

Working Paper

March 2006

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Vocational Training in the Informal Sector Issue Paper

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Foreword

This report is part of a study conducted by the Research Department of the *Agence Française de Développement* (AFD) on training in seven African countries, which are, in alphabetical order, Angola, Benin, Cameroon, Ethiopia, Morocco, Senegal and South Africa.

The Research Department defined the methodological and operational framework for the overall study and entrusted the scientific and technical responsibility, as well as the writing up of all the country reports, to Richard Walther. The study also benefited from input from the German Technical Co-operation Agency, GTZ, for the financing and conduct of the Ethiopia survey, and from the Directorate General for International Co-operation and Development of the French Ministry of Foreign Affairs (DGCID) for the financing and conduct of the Angola survey. The AFD expresses sincere thanks to these two partners for making it possible to widen the field of investigation to a selection of countries representative of the economic, social, cultural and linguistic diversity of Africa.

The field surveys have been written up in country reports, which have all been published in French and English. The Angola report is also available in Portuguese. These reports can be downloaded from the AFD website (www.afd.fr, in the Our Publications drop-down menu, select Working Papers).

- Working Paper No. 15: Vocational Training in the Informal Sector – Issue Paper.
- Working Paper No. 16: Vocational Training in the Informal Sector – Report on the Morocco Field Survey.
- Working Paper No. 17: Vocational Training in the Informal Sector – Report on the Cameroon Field Survey.
- Working Paper No. 19: Vocational Training in the Informal Sector – Report on the Benin Field Survey.
- Working Paper No. 21: Vocational Training in the Informal Sector – Report on the Senegal Field Survey.
- Working Paper No. 30: Vocational Training in the Informal Sector – Report on the South Africa Field Survey.
- Working Paper No. 34: Vocational Training in the Informal Sector – Report on the Ethiopia Field Survey.
- Working Paper No. 35: Vocational Training in the Informal Sector – Report on the Angola Field Survey.

The summary report, which provides a comparative analysis of all the country reports, is available in French and English in the AFD Notes and Documents series (www.afd.fr, in the Our Publications drop-down menu, select Notes and Documents). It draws out some elements of analysis, conclusions and tentative proposals designed to help those involved in vocational training in the informal sector, as well as national authorities and donors, to better target their action and investment in the training and skills development field towards a sector that dominates the economies of developing countries.

Disclaimer

The analysis and conclusions in this document are those of the authors. They do not necessarily reflect the official position of the AFD or its partner institutions.

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1. A preliminary question: what is the informal sector?

1.1 The origins of the term

The term 'informal sector' was first used in a 1971 study on urban employment in Ghana and was officially acknowledged in a report by the International Labour Organisation (ILO) on employment in Kenya in the framework of the World Employment Programme.¹

It was first defined in 1976 as follows: it is a sector "consisting of enterprises that employed no more than ten persons, were free from administrative and legal regulation, used family labour, employed flexible hours, made use of informal sources of credit and produced final as opposed to intermediate

products. These entrepreneurs had limited access to schools, made limited use of electricity and pursued semi-permanent activities."²

There was extensive debate about the suitability of this definition, notably as to whether or not informal sector units complied with administrative and tax regulations. The point was to avoid confusing the informal sector with the underground or hidden economy. These debates also focused on the description of the sector's economic activity and social utility.

1.2 The 'statistical' definition of the informal sector

In January 1993, the ILO's Fifteenth International Conference of Labour Statisticians adopted a resolution on employment statistics in the informal sector. The purpose was to facilitate statistical analysis in countries where the role played by informal micro and small enterprises (MSEs) in terms of jobs and contribution to GDP is sufficiently substantial as to necessitate specific consideration of the sector in macroeconomic modelling and sectoral policies.³

This working definition states that the informal sector is a subset within the household sector in national accounts. It consists of a fraction of household-owned enterprises which are distinguished from corporations and quasi-corporations in that they neither keep full sets of accounts nor constitute legal entities distinct from the households that own them.

Irrespective of the kind of workplace where the activities are carried out, the extent of fixed capital assets used, the duration of the enterprise, and its operation as a main or secondary activity, the informal sector covers unincorporated enterprises responding to the following criteria:

- household enterprises, or "informal own-account enterprises". Such enterprises do not employ workers

on a continuous basis but may employ contributing family workers and/or casual workers;

- micro-enterprises, or "enterprises of informal employers." These are household enterprises that employ one or more workers on a continuous basis.

The conference furthermore provides its overall definition of the sector.

"The informal sector may be broadly characterised as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Labour relations—where they exist—are based mostly on casual employment, kinship or personal and social

1 Collège Coopératif Provence, Alpes, Méditerranée (1999), Les apprentissages en milieu urbain, Formation professionnelle dans le secteur informel en Afrique, Ministère des Affaires Etrangères, Paris.

2 Birks et al. (1994), Skills acquisition in micro-enterprises: evidence from West Africa, OECD, Paris. (Sethuraman, S.V., cited in the study by the French Ministry of Foreign Affairs).

