Business Environment Reform Facility

Skills for Competitiveness: Lessons from the SITA (East Africa) Project

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About Business Environment Reform Facility (BERF)

BERF is funded by the UK Department for International Development (DFID) under the Business Environment for Economic Development (BEED) Programme. BERF is a central facility responding to demand from the DFID's priority Country Offices and stakeholders to initiate, improve and scale up business environment reform programmes. BERF is managed by a consortium led by KPMG LLP. The programme started in January 2016 and will finish in March 2019.

We provide expert advice, analysis of lessons learned, policy research about what works and what doesn't and develop innovative new approaches to involving businesses and consumers in investment climate reform.

BERF has a strong emphasis on strengthening the Business Environment for women and girls, as well as for young adults more generally. It is also aiming to improve the relationship between business and the physical environment including where relevant through linkage to climate change analysis. BERF recognises the need for appropriate political economy analysis in order to underpin business environment reform processes and interventions.

About this Report

This Evidence and Learning Note is one in a series of Skills for Competitiveness studies developed by BERF for and in association with the World Bank Group's Finance, Competitiveness & Innovation (FCI) Global Practice.

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The views contained in this report are those of the author and do not necessarily represent the views of KPMG LLP, any other BERF consortium member or DFID.

This is a working paper shared for discussion purposes only. No reliance should be placed upon this report.

Acronyms and Abbreviations

BEED	Business Environment for Economic Development
BER	Business environment reform
BERF	Business Environment Reform Facility
BMO	Business membership organisation
CV	Curriculum vitae
DCED	Donor Committee for Enterprise Development
DFID	Department for International Development
DOI	Digital object identifier
DSM	Digital and social media
EPPI-Centre	Evidence for Policy and Practice Information and Co-ordinating Centre (part of the Social Science Research Unit at the Institute of Education, University of London)
FRESA	Framework for Employment and Skills Action
HDI	Human development index
IADB	Inter-American Development Bank
ICT	Information and communications technology
IEA-Kenya	Institution of Economic Affairs Kenya
ILO	International Labour Organization (a UN organisation)
IT	Information technology
ITC	International Trade Centre
ITUC	International Trade Union Confederation
IZA	Institute of Labor Economics (*Forschungsinstitut zur Zukunft der Arbeit*)
KAM	Kenya Association of Manufacturers
OECD	Organisation for Economic Cooperation and Development
OPM	Oxford Policy Management
PhD	Doctor of Philosophy
SFC	Skills for competitiveness
SFE	Skills for employment
SITA	Supporting Indian Trade and Investment for Africa
SRO	Senior reporting officer (DFID)
STEM	Science, technology, engineering and mathematics
TOR	Terms of reference
TVET	Technical and vocational educational training
UK	United Kingdom
UN	United Nations
US	United States (of America)

For convenience, the term “East Africa” is used to refer collectively to the African participants in SITA: Ethiopia, Kenya, Rwanda, Tanzania and Uganda. The term “African SITA countries” is used occasionally when the distinction is particularly important, but refers to the same group. “SITA countries” also includes India.

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Executive Summary

Skills for competitiveness (SFC) is about more than just getting unemployed people into work, it aims to build productivity, investment, export and encourage new business formation. But these objectives can rarely be achieved through training alone, making it difficult to isolate skills for competitiveness interventions from linked challenges.

Since 2014, DFID's Supporting Indian Trade and Investment for Africa (SITA) programme has identified and addressed a range of constraints to productivity, investment and international trade in East Africa. Skills development is an important feature of this work, but by no means its core. Examining SITA components, it is clear how closely skills deficits are linked to other constraints, and also how certain skills — such as in digital and social media — can enable firms to increase productivity or access new export markets in ways that they had not necessarily foreseen.

East Africa faces a wide array of business environment challenges, and its constituent countries differ starkly, from Rwanda's top-quintile performance in the Doing Business rankings to Ethiopia's position in the bottom quintile (with India falling closer to the middle). A lack of skills is a small but significant part of this picture, often cited by firms as an obstacle, but rarely as the biggest challenge they face.

SITA has incorporated the private sector into its skills for competitiveness interventions in a variety of ways. Companies guide and host apparel training through a newly created apex body. Firms play a more active role in training new recruits through well designed internships. Indian investors are taking responsibility for farmer training for crops they want to import. And women entrepreneurs have taken the initiative to establish informal mentorships.

This report uses evidence from 17 interviews with implementers, partners and beneficiaries to identify transferable lessons from SITA's experience that could be of use to future skills for competitiveness programming. The following is a summary of its main conclusions:

- SITA benefitted from the **freedom to tackle interlinked challenges** while building skills.
- **Demand assessment is integral** to skills for competitiveness programming, and a core weakness of much training is a mismatch between skills taught and commercial demand.
- Government programmes usually focus on "**skills for employment**" (preparing the unemployed for work), which is **cheaper per recipient but has less impact** than more intensive programmes aiming to catalyse investment, export or business formation.
- A common feature of SITA projects was the ability to **rapidly prototype training**, effectively incorporating feedback from the private sector — which is frequently beyond the capacity of government programmes.

- White-collar job-seekers in East Africa frequently **lack core job-hunting skills**, which presents a rare opportunity for a simple, high-volume, low-unit-cost intervention.
- General education in East Africa tends to contain little practical training, which can make for a **difficult transition to skills-based courses**, and also means that educational achievement is not a great predictor of success in vocational training. SITA exploited this to **include more women and less affluent students** by screening candidates for motivation and problem-solving ability.
- SITA illustrates that a well-integrated **gender-focused component can have a portfolio-wide effect**, by linking in networks of women-led businesses and reframing interventions.
- Mechanisms such as **internships** that facilitate training within companies have a deservedly poor reputation in East Africa, but **can be effective with good facilitation**.
- In the agricultural sector, SITA has found that **foreign buyers will take responsibility for farmer training** once they are convinced that a product is commercially viable.

Recommendations arising from these conclusions are as follows:

1) **Resolving challenges.** Donors should be cautious about launching "pure" SFC interventions that are unable to resolve closely linked challenges.
2) **Demand identification and stimulation.** SFC programmes should always devote substantial effort to demand identification — and potentially demand stimulation, where low-skill equilibriums are identified.
3) **Involving private sector.** Where training programmes target a well-identified, existing industrial demand, the private sector should be closely involved in curriculum design, evaluation and iterative improvement. Curriculum designers should have the budget to consult with employers and make improvements.
4) **Adapting programmes for women and disadvantged groups.** SFC programmes can better target women and disadvantaged groups by using non-education-based requirements that test for motivation and practical problem-solving.
5) **Donor support for scaled up job-hunting skills training.** Donors should support a large-scale job-hunting skills training programme in East Africa.
6) **Gender-awareness analysis.** SFC programmes should begin with gender-aware analysis that ensures sector selection doesn't ignore women's priorities; an integrated gender-focused component can build networks that maximise women-led firms' participation.
7) **Support for internships.** Donors should support BMOs to establish facilitated internship programmes in East Africa, with a view to sustainable financing through membership or participation fees charged to employers.

1. Introduction

1.1 SITA

The Supporting Indian Trade and Investment for Africa (SITA) programme is being delivered by the International Trade Centre (ITC) from 2014 to 2020.[1] It aims to increase Indian investment in East Africa, and in turn, exports from East Africa to India. Programme activities fall into a broad range of categories, summarised in the business case as follows:

- Help African producers to understand the Indian export market.
- Encourage Indian investment and expertise to improve African exports.
- Cultivate value chains to ensure that export growth benefits the poor.
- Business environment reform (BER) specific to exports to India, including research, advocacy and interventions.[2]
- Share lessons to encourage replication of successful business models and interventions.[3]

1.2 Skills for competitiveness versus skills for employment

SITA and others identify skills shortages as one of many impediments to greater investment, economic growth and export growth in East Africa.[4] While skills are developed for many legitimate and laudable purposes, we use the phrase "skills for competitiveness" (SFC) to refer to *skills development that is necessary for an increase in economic activity, but especially for an increase in productivity, investment, export, or business formation*. Such skills may not be a sufficient condition for any of those outcomes, which leads to the complexity of aligning skills development with complementary action to meet other necessary conditions. They may also not increase employment, if they focus on productivity improvements in existing employees, or shifting marketing activity towards exports. In this context, SITA's scope — incorporating SFC where necessary, but supporting investment, trade and growth much more broadly — encompasses not just training and skills, but takes responsibility for the various linkages that ensure that skills development contributes to real economic impact. SFC is distinct from "skills for employment" (SFE), which describes an intervention whose primary purpose is to reduce unemployment by making candidates ready for existing jobs, though certain interventions could fit within either type of programme.[5]

1.3 Purpose, methodology and limitations

The purpose of this report is to summarise lessons from SITA's experience that are likely to be of value to future donor programmes that aim to promote SFC, and is not intended to be

[1] DFID, 2017, p1.
[2] This report uses the DCED definition of BER (DCED, 2008, p2).
[3] DFID, undated, p2.
[4] A summary of business environment challenges in East Africa is included as Appendix 1.
[5] See, for example, Ofsted, 2012.

an evaluation of SITA. It is based on desk research and phone interviews with 17 stakeholders from DFID, ITC, the private sector, government and beneficiaries. The selection of components to include was done by ITC, based on their SFC content and maturity. Unfortunately the research was not able to include interviews with representatives of the Government of India in the time available.

1.4 Selected projects

SITA components covered by this report are summarised in Table 1. They will be referenced in subsequent chapters using the name in the first column.

