



**UNITED NATIONS SPECIAL INITIATIVE ON AFRICA:  
POVERTY REDUCTION THROUGH THE PROMOTION  
OF THE INFORMAL SECTOR AND EMPLOYMENT  
GENERATING OPPORTUNITIES**

**PROGRAMME OF ACTION**

**REPORT BY THE UN INTER-AGENCY TASK FORCE ON  
POVERTY REDUCTION AND EMPLOYMENT**

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**EXECUTIVE SUMMARY**

1. The agencies that volunteered to serve in the UN Inter-Agency Task Force on Poverty Reduction in Africa through the Promotion of Informal Sector and Employment Generating Opportunities (Component 15) were ILO and ECA, as co-lead agencies, FAO, World Bank, UNDP, WFP, UNESCO, UNIDO, IFAD and Office of the Special Co-ordinator for Africa and Least Developed Countries of the UN Department of Economic and Social Affairs (UN DESA/OSCAL). The Task Force was expected to develop concrete proposals for consideration by the ACC Steering Committee on the Special Initiative on Africa.

2. The programme of action as presented here is designed to fulfil this expectation. It has six sub-programmes namely,

- a) Enabling Environment for Informal Sector development;
- b) Access to financial services;
- c) Education and training;
- d) Industrial and manufacturing activities;
- e) Rural Non-Farm Activities; and
- f) Infrastructure.

3. While these sub-programmes are treated in isolation for ease of presentation, during implementation, the linkages and interaction of the sub-programmes should be exploited through simultaneous and co-ordinated implementation. For instance, enabling environment and access to financial services and training run through all the sub-programmes. Serious attempts are made to maintain a gender focus in all the sub-programmes. The participation of women and youth in the urban and rural informal sectors is therefore, given special attention. For sustainability, the participation of the private sector is stressed alongside the public sector, NGOs and donors. The estimated total cost of the component programme is US\$1.5 billion, over 5 years in some 20 African countries.

### **Enabling Environment for Informal Sector Development**

4. Each sub-programme of the component is designed to begin with a review or study of the situation. Such studies are aimed at identifying the "best practice" which could lead to replication elsewhere. Various studies have revealed a number of constraints which inhibit the contribution of the informal sector to greater employment creation and incomes. These range from the absence of a comprehensive policy framework for the sector's development, lack of basic infrastructure and other support services, lack of skills and technologies, lack of access to credit and finance, absence of appropriate institutions to address the sector's needs and lack of comprehensive data and information on the sector.

5. Nevertheless, the informal sector has increasingly become the employer of last resort in Africa, and hence crucial in the formulation of a comprehensive strategy for employment creation, and poverty reduction. Therefore, the informal sector forms an integral part of African economies and will continue to be important for the foreseeable future and should figure in the new development agenda. The provision of an enabling environment to enhance the effectiveness of the informal sector, requires a series of interventions ranging from appropriate macro-economic policies, reform of government policies, regulations, and institutions, providing appropriate incentives, developing marketing networks between formal and informal sectors, and provision of physical and administrative infrastructures. It entails improvement in governance, the legal and regulatory environment and information. It is also imperative to address the institutional and micro-level constraints which affect the sector, including support to informal sector associations.

6. Overall, the long-term objectives of the sub-programme on improving the enabling environment is to create the right conditions for a more dynamic informal sector which can contribute to social development in Africa through efficient production of goods and services, and the creation of employment and incomes, for the reduction of poverty. Interventions and activities are designed at various levels: government/policy level, institutional, and micro levels. The total cost of the sub-programme is estimated to be US\$265 million.

### **Micro-finance for Poverty Reduction**

7. The problem of access to finance/credit is arguably one of the severest constraints which the informal sector has to contend with. The sub-programme seeks improved access by informal sector operators to sustainable financial services. The goal is to enable the poor to raise their assets and incomes through convenient savings instruments and credit, to support income generating activities. This is to be accomplished through

deepening the financial system through institutions capable of providing suitable financial services on a long-term basis to the lower income population.

8. Specifically, the sub-programme proposes to improve the effectiveness and outreach of micro-finance through "best practices" methodologies and performance and to build and strengthen the capacity of policy makers and regulators to provide an enabling policy, legal and regulatory environment for micro-finance institutions and the informal financial sector. It also seeks expanded access to more sustainable and comprehensive financial services. The sub-programme also entails workshops, seminars, networks and training programmes for practitioners and policy makers and technical assistance. The entire cost of the sub-programme is \$200 million.

### Education and Training

9. The sub-programme deals with vocational training for the informal sector. The development objective is to build up national capacities in the development of comprehensive and coherent policies for skills training, and institutional frameworks for informal sector training for sustainable employment, income generation and poverty reduction. Like in other sub-programmes, it is proposed to follow a best practice strategy with special care to ensure that appropriate policy measures and approaches are adapted in the African context. Experience with Competency Based Training programmes in Africa and Asia has demonstrated the suitability of the approach for the promotion of self-employment and income generating activities. Other approaches such as Skills Development for Self-Reliance have also been known to work in some African countries.

10. Organisation and delivery of training courses should be flexible and adaptable given the wide range of possible training programmes in terms of forms, content, clients - individuals or groups, literacy and educational levels. The implementation of the programme involves preparatory and implementation phases. It also involves the identification of anchor institutions which will be in charge of ensuring the sustainability of sub-programme impacts, disseminating its skills improvement effects, and providing post-training assistance. The budget for the sub-programme is estimated at US\$25 million.

### Industrial and manufacturing activities

11. The sub-programme focuses on the strengthening of informal industrial and manufacturing enterprises and related associations the up-grading of their technologies and management, including the identification of the new market opportunities for finished products. The sub-programme proposes a market oriented and multi-faceted

approach involving the establishment of support services for the informal sector and a network of partners both public and private to facilitate access to new markets.

12. The sub-programme also proposes a "best practice" strategy similar to other sub-programmes but calls for very close co-ordination with the sub-programme on rural non-farm activities. A detailed review in each participating country of the existing environment and services being provided will be undertaken in order to establish the potential for improved services and taking into account the best practices worldwide. In this regard, care will be taken to adapt experience elsewhere to the African situation. A pilot phase will be undertaken before wide replication of the programme. A budget of US\$45 million is envisaged for this sub-programme.

### Rural Non-farm Activities

13. The development objective of this sub-programme is to contribute to the reduction of poverty by increasing employment and incomes, and promoting the growth of productive assets in the rural non-farm sector in particular and in agriculture and rural areas in general. The supportive roles of rural non-farm activities in increasing and sustaining agricultural growth and vice-versa are considered to be crucial. It is proposed that a programme be mounted to strengthen national capacities and institutions to promote rural non-farm activities. Serious attempts will be made to identify typologies of rural non-farm activities, where success has been realized, thus identifying best practices.

14. The choice activities will be those with growth potential, and those which are likely to have the biggest impacts on disadvantaged groups such as women and youth. Capacity building is proposed with training for programme staff and beneficiaries. The success of the training programmes will be judged on the basis of capacity to carry out various developmental activities and supporting services for the establishment or strengthening of rural production units.

15. For sustainability reasons, funds for rural informal sector activities will be provided on the basis of feasibility studies and on the potential for stimulating increased agricultural production, rural incomes and employment, and where technical and economic studies indicate potential for success. The overall sub-programme cost is estimated to be US\$40 million.

### Employment generation through labour-intensive works

16. A general lack of basic infrastructure characterizes much of Africa. Much of what is available is over-stressed, run-down and in need of up-grading. Much of the

work that needs to be done to improve the situation, can be accomplished by using labour or local based techniques to generate productive employment to reduce poverty. Numerous studies have demonstrated viability of labour based technologies especially where there exists a large number of under-employed persons, and local construction materials, and low wage structures, shortage of conventional construction equipment, and high capital costs prevail.

17. The sub-programme proposes to strengthen the capacity of 21 countries to formulate and implement policies and programmes, which use the labour based approach to develop infrastructure in both rural and urban areas. The six elements which are geared to provide the necessary infrastructure include the establishment of a focal point for developmental labour intensive works, support for labour-based contracting in the rural roads sub-sector, support for labour-intensive community works, small-scale development of rural water infrastructure by labour-based methods, labour based-urban up-grading, and improvements to local transport in rural areas. Some of these elements could utilize the food for work approach where appropriate. The estimated total cost of the entire sub-programme is US\$950 million.

#### Political and Resource Mobilization Strategy

18. As outlined in the sub-programmes, various meetings/workshops to mobilize political and donor support are envisaged at regional, sub-regional and national levels. Some resources will also be raised through new initiatives of UN agencies and existing networks which have in-built strategies for fund raising.

