



**RESTLESS  
DEVELOPMENT**

## REFOCUSING SKILLS DEVELOPMENT BUDGET TO TARGET INFORMAL SECTOR'S POTENTIALS

### Introduction

The term “informal sector” was used for the first time in reports on Ghana and Kenya prepared under the ILO World Employment Programme in the early 1970s. The term is commonly used to refer to that segment of the labour market in developing countries which have absorbed significant numbers of jobseekers, mostly in self-employment, and to workers in very small production units.<sup>1</sup> Informal activities are often characterized by low levels capital, skills and lack of access to organized markets and technology. Moreover, others include, low and unstable incomes, climate effects, not forgetting poor and unpredictable working conditions. Informal activities are often outside the scope of official statistical enumeration and government regulations and are also beyond formal systems of labour and social protection.<sup>2</sup> Some studies suggest that the smallest enterprises are the most likely to become informal.<sup>3</sup>

Constraints to skills development are different in the informal sector. These have included low levels of education, multi-skilling needs (technical, finance, business, marketing), low capacity to identify training needs, lack of information to training benefits, high opportunity cost of training (need to work!), limited cash flow for training, limited supply catering to the informal sector, lack of economies of scale means higher unit training costs.

Preparing human potential for any country is key to its economic success. Youth in particular, cover the largest part of human resources in production and services sectors that are estimated to be two thirds of the workforce.

1 *International Labour Organization; World Employment Programme*

2 *International Labour Organization; World Employment Programme*

3 *Anand, 1999*

However, this resource is meaningful when trained and adapted to employment. Moreover, there is big potential for employment opportunities in the informal sector and particularly in the agriculture sector which has not been fully exploited.

This analysis assesses the opportunities and needs for the special skills development plans and budget to cover the most critical sub-sectors that offer a great number of employment. Special attention will focus on the New strategy to involve youth in Agriculture named '*Building A Better Tomorrow: Youth Initiatives For Agribusiness, (BBT-YIA) 2022-2030*".

### **Size of informal Sector**

There has been an outcry on the increase of unemployment amongst graduates in the country, as the country (Tanzania) is organizing programs and plans to help unemployed youth through vocational institutions to attain formal employment. However, the greatest employment potential lies in the informal sector which has not yet received enough attention.

It is estimated that Tanzania has three million Small and Medium Enterprises (SMEs) in which 75% are self-employed with no other source of income.<sup>4</sup> Integrated Labour Force Survey report indicates a rise in proportion of own paid account workers from 47.4% in 2014 to 54.3% in 2021. Most of them are in the informal sector, particularly smallholder agricultural households.<sup>5</sup>

The Informal Sector Survey conducted by National Bureau of Statistics, revealed how stakeholders in the informal sector namely, Machingas and Mamalishe/Babalisse contribute to the Dar es salaam economy which is an economic hub in the country. The sector contributes TZS 6.2 trillion. The report further states that 767,904 households were interviewed and found to own and operate 1,023,520 SMEs, in services, agriculture and rentals i.e. rooms and houses respectively, in that order of economic income. All these sub-sectors have no clear training plan opportunities for the service providers. In the case of loans and other support, 91.1% depend on municipalities to get support

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<sup>4</sup> Executive Director, *SELF Microfinance in Dodoma during launching of the National Economic Empowerment Council Week, May, 2022.*

<sup>5</sup> *Integrated Labour Force Survey, released on 2021*

services. However, the loans in the municipalities are provided without formal support training<sup>6</sup>.

While discussing the informal sector, we cannot ignore the gender perspective. In some countries it is estimated that two-thirds of the informal sector workers are women.

Women are often driven to the informal sector due to lack of education and skills which explains their subsequent exclusion from more lucrative jobs where more sophisticated technical skills are needed.<sup>7</sup> On overall, 4 women face more significant barriers than men in their struggle to livelihood, e.g, lower pay, lack of access to adequate education, training and capital, and exclusion from the policy making process.<sup>8</sup>

Many of these SMEs are struggling to overcome stagnation. Therefore, the development of relevant skills and knowledge is a major instrument to improved productivity, better working conditions, and the promotion of decent work in the informal economy. Better still, less work-intensive and safer technologies can raise productivity and income; reduce workload and occupational risks to health and safety and an improvement in products, while new skills and knowledge can open doors to more economically and socially rewarding jobs.

In this regard, policies which favour commercialization and value addition of agricultural produce are important in enhancing income generation and increased productivity. Such policy options will not only change the structure of labour force but will also have benefits in creating more meaningful employment opportunities and widening the tax base.