Table 1: Selected SITA components

Summary of SFC-related components covered by this report			
Name	**Countries**	**Content and activities**	**Scoping**
Mitreeki	All	A collection of activities to promote women entrepreneurs, which also promoted gender balance across all SITA activities. Included: ▪ Communities of practice ▪ Learning opportunities (in person and online) ▪ Networking events	Informal surveys Observation of interactions with investors
Spices	Ethiopia and Rwanda	Selected spice sectors in Ethiopia (turmeric and ginger) and Rwanda (chilli) Trained farmers to increase production, harvest and process for export Connected East African farmers with Indian buyers and investors Comprehensive pilot-stage facilitation as proof of concept	Agronomist's expertise and Indian buyers' expressed interest
IT internships	India	Eleven graduates from East Africa were placed with Indian firms (including a social enterprise) for three months, in IT-related roles	Interest from Indian companies in the East Africa market, unsure how to build networks Aim to capitalise on existing presence of East African students in India
DSM[6] training and internships	Kenya	Around 2 months of practical training on digital and social media (DSM) for 50 women, followed by a 3-month internship Exclusively for women, targeting disadvantaged women Training based in Nairobi, with internships around Kenya	Online survey of 140 companies in East Africa, asking about skills demand Implementing company had an existing network through KPMG survey
Apparel coordination	Kenya	Demand-driven support to textile and apparel sector coordination, based on a new apex body hosted within an existing BMO Sector skills gap analysis	Facilitated sector roadmap, then responded to requests for analysis and support

[6] Digital and social media.

Summary of SFC-related components covered by this report			
Name	**Countries**	**Content and activities**	**Scoping**
Hand looms	Ethiopia	Supporting individual weavers to collaborate and establish a social enterprise to plug gaps in the value chain by testing Indian models Technology transfer through exposing Ethiopian weavers to Indian technology	Initial needs assessment Formal surveys of home-based weavers to assess productivity

1.5 Outline of the report

Chapter 2 introduces some conceptual ideas that provide context for the challenges SITA has faced and solutions it has developed. Chapter 3 quickly summarises what is known about business environment challenges in East Africa, and how SFC fits into this landscape (supported by a more detailed analysis in Appendix 1). Chapter 4, the core of the report, presents lessons from SITA's experience that may be of use to SFC programme designers and managers in future (with additional lessons specific to triangular programming in Appendix 2). Chapter 5 summarises conclusions and recommendations drawn from the previous chapter.

2. Conceptual Framework

2.1 Defining a skills gap: chasing a moving target

Skills gaps are at the heart of SFC interventions, yet there is no agreed definition of a skills gap and the idea is less straightforward than it may seem. The concept appears to have originated in human resource analysis at the micro level (inside a firm). The first skills gap analyses quantified the discrepancy between skills achieved by an individual or team and the skillset required by the functional role.

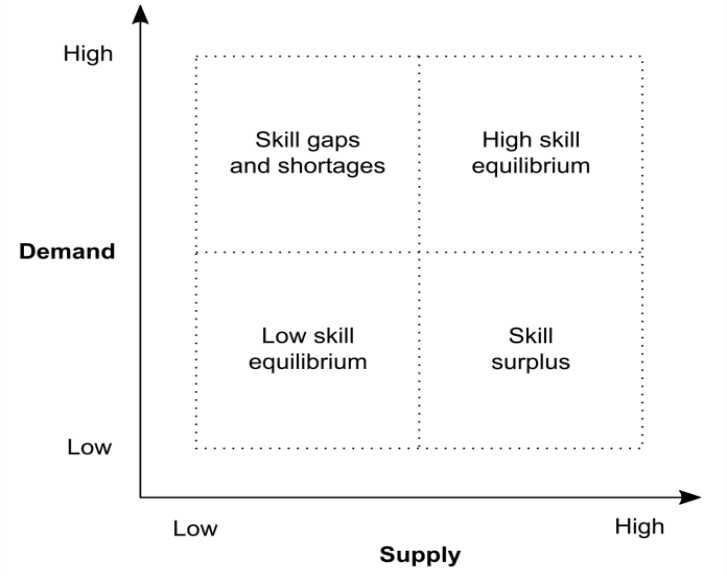
It is an appealing concept that has readily been applied to larger units of analysis: to a company, sector or economy. A skills gap analysis implicitly or explicitly defines a set of skills that the company plans to achieve: a company would measure the current skillset against the mode of production that its operations calls for.

At the level of an entire economy, the skills gap identified by analysis would depend on the level of achievement that the government and/or sector organisations set for the skill intensity of the sectors and production processes required for meeting growth and productivity objectives.

2.2 The OECD model

The OECD use the model shown in Figure 1 to analyse workforce skills mismatches.

Figure 1: The OECD model of the skills market



Source: Based on Green et al., 2003, p79; Froy et al., 2009, p27; and Froy et al., 2012, p6

This work does not explicitly define skills gaps, but identifies them using static markers such as vacancy rates for skilled jobs, inward migration of skilled workers and relatively high productivity of existing jobs. A skills gap is thereby made quantifiable, but can only be identified

relative to a comparator, such as another region, sector, or a neighbouring country. Following the OECD model, in this report a "skills gap" refers to a situation in which *existing* businesses struggle to recruit sufficiently skilled workers for *existing* production processes.[7]

The benefit of this model for analysing developing country skills markets is that it stresses the difference between skills gaps and low-skill equilibriums. It also highlights the consequences of successfully raising marketable skills in a geographical area in which there is a lack of commercial demand for those skills. This leads to a skills surplus, which is often characterised by outward migration (or "brain drain") as qualified workers seek wages commensurate with the investment they've made in their education.

In turn, this highlights the complexity of building skills to attract foreign investment, especially where there are other reasons that make investors reluctant to invest. Workers need to be convinced that their skills will be in demand in order to seek training and may seek employment elsewhere if investment is not forthcoming or is slow to materialise.

Box 1: Programming differences between skills gaps and low skill equilibriums

Skills gap	**Low skill equilibrium**
A cluster of local apparel manufacturers has been successful in marketing their goods in Europe and North America and has retained profits that they want to use to expand production. However, recent recruits that have graduated from vocational training have not had appropriate skills, and firms are unwilling to expand without a source of new, trained workers. A training course will be relatively easy to establish, using the employers' requirements as the basis for a curriculum. Potential students will see the prospect for well paid, local employment. Sourcing co-funding from either employers or students will be relatively easy, since the benefits of training are tangible, and companies will be well placed to offer in-kind contributions such as the use of training locations and machinery.	Foreign investors see the potential to begin processing sugar within the country, but are concerned that local skills levels are low and energy prices may be uncompetitive. Without an intervention, there is no new investment. Intervention in this case is much more complex. The exact skills requirements of a possible future investor may remain unclear until operations start, so a curriculum may be speculative and potential investors more difficult to engage in the process from overseas. Potential students may not be convinced training will lead to employment. Co-funding will be harder to obtain. And even if the training is perfectly successful, investment may not materialise due to energy prices or other, unknown factors — leaving ex-students with unusable skills.

2.3 Questioning the firm's perspective

Firms report a skills gap when they have difficulty finding candidates to fill existing vacancies, or when their existing workers are not sufficiently skilled to do the job required of them. However, in developed economies, various mechanisms and institutional arrangements exist to ease the transition from education into employment, that are often absent or poorly functioning in developing countries. One mechanism that receives attention in SITA is the internship. When functioning well, this combines elements of candidate selection, in-house training and independent learning to bridge the gap.

Another concept used by firms and the civil service in developed countries is the graduate training programme. In some developing countries, the government implicitly takes responsibility for preparing candidates for the workplace through ambitious training

[7] E.g. Green, 2012, p8.

programmes, and responds sympathetically to firms' calls for support for trainees' transition. However, some SITA components have disputed this division of responsibility, by finding ways to motivate or enable employers to take a more active role in providing experience and training that enables candidates to fill high-skill vacancies (see section 4.4.3).

2.4 Conclusions: what does this mean for SITA?

Assessing skills gaps at the sector or country level is an inherently subjective exercise, because it requires an assertion of the type of production that is desired. In more traditional sectors like textiles and apparel in Kenya, there is a clear shared vision of what the sector wants to achieve, and SITA has been able to support skills gap analysis. In other areas, such as the development of digital and social media (DSM) skills, firms are less aware of how these can and should fit into production and marketing, and discovery of applications often happens alongside skills development (see DSM internships and training). In areas where foreign investment is lacking, countries face a low-skills equilibrium, in which SFC would need to be accompanied by interventions to stimulate investment, which is *much* more complex and risky (see spices). Finally, firms often see a skills gap as a failure of training institutions, but there are cases where internal training is the easiest way to prepare candidates for skilled positions. SITA has experimented with facilitated internships as a way of challenging business norms, to stimulate greater contribution to skills development from the private sector.

3. The Challenge in East Africa

More than a quarter of firms in Kenya and Rwanda see workforce education as a major constraint, and in Tanzania the figure is more than 40 per cent. But fewer than 5 per cent of firms in every country in East Africa perceive workforce education as their *biggest* obstacle. Indeed, in Tanzania, despite two in five firms considering this a major challenge, on average they list *ten* other constraints as being more serious.[8]

The apparel sector in Kenya is a good example of the traditionally perceived skills challenge in East Africa: a sector planning to expand that needs new workers who have received vocational training that meets the needs of firms (which has more in common with an SFE intervention, as described in chapter 1). But SITA has also explored challenges that are less visible, less well understood by either the private sector or government, and harder to analyse. Its digital and social media (DSM) training has prepared its graduates to work in a wide range of industries and in a range of functional roles. Skills such as marketing can improve product quality by better understanding a firm's customers, and even unlock new export markets. The impact of a production skills gap in Kenya's apparel sector can be estimated, whereas gauging the potential impact of DSM training is more challenging.