19. It is hoped that once the ACC steering Committee on UNSIA endorses this programme of action, it will transmit it through the UN Resident Co-ordinator system, to be taken into account in implementation of programmes at national level, and to participating U.N. Agencies for co-ordinated implementation at sub-regional, regional and global levels.

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**THE INFORMAL SECTOR AND EMPLOYMENT**  
**GENERATING OPPORTUNITIES**

**Introduction**

1. The UN Inter-Agency Task Force on Poverty Reduction in Africa Through the Promotion of the Informal Sector and Employment Generating opportunities, was established following the agreement reached at the 4th Meeting of the ACC Steering Committee on the Special Initiative on Africa, which was held in Nairobi Kenya, on 27 April 1996. The meeting agreed on the role of lead and cooperating agencies and the re-grouping of some priority components of the UN System-Wide Special Initiative on Africa. One of these components (No. 15) is on Poverty Reduction Through the Promotion of the Informal Sector and Employment Generating Opportunities. The agencies that volunteered to serve in this priority area were ILO and ECA, as co-lead agencies, FAO, World Bank, UNDP, WFP, UNESCO, UNIDO IFAD and Office of the Special Co-ordinator for Africa and Least Developed Countries of the UN Department of Economic and Social Affairs UN DESA/(OSCAL). The Task Force was expected to develop concrete proposals for consideration by the ACC Steering Committee, Special Initiative on Africa. This report is designed to fulfil this expectation.

2. The programme of action of the UN System-Wide Special Initiative on Africa (UNSLA) Component 15 on Poverty Reduction through the Promotion of the Informal Sector and Employment Generating Opportunities has six sub-programmes namely:

- a) Enabling Environment for Informal Sector Development;
- b) Access to Financial Services;
- c) Education and Training;
- d) Industrial and Manufacturing Activities;
- e) Rural Non-Farm Activities; and
- f) Infrastructure

3. While these sub-programmes are isolated for ease of presentation, in the implementation of the programme there are important linkages and interactions between them and there is a recognition of the need for an integrated approach to the support of the informal sector. The various interventions outlined hereunder are likely to be more successful when implemented together as a package. The gender focus will be maintained in all the sub-programmes. Women and youth participation in the urban and rural informal sectors will be given special attention.



4. The purpose of this report is to outline the sub-programmes of the component more specifically and spell out essential measures, and programmes for implementation in support of the informal sector. A key objective of the component is to intensify efforts to reduce poverty by expanding employment, incomes and productivity in informal sector activities.

### **SUB-PROGRAMME 1 ENABLING ENVIRONMENT FOR INFORMAL SECTOR(S) DEVELOPMENT**

#### **Background and Justification**

5. The informal sector is increasingly becoming the employer of last resort in Africa, and as part of the comprehensive approach to poverty reduction, the creation of an enabling environment is required for enhancing the effectiveness of the informal sector both in rural and urban areas. The provision of an enabling environment includes a series of interventions ranging from appropriate macro-economic policies, reforming of government regulations, policies and institutions, providing appropriate incentives, developing marketing networks between the formal and informal sectors, and provision of physical and administrative infrastructures. It also involves improvement of governance, the legal and regulatory environment, and information especially the development of statistics on the informal sector.

6. Each sub-programme of the component is designed to begin with a review or study of the situation and this also is true with respect to the enabling environment. Such studies will be aimed at identifying the "best practice" which could permit replication elsewhere. Various studies have revealed a number of constraints that inhibit the contribution of the informal sector to employment creation and incomes. These range from the absence of a comprehensive policy framework for the sector's development, lack of basic infrastructure and other support services, lack of skills and technologies, lack of access to credit and finance, absence of appropriate institutions to address the sector's needs and lack of comprehensive data and information on the sector.

7. One of the major concerns have been the inability by the Informal Sector to link up with medium and large scale corporations. One of the challenges facing many African governments today, is how to devise practical programmes and schemes that enhance the informal sector's competitive position in meeting both the employment challenges as well as the exacting needs of the informal sector itself.

8. The recognition by international agencies and governments of the importance of the informal sector in job creation, poverty reduction, assets, buildings, industrial skills and entrepreneurship development places the sector in a priority position for assistance

through comprehensive programmes and concerted efforts. The Informal Sector is of strategic importance both in the short-term and long-term in so far as job creation and eventual balanced growth of most sectors of the African economies, requiring much more comprehensive and responsive interventions at government, institutional and micro-enterprise level.

9. With a growing recognition that expanding employment opportunities for the poor is the most effective means of reducing poverty and income inequality, the element on enabling environment proposes a comprehensive approach and concerted effort to support the informal sector. This will be achieved through the examination of the following conditions: macro-economic policies, monetary and fiscal policies, taxation, liberalization/deregulation, tariffs etc. with special emphasis on the needs of the informal sector.

10. When creating an Enabling Environment for the I.S action should be taken to ensure that key factors for Informal Sector development are put into place. Sensitization of government officials, commercial banks and other important organizations to accept the Informal Sector as an important contributor to social and economic development and consequently, encouraging them to establish an enabling environment for the needs and peculiarities of this sector, and for I.S. representatives to participate in Advisory Boards to be created in the selected countries.

11. The effects of trade liberalisation and their implications for the informal sector should be monitored by African governments and their development partners. When Trade liberalisation policies are introduced, little or no attention is given to the informal sector concerns. At policy level, macro-economic policies such as deregulation, taxation rules, import procedures and duties and the overall structural adjustment policies need to be streamlined to take into account the needs of the Informal Sector.

12. The regulatory environment relating to the informal sector such as lengthy registration procedures, land and location approvals etc. all require a strategically thought out programme which will contribute to the sector's improved productivity. Alternative ways will be examined to make the regulatory environment more conducive to the sector and to enforce the crucial regulations in a uniform, transparent and humane manner based on an incentive system. Information campaigns aimed at increasing awareness of beneficial effects of regulations will play a crucial role.

13. The viability of many informal sector enterprises depends on their informality and the absence of formal regulation. Any attempt made to enforce the conventional laws and regulations on the informal sector would drastically reduce the sector's capacity to create jobs.

14. In addressing the issues of the informal sector, one needs to address not only the issues of Enabling Environment for the Informal Sector, but also the institutional and micro level constraints that affect this sector. A market oriented approach will be maintained. Without prejudice to the market framework for the development of the informal sector, attention will be given to market imperfections and discrimination against the sector with a view to improving its access to various markets for goods and services.

#### Development objectives of the sub-programme

15. The long term objectives are to:

- a) create the right conditions for a more dynamic and better regulated Informal Sector which will gradually be able to contribute to the acceleration of the socio-economic development process in Africa;
- b) increase the efficiency in the production of goods and services and in the creation of employment and incomes; and
- c) improve the well-being of the poorest groups of producers with particular reference to the micro-scale industries and other areas with the greatest employment potential.

#### Immediate objective

16. The immediate objective is to initiate a sustainable process such that:

- the informal sector actors will exchange views on what needs to be done to improve the sector's performance
- the Informal Sector enterprises can be encouraged to identify, analyze and prioritize their problems, and to formulate and implement appropriate strategies and action plans; and
- assistance will be provided to the Informal Sector operators to organize themselves in a regular and suitable institutional and legal framework (in order to encourage a participatory approach to development which is crucial for success and sustainability).

### Analytical Focus:

**17. At institutional level:** Central and Local government policies affecting the informal sector will be assessed and evaluated. These will include rules governing zoning, registration, health etc. and overall regulatory environment, access to land and work sites, institutional and micro-level constraints will be addressed with a view to identifying ways to simplify the regulatory framework and its application. Other aspects such as access to resources, training, technologies, finances will also be evaluated.

**18. At the micro-level:** Possibilities will be evaluated for targeted interactions with the operators to promote collective action at grass roots through formation of associations based on sector/activities in order to influence policies that affect operators. Initially, the programme of action for Enabling Environment for Informal Sector activities will cover the following 22 countries at an estimated budget of US\$265 million : Ethiopia, Eritrea, Ghana, Nigeria, Cameroon, Kenya, Zimbabwe, Uganda, Zambia, Tanzania, Mozambique and Malawi, Burkina Faso, Congo, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Niger, Senegal and Egypt. However, all African countries which are interested in this programme will be covered.

### Activities:

**19.** In addressing the concerns of the Informal Sector, the programme will target the following interventions:

#### At Government/Policy Level

- a) Identification of what needs to be done to influence policies and government structures in support of informal sector activities. Statistical surveys will be undertaken for more qualitative and quantitative information on the operations of the I.S.
- b) Training targeted at senior government policy makers and planners, as well as legislators to strengthen their capacities to deal with major policy and strategic issues related to informal sector.
- c) Designing of equitable policy environment for the I.S. through studies that will bring out I.S. requirements and ensure closer co-ordination of informal sector programmes and policies with other on-going development activities.
- d) Measures that stimulate informal sector activities through establishment of adequate I.S. infrastructural support, including market places and facilities, physical environment, utilities, and access roads.

