



Private Sector Development in a Fragile Conflict Affected Region

IMPACTS AND LESSONS



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FRAGILE CONFLICT AFFECTED REGION

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Introduction

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

The key objective of the BORESHA project was 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.

Tetra Tech International Development has implemented BORESHA's private sector interventions,¹ The interventions, delivered through three Business Development Support Centres (BDSCs) set up in the project areas in each country 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); and start-up and business growth grants to a

1. Besides Tetra Tech, BORESHA Consortium had 3 other partners each with different but interrelated 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.

limited number enterprises. BDSC staff and trainers have delivered ongoing mentoring and advisory services to TVET and EBT graduates and grantees.

This note summarises each private sector intervention, the results achieved and impacts we have been able to measure over the life of BORESHA and sets out the lessons from this experience. Measuring impact was challenging since the project period was three years, with some interventions completed only in the final year. The TVET component by Tetratech has been captured in the livelihoods' portfolio covering all the TVET trainees as it was implemented by multiple partners. That said, impacts that were observed have been noted in the sections below.

Overall Delivery

BORESHA 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 the foundations for enhanced community resilience. The key insights and lessons gained are set out in the sections below. In terms of overall lessons with regard to the delivery modalities, this is what we learnt:

1. Close coordination and collaboration with local authorities and BORESHA Consortium partners was pivotal in mobilisation of communities and fostered 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.
2. It was important to manage expectations of the beneficiary communities and local government bodies, especially during the provision of grants. Transparency was respected through project accountability mechanisms including complaints and feedback mechanisms.
3. The combination of interventions i.e. training, start-up kits, business grants, business support and mentoring and continuous access to advisory services at the three Business Development Support Centres, was mutually reinforcing and crucial to the success of the private sector development component.



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Business Skills

An initial 'Build Your Business' 10-day trainer training course was implemented to build local community capacity for the delivery of business skills training to emerging businesses and potential entrepreneurs. Forty-two individuals undertook the Training of Trainers (ToT) course in Business Skills. Twelve of them were certified to become trainers and supported Master Trainers in the delivery of a series of five-day Business Skills modules to grantee business owners and TVET graduates. All TVET graduates who had received or were anticipating the receipt of start-up kits were invited to undertake business skills training to support their entrepreneurial ambitions

From February 2020 through until late August 2020, the BORESHA programme successfully implemented the Business Skills Training (BST) programme for 259 individuals (123 male and 136 female) in Kenya, Somalia and Ethiopia. Through this, the trainees gained key fundamental skills and knowledge required for starting and growing a business. The Business Skills Training was offered over a 5-day intervention 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 successfully delivered in the BORESHA Business Development Service Centres (BDSCs) and in venues local to the trainees using a small group learning methodology. COVID 19 restrictions were in place for the period of training delivery.



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The Business Skills Training has successfully met a significant demand for formal skills development in the starting and growing a business within the BORESHA programme area, setting a firm foundation for further roll out of a similar programme and extension of the provision to include more specialised and tailored business skills training to entrepreneurs in the areas.

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:

1. Since literacy levels in the BORESHA projects areas are low, training modalities and materials need to be adapted to become appropriate for trainees' literacy levels. The requirement of local language competency for the trainer, use of training methods suitable for adult learners such as role play and case scenarios, and delivery of a curriculum that respected trainee circumstances all worked well to aid the uptake of knowledge and skills.
2. 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 some trainees were owners of established businesses should have been factored into design of the curriculum. Pre-training needs assessment would enhance future skills delivery.
3. Women were enthusiastic about the training and their participation can be 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 region. 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 local sourced raw materials.

More than 2,000 applications were received resulting in 78 grants - 24 to start-up businesses and 54 to growing businesses. Grants funded a mixture of capital 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. Majority of the awardees were 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. The Tetra Tech team also 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, the awarded business projects created 698 new employment opportunities across the three countries, many of them as casual labour. The results and impacts of employment opportunities were substantiated in the findings of Due Diligence assessments carried out on a representative sample of 37 grantees. However, it is not clear how many will translate into sustainable jobs. New start-up businesses recorded higher profits than more established, growing businesses.