3 Soulyve KantéKanté, S S. (2002), Le secteur informel en Afrique subsaharienne francophone, Vers la pPromotion d'un travail décent, BITILO.

relations rather than contractual arrangements with formal guarantees. Production units of the informal sector have the characteristic features of household enterprises. The fixed and other assets used do not belong to the production units as such but to their owners.

“The units as such cannot engage in transactions or enter into contracts with other units, nor incur liabilities, on their own behalf. The owners have to raise the necessary finance at their own risk and are personally liable, without limit, for any debts or obligations incurred in the production process. Expenditure for production is often indistinguishable from household expenditure. Similarly, capital goods such as buildings or vehicles may be used indistinguishably for business and household purposes.

“Activities performed by production units of the informal sector are not necessarily performed with the deliberate

intention of evading the payment of taxes or social security contributions, or infringing labour or other legislations or administrative provisions. Accordingly, the concept of informal sector activities should be distinguished from the concept of activities of the hidden or underground economy.”

The INSEE/AFRISTAT survey,⁴ which is the latest survey on the informal sector in the economic capitals of the seven countries of the West African Economic and Monetary Union (WAEMU), uses the working definition given by the International Conference of Labour Statisticians, but primarily identifies the concept of an MSE on the basis of its actual method of managing administration and accounts. “The informal sector is defined as being all production units without an administrative registration number and/or which do not keep formal written sets of accounts (accounts permitting the preparation of an operating account and a balance sheet).”

1.3 The informal sector and the debate on the legitimacy and legality of activities

In the 1990s, the working approach developed by statisticians was coupled with analysis of the economic realities of the sector and its position with regard to society. Thus, according to the study by the French Ministry of Foreign Affairs, two economic approaches to the sector were developed in parallel during this period:

- the first combined the informal sector with the notion of marginality and poverty, consequently placing its activities in a logic of survival;
- the second, focusing its analysis on the nature of the activities developed, highlighted production and service activities or, in other words, the social function fulfilled essentially by the crafts sector and small-scale commerce.

During the same period, other studies focused on categories of informality and legality, introducing interesting distinctions between the legitimacy and legality of activities.⁵ Legality places the sector’s actors in relation to administrative, fiscal and social regulations. Legitimacy defines the social value of an act in relation to the degree of support from society and, in this case, explains why informal sector activities, because of their acknowledged utility, are more than tolerated by the authorities, even when they fail to comply with established regulations. Thus, according to the INSEE/AFRISTAT survey, while only 18% of informal production units (IPUs) are suitably registered (for example, with the patent register, trade register and social security), a mere 4 to 8% of IPUs have problems with government officials.

1.4 The informal sector, or continuity of traditional activity

In a paper written for the International Centre for Educational Studies (*Centre international d'études pédagogiques*, CIEP), André Gauron, senior adviser at the French Court of Auditors and former President of the High Committee on Education, the Economy and Employment, reports on the approach developed by Christian Morrisson and Donald Mead,⁶ and

argues that the word ‘traditional’ is more appropriate than ‘informal’. “What characterises these activities is neither their

4 STATECO (2005), *Méthodes statistiques et économiques pour le développement et la transition*, nno.° 99.

5 Niang, A. (1996), *Le secteur informel : une réalité à réexplorer : ses rapports avec les institutions et ses capacités développantes*, Afrique et Développement.

6 Morrisson, Ch., Mead, D. (1996), “Pour une nouvelle définition du secteur informel”, *Revue d'économie du développement*.

exclusion from the market—craftworkers, for example, produce goods to sell—nor the fact that they are performed without paying regard to any legal or fiscal regulations—which is rarely the case—but rather the absence of visible demand, which makes it impossible to plan any further ahead than a few months. Craftworkers or small enterprise owners can only muster limited financial resources and consequently act to minimise fixed capital and salary costs and prefer to hire workers without a contract. If no local market emerges, it is impossible to expand. So in most cases, exports offer the only means of turning a traditional activity into a modern one.”⁷

What emerges from this approach is that the specific nature of the sector, aside from the fact that it operates almost exclusively within local markets, is defined by the lack of medium or long-term visibility for its activities: the development of activity can only be planned in the short term.

Another finding is that more often than not IPU's seem to comply with legal and tax regulations. This observation however goes against the facts because, as noted by the INSEE/AFRISTAT survey, only 18% of IPU's (24% in services, 15% in industry and 17% in the trade sector) complied with one of the regulations in place. Furthermore, according to data in the same survey regarding the status of the sector's workforce, only 9% of dependent workers have a written job contract and less than 3% receive a payslip. 9.1% of workers are registered for social security purposes and 3.3% are covered by company-paid social security contributions.

This ‘traditional activity’ approach is useful because it emphasises that the sector cannot be understood without considering its socio-economic and cultural origins, which continue to determine the way it operates, particularly regarding sales practices (predominance of local markets) and employment policy (the importance of family and neighbourhood networks as a recruiting ground for contributing workers and apprentices). However, it takes no account either of certain changes in IPU's markets (15% of products sold by IPU's come from abroad) or professional organisations' eagerness to move increasingly towards modes of production and management similar to those used in the formal sector (cf. the management training courses that such organisations are developing in order to ensure that these activities survive longer than the short term).