### At Institutional Level

20. a) Determine technical assistance for strengthening local government capacities to formulate and implement local level policies that will enhance informal sector activities and development.
- b) Re-orient taxation, registration and land ownership procedures to eliminate bias against the informal sector.

### At Micro-Enterprise Level:

21. Strengthen and support collective action at grassroots level through; amongst others:
  - a) involving the grassroots in the policy dialogue,
  - b) building capacities for initiatives to create product/activity associations: Assistance to groups and associations in devising actions to overcome their problems by elaborating and implementing micro projects.
  - c) provide relevant training and technical support to the grassroots level informal sector associations.
  - d) information dissemination on opportunities and services available for informal sector expansion and sustainability. Linking the Informal Sector operators associations, or groups with representatives of formal sector and holding national, sub-regional workshops and one international conference.

### The major Outputs of the enabling environment component will be:

22. At Government level: Coherent policies for Informal Sector promotion in 22 African countries. Sensitized decision-makers in the promotion of the Informal Sector.
23. At Local Government and Institutional level: Rules and regulations relating to informal sector operations will be streamlined. Sensitized decision-makers in the promotion of the informal sector.
24. At Micro-Enterprise level: Sector/Activity associations created and strengthened. Informal Sector empowered to voice and advocate their interests.

## **SUB-PROGRAMME 2: ACCESS TO FINANCIAL SERVICES**

### **Micro-finance for Poverty Reduction:**

#### **Background and justification.**

25. The problem of access to finance/credit is arguably one of the severest constraints which micro and small-scale entrepreneurs have to contend with. This is true for both the urban informal sector and rural non-farm activities/rural informal sector. For this reason, this sub-programme touches all the other sub-programmes. The elements seek improved access by informal sector operators to sustainable financial services. The goal is to enable the poor to raise their assets and incomes through convenient savings instruments and credit to support income-generating activities. This will be accomplished by deepening the financial system through institutions capable of providing suitable financial services on a long-term basis to the lower income population, which the formal banking system is currently ill-suited to reach.

#### **Programme Objectives**

26. The objectives of this sub-programme are:

- 1) To increase the policy makers' awareness of the positive contribution of Informal Sector operators to the development process.
- 2) To improve the effectiveness and outreach of micro-finance through better implementation of best practice methodologies and performance standards.
- 3) To build the capacity of policy makers and regulators to provide an enabling policy, legal and regulatory framework for the development and expansion of micro-finance institutions and the informal financial sector. A complementary objective is to achieve better coordination among donors on programmes, policies and standards.
- 4) To expand access to more sustainable and comprehensive financial services (including insurance).

27. The programme to implement these objectives will consist of: documentation and dissemination; workshops and seminars, networks, training; technical assistance and direct financial support. Since the underlying economic and financial conditions vary widely across countries, the relative emphasis on different components of the strategy will need to be adapted to each country's circumstances.

### Best Practices

28. The literature on "best practices" in micro-finance worldwide is substantial and growing, although much less is known about MFIs and successful practices in African countries than in other regions. The approach involves supporting methodologies that have proven effective in reaching large numbers of the poor and women, whether through specialized micro-finance institutions (MFIs), informal agents, or formal banks and non-bank financial institutions. The overall strategy for the next decade is: first, to gather information, distil "best practices" and disseminate the findings on methodologies that work in Africa. To expand knowledge among practitioners, governments and donors about best practices, two main tasks are to disseminate more widely what is already known about effective methodologies worldwide that can be successfully applied in Africa and to provide better documentation on African MFIs. Proven methodologies exist for the sustainable provision of financial services in the informal sector. Dissemination and implementation of best practices can be facilitated through workshops and seminars, networks of micro-finance practitioners, and training. As discussed below under Implementation, substantial work is largely underway in many of these areas, and the task under the UNSIA is to build on these activities in a coordinated manner.

### Capacity Building

29. As a first step towards building consensus, it is important to foster dialogues among governments, donors and practitioners and beneficiaries to develop policy frameworks that are adapted to each country's traditions, institutions and legal system. To strike an appropriate balance between encouraging innovative financial development and maintaining prudential regulation, it is essential to bring together policy-makers, regulators, MFIs, and informal financial institutions to design legal and regulatory structures that take into account the specialized techniques of MFIs and that avoid being unduly restrictive or unrealistic. This process can be facilitated through workshops and seminars, joint participation in training programmes, and networks to put forward practitioners' views. Donors can best play a catalytic role by bringing stakeholders together in these forums, by undertaking relevant sector studies, and by providing technical assistance.

30. Donor support in these areas will be most effective if it is coordinated and consistent with best practice. This strategy is intended to catalyze a collaborative approach in which donor and development assistance agencies work with each other and with national governments to plan and support a coordinated approach to micro-finance development. Overall policies and standards are already being coordinated through the Consultative Group to Assist the Poorest (CGAP), which comprises 23 bilateral and

multilateral agencies that have pledged close to US\$200 million in programme support. Efforts to establish consistent principles for donor support are also being carried out through the Committee of Donor Agencies for Small Enterprise Development and the Donors' Working Group on Financial Sector Development, which have issued Micro and Small Enterprise Finance: Guiding Principles for Selecting and Supporting Intermediaries.

### **Access to Sustainable MFIs**

31. This will require substantial direct support to build up MFIs in terms of performance and outreach to key target populations, such as the poor and women. Institution-building must be the keystone of this strategy because the institutional capacity to efficiently intermediate funds for informal clients is at present extremely limited throughout African countries. While evidence shows that effective methodologies exist to provide financial services at reasonable cost to large numbers of low-income clients, experience also shows that the costs involved are high and the time required to reach sustainability can be lengthy. Since donor and government funds are limited relative to the potential demand, these funds must be leveraged to hasten the time when MFIs can stand on their own, especially by mobilizing local savings. It is important that support be based on progress toward performance standards for the sustainability and outreach of institutions, to ensure that large numbers of the target populations continue to be served when donor support ends, and for effective management and efficiency, to ensure that services are delivered responsibly and at a low cost consistent with the methodology being used. Besides receiving direct financial support in the form of grants and loans, MFIs can be included in training and technical assistance programmes.

### **Implementation**

#### **Documentation and Dissemination**

32. Successful micro-finance development must build on existing local structures and institutions. Documentation to build up a comprehensive database of MFIs in African countries—basic statistics, methodologies, success and failures—is important as a foundation to design appropriate strategies and measure future performance. Substantial efforts are already underway through CGAP, joint efforts of UNDP and Women's World Banking (WWB), the World Bank's Sustainable Banking with the Poor (SBP) programme, ILO's Poverty Oriented Banking and USAID's GEMINI and other micro-enterprise support programmes, and others. Besides continuing these basic documentation efforts, it is important to introduce standard performance indicators that



will facilitate comparisons and to undertake impact studies that will provide information on the cost-effectiveness of alternative approaches in the African context.

33. Guidelines and publications are a principal means of disseminating information on "best practices" based on analysis of the documentation. CGAP can act as a clearing house for distilling and disseminating a substantial share of this information, as well as for setting standards and performance indicators. Widespread implementation of guides such as the Donor Committee's Guiding Principles and SBP/CGAP's Micro-finance Guides would help improve the consistency and effectiveness of donor support. Cooperation of the Poverty Oriented Banking Unit has also been quite lively at the level of CGAP, at the level of country divisions and within the framework of the Donors' Working Group on Financial Sector Development.

#### Workshops, Seminars

34. Workshops and seminars at the country and sub-regional levels are essential to disseminate best practice information to practitioners and policymakers and to raise their awareness of key issues concerning the policy, legal and regulatory framework for MFIs. Exchange of experiences and of lending methodologies among schemes operating in different African countries occur now more frequently than in the past, thanks to various fora and workshops on micro-finance organised throughout the continent. An example of donor coordination to bring together practitioners and policymakers at the sub-regional level, including discussion of sub-regional policy issues, is the 1996 West Africa High Level Policy Forum on Micro-finance (the Bamako Forum), held in Mali and the Microcredit Summit which was held in Washington in February 1997. Similar workshops at the national level can help establish a policy and assistance strategy as a framework for coordinated assistance. In this regard, ILO hosted a Donors' Working Group on Financial Sector Development in Geneva in April 1997.

