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REPOA Brief

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Assessing the adequacy of graduate skills in the context of council loans for the youth in Tanzania

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Key Messages

Persistent skills mismatches remain a major constraint to youth employment, as many graduates' skills do not align with labour market demands.

Linking the 4% loans with structured skills development in terms of vocational, digital, financial literacy, and business skills, can transform the scheme from a credit facility into a powerful engine for job creation.

Weak linkages between education providers and employers result in outdated curricula and limited hands-on training, leaving graduates underprepared for the labour market.

Introduction

In an era of rapid technological advancement and shifting socio-economic dynamics, developing countries such as Tanzania must continuously reform their education systems to ensure that graduates acquire the relevant skills and experiences needed to compete in the labour market and secure sustainable livelihoods. Failure to close the gap between the skills graduates acquire and those demanded by the labour market perpetuates educational and occupational mismatches, resulting in a workforce whose skills do not match with labour market demands, in turn, increasing youth unemployment. Such mismatches occur when individuals' competencies do not align with labour market needs, resulting in lower productivity and reduced employability (Sun et al., 2023; Patel, 2025).

In response to rising youth unemployment, the government of Tanzania, through the Ministry responsible for Regional Administration and Local introduced council loans to promote youth self-employment. These funds, sourced from the 10% of council own-source revenues, allocates 4% for youth, 4% for women, and 2% for Persons With Disabilities (Local Government Authorities 2025).

From the policy perspective, the Education Policy 2024 and ongoing curriculum reforms aim to enhance skills alignment by equipping learners with cognitive, analytical, socio-emotional, and job-specific competencies across the entire education continuum from pre-primary to higher education. The outcomes of these reforms are yet to materialize, thus mismatches between graduate competencies and labour market requirements remains evident. Critical gaps continue to exist in digital and STEM capabilities, practical training exposure, industry-training linkages, and emerging-sector competencies. This misalignment highlights the urgent need to accelerate the interface between education, vocational training, and Tanzania's socio-economic transformation agenda (Ministry of Education, Science and Technology 2023).

The purpose of this brief is to assess the adequacy of youth skills in Tanzania and explore how the 4% Local Government Authorities (LGAs) youth loans contribute to bridging existing skills gaps.

Methodology

This study employed a qualitative approach to collect and analyse data on youth skills and the impact of 4% LGA loans in Tanzania. The data was collected between June and July 2024 from four LGAs: Dar es Salaam City, Kinondoni Municipal, Kibaha District, and Bumbuli District Councils. Primary data were gathered through 68 semi-structured interviews with youth beneficiaries aged 24–40 (mean age 32), representing diverse education levels with primary (35%), secondary (25%), higher education (25%), and further education (15%). Key Informant Interviews (KIIs) were conducted with 13 Community Development Officers (CDOs), aged 36–56, most holding master's degrees (62%) and selected for their experience in loan management, as well as 22 customers of loan beneficiaries to capture consumer perspectives on enterprise performance. Focus Group Discussions (FGDs) were also conducted with graduate beneficiaries to explore shared experiences and challenges.

Findings

Skills adequacy to meet market demands

Loan beneficiaries in Tanzania acquired academic and technical skills through universities and vocational institutions. However, these skills were often insufficient to meet evolving labour market demands. Interviews revealed that while graduates possessed foundational knowledge in areas such as business administration, procurement, and ICT, they struggled to apply these competencies in the practical and rapidly changing work environments. The weak linkages between education providers and employers resulted in outdated curricula and limited hands-on training, leaving graduates underprepared. For instance, some graduates with formal training in food processing or customer care lacked access to equipment or industry exposure, weakening their ability to translate skills into sustainable enterprises. Consequently, many turned to informal work or self-employment, where adaptability and persistence were more critical than formal qualifications.

A female youth from Bumbuli District Council, Bumbuli ward, highlighted that:

> *"...She had previously worked in a restaurant before joining a group enterprise, where she has been engaged in business for six years. She explained that she studied up to secondary school but faced vision problems that forced her to discontinue her education. She then moved to the town for some time before returning to her village, where she got engaged and married. Later, after experiencing marital conflicts, she returned to her family home", (Focus Group Discussion 2).*

Beneficiaries who combined formal training with experiential learning demonstrated higher skills adequacy, particularly in entrepreneurship. Exposure to vocational training, apprenticeships, or internships equipped youth with practical customer service, business management, and marketing skills essential for running small enterprises. Yet, the effectiveness of these skills was uneven, as group dynamics, limited capital, and insufficient mentorship hindered their full potential. In Segerea, some youth successfully applied financial and managerial skills to grow enterprises, while others in Msongola struggled due to reliance on informal learning without certification. In Kinondoni Municipal Council, a female youth with primary education from Mzimuni ward stated that *"...Honestly, I have no skills. I have no training at all. I work at BF Suma, which is a distributor of nutritional products. I have not studied or learned any skills at school. For those of us who have not studied, when you go to the classroom, you are taught, you attend courses, you are given instructions, and you learn certain things just like everyone else"*, (Focus Group Discussion 3).