Another approach, very different from the previous one, was also developed during the 1990s in response to the negative

impact of structural adjustment policies on the formal sector in developing countries, and to the increased awareness in developing countries of the role of small, individual entrepreneurs as drivers of innovation and development in economies in crisis or recession. It emphasises the notion of economic/business units and defines the informal sector as an arena for micro-enterprise and small business or, in other words, a potential arena for economic growth and development that is specific to the economic organisation of developing countries. Some authors, while not denying the sector's traditional role, identified a scale of activities ranging from basic survival to productive activities that could enter the modern sector.⁸ Each of these categories can be broken down further into more specific sub-categories according to the type of entrepreneur, activity, surrounding environment and growth potential:

- income-generating activities exercised for survival purposes;
- micro-enterprises (or very small enterprises);
- small enterprises;
- medium-sized enterprises (which could be in either the informal or the formal sector).

Other authors pursue the same logic in classifying the sector by type of economic unit while simultaneously categorising activities according to their development potential: the survival-based informal sector, the subsistence-based informal sector, the development-based informal sector and the transition-based informal sector.⁹

This whole approach suggests that analysis of the informal sector should not be imprecise or broad, and that distinctions should be made according to the nature of the economic players (cultural handicrafts, production or services, urban activities or rural activities), the level of technology required for production and services (types of tools and equipment used) and lastly, to use the terms employed by the INSEE/AFRISTAT statistical survey, the approaches developed by IPU's in order to renew themselves, grow and make the transition towards the formal economy.

7 There are nevertheless examples of traditional activities becoming modern ones simply as a result of internal demand: pasteurisation of dairy products or bakery using electric ovens.

8 Botzung, M., Le Bissonais, A. (1995), Dispositifs d'appui aux micro et petites entreprises en Afrique : une analyse critique, Etudes et Travaux, GRET.

9 Niang, A. (1996).

2. The major importance of the informal sector in developing countries

“Contrary to what has long been presumed, the informal sector is not a passing phenomenon, nor is it marginal and destined to disappear in the medium term. Its size and growing complexity within the economic, social and political landscape of developing countries in general, and Africa in particular, are an unchallenged and increasingly acknowledged reality.” This observation made by the

International Labour Organization (ILO)¹⁰ is based on quantitative data and shows that not only does the informal sector account for a significant share of the African, South American and Asian economies, but it also plays an increasingly predominant role in job creation and national wealth production.

2.1 The informal sector's contribution to employment policies

The ILO report on the promotion of decent work makes some interesting observations on the increased importance of the informal sector. Drawing on data from the 2001 World Bank report, it shows that the sector experienced spectacular growth between 1980 and 1990, increasing from an employment rate of two-thirds to three-quarters of the non-agricultural, economically active population in Sub-Saharan Africa. It thus became a potential source of employment for 92% of women and 71% of men outside the agricultural sector. During the same period, over 90% of new jobs were created in the informal sector. The STATECO study on the seven major WAEMU cities shows that the size of the informal sector in terms of employment has remained stable and even slightly increased since the 1990s because, between

2001 and 2003, it accounted for 76.2% of jobs as opposed to 14.2% for the private formal sector and 8.4% for the public sector (of which 1.8% are in public enterprises).

In Latin America, according to the ILO, the proportion of urban informal employment in relation to total urban employment increased from 52% in 1990 to 58% in 1997. This change was caused by a rise in the numbers of people being taken on by MSEs rather than entering self-employment or domestic employment.

In Asia, according to the same sources, the proportion of informal workers accounts for between 45% and 85% of non-agricultural employment, and between 40% and 60% of urban employment.

2.2 The informal sector's contribution to countries' national wealth

“As currently available information stands, the informal sector accounts for a major proportion of the national economies of Sub-Saharan African countries: between a quarter and two-thirds, depending on whether or not agriculture is included. However, it is to be noted that this sector is still not a considered as separate category in some countries' national accounts, although most conduct assessments which take it

into account implicitly. The methods used to do this are fairly diverse and depend on the sources and data.”

This information given at the Bamako seminar on the informal sector and economic policy in Sub-Saharan Africa in March 1997 has barely changed since. According to more recent

¹⁰ Maldonado, C. *et al.* (2004), Méthodes et instruments d'appui au secteur informel en Afrique francophone, BITILO.

estimates, the informal economy's contribution to GDP is possibly between 25% and 50% in the eight WAEMU countries (ILO data, 2002) and between 7% and 38% in the 14 countries of Sub-Saharan Africa. The figures vary depending on national methods of calculation and the instruments used for gathering and analysing the data. It is no less the case that the sector is not only the main job

provider in Sub-Saharan Africa, but that its contribution to national wealth is on the increase, often placing it in second position after agriculture, but ahead of the modern sector. In Asia, according to the ILO, the sector's contribution to GDP is possibly between 16% and 32%. It is possibly between 12% and 13% in Mexico.