#### Networks

35. Networks of practitioners are an important means of disseminating best practice information, establishing standards, and engaging in dialogue with policy-makers. Donor agencies should develop means of supporting such networks and their programs in a way that leads them to become self-supporting over time, on the basis of services provided to members and fees charged.

36. Better coordination among donors is an aspect of networking that is needed to minimize duplication, competition and inconsistencies in approaches. The objective should be to enable donors to contribute in complementary ways according to their comparative strengths and to achieve some consistency in procedures and reporting

requirements. At the international level, the emphasis should be on developing a consensus on key guiding principles and in clarifying where there are differences of viewpoint. In addition to the UNSIA itself, CGAP and the Donors Committee for Small Enterprise Development can continue to play coordinating roles, particularly with respect to setting standards. At the national level, it will be important for each agency that is planning a micro-finance programme to consult with other agencies and donors at an early stage and to set up a joint coordinating mechanism, if appropriate. Emphasis should be put on the development of a strategy aiming at facilitating a collaborative approach of all UN agencies involved in these activities so that the expected effects be maximized. Donor coordination has to be approached sensitively at the national level, so the government sees it as facilitating rather than dictating their programme. To the extent possible, organized grassroots communities such as the NGOs should be deeply involved in the process of networking and dissemination of best practices, at the country as well as sub-regional levels.

### **Training**

37. Training of practitioners, policy-makers and donor agencies is critical to build the capacity of these institutions and to ensure that best practice information is absorbed and implemented at all levels. A proposed innovation is to establish the capability within Africa to provide 2-4 week training programmes, preferably with participants from all three groups. CGAP and the Economic Development Institute (EDI) are expected to be active in this area and to seek strong collaboration from other agencies such as UNDP, FAO, IFAD, ILO, the European Union, the African Development Bank, and the Economic Commission for Africa.

### **Technical Assistance**

38. Technical assistance to governments and financial regulatory authorities is needed to overcome the very limited capacity to deal appropriately with MFIs and informal finance. Sector studies and dialogue on strategy undertaken by donors in collaboration with governments represent one form of assistance. Provision of TA for specific tasks such as formulation or revision of financial policies and regulations can be especially crucial to make sure micro-finance interests are included. TA for micro-finance and related issues should be a complementary activity when national programmes of direct support are designed.

### **Direct Financial Support**

39. Direct financial support to MFIs can include seed funds for operating expenses and loan portfolios during a start-up or expansion period; grants for training,

information systems, equipment, study tours, and other productivity-enhancing activities; and loan funds or capitalization to expand loan portfolios in order to lower costs and reach more clients. To promote sustainability and outreach, it is essential that direct support be allocated according to clearly established eligibility and performance criteria. Recipient MFIs should be expected to provide a business plan with agreed-upon targets for portfolio size, clientele, loan recovery, productivity, cost recovery, and other performance indicators. Continued access to funding should depend on performance in meeting those targets.

40. Loan funds and capitalization can supplement other sources of funds and enable an institution to expand to optimum (minimum cost) size. Lines of credit to MFIs must be handled with care because they impose debts on institutions that, at present, tend to be financially immature, and because they should be designed so as not to distort market-determined financial systems.

### Countries

41. It may be useful to designate selected countries for special efforts at coordination where the environment is suitable for developing micro-finance institutions and where UN and collaborating agencies are active. It is also important to envisage the implementation of some pilot programmes in countries where micro financing activities have shown some potential. Once mutual interest in these countries is identified, agencies can exchange information on their planned activities and communicate the information to field officers to facilitate working-level cooperation at the local level. Countries in which substantial efforts are already underway in micro-finance include: Benin, Cote d'Ivoire, Cameroon, Ghana, Kenya, Mali, Mozambique, South Africa, Tanzania, Togo and Zambia.

### Performance Criteria

42. Criteria that could be used in measuring the success of the micro-finance strategy and of individual MFIs under the UNSIA include:

- Number of MFI created and/or existing ones strengthened
- Numbers of clients reached (savings and credit): total clients, women, the poor  
at national level and per institution
- Size of savings and loan portfolios (overall and for assisted MFIs)
- Cost recovery (revenues earned as a percentage of operating costs  
and of total costs including opportunity cost of capital)
- Loan recovery and arrears rates;

- Micro-finance institutions sustainability:

- . financial standing
- . ability to expand
- . Managerial Skills

### SUB-PROGRAMME 3: EDUCATION AND TRAINING

#### Vocational Training in the Informal Sector.

##### Background and justification:

43. This sub-programme deals with skills development in the informal sector. It covers education as part and parcel of skills formation process but excludes general education *per se*. The lack of a comprehensive and coherent training policy, and an integrated support package incorporating credit, enabling environment, skills and entrepreneurial development and follow-up support services have impacted negatively on skills development for the informal sector. Skills development has an important role to play in schemes designed to improve the performance of the informal sector. Since the informal sector has been gaining more prominence, it is necessary to popularize and broaden the scope of supportive training and apprenticeship programmes, and to ensure that training possibilities for job entry and re-entry are opened to a wider spectrum of the population through specific retraining packages designed to soak up excess labour. In addition, basic general education and functional adult educational and functional literacy programmes will need to complement informal sector training programmes. Simple literacy and numeracy enhance the acquisition, analysis and adaptation of new knowledge of the business environment and the adoption of improved production processes and operation, control and maintenance of production techniques and technologies. General education *per se* should strive to develop and promote "enterprise culture" through skill and entrepreneurship training.

44. The ILO has carried out a number of studies in this area which reveal that, training for work in the informal sector exists in a wide variety of forms and contexts. It may be designed for individuals or groups, for illiterate peasants, or unemployed university graduates; it may take place in classrooms, in workshops, or in the open air, and last anything from hours to years. It may be aimed at increasing productivity, or at raising awareness of external constraints, at improving safety in the workplace, or personal hygiene, at introducing new techniques, new technologies, or at obtaining credit. It covers all possible disciplines. Some of it may not be considered training by those who adopt a narrow definition, or it may go by another name such as extension or business advisory services.

45. There is no single answer, therefore, to the question of how training for work in the informal sector should be approached. What is an appropriate training activity can only be decided on a case by case basis. A large number of informal sector operators have little or no schooling. There are few formal training institutions serving the needs of the sector. Those who are responsible for the design, within a given macro-framework, of training projects should, on each occasion, seek unequivocal, target-group and environment-specific answers to questions concerning training objectives, training contents, training methods etc. Serious attempts should be made to target women and youth who have been shown to bear more heavily the burden of unemployment and poverty.

### Strategy of Training For The Informal Sector

46. In the mid-1970s, the ILO carried out experiments on training for the informal sector both in rural and urban areas in Africa and in Asia. Skills Development for Self-Reliance (SDSR), funded by UNICEF and SIDA respectively was implemented in Eastern and Southern Africa (Kenya, Lesotho, Somalia, Swaziland, Tanzania, Uganda and Zambia). Another pilot project known as Training for Gainful Activities (TRUGA), was implemented in Nepal and Bangladesh, funded by SIDA and UNDP and in The Philippines, and others planned in Russia, Belarus, and the Central Asia Republics.

47. Experiences with these ILO Competency Based Training, CBT programmes in Africa and Asia in the last decade or so, have clearly shown that this approach is suitable for the promotion of self-employment and income-generating activities in the rural informal sector. Moreover, its application is expected to be equally successful in (peri-) urban areas. The principal beneficiaries of these programmes have been the unemployed and under-employed, particularly out-of-school youth and women. Many among this group are poor, and community-based training has been shown to provide them with new skills of particular usefulness in secondary activities to supplement their household incomes. Impact evaluation reveals that graduates of these programmes experience a significant increase in income, in addition to enhanced levels of nutrition and more involvement in community affairs. These benefits are particularly apparent amongst women.

48. CBT programmes therefore become an effective instrument for poverty alleviation, because they provide practical skills for pre-identified employment opportunities. At the same time, they are instrumental in increasing the productivity of those engaged in informal activities by upgrading their skills, enabling them to obtain credit for the purchase of equipment or the provision of working capital, and improving the organization and management of production. Finally, community-based training

programmes contribute to the retention of human resources in rural areas for wider development purposes.

49. The notion that the organisation and delivery of training courses should be flexible and adapted to the conditions of clients means that community-based training programmes are especially suitable for women. While women generally have difficulty attending centre-based training programmes, their participation can be greatly facilitated by the mobile site-location and flexible time-schedule of a training programme with an appropriate training area, content and methodology.

50. Indirectly, and in some cases even in a direct manner, community-based training contributes towards better management of the natural environment. One of the areas for which training has been provided in Kenya, for example, concerns zero grazing. More generally, the promotion of non-agricultural employment opportunities helps to relieve the strain on the environment in communities where population pressure has resulted in farming practices that adversely affect that environment.

