials that support male dominated enterprises, like timber and steel, and not for those women engage in like hairdressing and clothes making.
- 4.4.2.2 The ISAs have tended to concentrate on making profits from wholesaling and have neglected their advocacy role for the benefit of its members and of the informal sector as a whole.
- 4.4.2.3 ISAs have seen their main role as that of wholesaling raw materials. In the absence of democratic maturity this has tended to lead to lack of transparency and corruption, leading to the reduction of membership of some ISAs.]

## **4.5 Marketing Intermediary Support Programme**

So far, there have been only two attempts at establishing market intermediaries which have indicated some of the problems associated with such an initiative. However a review of the marketing intermediary concept was carried out which looked at various concepts and alternative models and indicated the following success factors that have potential to contribute to the success of the ISTARN project.<sup>10</sup>

### **4.5.1 Success Factors**

- 4.5.1.1 Marketing Intermediaries attempt to address the barrier to economic growth of enterprises because of constrained markets, arising from too many small players fighting over small markets, by creating linkages with the formal sector, where there are bigger and viable business opportunities.
- 4.5.1.2 Marketing intermediaries attempt to bridge the big businesses of the formal sector and the small businesses of the informal sector, which have vast differences in business culture and practices. This gap is difficult to bridge without the aid of an intermediary who has the respect and credibility of players in both sectors. The market intermediaries need management skills as well as interpersonal and negotiating skills that will enable them to deal with senior management in the formal sector and the small manufacturers in the informal sector.

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<sup>10</sup> Carlton, Billing and Murombedzi (ibid)

4.5.1.3 Sector based intermediaries help to establish professionally managed, and legally established contracts, which contribute to:

- increased opportunities for just-in-time stock management,
- reducing the need for customer working capital,
- competitive pricing mechanism,
- guarantees over a range of risks and,
- political good which results from the buying of products from local indigenous businesses by the formal sector.<sup>11</sup>

4.5.1.4 Marketing Intermediaries have the potential, because of increased business to increase employment opportunities in the informal sector, and uplifting some businesses in this sector into the formal sector, thereby making room for other small players to enter the informal sector.

4.5.1.5 All players benefit as the small manufactures increase their markets and presumably profit, arising from the increased business, the intermediary makes a profit, the formal sector companies get their goods at competitive prices.

4.5.1.6 The intermediary can finance the raw materials required for the contract, thereby making it easy for the small producer who does not have up-front resources to take on large contracts.

## **4.5.2 Inhibiting Factors**

4.5.2.1 Market intermediaries are likely to suffer from the perception in the formal sector that the local informal sectors is not capable of doing anything reliably and well, so there is an expectation of failure, which does not promote co-operation between the two sectors. This tends to limit the development of the linkages that are essential for the success of the intermediary concept.

4.5.2.2 There is a certain amount of risk in an intermediary arrangement that is borne by all parties to the contract that may reduce the level of interaction between the two sectors.

4.5.2.3 It is very easy for the intermediaries to exploit unsuspecting manufacturers in the informal sector. Market intermediaries who finance contracts can charge high interest for their investment, thereby reducing the profit margin for the small manufacturer.

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<sup>11</sup> Carton and Hancock (ibid)

## 5. VALUABLE LESSONS AND APPLIABLE PRACTICES

There are a number of valuable lessons that have been learnt from the implementation of the ISTAN pilot which provide some useful pointers for adoption and replication in other situations and environments. As a pilot it has identified a specific problem of national importance that needed to be addressed. The recognition by all stakeholders of the importance of addressing the serious unemployment gave rise to the level of commitment that is essential for success. It was obvious that the nature and type of problem could not be solved without partnerships being established through a network that provides training and other resources necessary to achieve to achieve the stated objective.

Before its inception it was recognised that a great number of school leavers, in spite of having spend over 11 years in school, they were inadequately prepared for economic activity.

Some valuable lessons to be learnt from the ISTARN pilot are:

### 5.1 Need to identify and fully understand the problem to be addressed.

- The problem of youth unemployment was attributed to lack of skills and steps were taken to provide these skills. However a number of studies were undertaken to identify the main economic activities in the sector for which graduates were being prepared for. The study also provided useful information on the dynamics of the informal sector.
- Planners also fully recognised that skills that could be used for employment creation could not be adequately imparted in a college environment the apprenticeship model was adopted in order to make the training as relevant as possible.
- There was full recognition that there were a number of stakeholders whose participation was essential for the success of he project and steps were taken to involve them through the creation of a network. The responsibilities of each of the stakeholders were identified and delineated.
- There was full recognition that the enterprises to which the apprentices were to be attached had to be strengthened and steps were taken to do this through the SBA service.

