# RETHINKING SMALL ENTERPRISE DEVELOPMENT: BETWEEN POVERTY AND GROWTH

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> Economic growth is the prime means of creating income and employment opportunities. Where markets for products are expanding, poor people are able to establish sustainable livelihoods for themselves either by increasing their existing production and finding new products to market, or by finding employment opportunities with new or growing enterprises. Without growth - with stagnant or even declining incomes - the poor will only be able to make insignificant improvements in their livelihoods at the expense of other poor people (DFID 1997: 29).

> For the small-scale economy[1] to be genuinely capable of contributing to lasting growth in Africa, it must be formalised. Links must be incorporated that are capable of transmitting macroeconomic signals and generating incentives for expansion. Such links may consist of more comprehensive credit systems, reliable regulatory systems and functioning institutions. Accordingly, the small-scale economy and the informal sector become more amenable to economic measures - no longer "just" a means of livelihood for poor groups in the population, but also an important pillar of the country's economic future (Swedish Ministry for Foreign Affairs 1997a: 119).

## Introduction

These two recent reports on international development from the UK and from Sweden underline the potential inter-relatedness of small and micro enterprises (SMEs) in Africa with the broader macro-economic context of development trajectories and growth strategies. Micro and small enterprises are intimately connected to larger enterprises, whether positively through linkages or negatively through exclusion and isolation from the larger industrial economy. The productivity of the small-scale economy is fundamentally bound up with the fortunes of the economy as a whole. Development cooperation policies also directly and indirectly impact upon SMEs, and new trends in the donor community in the 1990s make it likely that for those countries with appropriate national small enterprise policies, there will be increasing evidence of sector programme support from external sources. In particular, both national and donor strategies for the promotion of SMEs are more than ever coupled with concerns about vocational and enterprise skills (Working Group for International Cooperation in Vocational and Technical Skills Development 1997).

The impetus for this paper was a desire to revisit the growth potential of Africa's small scale economy at a time when from many different quarters it began to be said that the African tide was turning, and that in a substantial number of countries real GDP growth was positive, and even foreign direct investment was picking up (Holman 1997; Swedish Ministry for Foreign Affairs 1997a; Killick 1998). At the same time it was assumed that the era of structural adjustment would have affected the small and micro enterprise sector, for good or for ill, and equally would have had an impact on the institutions that have supplied skills both to the larger and to the small scale economy. Finally, during 1997 it was becoming clear that within the donor community the increasing emphasis on poverty eradication and pro-poor growth was possibly going to raise questions about existing policies for small scale pro-capitalist development.

[1] ".....not all small-scale economic activity is necessarily informal, nor is all informal activity necessarily small-scale". (Swedish Ministry for Foreign Affairs 1997a: 119).

## The new development debate

There is an increasing perception that we are entering yet one more new phase in international development cooperation (King and Buchert; King and Caddell; McGrath- all 1998). As Riddell (1997) has argued, debates about development have gone through a number of stages in the fifty years since the United Nations and Bretton Woods institutions were set up. At the heart of the changes in development discourse has been the relationship between poverty and growth. As another recent Swedish policy paper admits this is by no means straightforward:

> But the interaction between economic growth and social and human development makes it almost impossible to distinguish between assistance that is designed to eradicate poverty and assistance that promotes growth (Ministry for Foreign Affairs 1997 b: 43).

At the risk of oversimplification, the period up to the end of the 1960s was one in which "development" was seen as relatively unproblematic. Economic growth would lead to the eradication of world poverty. However, at the end of the Keynesian golden age, leading agencies and analysts of development began to perceive that development had not been taking place in this simple way. Thus, they began to focus directly on poverty eradication through the basic needs approach.[2] The assumption that economic growth should necessarily lead to poverty eradication was seen as one of the primary development fallacies.