However, in the same Kinondoni Municipal Council, in Makongo ward, a male youth said,

> *"...His primary skills were acquired through formal education. He holds a degree in Business Administration from the University of Dar es Salaam and is proficient in project writing, fundraising, proposal development, and business planning, which have enabled him to be self-employed. He explained that he gained project management and planning skills in his third year at the university*

when he had the opportunity to learn from Dr. Zabron Kihengela in the Geography Department. Dr. Kihengela was teaching an in-service course, and because the youth was close to him, he was invited to join the course at a minimal fee (TZS 70,000). He discovered that the skills acquired were directly applicable in practice, rather than purely theoretical. Upon graduation, he found that the knowledge he had gained was in high demand locally, and people sought his expertise due to its practical relevance" (Focus Group Discussion 3).

Nature of skills possessed by loan beneficiaries

The type and quality of skills varied significantly across regions. In urban wards such as Segerea and Makongo, youth benefited from formal and informal training institutions (VETA, DIT, and online resources) and exhibited diverse competencies that support entrepreneurship. Challenges remained, including overcrowded classes, limited practical training, and uneven group collaboration. In Msongola, youth primarily acquired informal skills through family mentorship or apprenticeships, which sustained livelihoods but limited access to formal employment due to the lack of certification.

In an urban ward, a male youth from Msongola ward, Dar es Salaam City Council, reported that,

"...Although, he does not have formal brick laying skills, he possesses practical experience from working in the trade before forming his group and understands its challenges. Among his group members, only one has IT skills, while the others have no formal skills", (Focus Group Discussion 1).

Rural wards, such as Bumbuli and Tamota, relied largely on agriculture and small-scale businesses, with low levels of formal education. Group formation in these areas often served to meet loan eligibility criteria rather than operational efficiency. Employment preferences and group dynamics mirrored these skill differences. Youth in Segerea often preferred self-employment for its flexibility and benefited from diverse and complementary skills within groups, whereas youth in Msongola aspired formal employment but faced challenges due to unequal participation and internal conflicts. Across wards, beneficiaries acknowledged the value of their skills: those with formal training cited increased professionalism, confidence, and improved customer relations, while informally trained youth highlighted practical knowledge and adaptability but lamented the lack of credentials. Some individuals in Mzimuni ward illustrated a mix of formal, informal, and self-initiated learning, applying multidisciplinary skills from graphic design and film directing to behavioural psychology to achieve business and leadership success. In addition, Community Development Officers (CDOs) from Mtongani, Janga, and Mtambani noted that most of the youths acquired skills through vocational training or informal channels, but the absence of certification often limited loan access.

Challenges in acquiring relevant skills

Despite policy reforms, TVET institutions faced persistent capacity constraints, including limited financing, outdated infrastructure, insufficient personnel, and delayed curriculum updates. Weak coordination between VETA, private TVET providers and employers resulted in slow responsiveness to industry needs.

Conclusion and recommendations

Tanzania stands at a pivotal moment in equipping young people with the skills needed for productive employment and sustainable enterprise. The introduction of Local Government Authority (LGA) economic empowerment loans has created opportunities, but significant gaps persist in skills alignment, institutional capacity, market access, and business sustainability. The four per cent LGA loans have expanded youth entrepreneurship opportunities but are insufficient to fully empower youths. Evidence indicates that the success of these loans depends largely on youth possessing relevant technical, business, and soft skills, and the ongoing education reforms are likely to address these challenges in the medium to long term.

Maximising the impact of council loans requires accelerated reforms to formal educational curricula and TVET institutions, the integration of entrepreneurship education, and the promotion of hands-on experiential learning. Skills adequacy, therefore, depends more on the quality of training, access to resources, and adaptability to labour market realities than on formal qualifications alone.

Drawing from the research findings, the authors outline the following recommendations:

First, public and private actors responsible for skills development should strengthen skills acquisition throughout the learning process by integrating business, financial management, and entrepreneurial studies into formal curricula, vocational training programmes and post-training interventions to enhance employability and enterprise readiness.

Second, VETA and TVET institutions, in collaboration with the private sector, should enhance TVET capacity through increased investment in training infrastructure, modern equipment, qualified instructors, and stronger industry linkages to ensure that vocational graduates possess skills that are aligned with evolving labour market demands.

Third, the Local Government Authorities (LGAs) should reform the council youth loan scheme by institutionalising mandatory pre- and post-loan training in business management and financial literacy, while fostering partnerships with institutions such as TIRDO and SIDO, to improve enterprise sustainability and loan repayment outcomes.

Fourth, labour market and industry actors should promote experiential learning opportunities by expanding mentorship programmes such as apprenticeships that complement formal education and enable youths to acquire practical, market-relevant skills and work experience.

Lastly, the Ministry of Education and financial institutions should strengthen structured financial literacy by integrating age- and level-appropriate business and financial management competencies into formal education and training systems. This should be complemented by targeted financial literacy programmes linked to council loan schemes, delivered before, during, and after loan disbursement, to improve enterprise performance and long-term economic empowerment of beneficiaries.

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