LABOUR MARKET ASSESSMENT

IN THE CROSS-BORDER AREA BETWEEN KENYA, ETHIOPIA AND SOMALIA

REPORT

BORESHA

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July 2018

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List of Acronyms

BORESHA	Building Opportunities for Resilience in the Horn of Africa
DHS	Demographic and Health Survey
EPI	Extended Programme of Immunisation
FGDs	Focus group discussions
KIHBS	Kenya Integrated Household Budget Survey
KNBS	Kenya National Bureau of Statistics
LMI	Labour market information
MFIs	Micro Finance Institutions
MSME	Micro, Small and Medium Enterprises
RoSCA	Rotating credit associations
TVET	Technical and Vocational Education and Training
WASH	Water, Sanitation and Hygiene
WHO	World Health Organisation

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I trust the findings of this study will contribute to constructive policy-making and ongoing interventions by the BORESHA Consortium in the cross-border area between Kenya, Ethiopia and Somalia.

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Executive Summary

The project: Building Opportunities for Resilience in the Horn of Africa (BORESHA) has received funding from the European Union Trust Fund for Africa which supports the project covering the cross border area between Kenya, Ethiopia and Somalia. Its overall objective is to promote economic development and greater resilience, particularly among vulnerable groups. The project is being implemented by a consortium of partners which includes the Danish Refugee Council, WYG and World Vision.

Given the glaring information and data gaps in all parts of the under-researched cross border area between Kenya, Ethiopia and Somalia, the principal activity was to design a programme of data and information collection and analysis on which to build policy interventions. The project's consultant devised the survey instrument which the field staff administered to a randomly chosen set of establishments from the three parts of the Triangle. A major constraint facing this exercise was the lack of a sampling frame from which to draw the sample. The survey tool was used to collect information on vocational skills currently and prospectively in demand by potential employers, the results of which will assist in guiding providers of TVET and informally operated training courses.

Lacking any sampling frame, small samples of operating businesses were carefully chosen by our team in the various parts of the cross border area between Kenya, Ethiopia and Somalia. They were guided by local officials of the public and private sectors to portray a fair representation of the sexes, industrial sectors and size classes of employment, occupational groups and geographical locations.

A less time-consuming and costly exercise entailed the conducting of focus group discussions with a cross- section of current employees, private sector employers, job-seekers, public sector officials and NGO administrators, in order for them to offer their perceptions of current skill gaps, and opportunities and challenges for sectoral economic growth and resulting enhanced near-term gains in the level of employment.

The project team held discussions on the best way to select a randomly chosen sample of establishments in the three pilot areas of the Triangle, given the lack of any known sampling frame. Early on, it was agreed that the survey would cover urban centres at least 50 km from Mandera town. Most of the formal and informal employment opportunities are in the urban areas, as documented by the reports of the field coordinators. They analysed the livelihood options in the Triangle and identified those relating to pastoral, agro-pastoral and urban activities. The pastoral and agro-pastoral sectors provide food to the urban sector, while the urban economy provides employment to the pastoral and agro-pastoral populations by means of trade and opportunities for casual work. There could be emerging opportunities in the latter, since they are still rudimentary because the markets are poorly developed. In its study, we recommended support for market development for some major crops along the riverine farming systems. For livestock, employment is created mainly in livestock trade and herding. Again, we have proposed some models that can create employment in the live animal value chain.

Our adopted approach was to employ the random walk technique. In addition, it was agreed that the study should focus on towns that are within 50 km radius and should be areas with the potential to create more jobs. The following are the selected busy border towns, with very vibrant cross-border trading activities, from where data were collected:

(i). Kenya – Mandera town from Mandera East and Rhamu from Mandera North
(ii). Ethiopia – Suftu and Dolo Ado Somalia - Bulahawa and Dolow

The following were the major challenges experienced during the data collection:

Insecurity: Cross border area between Kenya, Ethiopia and Somalia is an insecurity zone, largely because of the Al Shabaab Militia movement, resulting in the teams of enumerators having to be extra vigilant. In Ethiopia, data collection had to be suspended for some days because of violent demonstrations in Dolo Ado. In Kenya, soon after the start of Ramadan, there were cases of Al Shabaab attacking some mosques, as well as threats of violence along the Kenya/Somalia border.

Sensitivity: Some of the respondents considered the questions, especially those relating to incomes and expenditures, to be too personal and were not willing to respond to them. There was also a general fear among the informal, and even the formal sector entrepreneurs, of being reported to the tax authorities. However, the enumerators took time to explain why they were undertaking the study. In cases where the respondents refused to participate, the enumerators were required to replace them using the same sampling methodology. In some cases, due to such rejections, it was not possible to follow the sampling protocol, as the enumerators had to interview only those who were willing to participate.

Fatigue: The data collection teams suffered fatigue as they participated during the month of Ramadan. This meant that the enumerators, as well as the respondents, had to work intensively, especially in the morning, before their energy levels fell later in the day.