## **5.2 Project Planning Matrix based on Project Reviews**

- The project was subjected to constant monitoring and evaluation and changes made to respond to the challenges and opportunities that presented themselves and the project developed. This made the project responsive to the dynamics of the informal sector. The planners were not afraid to change course and policies if this is what was required, based on the findings of the various project reviews. The various components of the project have been and continue to be researched into in order to get information to strengthen them.

## **5.3 Totality of the Project**

- The project was conceived as a total project with different but essential components that would complement each other towards the attainment of its goals and objectives. The TAP and the SBA and the creation of the ISAs and MISPs were all designed to complement each other. The introduction of financing and a tool hire-to-buy scheme were aspects that were essential to the project.

## **5.4 Commitment from Stakeholders**

- Little success would have been registered in the absence of commitment from the stakeholders. The project was fortunate to have committed staff and MTC, enterprise owners, apprentices (in the further intakes after the introduction of the 90:10 policy), ISAs and those providing the SBA service. The donor, the project advisor and the project co-ordinator were also equally committed to the project in spite of their differences.

# **6. CHALLENGES FACING ISTARN**

There are a number of challenges, which still face ISTARN. These are discussed with possible ways of dealing with the challenges.

## **6.1 Sustainability of the programme**

Sustainability of the programme after the donor pulls out remains one of the biggest challenges. While management capacity has

been developed in the various components the question of resources remain an issue, which will determine sustainability and replication of the programme to other part of Zimbabwe. Replication of the programme will depend on financial resources and management systems set up and to what extent the stakeholders have full ownership.

*Solution:*

- ◆ *One way of ensuring sustainability is to require that clients of service provided pay for such services. The SBA service should be paid for rather than given free. Traditional apprentices should be expected to contribute more to the training programme.*
- ◆ *The programme must continue to move from being supply-driven to demand-driven. This ensures minimal waste of resources and movement towards greater achievement of the goals and objectives of the programme.*
- ◆ *There is need for continual monitoring and evaluation with impact assessment to ensure that the programme remains focussed on its goals and objectives and make it more responsive to changes in market requirements and the needs of the business environment.*
- ◆ *Efforts should be made to improve loan recovery from graduates of the programme.*
- ◆ *Replication should take into account the differences in the economic needs, the nature of the informal sectors, and other business environmental issues that relate to each region and province. Each region should come up with a model that addresses its peculiar needs.*
- ◆ *Efforts at capacity building should be strengthened.*

## **6.2 Cumbersome Bureaucracy**

Cumbersome bureaucratic procedures remain a threat to the responsiveness of the programme, especially when quick decision making is required.

*Solutions:*

- ◆ *Cumbersome bureaucratic procedures and process can be overcome by decentralising some functions to different stakeholders so that each does that which one is good at. Some*

*capacity building will be essential to ensure that capacity to execute the functions does exist in the institutions to which functions will be decentralised.*

- ◆ *Flexibility should be built into the model in order to create and promote innovation as the programme adjusts and responds to changing circumstances.*

### **6.3 Tension Between Supply and Demand Driven Approaches**

There is real danger that the programme could move back to the supply-drive mode it was at the beginning. This is very likely particularly if some of the support systems that have contributed to the employment creation successes are withdrawn or reduced.

#### ***Solutions:***

- ◆ *There is need to provide training that changes attitudes particularly of students. The concept of employment creation and self-employment needs to be emphasised at all stages of the programme to ensure that graduates realise that they have a role to play in creating their own employment.*
- ◆ *Change of attitudes can be achieved through the consolidation of ISAs, because as informal sector associations they should be working at strengthening this sector. Strengthening of this sector will result in its expansion, which will create employment and make room for new players to join it. Strengthening the informal sector will also promote other enterprises from this sector to the formal sector thus making room for new entrants. As long as the sector is growing the programme is likely to remain demand-driven as it responds to the demands of the growing sector.*
- ◆ *In order to ensure growth of this sector there is need to experiment with various models of Market intermediaries in order to increase demand for the goods and services produced in this sector, and beyond it.*

### **6.4 Increasing the Number of Women Entrepreneurs**

Although as a project ISTARN has been taking steps to address the question of gender balance, the participation of women in ISTARN remains low. Increasing the number of women in ISTARN therefore remains a real and difficult challenge.

***Solutions:***

- ◆ *Affirmative action methods should be used in the recruitment of women.*
- ◆ *Whilst there is a need to increase courses that are traditionally for women, there is a need to encourage women to take traditionally male dominated courses. A number of incentives for women doing this could be offered.*
- ◆ *Role models of successful women who have taken traditionally male dominated courses could be used to encourage other women to take such courses.*

## **6.5 Unrealistic Expectations of Apprentices**

It has been noted that the traditional apprentices often have unrealistic expectations and expect everything to be done for them. Part of this problem arises from poor orientation.