However, by the late 1970s fashion was beginning to change again as economists and politicians of the right began to develop a powerful critique of welfarism both within the economies of the North and in the conditions of aid to the South. Their prescription was to let the market work unfettered. In effect, a version of the poverty-eradication-through-growth-maximisation paradigm was restored, although growth was now seen as a more complex business which needed to be planned for through the radical structural adjustment of economies, states and welfare systems.

By the late 1990s it has become clear that the power of this neo-liberal vision is waning. The World Bank has begun to play down its anti-statism and its critics have developed a considerable arsenal of evidence against the alleged efficacy of structural adjustment. Across Sub-Saharan Africa as a whole, there is still insufficient data to conclude that either poverty or growth have been adequately addressed via adjustment. There are now signs that a new consensus on development cooperation may be emerging. In documents such as the recent British development White Paper (DFID 1997) poverty is once more the primary focus, as it is in the policy papers of several other bilateral and multilateral agencies (e.g. Danida 1998; Finland 1996; etc.). However, it is apparent that at present there is a major concern with achieving coherence in the interplay of poverty and growth policies, both in the assistance community and in national governments. In the search for comprehensive poverty policies and frameworks, there is some danger of compromising other critically important policies which may appear less directly to relate to poverty elimination. In two of the particular sectors with which this conference is concerned (human resources and enterprise development) this search for a clear poverty focus may itself risk the "impoverishment" of North-South relations (Williams 1998).[3]

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[2]The previous UK White Paper on Development (*More help for the poorest*) (Ministry of Overseas Development 1975) was typical of the newer approach in arguing the need for raising agricultural productivity and incomes in agriculture in such a way as to benefit the standard of life of the broad mass of the rural population.

[3] Peter Williams' paper "Can We Avoid a Poverty Focused Aid Programme Impoverishing North-South Relations?" is concerned with the narrowing of external relations and of educational relations through an over-zealous pursuit of poverty.

## Small and micro enterprises: for poverty reduction and/or growth maximisation

The current focus on poverty eradication/alleviation also raises serious questions about sectoral development strategies for small enterprise. Because the beneficiaries of small enterprise policy could arguably be identified both as the poor and as the emergent entrepreneurs, it has been possible to suggest that donor support to small enterprise development (SED) could have multiple goals. Thus the previous UK administration's SED policy had the following rationale:

> Small and microenterprises are an important source of off-farm employment and self employment for the poor. Growth and productivity increase in this sector thus make a significant contribution to poverty reduction. Moreover, some micro and small enterprises expand into medium and even large scale enterprises through investment and skill acquisition, and thus contribute to the vigour of private sector development (ODA 1995: 2).

Indeed, in the quarter of a century or so since the informal sector was formally identified, small and micro enterprises have been the focus of a range of both national and donor rationales for growth and for poverty alleviation.

Small and micro enterprises have been seen by some constituencies, and particularly by many Northern NGOs, as a haven of the poor. NGOs have been more frequently involved with income generation schemes for community groups, and especially poor women, than they have been identified with the support of economic growth via individual entrepreneurs (but see the different strategies and priorities of some "technology NGOs" - Jeans 1998).

Beyond the NGO support to survivalist or subsistence micro enterprise, there has been a growing concern about emergent enterprises. In several African contexts, the policy dilemmas in encouraging this segment not only relate to the long-standing debates about the characteristics and determinants of success or "graduation" amongst micro enterprises, but they also acknowledge that successful enterprises emerge into a situation where they often face very severe competitive challenges from established white, Asian or other formal small and medium sized industry (Rogerson 1998a, King 1996). In other words, the emergent entrepreneur debate is linked in some countries in sub-Saharan Africa to discussions of level playing fields, positive discrimination and securing niches in modern industrial areas where there are sometimes very few indigenous entrepreneurs.[4]

Another aspect of the emergent entrepreneur argument is contained in the flexible specialisation literature (Piore and Sabel 1984; McGrath and King 1996; Barr; McCormick; Pedersen - all 1998). There a claim is made that small enterprises are typically more able to respond positively to the challenge of the new global, Post-Fordist production than are the bureaucratically-constrained large corporations.[5]

The third major strand of the pro-small and micro enterprise literature is that which sees it as the uncertain beneficiary of wider international trends, including structural adjustment. In these accounts, a series of decisions taken by or imposed upon the formal sector firms has led to outsourcing, informalisation of the workforce or the complete collapse of formal firms. In these references the SME sector appears very much as the knock-on sector, dependent to quite a significant extent for its health and vitality on trends that are beyond its direct control.