This variety of interventions illustrates the difficulty in trying to quantify the skills gap, or identifying where the challenges and opportunities lie. A central dimension of a country's development is the accumulation of human capital through training, experience and discovery of new ways of working. Assessing the best opportunities to do so is not straightforward: SITA's approach has been to use an adaptive methodology to uncover skills gap challenges that may feasibly be addressed and rapidly develop prototypes to do so, rather than to begin from a definitive analysis of the skills East African economies most urgently need. This methodology appears well suited to SFC interventions, in which skills constraints are often tangled up in a complex of allied challenges. It seems particularly valuable in emerging areas where reliable demand assessment is difficult because existing firms don't know what skills they would need to do things differently — when developing new business models, importing new technology or using new marketing techniques.

[8] Data from World Bank Enterprise Surveys. Appendix 1 summarises the skills and business environment challenges in East Africa in greater detail using this and other sources.

4. Lessons for Programme Design and Implementation

4.1 Demand identification and analysis

SITA components used a wide range of research and analytical tools to identify opportunities for SFC interventions, including:

- **online surveys**, hiring a local partner with established private sector links obtained through delivery of an existing in-country corporate survey (DSM training and internships)
- **informal surveys** (Mitreeki)
- **investor and buyer interviews** to identify East African sectors with immediate potential for export to and investment from India (IT internships)
- **expert opinion** was particularly important in agricultural extension programmes, where crop feasibility was as important as commercial viability; spices was fortunate to identify an individual with combined agronomics and value chain expertise and an established investor network
- **direct observation of interactions between firms and investors** was useful to identify skills and capacity gaps (Mitreeki)
- **requests from a sector organisation** (apparel coordination)
- **formal skills gap analysis** (apparel coordination).

Components varied in the extent to which a skills gap was identified as a priority, standalone constraint. Apparel coordination was perhaps the component with the "purest" skills gap, where a lack of trained workers was constraining firm growth and foreign investment. But even here, SITA supported sector organisation, helping the private sector to resource an apex body which then conducted a skills gap analysis and developed a training programme. The launch of this initiative reflected Kenya's well developed BMOs and availability of skills and may have limited replicability in those countries with more rudimentary institutional capacity.[9]

In other components, skills support was even more intertwined with the resolution of other constraints. In spices, farmer training was embedded within a varied array of support to demonstrate the viability of the crop to Indian investors, including provision of inputs, site visits to Indian farms and seed facilities, and assistance with trade logistics. The main unifying element was a small-scale, iterative approach, which adapted to new constraints as they were discovered. The combined experience of all projects illustrates the limitations of a "pure" SFC programme that is unwilling to tackle closely linked challenges.

[9] Lessons for donors relating to support for sector organisations and other BMOs are summarised in another BERF Evidence and Learning Note (Hetherington, 2016b). For various reasons, SITA's experience in Kenya is atypical of similar programmes across Sub-Saharan Africa, as detailed therein. Most importantly, the Kenya Association of Manufacturers (KAM) was able to sustainably fund core activities of the apex body from existing membership fees: it was established on a low cost basis as a desk within a well established BMO. They paid for an additional employee to work primarily on the apparel and textile sector, using existing membership fees. SITA covered some expenses, e.g. convening meetings.

One lesson that emerged in multiple components is to avoid assuming that participants are seeking wage employment. IT internships, DSM training and internships and apparel coordination all discovered greater appetite for self-employment than expected, and components that incorporated some training on entrepreneurship-related skills were popular. In some cases, students who began training seeking a route to secure employment were substantially changed in attitude by the exposure to new business models and ways of working, and consequently sought entrepreneurial opportunities instead. Given the potentially much higher economic impact of new business formation, SFC programmes should consider and promote routes open for their students to establish new companies.

4.2 Piloting, scale and adaptivity

The SITA components considered in this report all contain elements of adaptivity, testing uncertain interventions in new contexts. Some have great potential for scaling up (spices, hand looms, apparel coordination), whereas others seem better suited to continue at modest scale (IT internships, DSM training and internships).

SITA's analysis drew important conclusions about government's attitude and preferences, which were fairly consistent across East Africa. First, governments are motivated to deliver skills for employment training at scale. The ILO estimates there are 6.1 million unemployed people in African SITA countries — 5.0 per cent of the workforce, rising to 7.7 per cent for young people and 9.9 per cent for young women.[10] Consequently, governments aim to provide vocationally oriented training at large scale, but are unable to provide consistently high quality of training, or able to deliver the complex benefits of SFC. In developing training, the government does make some attempt to consult the private sector, but even in more capable governments this typically falls short of the intensive involvement needed to ensure graduates are ready for employment. Finally, government is poor at rapid prototyping: if a training programme is designed badly, it will not be evaluated and improved rigorously enough to resolve its major problems.

Consequently, SITA has been cautious in working with government. In apparel coordination, it has been important that government has taken on a coordinating function,[11] but this has been starkly different from its usual central role in developing new TVET courses. Government training centres have been used (alongside others) to host courses. However, curriculum design, evaluation and improvement has been led by the private sector and a donor-appointed implementer (not funded by SITA). The first cohort of training did not meet companies' expectations, and substantial modifications were made before the second class began. The

[10] Author's calculations based on ILO modelled estimates for 2018; youth defined as ages 15–24 inclusive (ILOSTAT). This compares with a continental estimate of 7.8 per cent (13.4 per cent for youth, 14.7 per cent for young women). Research is sparse for graduate unemployment rates, African country estimates range from 5.9 to 23.1 per cent, though none are available for African SITA countries (McCowan, 2014, p5).

[11] If for no other reason, it is important to ensure that government does not take a hostile stance towards a training initiative, as this would lead to a range of risks. Given the government's statutory role in providing vocational education it is important to engage diplomatically with relevant ministries and agencies.

budget and organisational structure for improvements to be made, based on employers' feedback, once the first graduates are in work is clearly important. Companies are deeply invested in the training, providing some of the training centres, machinery and materials. It is too early to determine whether the course will come under greater government control in future[12] and how that will affect its outcomes, but so far the delicate balance of including government counterparts without succumbing to inflexibility seems to have been successful — and the government is cautious about disturbing a winning formula.

Other components (IT internships, DSM training and internships) seem less suited to a scale at which government action would be justified. While these programmes could be scaled up, and features of them replicated without donor support (see section 4.4.3, which includes discussion of sustainable funding), they are ill-suited to serving thousands or tens of thousands of trainees each year. In this type of SFC project, impact assessment should not focus on enabling the unemployed to fill vacancies, but broader and often highly challenging aims. Both projects show promise that their graduates will:

- enable firms to access new export markets
- improve productivity and use of technology across a range of sectors
- create new businesses
- introduce and spread new business models in East Africa, and
- create new (unrelated) jobs through business formation and growth.

Evaluating the wide-ranging impact of such components is extremely challenging, but the value for money of delivering such high unit cost programmes should be assessed in this light.[13] At present, the incentives and motivation of governments make them poorly placed to take over such programmes, partly because such large benefits accrue to such a small group of training recipients. This links to the broader issue that the development sector appears to have consistently undervalued and under-researched tertiary education, in part because its impact is more varied in form and harder to measure.[14] At the same time, cost recovery from employers or trainees would be difficult for the type of intensive off-site training provided by DSM training and internships (which is exacerbated by the component's inclusive selection strategy and orientation towards entrepreneurs).

Another piloting approach used by SITA is to trial a new business model in the hope of demonstrating commercial viability to a social enterprise (hand looms) or foreign investor (spices). Here there is no scale-up challenge — if the private sector is convinced by the demonstration then firms would scale up themselves, including any necessary training,

[12] The government provided in-kind support e.g. training venues. There was an expectation that government should be funding this type of training in the long-term, and some political sensitivities around the fact that this programme could be seen as a replacement for TVET courses perceived to be ineffective.
[13] Unit cost information was not available from ITC at the time of publication.
[14] Oketch et al., 2014, especially pp52–8.

whether this takes the form of peer-to-peer learning and copying, or more formalised training provided by downstream processors. This approach is risky and has a high unit cost for the few direct recipients of the intervention, but the impact can potentially be very large if the model is widely replicated. This requires both a timescale and a monitoring and evaluation structure that permits mistakes to be made and learnt from.[15]

4.3 Inclusivity

4.3.1 Gender

Previous BERF research has described best practice for gender-sensitive BER.[16] Evidence from interviews and the recent external review did not suggest that gender analysis had preceded core design decisions such as sector selection.[17] SITA would therefore be considered an "intermediate" rather than "best practice" programme under the BERF framework.[18]

However, despite common derision of "bolt-on" gender components, Mitreeki is a good example of how a component dedicated to gender, within a well-coordinated framework, can make significant improvements in the gender sensitivity of an overall portfolio. Mitreeki's primary aims are to provide training and promote dialogue and networking between women-led businesses, but the strong coordination between its management and other programmes enabled Mitreeki to act as an internal advocate within SITA, and to ensure that women-led firms were well connected to other components. This advocacy would not have been effective if this component had been outsourced – the adjusted project scope (for instance in defining work on leather to include women-dominated leather products manufacture) is more limited than would have been achieved if analysis informing sector selection had been gender aware.

Mitreeki went some way towards compensating for the lack of early, dedicated research into the particular constraints faced by women-led firms. A considerable amount has been learnt by the project about current challenges from direct observation of interactions between female managers and potential investors, and women's participation in training sessions. One key observation was that very few women-led, investment-ready firms could be identified. Even firms with a turnover of US$1m per year did not have the financial documentation in place to meet investors' requirements. A similar gap existed in readiness for international trade. Programme designers need this information early in order to deliver components of real benefit to women-led businesses.