51. In summary, CBT interventions are needs-based and demand-led. These characteristics result in improved effectiveness of the programmes. Careful attention to post-training assistance further enhances their impact, helping graduates to get started in self-employment or in micro-enterprises. Rather than 're-inventing the wheel', the CTB eight non-country specific training manuals could be applied and replicated in selected SSA countries as 'best practices' and as one of the measures for addressing efficiency and effectiveness of training in the informal sector.

Training related interventions are likely to be successful when implemented as a package assuring easier access to finance, technology, improved management and marketing facilities etc.

52. The implementation arrangements for the sub-component are intended to be in two phases; preparatory and the main phase.

#### Development Objective

53. The long-term objective of this sub-programme is the building of national capacities for the development of comprehensive and coherent policies for skills training and institutional framework and strategies for informal sector training for employment and income generation, on a sustainable basis with the goal of poverty eradication.

### Immediate Objective

54. The main immediate objectives may be summarized as follows:

- a. The identification and development of a conceptual framework for informal sector training policy;
- b. Strengthening selected regional institutional frameworks for the implementation of integrated skill and entrepreneurial development programmes;
- c. Adoption and/or the development of national (country level) programmes for informal sector training.

### Outputs:

55. The main outputs of the sub-component are: (Preparatory Phase).

1. A comprehensive report providing major policy analysis and the institutional framework for the implementation of training for the informal sector;
2. Technical and analytical reports on the main issues and strategies needed;
3. Comprehensive regional programme to support country level informal sector training.

### Activities (Main)

1.
  - a) In collaboration with ILO field structure in Africa relevant Technical Departments at ILO HQ and other UN Agencies and NGOs undertake desk studies on policies for informal sector training and the implementation arrangements based on best practices in the region and globally.  
 12 WM Consultancies and mission costs = US\$600,000
  - b) Conduct a regional workshop on the adaptation of informal sector training policy document  
 3 weeks Workshops for 50 participants 650,000
  - c) Develop modalities for policy implementation  
 12WM consultancies 250,000
2.
  - a) Identify and strengthen 8 regional institutions in English and French speaking SSA countries to be used as anchor institutions for the establishment of networking arrangements,

- information gathering and insemination at country level.
- |    |  |            |
|----|--|------------|
|    | 96 WM Technical Assistance and Equipments  | 5,000,000  |
| b) | Train national officials in the implementation of training programmes for the informal sector through in-house regional/national workshops and fellowships. Workshop + Fellowships                                       | 500,000    |
| c) | Adaptation and production of CBT programmes for implementation at the country level  | 2,000,000  |
| d) | Assist in establishing institutional framework for implementation of training programmes at country level. (8 countries 36 WM consultancies) including the supply of basic training equipments and other support inputs. | 16 million |

#### Countries Participating in the Preparatory Phase:

56. Selection criteria of the countries should take into account visible and relevant political will of the government to address the problem of the informal sector in their countries, through local initiatives. (However, like in other sub-programmes, all African countries which wish to participate can do so). A good mix of experience should derive from the selection of countries from the low income countries (LICs) as well as the middle income countries (MICs), and the coverage should extend to the 3 sub-regions in sub-Saharan (the CFA Zone countries could be considered as a sub-region with two components, the Western and the Central):

Kenya	-)	
Uganda	-)	Skills Development for Self-Reliance (SDSR) Countries for Continuity
Tanzania	-)	
Ethiopia		
Zambia	-)	and further
Lesotho	-)	Programme developments
Swaziland	-)	
Nigeria	-)	National Open Apprenticeship Scheme Best Experience
Ghana	-)	ILO Umbrella Project experiences

Congo, Gabon, Guinea, Guinea Bissau, Cote d'Ivoire, Senegal, Cameroon, Burkina Faso, Niger, Tchad, Togo, Madagascar, Mali and Egypt.



## **Performance Criteria**

57. The ultimate goal for a programme of this nature is the number of people placed on gainful sustainable employment. Since the preparatory phase is aimed at capacity building, the bench marks for measuring success include: number of national officials trained in the methodology and capable of delivery the programmes effectively.

## **SUB-PROGRAMME 4: INDUSTRIAL AND MANUFACTURING ACTIVITIES**

### **Background and Justification**

58. The modalities for promoting the informal sector in rural and urban settings are closely related and hence, this sub-programme will be co-ordinated with the sub-programme on rural non-farm activities.

59. As indicated above in sub-programme 1, the Central and local government will provide an enabling environment while support services to industrial and manufacturing activities will be largely provided by the private sector and NGOs and other appropriate bodies. Given the dominance of agriculture, industrial and manufacturing activities will be closely integrated with agricultural production, but with a view to promoting diversification of agriculture and the improvement of agricultural production.

60. The programme will focus on strengthening industrial and manufacturing enterprises and their associations to upgrade technology and management levels, identify new market opportunities, and to meet those opportunities. Up-grading of technologies is one of the key ways of raising productivity in the long run.

61. In addition to raising productivity through upgrading of technologies in industrial and manufacturing activities, marketing of informal sector products is key to improving the incomes of informal sector producers. It is generally believed that many producers in the informal sector are unable to increase their incomes either because they are unaware of market opportunities or that they lack support facilities to exploit them and in addition face general marketing constraints arising from formal sector requirements. Some lack the technical know-how on marketing and this is particularly the case of many women producers in the informal sector. Marketing support to remedy the above situation could take the form of providing the producers with the technical know-how and marketing technologies, including creating an information network, providing access to media - radio, television, newspapers and other means to expand informal sector businesses. Trade fairs organised especially for the informal sector can be an effective instrument. Access to markets can be improved through better flow of information. Other measures such as enabling small producers to participate in public tenders and

training them in the procedures to be followed could also significantly improve the opportunities for the sector.

62. Other ways to increase production and productivity of industrial and manufacturing activities is through forging linkages between informal and formal enterprises on the one hand, and those between the institutions serving the two sectors. One of the important ways to strengthen linkages between the two sectors, particularly in improving the technological and skill capacity of the informal sector, is through subcontracting and franchising mechanisms. Through a better division of labour and specialisation, such linkages increase the efficiency in resource use and enhance output and employment in both sectors. Linkages through franchising can be promoted by establishing an appropriate legal and regulatory environment. Governments by providing incentives (taxes and subsidies) to the formal sector can promote such linkages.

63. The sub-programme will have the following objectives:

#### Sub-programme objectives

##### Objective 1

To up-grade technology and management levels of informal sector, industrial and manufacturing activities, and their support services in general, in order to improve their productivity, and to transform them into growth oriented and competitive businesses.

##### Outputs:

- . Information on informal sector industrial and manufacturing activities for each specific country detailing existing programmes, and the enabling factors affecting start-up, survival and growth of the enterprises.
- . At least 10 manufacturing and industrial enterprises assisted in each country in technology up-grading (with substantial quota for women) through acquisition and installation of competitive production technologies
- . Established common service facilities and programmes
- . At least 10 suppliers/fabricators of appropriate tools and equipment strengthened
- . Improved productivity of manufacturing and industrial enterprises
- . Established network of public and private sector institutions on appropriate technologies and referral services for informal sector operators.

**Objective 2.** To enlarge significantly the market for products of industrial and manufacturing activities through improved quality and by identifying new customers in both the private and public sectors, including neighbouring countries and exports, worldwide, and by demand-led diversification of the products ('demand-side')

**Outputs:**

- an information system on market opportunities established or strengthened with information about private and public demand
- at least 10 contracts for supplies awarded to IS industrial and manufacturing enterprises/groupings by municipalities or Government Ministries
- at least 10 contracts for supplies awarded to IS enterprises/groupings by micro or small-scale enterprises (MESs).
- periodic products fairs

**Objective 3:** To establish a multi-faceted set of support services for IS industrial and manufacturing enterprises, to enable them to meet the demand and new markets identified under Objective 1 ('supply-side')

**Outputs:**

- 2 business support centres established in each country, and fully operational
- production processes or quality of output of 10 goods improved, or benefiting from new technology
- 15 flexible manufacturing associations of I.S. artisans established, in each country, to meet the market demand identified
- capacity to negotiate, and to manage the markets, strengthened at both enterprise and group level

**Objective 4:** to establish a network of partners (public and private) to facilitate the access to new markets ('legal and institutional environment')

**Outputs:**

- a committee to develop policies and strategies, and to coordinate their implementation in a market-led approach
- to adapt the institutional, legal and regulatory environment, so that IS enterprises are encouraged to grow and develop

## Implementation

64. The strategy to be adopted could follow similar lines to that implied in earlier sub-programmes above and will include the following key components:

A final selection of countries in which to focus: these activities should be countries where UNIDO, FAO, ILO etc. already have good experience, where the informal and private sectors are already somewhat dynamic, and where the macro-economic climate indicates some potential for growth.

