

## *Rethinking policy, institutional arrangements and partnerships in creating the appropriate environment for Jobs for Youth*

Creating decent jobs for youth and women is one of the most pressing challenges facing Zimbabwe, particularly in the rural areas. It is a challenge significantly affecting the economic growth for communities and the general quality of life for individuals. Yet large portions of the state's organisational infrastructure, policy and public service tend not to be conducive to supporting effective livelihood creation. A recent report by the Ministry of Small, Medium Enterprises and Cooperative Development's on livelihood creation in the rural areas, undertaken by the Association for the Development of Education in Africa (ADEA) calls for action by policymakers and development professionals to improve the conditions for the creation of micro, small and medium enterprises. The research findings suggest that by ensuring policy coherence in employment creation, changing institutional working arrangements at the local level by increasing opportunities for related ministries to work more collaboratively and seeking partnerships with the non-government actors, in particular local businesses, the conditions for creating work for youth and women will be enhanced.

### Introduction

With the slow-down of economic growth in recent times particularly in the formal sector, a growing phenomenon has been the rise of micro and small enterprises in the informal sector. Micro, small and medium size businesses now account for up to 85% of Zimbabwe's economic activity, up to 70% of the country's GDP and more than 60% of employment<sup>1</sup>. Zimbabwe is at the top of the world's list of economies with informal activities. The government has been responsive to the changing economic scenario, albeit in a piecemeal fashion and hence policy and institutional arrangements for supporting new business development and their skill requirements are lagging behind. Although formal employment is at a record low<sup>2</sup>, there are a number of strategies that if adopted can lead to a more enabling environment for job creation, particularly for youth.

<sup>1</sup> Ministry of Micro, Small and Medium Enterprises and Cooperatives Development Annual Report 2012

<sup>2</sup> Bertelsmann Transformation Project (2012) Zimbabwe Country Report. <http://www.btiproject>.



## Research Study

The research commissioned by the Ministry of Small and Medium Enterprises and Cooperative Development (MS-MECD) investigated livelihood creation for youth and women in rural districts. A stakeholder workshop involving nine other government line ministries endorsed the research design which focuses on a sample of four rural districts - Insiza, Lupane, Mberengwa and Umzingwane - in the western region of Zimbabwe.

Six national institutions<sup>3</sup> were interviewed to determine the programmes in place to facilitate livelihoods for rural women and youth. A field team canvassed the local government offices, 120 households, 63 local businesses, 92 youth and 97 women in the four districts, each group targeted with specific group questions on livelihood creation. Research findings were collated and presented back to the four districts for their verification and endorsement.

## Research Findings

### Local Government

- Government budget allocations for local livelihood development are far below expectations with some Ministries receiving only 14 per cent of requested funds.
- Local government offices lack basic equipment and transport to support and monitor livelihood development programmes in the field.
- Relationships between local governments and the business sector in most districts are reportedly weak and remain limited to the issuing of licenses.
- Policies to facilitate the creation of livelihoods appear to be constantly under revision and the capacity to implement their objectives is limited, often for financial reasons.
- There appears to be a move towards sector wide planning and joint ministerial work plans but these remain in the initial stages and it is difficult to assess their impact.

### Micro, Small and Medium Businesses

- Informal businesses prefer to remain unlicensed and unregistered because the costs of doing so are prohibitive.
- Business associations, often seen as a facilitator of livelihood creation in other countries, were not highly valued as their level of expertise and services provided were regarded as weak.
- Most businesses surveyed seldom used computers or the internet to facilitate better productivity, links to markets, banking and sales.
- Most youth are involved in piecemeal jobs in agriculture, many in cross-border retail, particularly among women, and there is a phenomenal rise in artisanal mining, often illegal, particularly among young men, in rural areas.

<sup>3</sup> Ministries of Small and Medium Enterprises and Cooperative Development; Local Government; Youth Development, Indigenisation and Economic Empowerment; Labour and Social Welfare as well as Zimbabwe Microfinance Institution and Small Enterprises Development Corporation.

## Cooperatives

- Producer cooperatives are unpopular in rural communities as they are associated with poor returns on energy and investment, mismanagement of funds and poor governance.
- Savings cooperatives are popular but are used by most members for consumer spending and seldom for investing in small businesses or building the capital base of the cooperative.
- Capacity building initiatives are perceived as insufficient, duplicate existing initiatives or offering contradictory advice.



## Employment Profile of Youth

- Four out of every five unemployed persons are youth.
- Formal sector unemployment in 2008 was estimated to have reached 94 per cent of the population of which youth accounted for 67.7 per cent of this figure.
- Majority of youth with jobs are employed in vulnerable employment. A majority of women are in this situation. These work arrangements usually lack social protection, and pay is usually too low to generate savings.
- Nearly a third of paid employees can be ranked as very poor. The Food Poverty Line (FPL) for a person in May 2011 was US\$30.48, indicating that about 33 per cent of the paid employees were below the FPL.
- Being employed and being educated are strongly correlated factors. Over 40% of all employed people have a secondary (29%) or a tertiary (11%) qualification. Women significantly lag in education levels compared to men.
- Most of the working population are unskilled. More women than men are unskilled. Some 83 per cent of the employed population were unskilled in 2011.

Source: ZIMSTAT, Labour Force Survey 2011

## Finance

- Access to finance is the most critical challenge facing the creation of micro, small and medium businesses and is hampered by a lack of information about opportunities, procedures, and requirements for applying for loans.
- Many small business owners do not have the technical expertise necessary to draft financially sound proposals even where funding may be available. They lack or, at best, keep poor records, making it difficult for financial institutions to gauge their performance as a basis for extending credit facilities.
- The cost of borrowing has proved to be prohibitive due to high interest rates.
- Financial service providers are slow to offer competitive, innovative and low cost products to the market. At least \$100 million is being transferred monthly from the country's urban centres to rural areas through EcoCash mobile money transfers creating a significant impact on the rural economy. Despite the growth in amounts being transacted, the costs remain prohibitive.