Apathy: Respondent apathy, and their expectation of compensation for their time, was a problem. In some of the towns, the respondents indicated that they had had experiences of being interviewed but being left with nothing material in return. Hence, they anticipated being paid something for their time. The enumerators addressed this issue by explaining to them how the findings of the study would inform the design of appropriate interventions for the betterment of their communities.

Principal results of the exercise

The local economy: No doubt herding of animals dominates these economies but our survey focused on the urban economies. The results showed the dominance of the sectors of Wholesale and Retail Trade, Manufacturing and Repairs, and Services across all three countries.

Turnover of enterprises: Given the lack of security in the survey area, it is not surprising that the turnover of enterprises is quite rapid. Indeed, 52% of businesses in Ethiopia, 44% in Kenya and 46% in Somalia, began operations only since 2013. Kenyan respondents appear very much more established, with 89% open for 11-12 months a year with only 1% operating for less than six months. Corresponding data for Ethiopia and Somalia is 84% and 80% for being open 11-12 months, and 14% for both Ethiopia and Somalia for less than six months. The differences are significantly different at the 1% level.

Gender differences: More respondents (73%) in Kenya are operating from commercial premises with fixed structures, compared with only 23% in both Ethiopia and Somalia. Sole male ownership of the sampled businesses is dominant across all three countries at 76%, 74% and 66% in Ethiopia, Kenya and Somalia respectively. However, Somali females do better than women in the other countries in terms of outright or joint ownership. Employment status is much more likely to be part-time, casual or apprentice, for both sexes, in Ethiopia than in Kenya and Somalia, which might explain why the size of establishment, in terms of the number of workers per plant, is much higher in Ethiopia.

Training: A much higher proportion of employees in Kenya are being trained, one-third at a training institution and two-thirds on-the-job. In contrast, only one-quarter of employees are being trained in Ethiopia and Somalia, again most of whom are trained on-the-job.

Educational attainments: A larger share of managers in Kenya have higher educational attainments than in the other two countries. Fewer managers in Kenya than in either Ethiopia and Somalia have no education, while Kenyan managers are more likely to have attained Primary, Secondary, Vocational and University levels. Therefore, given the universally documented relationship between education and earnings, we would expect business success, as measured by profitability, to be greater in Kenya than elsewhere, which seems to be the case.

Vocational training: The numbers of establishments in our sample that claimed to have workers who had attended a vocational training institution were 42 (13%) in Ethiopia, 102 (29%) in Kenya, and only 22 (6%) in Somalia. The numbers of current workers having attended such institutions were estimated to be only 97 in Ethiopia, 424 in Kenya and 64 in Somalia, indicators of the paucity of trained skilled labour in the cross border area between Kenya, Ethiopia and Somalia.

Wage levels: Mean monthly wages for males are significantly higher in Ethiopia while females do relatively better in Kenya. Wages are lowest for both sexes in Somalia. Perhaps, to some extent, the wages paid by employers may well reflect their perceived profitability of the enterprise. When asked for the owner's rating of the business performance last month, owners' ratings were highest in Ethiopia.

Formality: The government of Ethiopia has greater control on both private and public sectors than Kenya and Somalia. It may be that business formalisation is more elaborate in Ethiopia but has costs which businesses try to avoid. Registration of a business is a clear indicator of the formality of business operations and identified with being part of the formal sector of the economy. In Kenya, we know that this is no longer complicated. The overwhelming share, 97%, of businesses in Kenya report being registered, compared with 72% in Ethiopia and 80% in Somalia, while across all three countries, the majority of registrations takes place with the Central Government.

Infrastructure: The respondents' replies to our enumerators' questions regarding access to basic infrastructure, such as roads, water, electricity and markets, shows that it is more widespread on the Kenya side of the border than in Ethiopia and Somalia. Policy makers should take note of the widespread and unsatisfied potential customers for access to these essential services for business.

Capital: Our study has shown that the main source of initial start-up funds in the Triangle was overwhelmingly from family and own savings, ranging from 90% of respondents in Ethiopia, 79% in Kenya to 87% in Somalia. Access to a Government loan was mentioned by 8% of respondents in Kenya, but no- one mentioned this in Ethiopia and only one respondent in Somalia. Other sources mentioned included money lenders, non-bank credit associations, informal cooperatives and NGOs, but all were cited by very few respondents. Similarly, the same sources were mentioned by respondents when asked to name the institutions from where subsequent additional funds for investments were acquired. Evidently, the underdeveloped capital market should be of major concern to policy-makers. It needs expansion to enable businesses to undertake capital-deepening and diversification of their existing and new activities.

Yet, the concept of 'capital markets' may be inappropriate for the present types of businesses in the Triangle and may be underdeveloped because of the prevailing religious beliefs. Due to their lack of awareness, most of the business personnel assume that banks and other formal financial institutions do not have sharia compliant products, hence they shy away. For pastoralists, they invest in livestock, so when they have funds to invest, they buy more animals.