- The establishment of a small secretariat in each of the selected countries, either within an existing institution or free-standing, which will provide the programme support required in-country.
- A detailed review, in each of the selected countries, of the existing environment (macro-economic, institutional, etc.) the services already being provided to the informal sector, and the potential for improved services (in particular, taking into account best practice worldwide). Appropriate institutions to identify and transfer technologies, to disseminate information and to provide support services are critical to the sub-sector.
- A seminar or series of seminars which present the findings of this review, and inform local practitioners of lessons learned elsewhere, and the instruments which are available from the UNIDO, FAO, ILO, OSCAL and other agencies. UNIDO, through its Alliance for African Industrialization will focus inputs in the area of up-grading technology levels of and support in general, to manufacturing industries and repair services in the informal sector, and facilitate their graduation into the formal sector through increased growth and productivity.
- A programme of action which emphasizes a process approach, sponsoring a wide range of improved services for the informal sector on a pilot basis, through a variety of partners, governments, NGOs, UN agencies, private sector etc.
- Evaluation of the impact of each of the pilot activities, leading to scaling up of the services which have proved to be best adapted to local needs and conditions.
- A series of international seminars, to promote an effective exchange of experiences and lessons learned, possibly leading to the creation of a network of participating countries, using media such as the Internet to achieve synergies.
- The publication of manuals defining the methodologies developed through the above process.

## The Budget

65. The pilot phase is designed to cover studies, national, sub-regional and regional workshops, personnel costs, study tours, training and equipment. The countries

will be selected from the main sub-regions along similar lines as sub-programme 1. The estimated total cost for the sub-programme is US\$45 million.

## **SUB-PROGRAMME 5 RURAL NON-FARM ACTIVITIES**

### **Background and Justification:**

66. Employment promotion in the rural non-farm sector has a role to play in employment generation, in supporting agricultural-led development and in combatting under employment and poverty. Rural non-farm activities can create productive assets, provide employment and an alternative source of income for the landless and to an increasing number of artisans and traders. The activities have a great potential for supplementing incomes of households during slack seasons, particularly for small-scale farmers or households with very little land who constitute the bulk of the rural poor. Non-farm sector activities can also stimulate agricultural production by providing essential inputs such as farm tools and implements and market outlets for agriculture. The growth of non-farm income provides additional financial liquidity at the farm level which supports agricultural investment. By the same token, growth in agricultural incomes and increased monetization at the farm level, has the potential of increasing the demand for the products of the rural non-farm sector. Therefore, integration of the non-farm sector and agriculture provides a good opportunity for enhancing incomes and employment growth. The supportive roles of rural non-farm activities in increasing and sustaining agricultural growth and vice-versa are crucial, for employment growth and poverty reduction.

67. Substantial research has been undertaken on rural non-farm activities and programmes and projects have been executed to support the development of the sector (by FAO, ILO, UNDP NGOs etc.) The major constraints to the development of the sector include the absence of a satisfactory enabling environment in the rural sector including the lack of appropriate macroeconomic policies, appropriate incentives, suitable institutions to support the sector. Other constraints relate to technology, raw materials, skills and training, acute shortage of credit/finance, absence of entrepreneurial and management skills, access to land and work sites, lack of infrastructure, especially feeder roads, water and power, and inadequate knowledge of the profile of the sector and its economic contribution.

### Development Objective of the sub-programme

68. The overall objective of this sub-programme is to contribute to the reduction of poverty by increasing employment and incomes in the rural non-farm sector in particular, and in agriculture and rural areas in general.

69. This will be achieved through a programme geared to strengthening national capacities and institutions to promote rural non-farm activities. A starting point (as in other sub-programmes) will be to review experience developed in the past with a view to identifying typologies of rural non-farm activities where success has been realized, thus identifying best practices. This will require a collaborative approach among countries, Donors, UN agencies and NGOs.

70. In each country, it will be appropriate to focus on a number of limited activities which could be selected on the basis of the potential for employment, and income generation, and assets formation. A wide choice of activities can be made from the sample list shown below:

1. Micro-Scale industrial and agro-industrial activities (including food processing and preservation-cereals, fruits and vegetables, fish, alcohol, oil extraction, milk/dairy products, meat processing, leather tanning and leather goods, processing of wood and non-wood forest products etc.) and cottage industries (eg. handicrafts, ceramics, pottery, textile and cloth-weaving, garments and chemical products-soap, dyeing of textiles etc.
2. Micro-commercial and service activities, including transportation and trade.
3. Metal products and other informal sector artisanal activities including blacksmithing, tinsmithery, farm tools and equipment, masonry and carpentry; and;
4. Construction and infrastructural development activities, housing and production of building materials (cement and stabilised earthblocks, bricks, roofing materials etc.), irrigation and feeder roads construction, undertaken by micro-entrepreneurs.

71. The actual selection in each country will depend on prevailing economic conditions. In particular, it is advisable to select sub-sectors with potential for growth, rather than those which are saturated and highly competitive. It is also advisable to select sub-sectors which will favour women, youth and other disadvantaged groups. The development of methodologies for selecting appropriate sub-sectors are being developed. USAID and ODA have carried out some interesting work. The UN agencies (FAO, ILO, IFAD OSCAL, UNIDO,

World Bank, UNDP will use the UNSIA to propose, strengthen and test methodologies in selected countries.

### Sub-Programme Immediate Objectives

1. To improve the productivity and outputs of micro-scale rural non-farm activities through application of improved technologies and to expand marketing of their products as part of an overall strategy for the development of rural non-farm activities.
2. The second objective is to strengthen the capacity of government, the private sector, the informal sector associations, and NGOs, to identify, develop, and disseminate and promote the application of micro-scale improved technologies for rural non-farm activities (eg. food processing, metal working, handicrafts etc.).

### Implementation

72. Initially, there will be a preparatory regional phase which will deal with aspects of programme implementation, a review of alternative technologies for select rural non-farm activities (eg. food processing) which have been shown to work. At the country level, a preparatory phase will focus on specific aspects of programme formulation and implementation: choice of project areas, identification of activities which could be adopted, identification of potential beneficiaries and contribution to the programme of UN agencies, donors, and the private sector and various governmental and non-governmental agencies. An important consideration would be to build consensus among governments and other actors.

73. Strengthening of government and private sector capacities in this sub-programme will relate to providing an enabling environment for the informal sector as described under sub-programme 1 above and strengthening institutions which assist rural non-farm activities. Relevant areas for government, private sector and NGOs intervention include improved technologies, training, marketing, raw materials and other support services), and the implementation of feasibility studies on establishment and strengthening of micro-scale rural non-farm enterprises. These will include: a) identification and development of suitable technologies for use by micro-scale operators; on collection, processing, storage and dissemination of technological, industrial and commercial information on rural non-farm activities in general and the activities of the country's special focus in particular, eg. food processing, cottage industries etc. c) promotion of acquisition of appropriate tools and equipment including local fabrication and manufacture for selected non-farm activities; d) provision of support services to small-scale entrepreneurs including assistance in the provision of essential inputs, credit,

marketing etc., and e) organisation and implementation of skills and management training programmes for small-scale rural entrepreneurs who are interested in setting up micro-scale non-farm activities.

74. Special efforts will be made to incorporate women and youth who have always played a major role, especially in the processing and marketing of agricultural products. Non-farm production and support services that empower women technically, financially and organizationally will receive emphasis. Moreover, the development of technologies, methods and services that enhance productivity of labour, will emphasise female labour and rural youth. Special attention will be given to labour saving technologies and reduction of drudgery in order to facilitate women participation in productive informal sector employment and income generating activities.

75. A co-ordinating body or focal point for the efforts geared to promote rural non-farm activities will be established rather than let the responsibilities continue to be fragmented through many agencies. Such a mechanism will ensure that adequate policy measures to assist the rural non-farm sector are formulated (as discussed under enabling environment for informal sector development) by effectively promoting rural micro-scale enterprises while, (at the same time avoiding overcentralization and rigidity). Among other things, such a mechanism will play an advocacy role, have an extension network, management with good skills needed by rural enterprises such as technology choice and business techniques, and maintain contacts with many organisations who may be involved in providing specialised services which are relevant to rural non-farm enterprises such as credit, technology development and training. It will also promote forward and backward linkages among non-farm rural activities and formal and informal urban markets and processes.