First and foremost, Mitreeki provides a platform for the East African private sector to network and build linkages, such as finding suppliers and customers. Although ITC does not witness the majority of these relationships, it is aware of instances in which companies have used this

[15] The relevant components of SITA needed a minimum of 5 years to tackle problems of this complexity (a longer timeframe would have been very helpful) — early attempts were unsuccessful but generated lessons necessary to subsequent success. Results should be expected to be backloaded.
[16] Hetherington, 2016a.
[17] OPM, 2018.
[18] Hetherington, 2016a, p12.

platform to create their own SFC actions, for instance by establishing informal mentorships between younger and more experienced businesswomen.

The style of engagement by DFID advisors has been a significant factor in SITA's ability to prioritise gender. Incorporating gender properly often raises costs or introduces delays, many of which may only become apparent during implementation. ITC were able to make these decisions confidently when DFID representatives were sufficiently engaged to understand these trade-offs and confirm the sacrifices that the donor was willing to incur in order to meet its gender objectives. Where donors manage from a distance, the implementing agency sometimes has to infer the donor's preferences, and results for marginalised groups can be difficult to measure.

4.3.2 Youth

The general picture across components is that SFC programming fits naturally with the inclusion of youth. In both emerging (IT internships, DSM training and internships) and traditional (spices) areas of economic activity, projects found that young participants were receptive to training (though it is worth noting that these components selected participants very carefully).

4.3.3 Poverty and education

DSM training and internships attempted a specific focus on economically disadvantaged women, which, in practical terms, meant lowering educational requirements. Although the project struggled to identify enough promising candidates who were economically disadvantaged to fill their 50 places, they encouragingly found that economically and educationally disadvantaged students did not unduly underperform (though some required a little additional support). The practical and problem-solving orientation of the training provided a learning environment different from the theoretical approach in general education. However, the project benefitted from a highly resource-intensive selection process, which was able to assess candidates in a more nuanced and holistic manner, without having to rely on educational achievement as a (possibly weak) proxy for talent. The small scale may also have helped — if filling 50 places with economically disadvantaged candidates was difficult, a larger programme would likely have had to compromise further on this dimension. As usual, there is a cost associated with the additional objective of tackling social inclusion, but in this instance it appears that this was absorbed as a project cost (a more intensive selection process) rather than as a reduction in ambition or effectiveness.

The search for economically disadvantaged, yet practical and problem-solving candidates presented an interesting selection dilemma. The project presented a series of hurdles to candidates in order to identify students who were motivated and able to pursue a career in DSM. One of these was that candidates were required to provide a laptop for their own use during the course. At first sight the requirement that candidates obtain a US$300 laptop may seem like a strange requirement for a course aiming to select economically disadvantaged students. However, it was motivated by the understanding that it is unrealistic to expect

somebody without access to a laptop to be able to build the skills necessary for a career in DSM, and the desire to ensure that investment-intensive training is not wasted on students without interest in pursuing the subject professionally (or, worse, motivated primarily by per diems, which were also not provided[19]). This sort of design decision is difficult to make without relevant research and would be a subject for further investigation.

4.4 Recruitment and in-house training

4.4.1 Job-hunting skills

Components that dealt with candidates for skilled office work (IT internships, DSM training and internships, Mitreeki) consistently identified a lack of core job-hunting skills. Candidates were unable to produce an appropriately structured, error-free curriculum vitae (CV), and underperformed in interviews by phone and in person. These are relatively straightforward skills to teach, and once identified, SITA components were able to adjust their scope to provide this training. However, unlike many skills targeted under SITA, these skills can feasibly be improved in a short period, and training can be economically delivered at scale. Such training does need to maintain a practical orientation (often identified as a weakness in government-provided training): students should have the opportunity to create and receive *feedback on their own* CV, and have the opportunity to practise interview skills in role-playing sessions.

The programme also found that candidates lacked an understanding of what employers were looking for in a CV, an interview, and ultimately an employee. An intervention that builds job-hunting skills could usefully provide candidates with a chance to listen to employers explain their perspective and the opportunity to ask questions.

4.4.2 Screening

As described in section 4.3.3, DSM training and internships presented a series of small “hurdles” to candidates in a conscious effort to select students that were motivated and able to overcome practical challenges.[20] Students were required to provide a laptop for their own use during the course, they were responsible for their own transport, and were required to complete an online training component to qualify. Although this raises questions on inclusivity that should be carefully considered (see section 4.3.3), ITC found it an effective way of selecting students that would be able to make the transition from the theoretical educational model prevalent in East Africa to the practical style used by the course (again, see section 4.4.3). This was a small pilot, but these methods are worth considering where there is a desire to select for motivation, self-directed learning, problem-solving, ability to engage in more practical learning styles, and interest in using acquired skills professionally. It is also an approach that naturally lends itself to evaluation, and more robust lessons would be valuable to DFID’s overall SFC portfolio.

[19] Hand looms were also aware of previous donor training initiatives that had provided per diems and attracted many students who were uninterested in subsequently using the skills they acquired.
[20] Interviewers spent a lot of time/money interviewing, and used online screening techniques that are common outside East Africa.

4.4.3 Internships

As discussed in section 2.3, employers are likely to perceive a larger "skills gap" if they lack established processes to prepare new recruits for their jobs. SITA observed that internships do exist in East Africa, but that they routinely fail to deliver the positive outcomes seen in other markets. They are typically unpaid, interns have unclear reporting lines, an undefined role and objective, and firms do not take responsibility for adequate orientation, training and support during the internship. Consequently neither employers nor candidates perceive them to be of value. However, by establishing improved norms, there is great potential for internships to increase the private sector's direct involvement in building candidates' skills for specific roles.

Two SITA components (IT internships and DSM training and internships) demonstrated that East African graduates are able to contribute meaningfully as interns with the right selection and support, in both Kenya and India. The IT internship programme did not offer training (although some support was given with CVs and interview skills after weaknesses were identified) so, although a training component could certainly be helpful (and was very effective in the DSM training and internships) it is not necessarily a prerequisite for success. DSM training and internships also demonstrated that when expectations are explicitly set by a facilitator, East African firms are able to provide a valuable internship experience that builds interns' skills and is often a gateway into permanent employment.

These SITA components expected that further iterations of either programme ought to be substantially easier, merely because reputation and expectations are so important in attracting companies and candidates. One difficulty in IT internships, for instance, was that companies wanted to see candidates' CVs before they would agree to participate in the programme. An ongoing programme that established its reputation by word of mouth would find it easier to engage potential employers.

The evidence from SITA suggests that internships could have great potential to improve the functioning of the East Africa labour market, if a facilitating agency was able to establish favourable expectations on both sides. Given the financial value to firms of securing capable employees, a facilitated programme could also achieve long-term sustainability. An organisation such as a BMO could establish an annual programme, pre-selecting internship candidates, providing help with CV preparation and interview practice, and requiring companies to demonstrate their commitment by providing a clear TOR for the role, a named supervisor and minimum stipend.

4.5 Reaching the agricultural sector

We looked at two quite distinct SITA components aimed at building skills and livelihoods in farming households. Spices sought to foster investment and trade in new, high-value agricultural crops, whereas hand looms aimed to improve rural households' ability to supplement their farming income by improving the productivity of a prevalent household industry.

Both components were somewhat disappointed with the results of traditional classroom teaching techniques. Spices in particular found that, although farmers fully understood the techniques being taught, a classroom environment was not sufficient to convince them that what they had learnt should be put into practice. Over time, both components developed a greater emphasis on peer-to-peer interaction, in which farmers could observe technology and practices being used effectively (in India), which was enough to convince them of the benefits (and lack of risks) of adopting them themselves. In hand looms, this also provided an opportunity for farmers to select for themselves which technological improvements were the best candidates for adoption; in practice, this approach seemed to work better than analysis of which technologies should be prioritised for introduction in East Africa.

Unsurprisingly, teaching methods were more effective when tailored to the needs of students, and when they engaged students more actively in the process.[21] In spices, this meant developing posters and comic books that minimised the use of written language, and asking students to vote on and discuss questions rather than relying exclusively on lectures.

Improving farmers' skills clearly played an important part of ITC's efforts to make pilot production successful and demonstrate proof of concept to potential investors. However, it is interesting that investors were less concerned about skills. Seeing a successful harvest was critically important to secure investment, but the capacity of farmers was not a high-level concern. One investor emphasised that his contact with government, facilitated by ITC, provided confidence that export would not be unduly complicated by government weaknesses or interference — which seemed to be a much greater concern than farmer training.

Investors were happy to take responsibility for farmer training (and storage, and export) once they had seen a working demonstration and had decided to invest. As noted in section 4.2, it was important that ITC was able to handle challenges such as farmer training and export logistics at the pilot scale, even though this intervention will never need to be scaled up.

[21] Literature summaries on active learning are available in Prince, 2004 and Freeman et al., 2014.

5. Conclusions and Recommendations

5.1 Conclusions

- While not explicitly an SFC programme, SITA has successfully addressed SFC challenges alongside interlinked constraints. **All of its interventions have been more multifaceted than pure training programmes**, at minimum by assessing and consulting on demand for skills, and often promoting mechanisms that challenge labour market norms such as internships.
- **Demand identification is an integral part of SFC components**. SITA's approach of integrating SFC into work targeting a range of constraints meant that this was done more informally than is likely in a more SFC-oriented intervention, but still used a wide range of methods (online surveys, interviews, expert opinion, observation of interactions, etc).
- The scale of interventions varied substantially: one pilot covered 11 people, another has trained 2,000 so far. This largely reflects the very different scales which suit different types of skills – basic skills training operates at scale; whereas more advanced skills training has low throughput. **Low throughput programmes are valuable and may be justified, but should aim for graduates to have much larger spillover effects** (on productivity, business formation, job creation, etc).
- Projects led by donors and the private sector are better able to **rapidly prototype and iteratively improve new courses** than those run by government. Including a capable government in a coordinating role is helpful, but it is too soon to assess whether shifting programmes to government institutions at maturity is feasible or desirable.
- Multiple components found that graduates seeking skilled office jobs **routinely lacked job-hunting skills** such as the ability to prepare a CV and display their potential in interviews. This is a rare opportunity for a large-scale, low unit cost intervention that could eliminate a portion of the "skills gap" that results from miscommunication between employers and candidates.
- ITC's use of small "hurdles" to **select candidates on the basis of motivation, self-directed learning and problem-solving** is a promising innovation that may be useful in future SFC programmes. Evaluation to establish evidence on its effectiveness would be valuable.
- SITA has suffered from the lack of gender analysis prior to sector selection, but has made good use of a **networking component for women-led firms** that has helped to link them in to other components.
- The East Africa labour market suffers from a lack of useful norms such as high-quality **internships**, in which candidates and companies are screened and well prepared. SITA has already demonstrated that companies and candidates are able to meet high expectations as part of a well facilitated programme. A capable BMO may be well placed to establish a sustainable internship programme with modest donor support.