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[4] Significantly, there has been relatively little attention given to the characteristsics and modalities of Asian success in graduation from very much smaller or even micro enterprises several decades earlier.

[5] Piore and Sabel were not unequivocal supporters of the superiority of small over large enterprises. Indeed, Boeing was one of their examples of the flexibly specialised firm. Nonetheless, as the literature has been developed so it has tended to focus on networks of small enterprises, with Emilia-Romagna in Northern Italy being accorded archetypal status.

It is essential that a clearer picture be developed of whether the different strands of small and micro enterprise support policy are compatible with each other and under which circumstances. Equally, it is necessary to address whether each of the major policy strands can be adopted for small and micro enterprises in general or whether different policies must be adopted for different segments. Moreover, it is vital that strategies for support to and intervention in the small and micro enterprise sector should be consistent and coherent with programmes focused on large and formal enterprises.

## Continuum or segmentation? Describing the small and micro enterprise sector

Since the "discovery" of the informal sector, much effort has gone into definition both from academics (see Mead and Morrison 1996) and policy makers (see Visser 1998). There are almost as many definitions and names for this area of economic activity as there are writers about it. The degree of informality and the size of employment have been perhaps the two most readily accepted criteria on which classification has rested. Whilst the search for definition can be sterile, it is also important to have some useful sense of what is being talked about. On this occasion it seems worth highlighting three different types of enterprises which are thrown up by the debate:

- Formal and small:- These enterprises are the classic small enterprises of the literature on Northern economies but are also to be found in the South. Such enterprises conform to regulations to a significant extent, exhibit high levels of human capital and are integrated into the structures of the formal economy. They are often excluded from discussions of the informal sector and poverty alleviation but are potentially significant players, particularly as sources of skills or as part of the glass ceiling for the next category.

- Informal and small:- These are those elements of the informal sector which are given descriptions such as "successful" or "sustainable"; "emergent" or "entrepreneurial". It is in these enterprises that informal sector incomes can outstrip those in the lower reaches of the formal sector (Mead 1998). Though outside formal sector structures, often the owner-operators of such enterprises have had significant exposure to both formal education and training and to formal employment. Such enterprises are seen as central to the poverty-growth debate as important producers of goods, services and employment. This does not mean of course that they are necessarily part of any industrial growth project of their respective states. Quite the opposite, it has been argued (Mkandawire 1998), though they have gained from a very small number of positive discriminations in their favour (e.g. Trade Licensing Act in Kenya).

- Survivalist:- these are the enterprises in which the equation between poverty and informal sector is most apparent. Engaged primarily in commerce but also in basic and low quality forms of production, those running these enterprises are typically at the level of subsistence, with the income earned being one of a number of sources that must be combined together in order for survival (Mead 1998).

The extent to which these types represent discrete segments with significant barriers between each of them (and with the medium and large formal sector too) or are simply modal points along a continuum is one that continues to be debated. Mead (1998) points to the ability of enterprises to move along the continuum. King has shown how, over time, there has been often quite dramatic movement from subsistence to enterprise status with associated transfer from the roadside to the ownership of factory premises (King 1996). Rogerson (1998b), however, emphasises the massive disparities between the segments and the particular racial nature that the division between the first two categories has historically taken in South Africa.

This is an important debate in that it highlights the need to look carefully at the intended targets and beneficiaries of specific policies. Crucially here it is necessary to consider whether targeting a policy on current realities is to reinforce inequalities (Rogerson 1998b) or whether it

is possible actively to target those with potential- basing interventions both on where they are now and on where they might be in the future (Mead 1998).