2.3 The informal sector in relation to the formal sector: autonomy or a variable for adjustment purposes?

Bearing all these data in mind, there is no doubt that the informal sector is more than just a transition phase toward the formal economy, or a kind of waiting room before moving on to the modern side of development and employment policies. In reality it offers a specific means of structuring developing countries' economies, centred on the different roles MSEs play and their ability to generate subsistence, income and growth adapted to the local and national markets.

However, the analysis would be incomplete if it did not take into account a rarely noted and little-studied aspect, which is the potential role the informal sector can play as a low-cost

subcontractor to modern sector enterprises. Structural adjustment programmes have obliged the latter to seek increased competitiveness and have more or less encouraged them to contract out to IPUs in order to make their production processes more flexible and reduce their costs. As an economic official from Burkina Faso noted, "It's the formal sector that creates the informal sector through its capacity to contract out to other producers or street traders in both production and service areas, which helps it increase its profit margins."

3. The informal sector and vocational training

Developing countries' investments in vocational training go overwhelmingly to the technological and vocational education system, which is in turn focused primarily on public and private formal sector jobs. As F. Fluitman writes, "it is far from clear, in many countries, why governments keep investing their scarce resources in pre-employment training for sectors that are not hiring, while people who have no choice but to create their own employment, pay dearly to private providers that are not always up to the task."¹¹

Past studies on the financing of vocational training in French-speaking Africa show that certain training funds set up to

promote continuing training and apprenticeship have taken stock of the challenge represented by the need to develop the skills of young people and adults outside the formal sector,¹² and are starting to interact with existing education systems. Nevertheless, training for young people in the informal sector is mainly delivered through traditional apprenticeship systems, which some funds are trying to align with the dual training model. For adults, it is delivered through projects and programmes implemented by training funds with support from local professional organisations and bilateral or multilateral donor agencies.

3.1 Data on the education and training of informal sector workers

The statistical results of the STATECO survey clearly show a direct relationship between young people's educational levels and the type of job they do. Accordingly, in the seven major cities surveyed, public sector employees have spent an average 11.3 years in education in comparison to 8.2 years for private sector employees and only 3.5 years for informal sector workers (of whom only 17.9% are employees in the official sense of the term). These results clearly bear out that the function of the education system in Sub-Saharan countries is more to select for employment (the higher people are in the educational hierarchy, the greater their chance of accessing a public sector job) than to prepare for employment (informal sector jobs are primarily characterised by lack of schooling).

A study carried out ten years earlier on behalf of the OECD¹³ gives, despite its datedness, a very detailed insight into the links that exist between basic education and apprenticeship in the informal sector.

It firstly revealed that very few enterprise owners had previously been to a technical or vocational training college.

Only 11% of enterprise owners had received some basic vocational training, only 7% had access to continuing training other than apprenticeship, 39% had never been to school and 17% had never completed their primary education.

It then gives some significant data on apprentices' career paths. While emphasising that their educational level is on the increase in comparison to their bosses, it shows that young school leavers, even those coming from secondary school, have to undertake apprenticeship and gain work experience if they want to succeed in the informal sector, especially if they later want to have their own business. It draws two conclusions that the AFD study must take into account when considering training in the informal sector:

¹¹ Fluitman, F. (2002), "Working, but not well .": notes on the nature and extent of employment problems in Sub-Saharan Africa, Turin, 2002.

¹² Walther, R., Gauron, A. (2006), Les mécanismes de financement de la formation professionnelle, Les résultats de l'enquête terrain dans cinq pays d'Afrique, MAE (to be published).

¹³ Birks, S., Fluitman, F., et al. (2004), Skills acquisition in micro-enterprises: Evidence from West Africa, OECD-World Bank-ILO.

- a high level of education followed immediately by a period of apprenticeship shortens the time young people take to become their own boss;
- apprenticeship is the most frequent type of training for jobs and entrepreneurship, irrespective of educational level, as

this alone can give them the professional and behavioural skills required for a career in the informal sector.

Basic education and vocational training in MSEs should therefore be combined and not opposed to one another.

3.2 Knowledge and skills acquisition systems in the informal sector

3.2.1 In the youth training field

This mainly concerns traditional apprenticeship schemes for young school leavers implemented in crafts workshops and MSEs. These still account for the large majority of training schemes in most Sub-Saharan countries and entail on-the-job training, which consists in acquiring, in the workplace, the basic techniques required in order to exercise a trade. The various past analyses on types of apprenticeship practised (Sahelian apprenticeship with no fixed duration, in which work output is more important than training aspects, and the coastal sort, with a set term, a written contract and validated level) show that young people hired under such schemes come up against two major difficulties:

- the master craftsmen's inadequate skills and their inability to present the theory underlying certain concepts and techniques;
- the lack of structured learning sequences in the apprenticeship process, although this does however entail distinct phases for acquiring behavioural skills, learning how to use tools and finally participating in all of the master craftsman's tasks.