- Where SITA has been able to demonstrate the viability of innovative agricultural value chains, it has found that downstream processors have taken responsibility for the **farmer training** needed to scale up production.

5.2 Recommendations

- Donors should be cautious about launching "pure" SFC interventions that are unable to resolve closely linked constraints.
- SFC components should always devote substantial effort to demand identification — and potentially demand stimulation, where low-skill equilibriums are identified.
- Where training programmes target a well-identified, existing industrial demand, the private sector should be closely involved in curriculum design, evaluation and iterative improvement. In practical terms, good sector organisation is very helpful, but any support provided must be context-specific and take into account the risks associated with unsustainable donor funding.[22] Important lessons are likely to be learned when the first cohort enters employment, so curriculum designers should have the budget to consult with employers and make improvements at this point.
- SFC programmes can better target women and disadvantaged groups by using non-education-based requirements that test for motivation and practical problem-solving.
- Donors should consider a large-scale job-hunting skills training programme in East Africa, including guidance on CV drafting and interview role play.
- Ideally, SFC programmes should begin with gender-aware analysis that ensures sector selection doesn't ignore women's priorities. However, a well-integrated gender-focused component is also useful to build networks that maximise women-led firms' participation across interventions.
- Donors should support BMOs to establish well facilitated internship programmes in East Africa, with a view to sustainable financing through membership or participation fees charged to employers.

[22] For detailed guidance on supporting PPD, including sector organisations and other BMOs, see Hetherington, 2016b.

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Table 2: Summary of data sources

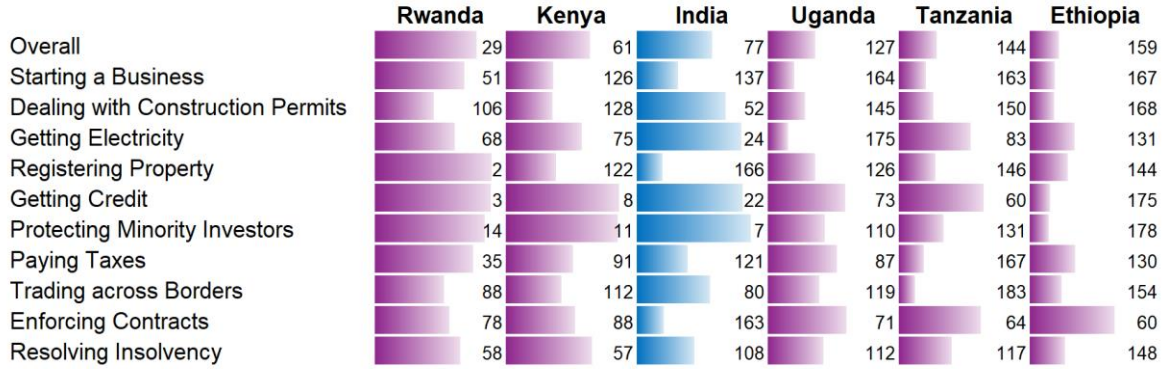
Data sources referenced in this report		
Reference	**Location**	**Accessed**
Doing Business 2019	http://www.doingbusiness.org/en/rankings	November 2018
Enterprise Surveys	www.enterprisesurveys.org/data	November 2018
Human Development Data	http://hdr.undp.org/en/data	November 2018
ILOSTAT	http://www.ilo.org/ilostat	November 2018

Appendix 1 Business Environment Challenges in East Africa

It is substantially more difficult to assess business environment challenges in a way that is meaningful for cross-country comparison. The only credible objective dataset with useful country coverage is the World Bank's Doing Business index (and its agricultural sector counterpart, Enabling the Business of Agriculture), but previous BERF advice, based on DFID experience, has cautioned against using this dataset to identify national-level reform priorities or measure results.[23] The World Bank's Enterprise Surveys are in many ways a better indicator of what matters locally, but are based on the subjective opinion of firms and so care must be taken when using them for cross-country comparison.

More problematically for the current report, Doing Business does not cover labour market skills. However, at the highest level, this data does provide an overall comparison of the business environment between East African countries, as well as how India compares (Figure 2).

Figure 2: Doing Business rankings for SITA countries



Source: World Bank Doing Business 2019.
Note: A smaller number and longer bar indicate a better score; the number is a rank out of 190.

Basic data is available about educational levels, workplace skills and productivity, although it is at a high level that has limited diagnostic use in identifying the significance of skills among business environment constraints. The HDI provides an overall comparison of the status of educational attainment in SITA countries, suggesting that India is comparable to the most educated areas of East Africa (Figure 3).

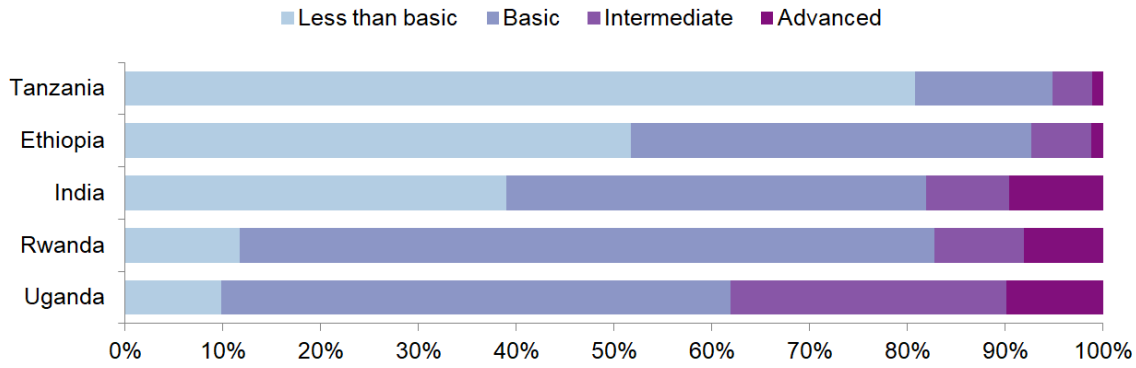
[23] Hetherington, 2017, §7.2, pp33–35.

Figure 3: HDI educational index for SITA countries

Source: Human Development Data (education dimension), 2017.
Note: The index measures the number of expected years of schooling, and the average actual years of schooling for each country.

The ILO measures how this translates into the educational attainment of employees, drawing on national labour force and household surveys (Figure 4).

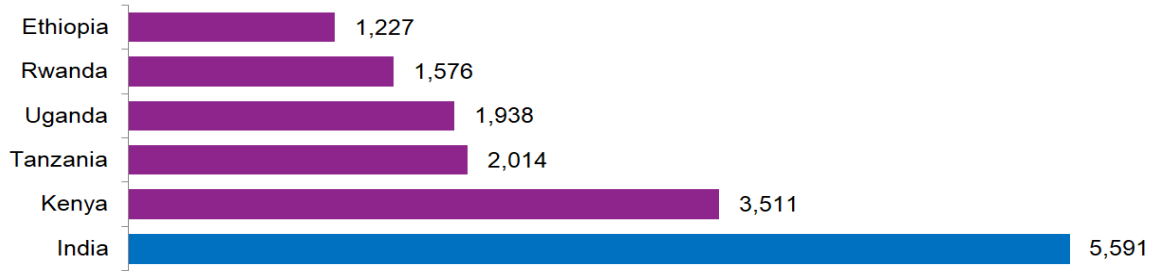
Figure 4: Employment by education



Source: ILOSTAT, based on national survey data (Tanzania: 2014, Ethiopia: 2013, India: 2012, Rwanda: 2017, Uganda: 2017). No data was available for Kenya.

ILO data on average labour market productivity gives a very rough approximation of the productive value of workers' skills, although it is also heavily influenced by the state and abundance of capital equipment (Figure 5).

Figure 5: Labour market productivity: output per worker per year in US$



Source: ILOSTAT modelled estimates for 2018 at constant 2010 prices.

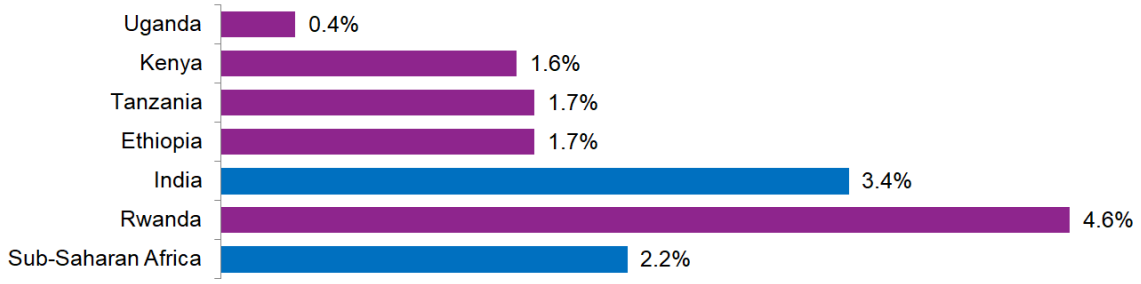
Turning to the subjective view of firms, World Bank Enterprise Surveys suggest that workers' skills are a concern for a significant minority, but eclipsed by other obstacles for most (Table 3 and Figure 6).