In the light of the current uncertainty about the relationship between poverty and growth the decision on which types of enterprise to target with which kind of intervention is a major challenge for policy makers and practitioners. Should the principal focus, for instance, be on those who have the greatest potential to employ others (Jeans 1998) or should it be on the poorest of the poor? A decision on this will have serious implications for the kind of interventions to be contemplated.

The relationship between the small and micro enterprises and larger enterprises will be considered shortly, but is important now to consider briefly the importance of macroeconomics on the world of the micro-enterprise. There has been a long standing concern that small and micro enterprise growth has taken place through involution rather than evolution; that is, by growing the number of enterprises rather than growing the amount of employment in existing enterprises (Jeans 1998; Mead 1998; Rogerson 1998a). This is taken to be indicative of an expansion of survivalist rather than sustainable (self) employment. However, Mead (1998) points to a growing realisation that the picture is more complex.

He notes that the health of the economy as a whole has a strong relationship with the health and nature of the small and micro enterprise sector:

> in good times, a relatively high share of the new MSE jobs are closer to the "growth" end of the spectrum, reflecting a response by entrepreneurs to profitable business opportunities. When the state of the macroeconomy is less favorable, by contrast, the opportunities for profitable employment expansion in MSEs is limited; people will be forced to seek their living in alternative ways. In such circumstances, a larger proportion of the employment growth would reflect decisions by entrepreneurs to start new enterprises, a higher proportion of which would be closer to the survivalist end of the spectrum.

We need to consider how an awareness of such a dynamic can best be taken account of in programmes of support to and intervention in the small and micro enterprise sector but also in programmes which aim at influencing the vitality of the economy as a whole.

One of the small enterprise research fashions of the 1990s has been the extension of the flexible specialisation thesis of Piore and Sabel (1984) to the South. In Latin America and Asia, research has thrown up claims of successful industrial districts, or clusters, of small enterprises (Schmitz 1995 and 1997). Whilst the notion has also been extended to Africa (Barr; McCormick; Pedersen- all 1998), there is as yet a paucity of evidence for African clusters achieving what Pedersen (1998) describes as the "Italianate trajectory".[6]

The literature of networks and linkages can, nevertheless, throw up some important issues for discussion in the light of a debate about poverty and growth. It is important to remain mindful that vertical relationships based on outsourcing are primarily designed to allow larger firms to evade labour regulations. Equally, disagreement exists about the extent to which such vertical relations promote skill transfer (Adam 1998; Jeans 1998) and thus constitute an important source of learning for growth within small and micro enterprises. Nonetheless, high quality vertical relations based on mutuality, as is alleged to take place in Japan, does seem an attractive vision. Whilst this seems likely to be a very limited possibility in Africa, it is still worth considering which mechanisms would foster and support such relationships.

Barr (1998) suggests that vertical networks of African small and micro enterprises tend to be risk minimising. Such enterprises have small, cohesive networks designed to minimise risk, for instance through failure to honour contracts. They do not encourage them to innovate and,

[6] After the Third Italy.

when innovation does take place, do not allow them to take advantage of this without the market being rapidly swamped by copies.

The risk minimisation strategy of African small and micro enterprises arises out of the chronic failures of infrastructure, market insitutions and support services that African economies suffer from (Barr 1998; Pedersen 1998; Rogerson 1998a). Such supports to production and trade are inadequate and discriminate in favour of larger enterprises, which, therefore, have less need of risk reduction strategies. Any attempt to affect the networking practices of small and micro enterprises in order to enhance their growth potential, therefore,

> should be preceded by measures designed to improve their access to formal market-supporting institutions. Only then will they [MSEs] be able to change the nature of their networks without leaving themselves vulnerable to increased levels of uncertainty. Once such measures are in place, there may be a case for demonstrating the value of networking for growth or engineering situations in which the owners of SMEs can discover this for themselves. However, where active steps are to be taken to promote the construction of larger, more diverse networks, policy makers need to be aware of the uses to which the fruits of their labour will be put. (Barr 1998: 11)