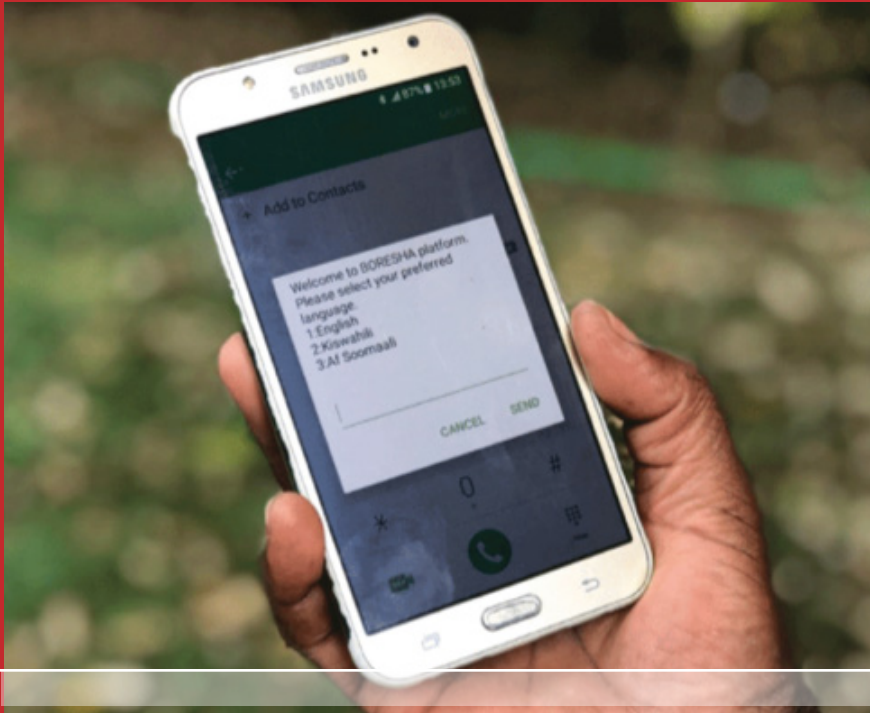
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4. Grants to group enterprises such as cooperatives where responsibilities are shared among office holders require more intensive selection, due diligence and supervision requirements than single owner businesses. However, if group enterprises are successful, there is evidence that returns are proportionally higher and more sustainable jobs are created.
5. Grantees were encouraged but not obliged to invest their own funds as a condition of a grant; this approach did not increase risk or impact commitment and performance on the part of grantees.
6. Grant reporting and accounting processes work best when tailored to the context of literacy, numeracy and levels of business skills; and be 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.
7. Most women and youth grantees invested in the agricultural and service sectors due to low barriers to entry and they all performed well. This suggests future potential for increased support to women and youth led businesses in these two sectors.

Cross border trade

Although throughout the period of the BORESHA project there were border closures between the three countries due to political tensions or COVID protocols, the micro and small businesses continued to trade across the borders. 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:

8. The BORESHA project expected the development of a strategy for investment and infrastructure in the cross-border area. This proved impossible to do as it would have required cooperation in the sharing of documents of the three national governments. Given the tensions that prevailed at any one time during the entire project period between any of the two or all three countries, this collaboration could not be expected. Future programming should focus on the development of a supportive regulatory framework within the domain of local and not national authorities.
9. A Tetra Tech supported study which investigated the current regulatory environment in the cross border areas that BORESHA worked in, concluded that a primary requirement for cross border trade is adequate and appropriate infrastructure e.g. a bridge between Suftu, Ethiopia and Mandera, Kenya and wider and all - weather roads between the three countries. It also found that mobile phone networks between the three countries are well established and are the main method of communication among cross border traders. This technology could be leveraged to publicise existing policies and regulations and allow feedback on these in order to design an enabling business environment.



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