76. Successful development of rural non-farm activities should begin by taking stock of the local situation by evaluating successes and failures in order to chart the future strategy. The governments of Africa have played some role in shaping the development of rural non-farm activities through planning policies and programmes, institutions and legislation. They have also established various institutions to promote micro-scale enterprise development in rural and urban areas; for instance the National Board for Small-Scale Industries in Ghana, Small Industries Development Organisation in Tanzania, while in Burundi, support for Rural non-farm Activities falls under the Ministry of Rural Development. Other countries have industrial estates (in rural and urban areas) while yet others have special units to research and develop appropriate small-scale food processing techniques which could be replicated through local manufacturing and fabrication (e.g. Nigeria). Special credit programmes have also been created for micro and small-scale, and medium-scale enterprise.



77. A review of the opportunities and constraints for the development of rural non-farm activities in selected countries will be undertaken to provide an analytical and information base for legislative, policy, programme and project interventions - including capacity building at the national and grassroots levels for the development of rural non-farm activities for poverty reduction.

### Activities

78. Initial activities will involve associated diagnostic studies and preparation of papers to be used as a basis for advisory services addressing technical, organizational, financial and other aspects involved in the expansion of rural non-farm activities for poverty reduction. Other activities involved have to do with the implementation of projects: eg. identification of institutional mechanisms for the promotion of rural non-farm activities, advocacy and institutional policy reforms, identification of actual rural non-farm activities and potential entrepreneurs and the assistance of such entrepreneurs to start rural non-farm activities or to improve existing ones.

79. An overall paper would also be prepared on the development of non-farm activities, including an assessment of the various constraints which may inhibit the development of the sector, characteristics of the sector, potential expansion, contribution to the national economy, effect of current government policies, short and long-term programmes in favour of the sector and sustainability of the needed services. The preparation of this paper will be contracted to local firms and/or institutions. However, such firms will need to be informed by international experience, on potentialities and latest "best practice." Donor agencies have launched similar initiatives in other regions which could be relevant.

80. In view of the development objective of the programme i.e. the promotion of rural non-farm activities for employment generation and poverty reduction, capacity building including the training of staff will be an important component of the programme. Such training will involve on-the-job training, workshops and fellowships relating to various types of activities such as technology upgrading, product development, marketing studies etc. and study tours. The success of the training programmes will be judged on the basis of capacity to carry out various developmental activities and supporting services leading to the establishment of rural production units (technologies developed and disseminated, rural non-farm enterprises established, equipment produced etc.)

### Technical Assistance

81. The strengthening of the national capacity to promote the development of rural non-farm activities will involve advisory services (on the part of UN agencies and NGOs) for the formulation and application of suitable policies and the establishment of appropriate institutional mechanisms, and technical assistance for the training of staff of government agencies which are directly concerned with the development of non-farm activities. The FAO, ILO, IFAD, OSCAL, UNDP, UNIDO etc. actively assist African governments to develop strategies for rural non-farm sector development and also provide technical assistance as part of agency execution wherever required. There is as yet no consensus about the provision of non-financial services to the informal sector. Therefore, networks for practitioners will be set up to disseminate best practice information, just like under the micro-finance sub-programme, establishing standards and engaging in dialogue with policy makers. Better donor co-ordination will be promoted. The ILO is currently co-ordinating a working group of the Donor Committee on Small Enterprise Development (SED) on the subject of best practice on non-financial services. Similarly, the ILO and other agencies are actively developing promising approaches in this area.

### Direct Financial Support

82. Direct financial support for the rural non-farm sector will consist of funds to cover personnel costs of product specialists and other national professionals, cost of local travel by project staff and beneficiaries cost of sub-contracts, cost of training, study tours, cost of promotional activities in national exhibits/fairs, cost of equipment and loan funds (as discussed in relevant sub-components). For sustainability reasons, funds for informal sector activities will be provided on the basis of feasibility studies on the establishment of micro-scale rural activities based on the potential for stimulating increased agricultural production and increasing rural incomes as well as gainful employment and where technical and economic studies indicate a potential for success eg. the promotion of improved agro-processing, improved tools and implements, improved food processing and preservation technologies among smallholder farmers etc. Attempts will be made as far as possible, to integrate rural non-farm activities with agricultural production in order to raise value-added through utilization of agricultural products (cereals, fruits, vegetables, livestock products etc.). In this respect, supportive policies for agriculture are a sine qua non for the development of rural non-farm enterprises.

### Countries

83. The programme will be implemented in a number of countries where the FAO, ILO, World Bank and bilateral donors etc. have been active and where scope for collaborative work exists. Such countries will include: Burkina Faso, Cote d'Ivoire, Ethiopia, Ghana, Sierra Leone, Mali, Niger, Mozambique, Tanzania, Uganda, Zimbabwe, South Africa.

### The Budget

84. At the national level, studies and seminars will involve a budget of \$50-100,000. A workshop at the regional level would cost about \$200,000. A modest programme in each country over a 5 year time period, should cost \$3 to 5 million dollars for a total of \$30-50 million.

## SUB-PROGRAMME 6: INFRASTRUCTURE

### Employment generation through labour-intensive works (LIW)

#### Background and Justification:

85. A general lack of basic infrastructure prevails in Africa with much of what there is being over-stressed, run-down and in need of rehabilitation or upgrading. The informal sector, particularly in urban areas, also tends to be concentrated in marginal locations with little infrastructural facilities. Much of the work that needs to be done can be accomplished by using labour or local resource based techniques to generate productive gainful employment to alleviate poverty. Infrastructural development including construction of drainage, shelter and feeder roads besides creating employment for the poor, could encourage the expansion of the informal sector through appropriate linkages.

86. Numerous studies carried out by the ILO and the World Bank in many countries in Africa, Asia and South America have demonstrated that when the right conditions prevail in a given area (i.e. large number of under-or unemployed persons, women, youth etc., local availability of construction materials, low wage structure and shortage of conventional construction equipment and high capital costs), labour based technology is the most cost-effective approach.

87. The following areas provide scope for applying the labour based technology.

- (a) roads:
  - . main roads: maintenance and construction of drainage structures and retaining walls.
  - . feeder roads; construction, rehabilitation and maintenance.
  - . community roads construction, rehabilitation and maintenance.
  - . village trails and tracks.
- (b) urban infrastructure and services:
  - . pavement of sidewalks and minor roads, drainage and sanitation works, solid waste collection, recycling and composting.
- (c) rural water supply:
  - . hand dug wells and protection of wells.
- (d) building construction:
  - . housing; primary and secondary schools, clinics; markets and storage facilities.
  - . use of local materials: masonry of bricks/stones and roof tiles.
- (e) irrigation:
  - . major and small irrigation schemes: Construction, rehabilitation and maintenance of small dams, river diversion structures, canal/drainage channels and water management control structures.
- (f) afforestation:
  - . tree nurseries; establishment of woodlots.
- (g) soil conservation:
  - . terracing.

#### Policy Framework for the Promotion of use of local resources

88. The long-term aim of developmental LIW is to bring about sustainable increases in employment opportunities for poor people by providing basic infrastructure in both rural and urban areas. However, this can only be achieved if certain policy frameworks are put in place:

##### Policy Framework

- Encouraging local resource based development available

##### Reinforcing measures

Tax concessions to the people employing appropriate technology, making training to all concerned and introducing into university and technical colleges curricula in the areas of local resource based technology.

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>- <i>Encouraging the private sector to participate in labour intensive infrastructural works</i></li> </ul>  | <p><i>Involvement of contractors, NGOs and consultants in the supervision, administration and maintenance of the assets created by the projects.</i></p> |
| <ul style="list-style-type: none"> <li>- <i>Encouraging genuine grassroots community participation in identification, planning and implementation of projects</i></li> </ul>  | <p><i>By giving any community, group or association direct access to participation in leadership in the infrastructural works programmes.</i></p>        |
| <ul style="list-style-type: none"> <li>- <i>Improved and equitable access to productive assets for the poor and with it the responsibility for proper management, use and maintenance of community assets.</i></li> </ul> | <p><i>helping beneficiaries and especially women to form associations and providing awareness and simple management training.</i></p>                    |

### Sub-Programme Objective

89. The objective of the sub programme is to strengthen the capacity of 20 countries to formulate and implement policies and programmes which will result in infrastructural investments that maximize employment creation and income generation for both the rural and urban poor of the informal sector.

90. Assistance will be provided for the development of the necessary capacity in both the public and private sectors for the implementation of the programme. The building of institutional support base is time consuming but necessary for local resource based technology. Such investments of time and skills in creating institutional capacity (involving training) will provide the right environment for sustaining the replication or expansion of the programmes.