Table 3: Company perceptions of the education of their workforce

Priority that East African firms place on workforce education as an obstacle			
Country	**Rank of workforce education as an obstacle**	**Percentage identifying workforce education as a "major constraint"**	**Biggest obstacle overall**
Ethiopia	10	3.4	Access to finance
Kenya	13	29.7	Practices of the informal sector
Rwanda	7	28.4	Access to finance
Tanzania	11	40.8	Access to finance
Uganda	13	13.8	Electricity
India	10	9.4	Corruption
Sub-Saharan Africa	12	19.1	Access to finance

Source: World Bank Enterprise Surveys (2011–2015).
Notes: Firms rank obstacles out of 15 standard constraints, a rank of 1 means that workforce education is their biggest obstacle. Enteprise Surveys include firms in manufacturing, services, transport and construction, but not public utilities, government services, health care or financial services.

Figure 6: Proportion of firms in SITA countries that perceive workforce education to be their "biggest obstacle"



Source: World Bank Enterprise Surveys (2011–2015).

The question of whether skills are a barrier to investment and growth is addressed from a more conceptual perspective in section 2.1.

Appendix 2 Triangular Cooperation

SITA has been described as "the first South-South Aid-for-Trade project of [DFID]" although this is probably not appropriate terminology and should be avoided.[24] "Triangular cooperation" is less likely to be misconstrued, although this term has no agreed definition either.[25] This section draws together lessons of particular interest to future programmes following this model.

South-South internships[26]

Some of the greatest challenges emerged in the IT internship programme, which dealt with a variety of substantial reputational risks. Given the relative abundance of job opportunities in India for graduates with strong ITC-related skills, donor programming in this area should proactively manage perceptions of permanent outward migration (or "brain drain"). This presents particular challenges for monitoring and evaluation, since the most high-impact objectives take years if not decades to materialise. For instance, some IT interns had long-term plans to establish companies in East Africa. Arguably, the most rapid route to obtaining the necessary expertise would be to gain further experience of successful firms in India (for a few years or more) before returning. Gaining this additional experience could be much more valuable to the East Africa economy than returning at the end of the internship, yet communicating these benefits to governments and a public concerned about its talent leaving for overseas careers is not simple. It is an area in which data and analysis on longer term outcomes could be useful.

Linked to this, students and companies both felt that the 3-month duration of IT internships (based in India) was too short. Students took time to acclimatise to a new cultural environment, understand their company's way of working and get to grips with their assigned task, and many such projects were left unfinished. Internships in India could not be extended because of immigration constraints and companies were hesitant to invest in the compliance costs of offering full-time jobs when they were unsure how long East African employees would stay. Given that companies covered most of the internships' variable costs (stipend and accommodation) but not the fixed costs (flights, candidate selection and initial pastoral support) there is a strong value for money argument for longer placements. A 12-month placement seemed optimal to both students and employers (although this does place greater pressure on the facilitating organisation to match candidates to companies successfully).[27]

[24] Elliott, undated. Definitions of "South–South cooperation" vary so widely that it is unclear whether it is possible for a Northern donor to be able to initiate such a programme, though this does appear to be contrary to the usual sense and purpose of the term.
[25] The OECD (undated) notes that there is no internationally agreed definition of triangular cooperation; the UN's working definition (2012) requires a "Southern-driven partnership", the World Bank suggests that it "normally involves… an emerging donor in the South" (Ashoff, 2012), whereas the International Trade Union Confederation (2012) uses the term to mean any sort of "collaboration" between two or more developing countries and a third party.
[26] Internships are discussed more broadly in section 4.4.3.
[27] Employers indicated that they were interested in longer placements, because it is difficult to extend interns' visas. This is a common attitude to internships, since interns' productivity typically increases markedly over the duration of a placement.

Internships arranged within Kenya were also 3 months long, but this did not seem to cause difficulties since the barriers to extension were so low (DSM training and internships).

The substantial level of pastoral support needed by interns was identified as another reputational risk; addressing this need comprehensively (as ITC did) is a significant cost driver. Partnership with a university may provide a more economic solution, as they have substantial experience supporting foreign students (and can also frequently provide appropriate accommodation, one of the early stumbling blocks of the pilot).

Finally, IT internships made the specific discovery that the computer programming ability of East African graduates, including computer science graduates, was inadequate to interest Indian firms, who often use practical online exercises to assess candidates prior to interview. This appeared to reflect the theoretical orientation of East African educational institutions (including the most respected universities), which seemingly provided little preparation for practical programming tasks.

Unintended benefits

There is evidence that the structural advantage of a single organisation managing a selection of similar programmes between the same set of countries led to a range of spillovers and other externalities. Contacts and networks developed and shared led to investor identification and the incidental transfer of technology and business models. These benefits would have been more difficult to realise had the portfolio outsourced activities to a greater extent.

Appendix 3 Terms of Reference

Introduction

The World Bank Group (WBG) through its Finance, Competitiveness and Innovation Global Practice, has commissioned a series of Evidence and Learning Notes from the Business Environment Reform Facility (BERF) that illustrate what works and what doesn't work in skills for competitiveness and why. In this context, BERF has been asked to look specifically at evidence where skills[28] has been a stand-alone programme or a programme component from several dimensions: as support to a wider business environment reform, investment climate or growth programme; as part of a programme to enhance small and medium sized enterprises (SMEs); or skills as a catalyst to boost value chain linkages. This is in alignment with one of the eleven priorities of DFID's Economic Development Strategy: *'Building a sharper focus on nutrition, human development and skills for work into our economic development programmes and helping to build a healthy, educated and productive workforce for the future'*.[29]

The WBG has identified nine examples of skills for competitiveness practices to guide BERF's research:

- Diagnostics that identify the specific skills issues faced by firms/sectors/clusters/value chains
- Collaborative approaches to skills development within sectors or in value chains or in a SEZ, technology hub or other spatial setting – to alleviate poaching, promote cost sharing and to consolidate scarce resources
- M/SME manager/business development training as well as workforce training – both existing and pipeline
- Private sector delivery of skills interventions (with and without public partnership) – e.g. anchor companies training their suppliers, large firms setting up their own training schools and extending their offer to other firms or to the public system; cluster/spatial approaches to skills training
- New approaches to financing private sector skills delivery, including incentives that encourage the private sector to train in a sustainable way
- Raising the demand for skills where it is currently low – through wider support to competitiveness
- Impact of strengthening the private sector/employer voice in the system where it has led to improved planning, design and delivery of skills training
- Projects which have demonstrated the 'bottom line' return to training for firms and individuals
- Examples which have incentivized marginalized groups – e.g. of MSMEs or individuals – women, youth, the poorest, rural populations etc.

Using this guiding framework, BERF will also examine the evidence from DFID's programmes in selected sectors. Proposed sectors include a) Oil and Gas Supply Chains in East Africa (b) Manufacturing, e.g. Garment Manufacturing (c) Agribusiness (d) Tourism (e) Infrastructure where this illustrates skilling for the construction sector and (f) Information and Communications Technology (ICT).

[28] The definition of skills as used in this ToR is that used in guidelines provided by the Finance, Competiveness and Innovation Global Practice: that is, those that are immediately relevant and appropriate for employment in investment projects that countries are promoting as well, that are potentially relevant to adjacent supply chains.
[29] https://www.gov.uk/government/publications/dfids-economic-development-strategy-2017.

In line with BERF's cross-cutting themes, this work will reference themes such as Gender, Youth and FCAS, where the evidence is available.

Evidence from BERF's research will assist the WBG's Finance, Competitiveness and Innovation Global Practice and DFID's programming teams to understand the best ways to incentivise private sector engagement and investment to ensure the optimum design for skills development that can lead to improved productivity and competitiveness.

Four Evidence and Learning Notes on Skills for Competitiveness will be produced for the WBG as well as a fifth synthesis report of learnings from all four case notes.

Overview – Supporting Indian Trade and Investment for Africa (SITA)

Project Background and Context

The Supporting Indian Trade and Investment for Africa (SITA) is set against a context in which shifts in the pattern of global trade are re-defining trade relationships. A 2010 report by the OECD[30] observes that although developing countries accounted for 40% of world GDP in 2000, by 2010 they represented 49% and will represent 57% (in purchasing power parity) by 2030. Further, the report[31] estimates that these countries contributed 65% of international economic growth over the last five years.

"Between 1990 and 2008, world trade expanded four-fold, while South-South trade multiplied by more than 20 times over the same period of time." South-South trade now accounts for 37% of global trade and more than 50% of all developing country trade. For example, India's economy is growing at 7-8% per annum, with the result that as foreign aid becomes less significant to its economic development, India has been able to leverage its increased prosperity to emerge as a leading South-South cooperation partner, in particular to countries in Africa. This growth is not exclusive to India. The World Economic Forum notes that four East African countries – Tanzania, Rwanda, Kenya and Uganda – were listed amongst the top ten fastest growing economies in 2016[32] with projected real GDP growth rates of 6.9%, 6.3%, 6% and 5.3% respectively.

The OECD Policy Brief[33] notes that economic ties between India and African countries have strengthened in recent years as seen in figures which show that India is now a key trading partner for Sub-Saharan Africa, importing almost USD 21 billion worth of goods and commodities and exporting over USD 10 billion to Africa in 2010.