These deficiencies do not prevent traditional apprenticeship from being a key element in young people's skills development. In countries that have set up training funds, technical assistance, notably from German development agencies, has recently helped to bring traditional apprenticeship systems in line with dual apprenticeship

methods and cycles. The central role played by apprenticeship as a vehicle for professional and social integration and its capacity to evolve into a more structured form of training argue in favour of apprenticeship being supported and improved with help from the relevant authorities, without their needing to incorporate it into the regulations of the formal system.

3.2.2 In the field of continuing training for adults

There is no formal system at this level and self-training is still the most common form of training for workers in the sector, especially in services. However, in Sub-Saharan Africa, certain training funds have started to develop continuing training schemes targeted at members of craftsmen's, traders' and farmers' professional associations. The ILO has developed training aids and content to help strengthen the managerial and organisational skills of production and service unit managers. The French development authorities have helped to craft monitoring and research tools, as well as expert groups to help analyse the skills development needs of the different economic actors. However, such activities are still too marginal and cannot therefore offer an effective alternative to the absence of training for adults employed in the informal sector. South Africa offers a unique example in this field, as it has developed training aids and methods specifically adapted to the informal sector under its National Skills Development Strategy.

3.3 The relationship between formal training and the informal sector

There is no real initial vocational training system in Sub-Saharan Africa, although there are technical and vocational education and training (TVET) systems that focus on formal sector jobs and on acquiring general knowledge and skills far-removed from the labour market realities. TVET is often characterised by “inefficient and obsolete infrastructure; ineffective and poorly motivated teachers; training courses mainly focused on acquiring qualifications, while students are forced to enter the informal sector due to the lack of potential jobs or any recognition by companies; a lack of financial autonomy for colleges; and a total absence of continuing vocational training.”¹⁴

The situation is nevertheless changing, because countries have realised that training provision is ill-suited to the needs of the economy. They are changing mainly due to pressure from training funds, which are jointly managed by the public authorities, social partners and professional organisations, and have consequently introduced training initiatives adapted to the demand of informal production and service units.

For example, Mali wants to develop skills and apprenticeship training in addition to TVET by 2015. This will concern the lower levels of qualification and above all give 60% of uneducated young people leaving basic education some vocational training to help ensure they enter the labour market.

Between 2002 and 2005, Benin, with support from the German, French and Swiss development authorities and in partnership with the National Federation of Craftworkers (*Fédération nationale des artisans du Bénin*, FENAB), has developed a comprehensive regulatory framework governing dual apprenticeship and introducing a final apprenticeship diploma: the Vocational Skills Certificate (*Certificat de qualification professionnelle*, CQP). In collaboration with crafts associations for four construction and electricity trades, a methodology has been developed and teachers and master craftsmen have been trained in order to introduce training courses in various public colleges. At the end of 2005, two cohorts of apprentices were being trained, and the first exam was due to be held in mid-December (for 300 apprentices). Under the apartheid system in South Africa, there was a total separation between the education system, which was

controlled by white people, and continuing vocational training and apprenticeship, which aimed to help black people enter the labour market. The country is now introducing dual training and skills development in the workplace in the secondary and higher education systems. However, the country is unique in its determination to use its national and sectoral training funds to introduce real training schemes for informal sector entrepreneurs, notably black farmers who are setting themselves up in business further to land reform.

These examples, which illustrate how the training needs of young uneducated people and adults working in the crafts and farming sectors are met, are just signs that things are beginning to change in the informal sector. They will be worth examining in the study to determine whether these changes simply reflect the need to adapt existing systems or whether they really take the informal sector’s economic and organisational particularities into account. They should above all be viewed in light of the need to refocus policies and financial resources in the countries concerned in order to take into consideration a sector without which there would be no employment for the vast majority of the population, no effective fight against poverty, or even no economic development, which cannot depend solely on stimulating formal business activity.

¹⁴ Gauron, A. (2006), Rapport sur le fonds de formation du Mali, MAE (unpublished)

3.4 Examples of innovative training schemes in the informal sector

Efforts undertaken to meet the informal sector's skills development needs, especially by sectoral training funds, have given rise to various pilot schemes and good practices concerning training for young people and adults. The study will try to identify, describe and if possible analyse these in detail. Various training schemes run in the various countries can be cited as examples, namely for:

- young uneducated people, to help them acquire a vocational qualification (Benin, Mali, Burkina Faso and other countries) or to help them create their own enterprise (Zimbabwe);
 - master craftsmen, to increase their skills levels and enable them to train apprentices better (Benin, Mali, Burkina Faso, Tanzania, Zambia and other countries);
 - MSE owner/managers, to train them to manage their activity better (South Africa, Burkina Faso and other countries);
 - farmers, to train them both at technical and managerial level (South Africa and other countries);
 - adults and young people, to help them set up their own business (South Africa and other countries);
 - crafts organisations, to help them better analyse their members' skills and training needs (Benin, Mali, Burkina Faso and other countries).
- Evaluations of current pilot schemes, whether these involve projects run in southern Africa (GTZ study)¹⁵ or training funds in Sub-Saharan Africa, give a preliminary indication of their relevance with regard to objectives set and groups trained.
- Training interventions for MSEs motivate and succeed if they primarily aim to bring about an improvement in socio-economic circumstances (profit, employment) and notably alleviate poverty, rather than simply achieve educational objectives.
 - A training intervention should not be an isolated act, but be placed in the broader framework of co-ordinated intervention by the different stakeholders concerned.
 - It is desirable to incorporate the training activity within a range of services (access to innovative techniques, financial services, etc.) that can contribute to the quantitative and qualitative development of the sector.
- Focusing training activities on real economic and financial results makes it possible to ask the craftworkers or entrepreneurs for a small but real financial contribution towards their training.
 - The involvement of professional organisations and/or local stakeholders in the preparation and monitoring of training is undoubtedly a guarantee of success.
 - Governments must allow the social partners and private sector to assume their full responsibility for the management, organisation and adaptation of training provision and to play their rightful role in organising the overall system.
 - It is important to introduce a system for accrediting skills acquired by young people or adults from the sector, although it is not always desirable for this accreditation to espouse formal qualification/certification channels and methods.
 - Training must be devised in such a way as to promote participants' functional literacy, if necessary.
 - Certain projects have combined traditional apprenticeship and technical training courses, although this has only been possible when close partnerships have been forged between the public authorities and sectors concerned, and when training has been designed to meet the informal sector's particular labour market needs.

¹⁵ GTZ (2004), Projects/Programmes aimed at Economic Improvement and Poverty Alleviation through non-formal training in Sub-Saharan Africa.

3.5 The beginnings of a financial approach

To date, no estimations have been made of either the real cost of traditional apprenticeship or, most importantly, the cost/benefit ratio of this form of acquiring knowledge and skills. It would be complicated to do so, as this would firstly require classifying apprentices according to their mode of payment (salaries, daily wages, profit-related, in kind, etc.). It would then be necessary to relate the value of this remuneration to an evaluation of the ratio between what apprentices cost master craftsmen and the return they give in terms of production and services.

However, some existing data do give a preliminary insight into the financial realities of training in the informal sector.

- The ISTARN-TAP project run in Zimbabwe in partnership with the German Technical Co-operation Agency, GTZ, has undertaken a cost-benefit evaluation of its operation and concluded that, within one year (apprenticeship and formal training), it had achieved results that would normally have taken three years.
- Training funds in Sub-Saharan Africa provide some important data in this field. For example, the Vocational Training and Apprenticeship Fund (*Fonds d'appui à la formation professionnelle et à l'apprentissage*, FAFPA) in Mali has a unit training cost for informal sector beneficiaries that represents a third of the unit training cost for employees in modern enterprises. Although these data have not been calculated for identical periods of time or training content, and the cost differences are mainly due to the more individual nature of training in the formal sector, they nevertheless show that schemes for apprentices and craftworkers are significantly cheaper than those for employees. The Continuing Vocational Training and Apprenticeship Development Fund (*Fonds de développement de la formation professionnelle continue et de l'apprentissage du Bénin*, FODEFCA) in Benin does not give a comparison of unit training costs between beneficiaries, but it does give specific data on the financial profitability (impact on income) of training schemes run for 100 enterprise owners and 500 apprentices in the field of motorcycle repair and hairdressing.
- South Africa has some detailed financial data on various schemes run in the informal sector, both at national level by the National Skills Fund (NSF) and at sectoral level by the Sectoral Education and Training Authorities (SETAs). It is possible to work out the unit training costs per beneficiary from the formal and informal sectors, and thus evaluate the amounts spent compared to the objectives set (per master craftsman).

The major observation that can be made concerning the financial approach to informal sector training is that it draws on very different financial sources from those used by the technical and initial vocational education systems. In fact, these sources are mainly private. They are mostly funded by vocational training levies on formal sector companies' overall payroll costs. Depending on the county concerned, such levies, usually collected by government tax authorities, are partially or totally distributed to formal funds in the form of direct grants or budget allocations. This use of public budget allocations does not alter the fact that the training is financed by levies and thus by private funding sources.

It is a fact that the financial approach to training in the informal sector cannot be developed using the same assumptions as those of the public education system, because neither the main funding sources nor the sources of co-financing are the same.

Training actions	Main source of finance	Source of co-finance
Traditional apprentices	Craftworkers	Apprentices' families
Dual system apprentices	Training levies through training funds	Apprentices' families Donor agencies The state budget if dual apprenticeship is introduced within TVET (the case in Benin)
Craftworkers, owners/entrepreneurs	Training levies through training funds	The craftworker him/herself through compulsory co-payment Donor agencies when they contribute to the co-payment
Young uneducated people, un- or poorly-trained adults	Training levies through national and sectoral funds (South Africa)	Enterprises when training is alternated between college and the workplace (dual training)

4. The AFD study's terms of reference

The study, to be conducted in 2006 by AFD's Research Department, set all its theoretical and practical assumptions within the above-defined context. It will be carried out

through field studies in the seven pre-selected countries (Angola, Benin, Cameroon, Ethiopia, Morocco, Senegal and South Africa).