## Development Aid

- Aid is perceived by many rural communities and youth as misplaced and ineffective. It is often misaligned with district level priorities and undermines the capacity of local communities to develop their own solutions and capacities
- Local government and communities in a position of limited strength, find it difficult to negotiate with donors and development partners in deciding on how and where development assistance is targeted.
- The most needy areas do not necessarily get aid as donors prefer to assist those that are easy to reach and offer greater levels of visibility. Some areas are perceived to be "politically contested" and seen to be denied any non-government support.
- Government loans for business development were perceived to be accessible only to a few well connected individuals and loan repayment is very low.



## Skills Development

- Nearly 25 per cent of the youth interviewed had no formal education certificate, 30 per cent had primary education, 15 per cent had O levels and 29 per cent reported A levels as their highest qualification.
- The inability to pay school fees, despite them being as low \$5-7 a term, was the major reason given by youth, particularly girls, on why they had dropped out of school.
- Entrepreneurial skills were rated the most desirable business skills by the youth. Similarly technical and financial skills were valued but most did not opt for skills building in business proposal writing or communication, even though these are important for business growth and networking. Only 8 per cent of youth were interested in skills related to Information and Communication Technology.
- Vocational Training programmes are under-enrolled as they are not offering courses perceived as relevant for jobs by youth. Despite the prevalence of youth's interest in mining no courses are offered in this subject at Vocational Training Centres.

### Best Practices on Strategies for Creating Employment

- **Emphasize agriculture:** by a shift into value-added commercial crops supported by policy measures to upgrade technology, improve skills, create linkages between agriculture and industry, and cater to export markets.
- **Promote small enterprises:** by policies to make technology, training, credit, marketing and distribution channels more easily accessible to small businesses.
- **Extend basic education:** by increasing opportunities for youth, particularly girls, to enrol in post-primary education and training, especially in the rural areas.
- **Revamp higher education:** by linking tertiary institutions to rural producers to research improving the quality of products for export.
- **Upgrade skills:** by raising skills to increase productivity by vastly expanding the lower tiers of the agricultural, craft, technical and vocational training systems at the local level to provide practical training in job-related skills to the saturation point.
- **Disseminate information:** create new programmes and systems to speed up the dissemination of useful information as a powerful catalyst for more rapid social progress.
- **Increase the velocity of money and other transactions:** by streamlining government and banking procedures, introducing agencies for credit verification and collection of unpaid bills and improving the telecommunications

Source: . [www.msresearch.org](http://www.msresearch.org) accessed January 2013.



## Recommendations: Call to Action

The first is a **review of policy** across ministries to iron out any contradictions and ensure coherence and relevance. Areas of manpower development planning, employment creation, negotiating private sector-unions accords, the creation of micro, small or medium enterprises and skills development are spread across at least six ministries, resulting in policy confusion and a lack of agreed direction. The Zimbabwe National Employment Framework, for example, is designed to harmonise these issues but implementation remains unfunded.

The second is an **easing of regulatory constraints** for setting up businesses. Zimbabwe's business environment with its burdensome regulations and costs needs to be reviewed to improve ease of doing business, especially at the micro level. In Zimbabwe it takes nine procedures and 90 days to start a business while in Mauritius the same process takes five procedures and six days. In New Zealand the same process takes one procedure and one day<sup>4</sup>. The costs of licensing an economic activity are seen as prohibitive particularly for the single entrepreneur with limited capital. There are very few incentives for micro and small businesses.

A third would be a **reconfiguration of local and national government institutional arrangements**. Rural District Development Committees, led by district government offices, which operate in each district to formulate, coordinate, monitor and evaluate development projects being implemented in districts, are limited by their low technical capacity, weak coordination among government ministries, poor mobility for monitoring and inadequate funding. Sector wide planning at the district level exists theoretically but implementation is undermined by inadequate funding.

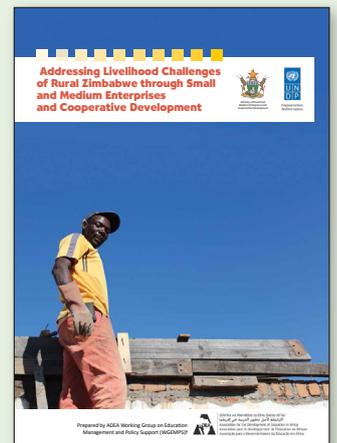
A fourth would be **increased public private partnerships** with the private sector and business playing a more central role in local planning and decision making in district development. Local businesses call for local government to be more aware of the impact some of its decisions have on their business environments. The incentives for cooperating and supporting government initiatives by the private sector are often inversely associated with increased involvement. A balance is needed between locally generated solutions to local challenges and innovative technical promising practices from other contexts where employment creation has been successful.

A fifth would be to **upgrade skills development strategies** by main-streaming entrepreneurship and financial management in the school curriculum from primary upwards; giving a waiver school levies to broaden access and support; second chance opportunities for learners. Business incubators, one stop-shops for technical assistance and realigned vocational training courses also need to be considered.

There are other possible strategies but these were some of the primary ones raised by the ADEA research commissioned by the Ministry of SMECD and funded by UNDP.



*Addressing Livelihood Challenges of Rural Zimbabwe through Small and Medium Enterprises and Cooperative Development* is available as an e-copy at [www.adea-wgemps.org](http://www.adea-wgemps.org)



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