## Beyond Credit: the Role of Education and Training in Enterprise Development

Microcredit has had a massive appeal over recent years as the most appropriate tool for alleviating poverty through intervention in micro enterprises. However, it has also increasingly generated a small counter-literature. Whether or not it has led on occasion to increased indebtedness; it has been argued that it has not significantly enhanced production and productivity (Jeans 1998). In terms of this paper's concerns, it might be said that microcredit has been too much about poverty alleviation and too little about growth enhancement.[7]

The danger of a microcredit monoculture has also been identified by the Donor Committee for Small Enterprise Development which has popularised the notion of Business Development Services (Gibson 1997). This concept places non-financial services alongside credit as part of a menu of inputs which can then be tailored to individuals' needs. Amongst these, education and training are increasingly factors which are being given attention in the whole promotion of small and micro enterprises, particularly as notions such as the "learning organisation" exercise a fascination in Northern research.

Education and training were also, as we said at the beginning, elements that were identified for closer examination in our current DFID collaborative project on "Learning to Compete: Education, Training and Small Enterprise Development in the era of Globalisation", and they had been the focus of our earlier research on *Education and Training for the Informal Sector* (McGrath, King, et al. 1995). The purpose had been to integrate research on some of the new learning strategies for the new economic contexts in Africa along with research on some of the new dynamics of the small scale economy in Ghana, Kenya and South Africa.

In terms of the poverty-growth debate that has been a sub-theme to this conference, our original priority had been to pay particular attention to the growth dimension, and not least because international reports at the time (e.g. ILO World Employment Report of 1995) had been writing off the informal economies of Africa as stagnant and dead-end in comparison with other areas of the developing world (King 1997a). From the beginning of the research, therefore, there had been an awareness of the importance of taking account of the donor discourses on human

[7] However, it would now be possible in areas that have been the beneficiaries of microcredit for almost a decade, such as Kibera in Kenya, to revist and make some judgement on the growth consequences of sequential micro-loans.

resource development (HRD) and small enterprise development (SED) alongside those of the three national governments.

There was in this sense a double research concern with policy coherence and consistency: between HRD and SED policies within country, and between the new trends in aid policies, including HRD and SED, and those of national governments. There was in fact a third layer, which was an awareness of the linkages and the desire for inter-sectoral connections between HRD and SED within and across the agencies (Working Group for International Cooperation 1997).[8]

The research started at a point when there had already been reforms of national education systems - towards greater vocationalisation - in Kenya and Ghana, and when a radical integration of education and training was on the point of implementation in South Africa. Both in the general school education and in vocational training systems there were explicit concerns with enterprise and technological awareness as well as with an orientation to productive self-employment. In principle, these initiatives should have been affecting (or in the South African case would shortly affect) very much larger numbers than could ever be touched by micro-credit programmes. The methodological challenge, however, has been to see if it was possible to improve upon the language for describing and analysing the interactions of HRD and SED.

Just as it has been difficult to sift out the impact of several rounds of "successful" microcredit programmes on individual entrepreneurial development,[9] so it has been difficult to escape from what may be termed minimalist descriptions of the education-enterprise interaction. The tradition in many studies of entrepreneurs' experience over the years has been to rely on measures such as "years of education", or of bald educational stages - "complete primary" or "secondary" or "technical training" without attempting to take account, in any way, of the modality, content or quality of that education or training experience. This minimalist use of education or training as an explanatory variable in discussing enterprise success neglects the political attention given in all three countries to deliberately altering the content of basic, secondary and vocational education. In addition to what Mead calls "the standard problems of associating more education with more productivity" (1998), there must also be a problem in treating education-designed-for-enterprise as if it was identical to ordinary academic schooling.