***Solutions:***

- ◆ *There is need for continual orientation during and after the programme. Orientation to these new concepts and practices should be treated as a process and not a one-off event.*
- ◆ *The selection process should address the scope of the programme in order to select those with the right aptitude and attitudes for such a programme.*
- ◆ *Role models should be identified to assist in developing the right attitudes in students*

## **6.6 Danger of Deterioration of Quality due to Expansion**

Concern has been expressed particularly for the SBAs that the quality of the service provided will deteriorate with decentralisation to other institutions and stakeholders. There is a real danger that this will occur because of a diminishing resource base, and lack of commitment.

***Solutions:***

- ◆ *Mechanisms for clients to pay for services rendered must be put in place. Before this can be done there is a need to quantify the services offered. This required that the services*

*being offered and the purpose for which they are offered are clearly identify and delineated.*

- ◆ *There is need to ensure that capacity to offer quality service exists in the all institutions that are selected to provide the services.*

## **6.7 Poor Markets For Goods And Services Produced In The Informal Sector And SMEs**

The growth of the informal sector will depend to a large extent on the demand for the goods and services it produces and the ability of the consumers of these goods and services to pay a profitable price in reasonable time. Informal sector operators cannot afford to sell their products at below profitable margin. Neither can afford clients who take a long time for the products, because this has an adverse impact on their cash flow, which on average is always tight. They cannot also afford to accumulate large stocks of goods that do not have a ready customer. A rapid turnover of goods and services and money is essential for the survival of the informal sector enterprises and SMEs.

### ***Solutions:***

*There is need to continue to develop the Market Intermediary Concept. It is essential to promote competition in market intermediaries in order to reduce inefficiencies and corrupt and exploitative tendencies and poor service that can arise from monopolies. For this initiative to succeed there needs to be a thorough assessment of risks to all parties before intermediary contracts are entered into. In the long term marketing intermediaries need to provide an honest and efficient service to their clients and must be self-sustaining in order to survive.*

## **7. FUTURE OF THE ISTARN PROJECT**

ISTARN has been recognised as a successful programme in that it has, over time, been modified to address the needs of its clients, and the

needs of the economic activities of Masvingo province. It has been so successful that there are plans to introduce it to other provinces.

A number of donors who have come into contact with ISTARNS have recognised its potential in employment creation and alleviation of poverty, and have offered assistance in the strengthening of the programme in Masvingo and in replication to other provinces. The Government of Litchienstien has set aside some funds for strengthening ISTARNS. The German Volunteer Service is in the process of providing experts for the replication of the programme in Manicaland. Both donors are working closely with GTZ in the implementation of the programme.

It is envisaged that the new VTCs which the Ministry of Higher Education and Technology are planning to establish will have their own models of ISTARNS in order to ensure that graduates of these training centres will be able to create their own employment opportunities, and be economically active after completing the programme. It is recognised that no one model will be suitable for all part of the country. It is important therefore to local each of the models to the local environment.

The assistance offered by GTZ in the initial and development stages of ISTARNS will soon be coming to an end. Other stakeholders are expected to assume ownership of the project.

The question of sustainability of the programme in the absence of donors is one that needs serious attention. There are efforts to second a Zimbabwean to the current project co-ordinator who will take over the co-ordination of the programme at national level. Government is also looking seriously at the manpower requirements of ISTARNS as it has decided that such programmes should be part and parcel of all VTCs that are currently being developed.

Identified weaknesses of each of the components will also be discussed. The lessons learnt provide some guidance and directions for the replication of other models of ISTARNS in Zimbabwe, and in the region.

## **8. CONCLUSION**

There is a wealth of information that has been gathered in the implementation of the pilot of ISTRAN which give some guidelines for replication of a similar programme, that seeks to address

unemployment problems, through strengthening of the informal sector. Replication initiatives should not only focus on the strengths of the various components of ISTARN that have been highlighted, but attention should also focus on the weaknesses. These need to be turned into strengths if replication is to avoid the pains that the ISTARN pilot has undergone in Masvingo province. Obviously more studies are still needed to monitor the effects of the programme in Masvingo especially to see the sustainability of the employment that has been created in the medium and long term. There is a need to determine whether the programme does actually result in viable income generation and in the long term alleviate poverty.

While all components of the programme are essential for the success and sustainability of employment and strengthening of the informal sector, establishing viable markets for this sector will be the main stay of this sector. Therefore the market intermediaries concept which has the potential of creating markets for this sector need to be pursued with vigour in order to make them successful. Some suggestions of doing this have been highlighted in the Price Waterhouse study. For market intermediaries to succeed research is needed to determine demand for markets of goods and services that can be produced in the informal sector.

Together with the strengthening of the market intermediaries there will always be a need to continue with the development of technical and business skills for informal sector enterprises. The need for an appropriate structure, which supports flexible and rapid decision making and a realistic picture of what each partner can contribute, cannot be overemphasised in the initiation and development of an ISTARN type programme.

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