4.1 The goals of the study

The AFD, with support from the international network of experts, GEFOP, proposes to conduct an in-depth study on the conditions and forms of investment in training in the informal sector. The study should achieve the following objectives.

First objective: to provide updated information on the how existing training systems meet the informal sector's skills training needs.

While existing studies provide information and analyses on the objectives of TVET and how it is organised, they have not tried to identify precisely the extent to which current systems have either ignored or taken account of the needs expressed by MSEs. There is therefore no way of verifying whether training strategies for the informal sector can be implemented by developing existing training organisations and schemes, or whether efforts to tailor training provision to economic and social needs outside the formal sector require a relatively comprehensive reorganisation of existing systems.

This first objective will therefore mean describing in great detail the relationship between established vocational training systems and the social and economic environment of the country studied, and identifying whether or not these systems have developed an appropriate response to the training needs of the entire working population and the whole range of economic stakeholders. In particular, it will require analysing the ability of the various central, regional and local systems to adapt their interventions and training provision to meet

economic and social needs and the context in which they have been expressed.

Second objective: to identify existing actions or schemes for acquiring knowledge and skills in the informal sector

While TVET in all countries is a fully-fledged part of the education system and duly desired and financed by the public authorities, some more or less structured ways of acquiring knowledge and skills exist outside the system. This is mainly through on-the-job apprenticeship in MSEs and self-apprenticeship. Often considered as traditional, apprenticeship is mainly used in technical trades. Self-training is almost the only way to acquire a minimum set of occupational skills in the services sector.

The study should identify the salient aspects of current apprenticeship and the types and levels of skills it can provide. It should particularly examine apprenticeship's capacity to shift away from a conservative context and create the conditions necessary for increased efficiency in informal sector production and service units. It should thus examine how the established training/production system is changing in order to take account of the skills shortage among enterprise owners and the need for more structured and more academic training for apprentices. Lastly, it should check whether there are any tacit or formal means for recognising skills acquired by apprentices or their bosses and analyse the possible impact such recognition has on the way they act.

The study should also analyse the means used for passing on professional conduct and knowledge in informal activities where apprenticeships do not exist. It should specifically identify the role played at this level by existing professional organisations and the way they act, or could act, as a driving force to transform the current situation.

Third objective: to analyse existing innovative training initiatives designed to stimulate the informal economy and move from a logic of survival to a logic of growth and development.

The GTZ study on informal sector training projects¹⁶ gives a preliminary insight into intervention opportunities in this area and provides a conceptual framework for presenting and analysing past and present experiences. It notably stresses that the primary goal of training interventions for MSEs should not be to attain educational objectives but, more importantly, to improve socio-economic circumstances and particularly alleviate poverty. It also provides some very interesting insights into the way training interventions can be placed in a more global framework of interventions co-ordinated by the various stakeholders, and into the desirability of including training activities in an overall package of services designed to contribute to the sector's quantitative and qualitative development.

The STATECO study highlights different trends in the informal economy and its importance in the economies of the seven major cities analysed. However, it makes a statement which requires analysis and verification: informal sector entrepreneurs rarely mention the need for support programmes (technical training, training in management, etc.) and only 7% of them say that they have encountered difficulties in finding skilled labour.

The work to be carried out will take account of the above-mentioned analysis, whilst at the same time emphasising the description of current practices for improving the informal sector's knowledge and skills levels in the selected countries. Drawing on the methodology developed by GTZ, the following elements should be underlined:

- the context: identification of the issue, current and possible stakeholders, concepts and assumptions underlying the action;
- the process: description of the intervention, milestones and critical points, obstacles and facilitating factors, role

of the stakeholders responsible and possibly benefiting from the action;

- impact: co-ordination and evaluation, results and impact achieved with regard to established indicators;
- lessons to learn: replicable good practice, principles raised, innovative aspects that could be exploited.

Fourth objective: to determine the optimal conditions for adapting public and private training provision to the needs of the informal sector

Achievement of the first three objectives should provide greater insight into the different features and priorities of existing TVET systems. This should also clarify how knowledge and skills are really acquired through existing forms of apprenticeship and self-learning and help to identify the dynamic factors that facilitate change and redeployment of efforts in pilot schemes focused on training those in the informal sector.

The study will take established observations as a starting point in order to analyse the conditions needed to change existing situations and to provide support tools for stakeholders on the ground, and for vocational training project and programme managers who want to intervene in the informal economy in a structured and efficient manner. It will open up areas for further consideration enabling them to:

- access tools for identifying existing skills in informal trades and, if necessary, to develop strategies for recognising and upgrading skills;
- promote optimal synergy between training actions in the formal and informal sectors;
- encourage innovative and efficient training schemes for young people and adults in the informal sector, in co-ordination with all of the stakeholders concerned;
- bring all existing measures together into a coherent organisational, institutional and (if necessary) legal and legislative framework, thus combining all of their micro, meso and macro effects;
- introduce financing instruments that establish a single process for defining objectives to be achieved, involving stakeholders, co-ordinating training action management and evaluating the effectiveness and impact of results.