Thus the kind of challenge faced by one dimension of the research is to assess, for instance, the enterprise consequences of 14 years of Kenya's educational reform (1985-1998). This may still be worth attempting even if it currently appears as if this enterprise and self-employment-oriented reform will be abandoned without a shred of evidence from post-school experience, just as it was launched without any. This Kenya example points up a more general challenge to policy coherence in education-enterprise initiatives: that for any particular set of current small enterprise clients their education is no longer a policy manipulable variable; it is a given. Knowledge of the particular deposit of skills and attitudes from different reform phases in the education and training systems is something that could in principle be built upon, but the variety and diversity of prior learning are such that it is probably very unusual for small enterprise schemes to consider them.

An additional layer of complexity is added to this national education-enterprise equation by the influence of the donor community. This influences the national equation in two inter-related ways. Internationally, during the 1990s, the development assistance constituency has given priority to basic education, in association with the poverty emphasis already described. This has had a very marked knock-on effect on agencies' intellectual and financial support to other education and training sub-sectors, such as vocational and higher (and even on the composition of their own personnel). Secondly, within country, the donor community has been rather

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[8] This international working group in fact illustrated this intersectoral concern in its discussion of "Delivering support to skills development and small enterprise development" in 1997.

[9] Professor King is indebted to Chris Aleke Dondo for discussions of the challenge of identifying very successful microcredit programme "graduates", Nairobi April 1998.

influential in the national adoption of new education reforms, and in the case of Kenya, again, it is interesting that this reform will, if it comes on stream later this year, reduce the subjects in the basic cycle from 10 to 4, and will at a stroke remove the orientation towards practical skills at this level.

It is not clear whether what was originally introduced as part of national project to develop technical capacity is being abandoned because of the adoption of a new project. Nor in what way it is related to Kenya's desire to achieve technological capacity at higher levels of education or indeed industrial transformation more generally (Kenya 1996). As we suggested earlier, there is some danger that the poverty focus (which may be one element in the simplification of the basic cycle) can result in a policy fragmentation whereby particular subsectors are given attention both externally and nationally because they are in the international development targets. This may then make more difficult the achievement of a comprehensive project of industrial development.

In some ways this illustration of quite sudden change from Kenya could be repeated in other countries and in many other aspects of the supply side of skills for the economy and in particular for the small scale world of self-employment. There have been one-off initiatives, sometimes from governments, sometimes from donors. They have focused attention on schools, on post school training, on vocational training, on local apprenticeship systems, and even on universities, and they have sought through some additionality to make the institutions serve two worlds - employment and self-employment. Thanks to a number of researchers who have tried to tease out the achievements of these ventures, we are now better informed about a series of these different initiatives (e.g. Grierson & McKenzie 1996; McGrath and King et al. 1995; Grierson 1997; Adam; Honny; Kerre; Oketch - all 1998). But too often one has had the sense that the research or evaluation is examining a phenomenon which is short-lived, and which will end with the external (or less commonly the national) funds that made it possible. Not surprisingly therefore the record of these initiatives is very mixed.

The lack of linkage to the labour market in so many of these initiatives, and the inevitable time lapse before tracer studies could be helpful (but see Honny 1998) have meant that in one sense the evidence about the capacity of these programmes to change attitudes, provide skills or secure work is no better than when Philip Foster did his well-known research on the vocational school fallacy in development planning in the early 1960s in Ghana (Foster 1965). Indeed, in some sense the record is less robust, because the research capacity of many universities has haemorrhaged very severely over the past 20 years. There is not therefore available any major national research study of the education reform (called locally the 8-4-4) which would give a sense of the skills and attitudes acquired by young people in Kenya.

At the outset of this DFID research, it was suggested that a major contribution could be made by re-running Foster's path-breaking research both in Ghana itself and possibly in Kenya, under the revised title of the "Vocational school and enterprise education fallacies in self-employment planning". The point would not be so much to revisit Foster, since the school system and the economy has changed out of all recognition in Ghana in the last 40 years, but rather to emphasise the importance of acquiring good data on school, skill and enterprise in particular areas of Kenya or Ghana.[10] We currently almost completely lack such accounts.

