



Private Sector Development in a Fragile Conflict Affected Region Impacts and Lessons

Introduction

The primary objective of BORESHA has been “to promote economic and private sector development, and greater resilience, particularly among vulnerable groups (youth, women, and displaced people) in the border regions of Kenya-Somalia-Ethiopia”.

The “Building Opportunities for Resilience in the Horn of Africa” (BORESHA) project has sought to boost community resilience in the fragile and shock prone areas at the intersection of the borders of Ethiopia, Kenya and Somalia. Continuing cycles of civil and political unrest and ensuing instability in this tri-border area mean this region is characterised by poverty, high unemployment, poor living conditions and lack of access to basic services. In the past year, the Covid pandemic and the worst locust infestation in many years have exacerbated the challenges facing border communities. Literacy levels are low and skills deficits are prevalent especially among vulnerable groups. These factors significantly constrain local economic development beyond pastoralism, the dominant source of peoples’ livelihoods.

Tetra Tech International Development has implemented BORESHA’s private sector interventions,¹ delivered through three Business Development Support Centres (BDSCs) set up in the project areas in each country. These were: Sponsorship of young men and women for certified technical and vocational education and training (TVET) and enterprise-based training (EBT) and provision of start-up kits for these graduates to help them set up their own businesses; Certified business skills training (BST); Start-up and business growth grants to a limited number enterprises; and Mentoring and advisory services to TVET and EBT graduates and grantees delivered by BDSC staff and trainers.

This note summarises each intervention, the results achieved and impacts we have been able to measure and sets out the lessons from this experience. Measuring impacts has been challenging since the project period was three years, with some interventions completed only in 2020.

Overall Delivery

Despite the limited numbers of beneficiaries supported during the short project period, our experience strengthens the case for enabling communities to develop more sustainable and diversified livelihoods in conflict affected locations through private sector initiatives that support micro and small businesses and self-employment; and, in doing so, build foundations for enhanced community resilience. Overall lesson on delivery are:

- **Close coordination and collaboration with local authorities and BORESHA Consortium partners was pivotal** in mobilisation of communities and fostering trust and buy-in. This approach extended the outreach for grant applications and skills training opportunities and attracted the active engagement of beneficiary communities with the project.
- **Expectations of beneficiary communities and local government bodies need to be managed**, especially provision of grants. Transparency was respected through project accountability mechanisms including complaints and feedback mechanisms.
- **The combination of interventions and continuous mentoring and access to advisory services through the BDSCs, was mutually reinforcing and crucial to success** of the private sector development component.

¹ Besides Tetra Tech, BORESHA Consortium had three other partners each with different but inter-related mandates. The Danish Refugee Council focussed on livelihoods and hence delivered TVET training among other interventions; some of their graduates received Business Skills training through the BDSCs. CARE led on Natural Resource Management and World Vision International’s focus was on Disaster Risk Reduction, Cash for Work and Index Based Livestock Insurance.



Technical, Vocational Education and Training (TVET) and Enterprise-based Training (EBT)

TVET support was implemented jointly by Tetra Tech, DRC and World Vision International. A total of 90 individuals from the three countries were trained, either by a recognised TVET service provider, or in the absence of a suitable provider, by an established business (EBT).

Achieving a driving certificate was the most popular study preference (28 students), followed by tailoring (21 students) and beauty therapy/hairdressing (16 students). Somalia had the largest percentage of female students at 60%. By contrast, in Ethiopia 30% of enrolled students were women. In Kenya, students were equally divided.

After the training was completed, successful candidates, other than those who had opted for driving courses, were given a business start-up kit. These kits had an average value of Euros 450 per kit. The start-up kits included: beauty therapy and hairdressing equipment; tie and dye materials; sewing machines; mechanical, welding and electrical toolboxes; and computers and printers.

In 2020, a tracer study of TVET graduates was conducted over 11 months to determine the impact of the training on resilience including employability, earning potential, spending patterns, and perceptions of the future. Key findings are that training improved the resilience of TVET/EBT graduates² in terms of:

- human capital – improving technical skills, employability and ability to run businesses³;
- financial capital – improving their ability to earn more money, and to utilise this invest in households and businesses; and
- Social capital – improving their self-perceptions and perceptions of their futures, together with their standing and perception of their families' and communities' future.

Key lessons are:

- **While TVET and EBT support aspirations towards self-employment and employment, provision of business startup kits and mandatory business skills training to supplement the technical training are a key success factor.**
- **While EBT provides an alternative to TVET and offers more limited technical skills training, it is a viable option in the absence of TVET providers.** We relied on businesses previously trained by other actors for EBT. New private businesses (such as honey producers, butchers and plumbers) that reflect the scarce skills identified in BORESHA's Labour Market Assessment could, in future, be developed as EBT providers.
- **Good data on costs and changes in the income of graduates would enable Return on Investment (ROI) analysis of training and start up kits; and provide funders with more objective evidence of the value of this intervention to guide future design of this work.**

Business Skills

The Business Skills Training (BST) has successfully met a significant demand for formal skills development in starting and growing a business, setting a firm foundation for further roll out and extension of provision to include more specialised and tailored business skills training to entrepreneurs.

An initial 'Build Your Business' 10-day trainer training course was conducted to build local capacity for delivery of business skills training to emerging businesses and potential entrepreneurs. A total of 43 individuals undertook the Training of Trainers (ToT) course; of which 12 were certified to become trainers. They supported the project's Master Trainers in delivery of Business Skills modules to grantee

² In Kenya, of 22 students (out of 30) that were traced, nine stated that they had not been to school. These students undertook a range of vocational skills training - tailoring, mechanics, welding and fabrication and driving; and at least six were earning an income. Among these were two pastoralists who had decided to abandon their previous livelihoods.