¹⁶ GTZ (2004), Projects/Programmes aimed at Economic Improvement and Poverty Alleviation through non-formal training in Sub-Saharan Africa.

4.2 Methodology of the study

The study will work on the basis of assumptions resulting from the studies carried out in the sector. They may be defined as follows:

- Training interventions in the informal sector should be considered in context, in other words as one of a number of elements in a support framework designed to improve economic as well as social, institutional, organisational and human circumstances. Bearing in mind the analysis carried out by STATECO on the current situation regarding IPUs in seven WAEMU cities, it is evident that skills and training support is only relevant for those who run IPUs if it is part of an action designed to facilitate their access to product and service markets. The study should therefore describe any training support in the informal sector in terms of the optimal conditions for ensuring its efficiency;
- The pre-requisite for ensuring the efficiency of informal sector training is the active involvement of the different stakeholders concerned in all stages of the intervention. The studies mentioned in the introduction stress the unalterable nature of such involvement both for defining the purpose and objectives of an action and for organising its different phases: identification of requirements, needs analysis, training solution design, selection of providers and evaluation of the efficiency and effectiveness of results achieved;
- It is impossible to separate the overall quality of provision in the informal sector from that of the type of financial instrument used. The Europe/Africa comparability study of existing financing mechanisms in eight countries¹⁷ clearly indicates that a training action has much more chance of success if there is a good interrelationship and match between the objectives set, stakeholders involved, resources deployed and financing instruments established.

On the basis of these assumptions, the study will include analyses of IPUs in seven African countries. They have been selected for the diversity of their economic and social circumstances and vocational training policies: Angola, Benin, Cameroon, Ethiopia, Morocco, Senegal and South Africa.

The major phases of the study, from analysis of each country's situation to completion of the overall report, may be described as follows:

A field survey of the main informal sector stakeholders

This will be carried out through week-long visits to each country concerned. The following people should be interviewed during the visits:

- those responsible for national vocational training policy;
- representatives of professional organisations practising traditional apprenticeship;
- representatives of organisations that have created and/or implement new forms of informal sector training;
- representatives of social partners who are members of the various advisory committees in the field of vocational training;
- informal sector training providers;
- groups of beneficiaries;
- representatives of national and international donors involved in financing training for the sector's workers;
- country experts who have worked on the evaluation of past or present training schemes.

To carry out the field survey in the best possible conditions, the best people to interview must be identified prior to the visit and, if possible, they must be provided with a list of questions some days beforehand.

Country studies

Each field survey will be written up in a country report of about thirty pages, which should broadly be structured as follows:

- the informal sector's situation in light of the country's economic and social realities: priority sectors for intervention, characteristics of jobs offered, contribution to wealth creation in the country, interaction between the formal and informal sector, etc;

¹⁷ Walther, R., (2005), Financing Vocational Training: a Europe-Africa Comparison, Notes and Documents, AFD.

- analysis of existing or potential links between the established vocational training system and informal sector training: nature of existing relationships between training establishments and occupational organisations representing the informal sector, whether any training providers work in both sectors, attempts to develop traditional apprenticeship using dual training or alternate periods of college training and work placements, relevance of continuing training provision to IPU's specific needs, etc;
- specific training interventions in the informal sector: identification of the most significant projects, their objectives and content, stakeholders involved and target groups, activities carried out and results obtained;
- conditions for financing and running selected projects: the public/private and national/international partnerships established for both promoting and financing the actions, planned/established success indicators and management tools, evaluations done and lessons learnt in terms of conditions needed for achieving effectiveness, for establishing the action in the long term, and for replicating the training activities elsewhere;
- methods for recognising and accrediting skills and qualifications acquired by the beneficiaries of training actions in the informal sector: has work experience been identified or validated prior to the training, are the training actions part of an organised qualifications system, or are they subject to any other type of accreditation or validation?
- the relationship between training, poverty alleviation and access to a decent job: how have the projects described and assessed helped the beneficiaries to get trained while enabling them to make a living and increasing their chances of finding a more stable job?
- how can the resulting observations and conclusions be used to develop a structured approach to informal sector vocational training that would help raise the sector's level of skills and qualification?

A summary report on the situations and major trends regarding informal sector training in Africa

This will summarise the main points raised in the country studies. It will notably respond to the main issues raised by the study's four objectives:

- the need to overhaul existing formal training systems in order to take account of the informal sector's skills and training needs;
- the strengths and weaknesses of the ways stakeholders in the informal sector acquire knowledge and skills;
- dynamic and innovative practices identified and used to help the informal sector become more skilled and move from a logic of survival to a logic of growth and development;
- the conditions required for the development of appropriate training solutions tailored to the different target groups, their circumstances and the need to recognise, enhance and transform the informal sector;
- the initial elements of an approach to the financial realities of informal sector training.

The conclusions of the summary report will focus on the conditions and means of stimulating the informal sector through vocational training.