### **Policy Setup on Skills Development**

One of the key pillars in the FYDP III<sup>9</sup> is the development of human potentials through skills development. To put this in action the National Skills Development Plan (NSDP) was developed to facilitate smooth implementation.

National skills development plan is committed to vocational training to empower people to access jobs. However,

6 *The Informal Sector Survey conducted by National Bureau of Statistics, 2019*

7 *ILO 1995*

8 *Bakke-Seeck, et al.*

9 *Five Years Development Plan, 2021/25*

setting enough budget for the informal sector trainings and financing is a crucial move towards stimulating economic growth through SMEs.

### **Programs to Empower Youth in Skills Development**

The Prime Minister's Office runs a National Skills Development Program which is funded mainly from government sources and other Development Partners (DPs). The program is implemented through vocational training centers.<sup>10</sup> The PMO budget speech for 2022/23, states that the Program for Skills Development has benefitted 18,956 people, of which, 5,538 got apprenticeship in vocation skills and 77 were People with Disabilities (PWDs). A total of 10,178 prior skills were recognized amongst were PWDs. Moreover, of the 3,240 youth who got internship opportunity, 92 were PWDs. However, business owners find it difficult to employ young people, as their skills are more generalized. For instance, training institutions conduct courses in agriculture as animal science, while the market needs specific skills such as in poultry skills or dairy farming.<sup>11</sup>

For the year 2019/2020 the Pastoral farming contributed 7.4% to the national GDP. However, no specific program for livestock keepers like the Maasai, has been prepared.<sup>12</sup> On the other hand, there is a need for policy efforts which target to harness potentials in non-traditional and emerging sectors such as art and craft, sports and entertainment which of late have been earmarked as potential areas for youth employment.<sup>13</sup>

### **New Initiatives to Involve Youth in Agribusiness, 2022 - 2030**

- 10 <https://vyuonavyuovikuu.ccm.or.tz/articles/26/nafasi-za-mafunzo-ya-ufundi-stadi>
- 11 *Majadiliano ya Tathmini ya Mnyororo wa Kuku na Masoko Tanzania, Yaliyofanyika 05.05.2020 na Kusimamiwa na SUGECO Majadiliano ya Tathmini ya Mnyororo wa Kuku na Masoko Tanzania, Yaliyofanyika 05.05.2020 na Kusimamiwa na SUGECO*
- 12 *Ofisi ya Waziri Mkuu - Kazi, Vijana na Wenye Ulemavu inatekeleza programu ya kukuza Ujuzi na stadi za kazi stahiki ili kumudu ushindani katika soko la ajira. Miongoni mwa mafunzo yatayotolewa ni Ubunifu wa Mitindo na Ushonaji Nguo, Ufundi Bomba, Uashi, Useremala, Uchomeleaji na Uungaji vyuma, Upakaji rangi na maandishi ya alama, Utengenezaji wa vipuri vya mitambo, Ufundi Magari na Mitambo, Umeme wa majumbani na viwandani, TEHAMA, Umeme wa Magari, Huduma za Hoteli na Utalii, Madini, Kilimo na Uchomeleaji na uungaji vyuma.*
- 13 *Integrated Labour Force Survey, released on 2021*

Building a Better Tomorrow: Youth Initiatives for Agribusiness (BBT – YIA), 2022-2030 is the new strategy promulgated by the Minister for Agriculture. BBTYIA has prioritized value chains with fast turnover and other attributes that are youth friendly. The value chains and related modes, include cereals, oil seed, horticulture, poultry, fresh produce marketing, agro-dealership, agro-service, agro-processing, value addition and food services.

### **Old Strategy for Involving Youth in Agriculture, 2016 – 2021**

The National Strategy for Youth Involvement in Agriculture (NSYIA), 2016 – 2021 was aimed at facilitating and building capacity for youth for self-employment. The strategy also contributed to the implementation of the National Agriculture Policy (2013) through the second phase of the comprehensive Agricultural Sector Development Programme (ASDP II) in creating enabling environment for attracting the youth to participate in agricultural economic activities along the value chain.<sup>14</sup> However, a more thorough review is needed to document the success and challenges of the NSYIA so that the lesson learnt could contribute more to the implementation of the new programme.