91. The sub programme comprises six elements which will contribute directly to creating infrastructure and generating employment through LIW as described in the ensuing paragraphs. It is essential that the implementation of the elements is preceded by awareness creation seminars at National level for key government officials (Policy makers, Planners and Technocrats) and financial institutions to enable labour based practitioners disseminate information on the best practices and to recommend the framework under which the programme elements should be implemented.

92. It is recommended that UNDP finances the technical assistance component which will be executed by ILO. Since the elements involve substantial Capital Investment costs, Governments in the countries where the programme will be implemented will contribute between 10 - 20% of the total Investment costs whilst donors notably NORAD, DANIDA,

SIDA, SDC, WORLD BANK and others which continue to promote the use of local resource based technology, fund the remaining amount. The World Food Programme will contribute through regular food-for-work targeted to the most vulnerable poor in rural and urban areas. It will also support employment generation schemes specifically implemented at times of good crises aimed at linking relief to development and in creating revolving credit funds through monetization of food which would be targeted to women and youth.

93. The main elements of the sub-programme will be:

1) Focal point for developmental labour-intensive works

94. A focal point for developmental labour-intensive works (LIW) in central government where none exists to provide advice, information and training concerning LIW on a nationwide basis. It will promote and support developmental LIW (and associated appropriate technology) but it will not execute LIW programmes.

2) Support to labour-based contracting in the rural roads sub-sector

95. Labour-based contracting will be introduced, in the rural roads sub-sector with four main components:

- rehabilitation of the rural roads;
- training contractors in building and maintaining rural roads;
- improving the legal, financial and commercial environment within which trained contractors will have to work; and
- capacity building and strengthening within the Government and private institutions to supervise and administer contracts.

3) Support to labour-intensive community works

96. This element aims to give communities the opportunity to identify, prioritise and meet infrastructural needs which cannot be met by central government. It provides for establishing, independent Local Development Funds/project executing agencies on a pilot basis. These organisations will be able to receive contributions from central government, donors and beneficiaries and to facilitate the procurement of technical assistance and to enable the communities meet their infrastructural needs.

4) Small-scale development of rural water infrastructure by labour-based methods

97. This element seeks to introduce labour-based development of rural water infrastructure and surface water resources (especially small earth dams for small-scale irrigation and hand dug wells by NGOs and contractors.

5) Labour-based urban upgrading:

98. Attempts in the past to alleviate poverty and squalor in most cities have been community-based and on a small scale. This element aims to generate employment by upgrading public infrastructure (especially side streets, drainage, sanitation and shelter) and at the same time to build up the capacity of the city administrators as regards local level planning and low-cost urban upgrading.

6) Improvements to local transport in rural areas

99. This element seeks to use food aid to make local transport easier (and especially to alleviate the transport burden on women) by:

- making traditional trails safer and environmentally sound
- introducing appropriate intermediate means of transport (IMTs)
- identifying, designing and manufacturing of appropriate hand tools and IMTs (to ILO specification where applicable) by the private sector whenever possible.

**Countries**

100. ILO's employment intensive programme within the last two decades has promoted employment intensive investment policies in many countries in Africa. The labour based approach is currently practised in at least 15 countries and there is an increasing number of countries wishing to introduce labour based approaches to infrastructure (particularly roads) construction and maintenance. The estimated total cost of the project \$950 million consists of \$120 million for technical assistance, \$700 million contribution for capital investment and \$130 million of Government contribution.

101. The under listed countries qualify for the introduction of the six elements of the programme.

<i>Angola</i>	<i>Chad</i>	<i>Kenya*</i>	<i>Namibia*</i>	<i>South Africa*</i>
<i>Benin</i>	<i>Cote d'Ivoire</i>	<i>Lesotho*</i>	<i>Niger</i>	<i>Sudan</i>
<i>Botswana*</i>	<i>Ethiopia*</i>	<i>Liberia</i>	<i>Nigeria*</i>	<i>Tanzania*</i>
<i>Burkina Faso*</i>	<i>Eritrea</i>	<i>Madagascar</i>	<i>Rwanda</i>	<i>Uganda*</i>

<i>Burundi</i>	<i>Gambia</i>	<i>Malawi*</i>	<i>Senegal*</i>	<i>Zaire</i>
<i>Cameroon</i>	<i>Ghana*</i>	<i>Mali</i>	<i>Sierra Leone*</i>	<i>Zambia*</i>
<i>CAR</i>	<i>Guinea</i>	<i>Mozambique*</i>	<i>Somalia</i>	<i>Zimbabwe*</i>
<i>Egypt</i>				

\* Countries with experience in labour based road programme.

### Performance Criteria

102. Key performance criteria (KPC) include:

- . Programme Implementation: KPC are the number of Countries where the programme will be successfully implemented
- . Building of National capacities: KPC are the number of countries where the Nationals are able to execute the programme after initial inputs from the International Experts.
- . Improving local private sector capacity: KPC are the number of Contractors trained and are gainfully employed, number of local consulting firms involved in the programme and increased NGOs involvement.
- . Employment generation: Number of person days of employment generated
- . Impact of Road employment on Women: KPC will be the level of participation by women in the workforce.

### POLITICAL AND RESOURCES MOBILIZATION STRATEGY FOR THE COMPONENT

103. As outlined in the sub-programmes, various meetings/workshops to mobilize political and donor support are envisaged at the regional, sub-regional and national levels. Under the sub-programme On Enabling Environment for instance, a regional donors conference is envisaged by UNECA, in close collaboration with Task-Force Members, to mobilize support and seek donor funding for the programme after completion of the pilot phase of its on-going informal sector project. Similarly, once the broad framework for the component is agreed, with governments, the UN resident co-ordinator system will be used to operationalise the programme and seek donor funding at country level. The ILO and ECA will continue to act as overall lead Agencies, although other Agencies may take the lead for individual sub-programme e.g. the World Bank for the micro-finance sub-programme. An example of how this can be done is being implemented in Ethiopia where various meetings between the government and the UN system have already taken place as a pilot-focus country for UNSIA, in the areas of education and health.



104. An international Task Force under the auspices of OSCAL has prepared a Special Programme of Support for the development of the informal sector in Africa, which it adopted in May 1997. OSCAL, on the recommendations of the International Task Force will launch programme preparatory missions in 14 African countries and to mobilise the referred resources for this purpose. The objective of the programme missions is to formulate detailed country level programmes of action. It is envisaged that OSCAL would mobilise financial resources through potential donors for implementing the programmes of action in the selected countries. The ultimate objective is to help African countries to develop action programmes for informal sector development, which would address both the immediate concerns and the long-term goals of the sector. In addition, OSCAL would assist in mobilizing resources in support of inter-country, sub-regional and regional activities relating to the promotion and development of the informal sector. OSCAL would also assist in sensitizing member states and the international community about the need for promoting informal sector development in Africa. These programme formulation missions will be conducted within the implementation mechanisms of UNSIA.

105. Some resources will also be raised through new initiatives of UN Agencies and existing networks which have in-built strategies for fund raising. For instance, the ILO's Jobs for Africa which is aimed at the creation and strengthening of national capacities to design, implement and monitor employment-intensive growth strategies and programmes, targeted at poverty reduction and social development, envisages a regional donors' conference at the end of the preparatory phase. Among other elements, the programme focuses on small-scale and the micro-enterprise sector and addresses access to financial services. UNIDO's Alliance for Africa's industrialization which is relevant for this component and particularly to the industrial and manufacturing activities sub-programme has provided an in-built strategy for political and resource mobilization. In addition, through the World Bank, the sub-programme on access to financial services has already secured some donor commitment for US\$200 million for micro-finance for poverty alleviation. Other initiatives on micro-finance include the Micro-credit Summit (Washington, 2 to 4 February 1997). There are major donor initiatives such as the Donor Working Group on Financial Sector Development and the Consultative Group to Assist the Poorest (CGAP) and other networks aimed at the improvement of access to financial services for the poor through replication of positive experiences. Other efforts include the Committee of Donor Agencies for Small Enterprise Development and Sustainable Banking with the Poor which are both co-ordinated by the World Bank.

106. The programme of action at the country level will be coordinated through the UN Resident Co-ordinator, and it will include strategies for harmonising and co-ordinating the various Agency initiatives at country level with the agreement and close collaboration of governments. However, co-ordination of sub-regional/regional level activities relating

to informal sector development, may draw upon the mechanisms already in existence, although region specific co-ordination will be flexible.

107. It is hoped that once the ACC Steering Committee on UNSIA endorses the programme, it will transmit it to the countries through the UN Resident Co-ordinator system, to be taken into account in the implementation of programmes at national level. The fine tuning of the programme and final determination of resource requirements will take place at country level. It is also, at this level, that the value added through the UNSIA could be better determined.