But while emerging economies such as India are growing and driving the growth in global value chains, many countries in Africa are limited to commodity and non-value-added exports

Their inability to maximise opportunities to move up the value chain has been attributed by DFID[34] to the following factors: information failures including lack of access to information about market opportunities, requirements and potential partners; limited supply side capabilities primarily the ability to meet product standards, but also, limited skills and technology to meet required levels of

[30] OECD.2010. *Shifting Wealth.*
[31] OECD. 2012. Policy Dialogue on Aid or Trade: *Trade-related South South Cooperation: India.*
[32] IMF World Economic Outlook, April 2016.
[33] OECD. 2012. Policy Dialogue on Aid or Trade: *Trade-related South South Cooperation: India.*
[34] DFID. April 2015. SITA Business Case and Summary.

competitiveness; regulatory policy barriers including lack of, or unsupportive policies and regulations; bureaucracy and excessive red tape; and inadequate access to trade finance.

Available data from one study[35] would suggest that of all regions, East Africa share of African exports to India has suffered the most from these constraints. Exports from East Africa to India were estimated at 2.1% in 2011, a decline from 6.56% in 2005 versus exports from West Africa which grew from 19.19% in 2005 to 39.5% in 2011, notwithstanding that a large percentage of West Africa's trade was in energy exports. However, it is worth noting that for some East African countries like Tanzania, exports to India are significant, contributing 4% of the country's total exports for 2011.

A report[36] on India's trade relations with Africa identified a number of reasons for India's interest in stimulating an increase in the volume of imports and exports between the sub-continent and the continent. They include: government support to the private sector (through expertise offered by institutions such as Infrastructure Leasing and Financial Services (IL & FS) whose education and skills development subsidiary helps to deliver some of India's Aid for Trade support to Low Income Countries; and the diverse nature of India's economic engagements, both government and private, with Africa.

According to the OECD's policy brief (2012), under its India--Africa partnership, India has taken several initiatives to promote capacity building, skills transfer and infrastructure development in Africa. These include the establishment of an Institute of Foreign Trade in Uganda and an initiative to bridge the digital divide, the Pan African E-Network.

India has also extended support to the development of the cotton sector in the Cotton Four (C-4) countries[37] and, since May 2010, Nigeria and Uganda and more recently, Malawi. India's assistance includes: a) assessing the requirements of partner countries in the areas of capacity building, technology transfer, research and development (R&D) in the cotton sector, b) sharing the expertise developed in Indian R&D; and c) formulating an effective co-operation programme and exploring business and investment opportunities in these countries. The OECD's report references a 2012 report from the Government of India which highlighted a new technical assistance programme for the C-4 countries, Nigeria, Uganda and Malawi to help them develop their cotton sector through enhanced productivity, R&D, training and setting up of value chains.

Other examples of Indian South-Cooperation initiatives offered to Africa in the areas of capacity building and skills for competitiveness include assistance to help Africa achieve its development goals through proposals to establish new joint institutions to support Africa's food processing, cotton, agriculture and fisheries sectors; and a proposal to establish an India-Africa Business Council to bring together Chief Executive Officers of major corporations from both sides.

DFID – Contributing to the competitiveness of East Africa's exports through SITA

According to DFID[38], priority measures which are geared towards creating additionality that facilitate or enhance product improvements or marketing channels will be the key focus of assistance. As such the project intends to lead the way where the Indian and East African private sector has yet to create long-

[35] Lucey A. Schoeman M. Grant Makokofera C. 2015. Institute for Security Studies. Paper 285. *India-Africa Relations: The Role of the Private Sector*.
[36] Gokarn Subir, Sidhu WPS and Godbole Shruti. 2015. *India and Africa: Forging a Strategic Partnersh*ip.
[37] (C-4) Countries refer to Benin, Burkina Faso, Chad and Mali.
[38] DFID Business Case (April 2015) – Supporting Indian Trade for Investment in Africa (SITA)

lasting fruitful business relationships that can ultimately lead to increased incomes and job creation in East African communities.

After a one year pilot and two full years of operation, a mid-term review of SITA was planned for April 2018[39] to determine how far the project had achieved its objectives. While the Review is not available at present, the ITC and DFID's latest Annual Review point to a number of results.

- Since project inception in 2014 the SITA project has "facilitated over $70 million in investment flows from India and third countries, directly trained over 600 African farmers (and 16,000 indirectly) and supported more than 200 women entrepreneurs. SITA enhances South-South trade and investment cooperation between India and five East African countries (Ethiopia, Kenya, Rwanda, Uganda and United Republic of Tanzania), and across several priority sectors: pulses, spices, sunflower oil, coffee, information technology, leather and textiles and apparel."[40]
- SITA is also in the process of identifying and testing innovative methods for promoting business exchange and knowledge transfer for developmental impact. According to the ITC, the project will now seek "to consolidate lessons learnt from its first three years into actionable pathways[41] forward." The additional funding will allow SITA to build upon proven solutions to leverage Indian commercial knowledge and technology for sustainable development outcomes in East Africa.

Of relevance to BERF's Skills for Competitiveness Evidence and Learning Note is news from the ITC that SITA has launched three spin-off activities based on lessons learnt so far. Information from ITC's website reveals that these include:

- **The 10,000 Artisans project** will seek to transform the Handloom Value Chain in Ethiopia by leveraging the traditional handloom value chain for employment generation, income multiplication, and social empowerment, with a particular focus on women. ITC plans to achieve its goals by supporting the development and incubation of micro, small and medium-sized 'inclusive enterprises' drawing on best practices from India. The intervention will include skilling, capacity-building, leadership training and market development over the course of five years and will be replicable within the country and eventually across East Africa.
- The **Agriculture Infrastructure Company for Productivity Enhancement in Africa project** will set up a for-profit agriculture infrastructure company (AIC). The AIC will address bottlenecks in current value chains by working directly with farmers, according to the ITC. It will leverage its scale, local presence and global market understanding to deliver benefits to farmers. The proposed company will provide services in collective procurement, warehousing practices, training on modern agricultural practices, collateral management, product marketing and services to incentivize value addition. Increasing agricultural productivity in Africa is critical to global and regional food security. Agribusiness services that improve value chain efficiency can incentivize productivity improvement and use of fallow land to generate social and economic returns.
- Working with the **Alliance for a Green Revolution in Africa (AGRA)**, the Strengthening the Pulses and Oilseeds Value Chains in East Africa project will focus on strengthening pulses and oilseeds sectors in Ethiopia, Kenya, Tanzania, Uganda, Malawi and Mozambique using Value Chain Roadmaps as blueprints for a development trajectory. The project aims to reach over

[39] As at 21 June 2018, BERF was still awaiting a copy of the draft Mid-Term Review and/or Terms of Reference to ensure that there is complementarity of BERF's work with the reports being drafted on behalf of the International Trade Centre.
[40] See www,intracen.org.
[41] DFID India has provided a further £2.4 million (Feb 2018) for this and agreed ''spin-off activities'.

1,000,000 farmers and will address bottlenecks from production to market in-depth to increase returns to farmers and improve sustainability.

SITA will also expand a number of projects such the **Mitreeki East Africa-India Partnership** and facilitate further investment promotion activities across SITA target sectors. The expectation is that by the end of the funding cycle, SITA will have facilitated more than $80 million in investment into East Africa and improved the business skills of 600 women managers and entrepreneurs.

BERF's Assignment

This Evidence and Learning Note: ***Skills for Competitiveness – Lessons from the SITA Project*** will seek to understand and collect available evidence on how the ITC was able to work through its delivery modalities to engage with the private sector to address the skills for competitiveness issues highlighted in the SITA 2017 Annual Review.[42] The study will also investigate some of the issues highlighted in the Annual Review, such as ITC's experience in setting up and engaging with private sector through apex bodies and ITC's experience in what works and why in working with the private sector to enhance skills competitiveness.

Objectives

- To review and assess emerging evidence from the skills for competitiveness components of SITA East Africa and draw out lessons from the design and implementation of the programme.
- To describe and evaluate lessons learnt (what works, what does not work and why) from private sector participation in the implementation of the skills for the competitiveness components of SITA East Africa.
- To make recommendations for future programming from SITA's experience with embedding skills for competitiveness within a regional, integrated, sector based project.

Links between BE Constraints, BE Reforms and Poverty Reduction in the Context of DFID EDS

The private sector is a key driver of economic growth and development (Doing Business, 2017) and the main generator of skills demand, with nearly 90% of employment occurring within the private sector.[43] This assignment links directly to further boosting investment and growth in East Africa, specifically Ethiopia, Kenya, Rwanda Tanzania and Uganda, by providing evidence to inform the skills development and institutional support needed to attract and retain foreign investments into identified sectors in East Africa, as well as to drive exports and promote jobs growth in global value chains that have the potential to promote stronger economic diversification and quality employment in sectors attractive to women, young people and aspiring SMEs. The assignment fully supports DFID's Economic Development Strategy to the extent that it is helping East Africa to trade more, attract investments and industrialize faster and in doing so, reduce poverty. The evidence will also indirectly support the UK's trade relations with India. As observed in the DFID Business Case, "*trade relations are integral to India's concept of south-south cooperation where aid, trade and investment are combined to create mutually beneficial partnerships. A DFID partnership in this area will help the UK understand, and learn, how India pursues global aid, trade and economic ambitions through south-south cooperation and could help deliver*

[42] DFID Annual Review April 2017 - Supporting Indian Trade and Investment in Africa.
[43] World Development Report 2013.

greater success in achieving global prosperity through improved understanding and collaboration in international fora, such as the WTO."