³ Tetra Tech, BORESHA Business Skills Tracer Study, December 2020.



business owners. TVET graduates who had received or were anticipating receipt of start-up kits were invited to undertake this training to support their entrepreneurial ambitions

Over the course of five months, the BST programme trained 259 individuals (123 male and 136 female) in Kenya, Somalia and Ethiopia. Trainees gained key fundamental skills and knowledge required for starting and growing a business. The training was offered in modules over 5 separate days, to better fit in with trainees' schedules, and comprised modules in: Fundamentals of Leadership; Developing a Business Plan; Creating Business Ideas; Funding Sources for Business Enterprises; Market Research and Exploration; Branding and Marketing a Product or Service; and Cooperative Management. Training was delivered at the BDSCs and at venues local to the trainees, using a small group learning methodology. COVID 19 restrictions were in place throughout the period of training delivery.

A survey some months after the training found that 78% of those who had been trained reported they were self-employed, while 15% reported being employed on a regular basis in a local business. Almost all trained business owners reported their new skills added value to the businesses resulting in higher earnings. They said training equipped them with improved skills in business planning, budget management, market assessment, sales and marketing, financial management, record keeping and customer care. Our Grants Team also noted significant improvement in grantee reports.

The key lessons are:

Training approaches and materials need to be adapted to become appropriate for trainees' literacy levels. The requirement of local language competency of trainers, use of training methods suitable for adult learners such as role play and case scenarios, and scheduling that respected trainee circumstances all worked well to aid the uptake of knowledge and skills.

The bulk of the curriculum dealt with the fundamentals of starting a business but not adequately with the operational aspects of running a business such as cost of sales and management of cash flow, operations and staff, which would have benefitted some trainees. The fact that a majority of trainees were owners of established businesses should have been factored into design of the curriculum. Pre-training needs assessment would enhance future skills delivery.

Women were enthusiastic trainees and their participation was further encouraged through mainstreaming gender considerations such as holding training during hours and at locations that allow them to align participation with their other (household) obligations.

Grants

The Grant Fund Facility (GFF) awarded grants worth some USD 700,000 to small businesses operating in the cross-border areas of each country. Applicants had to be formal businesses and were expected to demonstrate their capacity to create new jobs, especially for women, young people and internally displaced persons; encourage import substitution; and add value to locally sourced raw materials.

More than 2,000 applications were received resulting in 78 grants - 24 to start-ups and 54 to growing businesses. Grants funded a mixture of capital, stock and operating costs. Grants to start ups generally had a higher capital component. Sectors supported included agriculture, forestry and fishing, waste management and water supply, services, manufacturing and construction. The majority of awardees worked in the agricultural (41%) and service (31%) sectors. Sixty per cent of the grants were awarded to women and young entrepreneurs, both of whom operated in the form of self-help groups.

All grantees were required to undertake Business Skills training. After this, the grantees continued to receive support in operationalising what they had learnt in the Business Skills courses. BDSC teams conducted routine compliance visits and regularly reviewed progress through monitoring checklists which tracked grantee progress monthly.

By the end of the project, according to grantee reports, grantee businesses created some 700 new employment opportunities, though many of them were as casual labour. The results and impacts of employment opportunities were substantiated in the findings of Due Diligence assessments carried out



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on a representative sample of 37 grantees. However, it is not clear how many will become sustainable jobs. Start-up businesses recorded higher profits than more established, growing businesses.

Key lessons are:

Grants to group enterprises such as cooperatives where responsibilities are shared among office holders require more intensive selection, due diligence and supervision than single owner businesses. However, if group enterprises are successful, there is evidence that returns are proportionally higher and more sustainable jobs are created.

Applicants were encouraged, but not obliged, to invest their own funds as a condition of a grant. The level of self-investment did not increase risk or impact commitment and performance.

Grant reporting and accounting processes work best when tailored to the context of literacy, numeracy and levels of business skills; and when supplemented with regular supportive supervision and feedback to grantees. Continuous support through monitoring, capacity building and mentoring in entrepreneurial, financial management and digital skills help grantees manage their resources and enhance their business sustainability.

Most women and youth grantees invested in the agricultural and service sectors due to low barriers to entry; and all performed well. This suggests future potential for increased support to women and youth led businesses in these two sectors.

Cross border trade

The BORESHA project design was predicated on the development of a strategy for investment and infrastructure in the cross-border area. This proved impossible as it would have required close cooperation among the three national governments. Given the tensions that prevailed during the entire project period between any two or all three countries, this collaboration could not have been expected.

A Tetra Tech supported study which investigated the current environment in the cross border areas concluded that a primary requirement for large scale cross border trade is adequate and appropriate infrastructure, mainly all-weather roads and bridges. The study also found that mobile phone networks between the three countries are well established and are the main method of communication among cross border traders.

Although throughout the period of the BORESHA project there were border closures between the three countries due to political tensions or COVID protocols, micro and small businesses continued to trade across the borders as they have always done. This is because they trade informally and in small quantities. Larger formal businesses operating in the region said during the Key Informant Interviews that they were ready to expand operations across the borders but needed supportive infrastructure and regulations.

Two lessons emerge:

Future programming should focus on the development of a supportive regulatory framework within the domain of local and not national authorities.

Use technology to encourage cross border trade through better communications. This would enable businesses to exchange information and establish better trading relationships; and enable local authorities and businesses to work together to improve conditions for trade.