### **Milestones for BBT-YIA**

The key milestones for BBT-YIA cover a period of eight years; BBTYIA intends to achieve 12,000 profitable enterprises across 12,000 villages in the country. The programme aims to start training 200,000 youth, involving 20,000 youth in internship programs, and mentoring and coaching 15,000 youth led agribusinesses through incubation programs. The selected beneficiaries will be categorized into 4 clusters:

- i. Cluster-1 youth entrepreneurs in established agribusinesses,
- ii. Cluster-2, youth entrepreneurs whose agribusinesses are yet to be established,
- iii. Cluster-3 youth trained to be the workforce in established agribusiness; and

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<sup>14</sup> *The National Strategy For Youth Involvement in Agriculture, 2016-2021*

- iv. Cluster-4 Youth with no interest in agriculture.

It is important that the strategy have benchmarks in recruitments for the youth who will participate in the program. The benchmarks should consider gender and inclusiveness. This will ensure fairness in the recruitment process for beneficiaries.

### **Implementation Arrangements and Budgeting For BBT-YIA**

These milestones will be attained through the spirit of Public Private Partnerships (PPPs) involving at least 70 Non-Governmental Organisations (NGOs), public and private institutions and farmers, and development institutions in the youth agribusiness ecosystem. The Ministry of Agriculture remains the facilitator and coordinator of BBT-YIA. The BBT-YIA estimated budget is TZS 356.199 billion (USD 148,416,167) of which 24% of the budget will come from the Government (MoA and PORALG) and the remaining 76% from Development Partners, NGOs and the private sector. Important to note is that, the government's dedicated share of 24% leaves most of the burden to the private sector and donors who are not directly committed to the plan. Furthermore, the Government should integrate other Ministries relevant to Agricultural sector especially the Ministry Livestock and Fisheries into the BBT-YIA program, especially in budget allocation; considering that, livestock and fisheries are part of agricultural sector and have high impact in employment and livelihood development.

On the other hand, the National Budget for 2022/23 under MoA dedicated TZS 3 billion for youth block farming. However, the said funds do not suffice the number of youth in agriculture and their needs.

### **Conclusion and Recommendations**

This brief commends the 6<sup>th</sup> phase Government for the new initiatives in spearheading the skills development and employment creation through agriculture sector which is the backbone of the Tanzanian economy and livelihood of its people. However, a few recommendations are worth noting for Government's consideration.

- i. The Strategy to improve productivity in the informal sector should also include, putting skills

development in the informal sector as number one agenda. Special budgets for skills provision for SMEs in informal sector should be highly considered. This will enable special trainings in business skills and entrepreneurship development, alongside customer care. These have been earmarked as key challenges that will revolutionize these informal enterprises and become the engine of economic development. The result will be more employment and better service delivery while enhancing further economic prosperity.

- ii. Redesign skills development courses to cater for market needs. Courses which are normally taught in general terms like animal science should be specific to poultry production, dairy keeping and/or piggery production. This will go hand in hand with the requirement of the market needs whereby companies will be formed on those lines. Again, introduction of rare courses such as arts and crafts, entertainments, horticulture, fisheries which have a wider range in employment creation should be encouraged.
- iii. Skills development should address current market needs of the time in society. For instance, provision of engineering training needs to be added as part of the production concept to in-plant in young people the spirit of production. Increased productivity for economic prosperity, training of the SMEs and adding innovation in their enterprises will enhance growth of the firms and become sustainable, hence productivity increase and a long-term economic growth.
- iv. Strong efforts should be employed in the preparation of the budgets to enhance the role of the private sector in the creation of new employment for the youth in informal sector. This is because, the private sectors' potential in the creation of decent, standard, and sustainable employment opportunities is higher compared to public sector related opportunities, which are highly limited. This, however, needs to go hand in hand with the creation of better environments for private investment, business operation and sustain current innovations in informal sector and promote graduation and formalization of both local and foreign investors.

- v. Skills development in the agriculture sector will contribute greatly in assimilating and or developing high impact Agri-tech technologies in very different areas of agriculture to become modern, upgraded and able to cope with climate change effects.
- vi. For a better skilled manpower, agriculture technical education should be fused with entrepreneurship skills. This will help young people to connect with available agricultural opportunities for better livelihood.
- vii. Government should increase its funding/contribution in the implementation of the BBT-YIA program to reach at least 50%. This will demonstrate its commitment in solving youth unemployment in the country. Moreover, the government should invite private sector to sign a commitment in implementation of the BBT-YIA scheme.
- viii. The issue of gender inclusion in the BBT-YIA program should be given a priority so that all young women and men have equal opportunities of participation in the program without living aside PWDs.