Client and Beneficiaries

The client is the World Bank Group's Finance, Competitiveness and Innovation Practice. DFID's Country Offices in India, Ethiopia, Kenya, Tanzania and Uganda will benefit from the outcomes of the research as will the Central Programming Team. Other DFID priority countries and UK Prosperity Fund targeted countries, for example, those who may be involved in the SITA (Asia) project will benefit from the lessons generated from this research on what has worked in building skills to promote investments from emerging markets into low income countries that can generate jobs that arise from global value chains. The main direct beneficiaries are Ministries of Trade/Industry in respective East Africa target countries, the ITC, ITC' national 'focal points' and implementing partners (apex trade support institutions, trade promotion organisations at country level), Small and Medium Sized (SME) Suppliers and Business Membership Organisations; and Training and Vocational Institutions. Indirect beneficiaries are medium skilled men, women and young people working in the sectors targeted under the project (IT, pulses, leather sunflower oil etc.). This includes low skilled women and young people looking for work.

Scope[44]

Drawing primarily on the experience of SITA East Africa, with reference to secondary information internationally on skills for competiveness where applicable, provide:

- An assessment of the private sector's involvement in skills for competitiveness as seen in the SITA East Africa project.
- A review of the challenges in the business environment in Ethiopia, Kenya, Uganda, Tanzania and Rwanda which affect India's private sector's involvement in Skills for Competitiveness and Skills for Employment including (where relevant), an assessment of whether skills was a barrier to investment and or growth.
- A short overview of the potential impact of skills shortages on private sector participation and partnerships on global value chains, sector competitiveness and FDI promotion and attraction from emerging markets like India, with particular reference to the value chains highlighted in the SITA project (for example, the cotton textile and apparel value chain and the ICT sector).

A review of lessons learnt on 'what works and what doesn't work, and why' in global value chain programmes, using SITA (and international cases where relevant) to demonstrate skills programmes and/or programme components which have catalysed broader foreign investment or export growth programmes. These include where skills design and implementation was aimed at boosting SME linkages via value chains. Examples may include lessons from the nine skills competitiveness practice areas referenced on page 1 (a) to understand what has worked and why in the SITA programme, and based on this, draw out the benefits for wider programming, (b) to understand any unintended benefits

[44] The Evidence and Learning Note will use the DCED definition of the business environment: which states "a complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g. government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.)."

that may be planned in or enhanced in future programmes, and (c) to understand any elements that should be done differently in the future and steps which may have been considered to address skills within the project from the outset. Examples may reference the experience to date of the following SITA programme components:

- Achieving consensus from the Kenya Textile & Apparel apex body on the standard curriculum to be developed for public and private training.
- The mechanisms that allowed for success in setting the pulses public-private sector apex bodies in Kenya, Tanzania and Ethiopia and achieving consensus on implementation on the sector roadmap.
- The good practices that have emerged from the second round of training of ginneries for cotton contamination reduction.
- Experience of SITA's capacity building to IT companies from Kenya, Uganda, Rwanda through training and facilitating partnerships with Indian companies ahead of the B2B Indo-Africa ICT Expo.
- Experience of SITA's work to find placements as interns for IT graduates in selected Indian firms.

Recommendations for programme design and implementation, with the objective of improved competitiveness, productivity, and innovation through skills, based on lessons learnt from an integrated approach to programming and private sector participation. Recommendations may include (where possible) issues such as:

- How private sector collaborative programmes such as those offered under SITA by IL&FS could be adjusted to scale up firm level productivity for women and young people (based on, for example, the experience of the Indo African IT Internship Programme and other examples from the SITA project)
- How projects like SITA with limited scope and reach, would work through university/TVET and policy levels to help to address one of the recommendations made in the 2017 Annual Review *"Notable lack of skills (technical & managerial) has a direct negative effect on investor appetite"*
- How partnerships with other institutions (e.g. with McKinsey and the responsible Kenyan ministry for apparel curriculum development) could be utilized to address some of the structural issues affecting some sectors in specific East Africa countries.

Cross-cutting themes

Lessons for reforms generated from this assignment will impact the approach used by DFID Country Offices and DFID funded projects implemented by other development partners such the World Bank Group to determine how skills for competitiveness have worked for women and young people. This includes identifying the strategies that have been used to boost firm level competitiveness and create sustainable value chain jobs as a result.

Method

The consultant will undertake the following tasks:

- Initial briefing with World Bank Group's Commissioning Officer via Skype and/or email.
- Initial briefing via Skype and/ or email with the SITA Technical Lead within DFID India.

- Consultations (as needed) via Skype and or email with the SITA Project in-country Technical Leads at DFID Ethiopia, Rwanda, Kenya, Tanzania and Uganda.
- Consultations (as needed) via Skype and/or email with DFID's Trade and Policy Unit and African Regional Advisor based in Tanzania.
- Consultation with the International Trade Centre (ITC) SITA Project Coordinator and Sector Advisers in the ITC.
- Consultations via Skype and/or email with the SITA National Co-ordinators in respective SITA partner countries.
- Consultations via Skye and /or email with the Indian skills development company IL&FS Education.
- Consultations (as needed) via Skype with the SITA focal point at the newly set up Agriculture Infrastructure Company for Productivity Enhancement in Africa not-for-profit company.
- Consultation via Skype (as needed) with sector apex bodies in the targted East Africa countries.
- Desk research to include review of the following documents:
  - DFID's Annual Review (2017) of the Suporting Indian Trade and Investment for Africa (SITA) project
  - DFID's Economic Development Strategy
  - SITA Mid-term Review (2018)
  - SITA programme documents, flyers other promotional documents
  - World Bank Group's Concept Paper on 'Skills for Competitiveness'
  - World Development Report (2012): Jobs
  - WTO. ILO. (2017) Investing in Skils for Inclusive Trade
  - DCED (2014) Measuring Job Creation in Private Sector Development, including reference to Baulch (2011) Why Poverty Persists: Poverty Dynamics in Asia and Africa, Cheltenham
  - Filmer and Fox (2014), Youth Employment in Sub-Saharan Africa, Africa Development Forum; and World Bank (2012), Gender at Work
  - World Bank Doing Business Report 2018
  - IMF (2017) World Economic and Financial Surveys:Regional Economic Outlook - SubSaharan Africa, Fiscal Adjustment and Economic Diversification
  - World Bank (2018) Global Economic Prospects:Sub Saharan Africa
  - AfDB.OECD.UNDP (2017) African Economic Outlook 2017: Entrepreneurship and Industrialisation
  - Other research reports as needed based on initial research and/or suggestions from DFID Advisers and other stakeholders.

- Consultations (where possible) by Skype/email with DFID's key Indian partners for the SITA Programme: Ministry of Commerce, the Confederation of Indian Industry, the EXIM Bank of India, and the Ministry of External Affairs.
- Consultations (where possible) with key Indian SITA partners
- Collate and analyse the evidence to generate a draft Evidence and Learning Note
- Following feedback, finalise report

Deliverables

- Revised ToRs and workplan (week 1)
- Draft of Evidence and Learning Note reviewed and QAed (week 8)
- Draft of Evidence and Learning Note reviewed and QAed by BERF and by client (week 11)
- Final draft Evidence and Learning Note on Skills for Competitiveness: Lessons from the Supporting Indian Trade and Investment for Africa (SITA) project (week 14). The Note will be produced in the BERF template according to the BERF style guide and will be a maximum of 15 pages excluding annexes.

Timeframe

The workplan below sets out the schedule for undertaking the proposed assignment.

- Initial briefings are expected to start week commencing 02 July, 2018 with the assignment completion tentatively scheduled for 24 Septmber 2018.
- The level of effort is estimated at 20 days. The assignment will be contracted to a Senior Researcher with proven competence in BER research projects and an understanding of DFID's approach to investment climate and BER.

Workplan (schedule)

Workplan: E&L Note Skills for Competitiveness – What Works in SITA			
Action	**Consultant Days**	**Location**	**Timing (w/c)**
Approval of Draft ToR by Client			02 Jul
Recruitment of Consultant			02 Jul
Approval of ToR by DFID ICIT			16 Jul
Initial briefings begin with WBG Commissioning Officer, DFID Advisers etc. First round consultations with ITC and SITA partners	5.5	Homebased	16 Jul to 23Jul
Desk Research	3.5	Homebased	16 Jul to 23 Jul
Report Drafting	6	Homebased	30 Jul to 6 Aug
2nd Round Consultations (as needed)	1.5	Homebased	13 Aug
BERF QA		Homebased	20 Aug
Revision of Draft and QA Draft produced	2	Homebased	27 Aug

Report submitted to client for review and comments received			03 Sep
Report revised based on client's comments; BERF QA	1.5	Homebased	17 Sep
Final QA report submitted to client			24 Sep

Dissemination

The report once given to FIAS, may be shared with other sections of the World Bank Group, as well as DFID India and the DFID Country Offices participating in the SITA Project: Ethiopia, Kenya, Rwanda, Tanzania and Uganda. It will also be disseminated online via BERF's website to allow easy access for suppliers and partners involved in the SITA project. Email alerts will be sent out by BERF's Evidence and Learning Coordinator to all study participants and all DFID CO's once the report is available to be viewed online.

Competencies Required

A Business Environment Reform Consultant/Researcher with the following qualifications/skills

- Post graduate degree in relevant discipline (e.g. economics, international development)
- Good understanding of SME development and value chain analysis
- Good appreciation of the key priority sectors (spices, business process outsourcing, leather, pulses, sunflower, and cotton/textiles/apparel) in the targeted SITA beneficiary countries - Ethiopia, Kenya, Tanzania, Rwanda and Uganda
- Experience and knowledge of business environment reform and investment climate in developing countries, preferably those in East Africa
- Understanding of the role of Skills Competitiveness in investment and growth
- Understanding of how DFID and World Bank Group assess business environment reform projects
- Excellent research and analytical skills
- Excellent report writing skills
- Good communication skills

Budget (to follow)

The cost of this assignment is funded from DFID's Investment Climate, Cities and Infrastructure Team budget.

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