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[10] This would be very welcome, as suggested earlier, in areas where long term microcredit programmes have been operating, but also where, for example, there have been key development sites for small scale or light industrial growth (of the kind highlighted by King in *Jua Kali Kenya*. It would also be very valuable in some of the clusters that Dorothy McCormick and colleagues have been researching.

## Formalising the informal sector: a developmental project

What the small scale economies of Africa currently mostly lack is any sense of being part of a larger project of the state for their support, development and incorporation as part of an industrial strategy. There are valuable illustrative elements of this inclusive vision in South Africa's policies for skills development (Department of Labour 1997).

One of the core elements in their ambitious Green Paper (on skills development) is a new system of learnerships. A key challenge in the new policy will be to ensure that the new training instruments will no longer operate primarily in the traditional industrial sector, e.g. in seeking to halt the declining number of apprenticeships, but should apply across a variety of employment and self-employment sites, including the small and micro enterprise sectors (SME). This has meant thinking how to deliver to small and micro enterprises the crucially important work experience and other requirements of these new learnerships.

There are certain to be difficulties in arranging this; but what is clear about the South African proposals, even from the discussion in the Green Paper alone, is that in contrast to many other countries in Africa where there are effectively two training systems, the so-called traditional or informal apprenticeship and the so-called modern, the intention is clearly to have a single national system, if at all possible.

There is thus the aim to develop learnerships across all sectors. This led the Green Paper to anticipate that there will need to be "special arrangements for target groups" if they are to be satisfactorily included in the national scheme. This means that those specially disadvantaged by South Africa's apartheid history, or by gender, location or disability can look to training participation by the state leveraging the planned levy funds to ensure their participation in the emerging national system.

Enough has been said to suggest that this formalising and inclusive aspiration, though hugely ambitious, should attract research attention from its earliest stages. Whether a common national qualification currency will be sufficiently persuastive to draw all skills into a single system is still unclear. But what is important with this South African initiative is that it will, like the Swedish quotation with which we began this account, send out signals about the small scale economy becoming part of a nationally accredited system.

## The small scale economy as a central part of the national economy

More than 10 years ago the Danish Association of development researchers put on a meeting that summarises rather accurately one thread in the debate about the small scale economies of Africa (Danish Association 1987). They may numerically contain the bulk of the economically active population, both male and female, in many countries, but the employers and workers in these informal economies most certainly do not feel themselves to be in the situation captured in the title of the Danish volume:*The informal sector as an integral part of the national economy: research needs and aid requirements.*

Most probably those in the informal sector do not feel themselves to be part of any developmental project of the sort described by Mkandawire (1998). Whether, by contrast, they would prefer to feel themselves to be part of a new poverty focus of their state is doubtful. If they are in Kenya, Ghana or South Africa, the very idea of a poverty focus or framework for their government may seem rather surprising. But if that focus were to involve any sense of their options for upward mobility being somehow foreclosed, they would likely have none of it.

The previous (1975) White Paper of the UK Government captured very nicely the danger of a policy that was carefully shaped for the poor of the rural areas (or for that matter of the informal sectors of Africa):

> We must beware of adopting policies which while intended to meet the needs of the poorest people, and especially those in rural communities, imply that poorer people and people living in the country can expect only a standard of education lower than those who happen to live in towns. There is a need for education about education (Ministry of Overseas Development 1975: 22).

This points to the dilemma at the heart of much of what we are discussing here: the danger that targetting can slip into ghettoisation or, conversely, that non-discriminatory policies will leave existing power imbalances in place. It is to be hoped that the renewed attention being given to both poverty and growth in the African context can be the catalyst for careful re-examination of principles and practices that affect, both directly and indirectly, the majority of African workers- those located in small and micro enterprises.

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