Finance: There is a documented lack of finance for small entrepreneurs to operate and/or expand their businesses. For example, when asked to name the greatest risks to their business, 49% of respondents in Ethiopia, 32% in Kenya and 73% in Somalia cited 'lack of funds'. Innovative methods should be introduced to fill this lacuna using, for example, a type of rotating credit associations (RoSCAs) or Village Savings and Loan Associations (VSLAs). These are already available in the region. operating elsewhere in Kenya and across the developing world. They have great potential as agents of pro-poor community development and facilitate economic gains from membership. Members pool finances that are utilised to support the fulfilment of basic needs at the household level, in addition to building up income-generating assets. Social capital is both inherent to and stimulated by membership of a RoSCA, through the building of trust, collective actions undertaken, and the values shared by the members. Local political and opinion leaders need to address the issue and publicise those opportunities that currently exist and illustrate ways to expand their catchment to segments of the population that are currently underserved.

RoSCAs are found to be relatively inclusive, particularly when compared with more formal credit schemes, often including representatives of the most marginalised, and therefore most vulnerable, socio-economic groups. Membership generally involves relatively small payments while contributing to positive subjective perception as well, thus fostering further human well-being. RoSCAs therefore warrant appraisal beyond the immediate financial opportunities they generate, because of their production and reproduction of values such as democracy, reciprocity, and solidarity, and thus their significant contribution to community development and human well-being. Policy-makers need to examine the potential for such innovation in the Triangle, despite the disadvantages of operating in such an insecure environment.

Business information: Possibilities for access to aspects of business information and advice seem equally underdeveloped in the Triangle, with very few respondents able to cite any advice received relating to marketing, accounting, legal issues and business planning.

Machinery: Respondents were queried about their access to physical capital and the types of machinery used. Those operating in Kenya (91%) have much greater access to energy-driven machinery than those in Ethiopia (60%) and Somalia (64%), while most machinery is powered by electricity. If imported machinery is assumed to be of a later vintage, and perhaps more efficient, then Ethiopia and Kenya score highly since 60% and 77%, respectively, of their machines have been imported, compared with only 21% in Somalia. Most the remainder in Ethiopia and Somalia was inherited from the previous business owner or purchased from another business in-country.

Almost one-quarter of respondents in Somalia, compared with 17% in Ethiopia and 10% in Kenya, claimed that the electrically-operated machines are inadequate for their business operations, largely because of their high maintenance and running costs.

The underdeveloped state of the capital market is apparent from so few respondents having applied for a formal sector loan in the last two years; only four applicants in Ethiopia, fifteen in Kenya and seven in Somalia. The result was that three were successful in Ethiopia, ten in Kenya and six in Somalia.

Business plans: The great majority of business owners in Ethiopia (67%), Kenya (90%) and Somalia (80%) claim to have plans to expand in the coming six months.

Evidently, business owners are quite ambitious in anticipating an expansion of their businesses, by investing in new equipment and hiring more skilled workers. For the many unskilled and under- or unemployed labourers in the Triangle, their future job prospects look bleak from this evidence.

Constraints: As we might expect, the most important constraint to those with no expansion plans is the lack of funds, mentioned by 56% in Ethiopia, 44% in Kenya and 51% in Somalia. The lack of skilled labour was also seen as a constraint by 13% of those with no expansion plans in Ethiopia, and 6% or less in Kenya and Somalia, which might reflect the low-level technologies employed. This result is not surprising since most of the businesses are involved in petty trade and merchandising, especially the Somalis. The challenges for skills development are mainly seen in the emerging opportunities in the manufacturing and service industries, such as construction, multivehicle/motorcycle repairs, tailoring, and agribusiness.

The lack of physical space was also noted by 10%, 11% and 5% in the countries respectively.

Profitability: At least 50% of all respondents claim that business is 'fairly profitable' or 'very profitable', with those from Ethiopia and Kenya being the most satisfied. Perhaps this optimism is reflected in an 'ability to pay', from higher profits, the relatively higher male wages paid in these two countries compared with Somalia.

Competition: The competitive nature of the markets is apparent in all three countries, with large numbers of respondents citing too few customers and competition as major risks to their businesses. Lack of skilled workers and lack of access to funds is very apparent in Somalia, but these constraints also impact on operations in Ethiopia and Kenya, albeit to a lesser extent than in Somalia.

Infrastructure: The unfavourable basic context, such as inadequate roads and tentative peace, represent the most important challenges which may affect the success of any microfinance initiative. However, the introduction and extension of both conventional and Islamic microfinance programmes might well contribute positively to economic development and poverty alleviation on all sides of the Triangle.

Registration: There is a need to encourage the registration and legalisation of these small enterprises because many are operating their businesses without legal documentation. The costs of registration should be kept low which would allow the least profitable to register, but official recognition could well allow them to access the, admittedly, grossly underdeveloped formal sector capital market.

The cost of registration may be a deterrent to formalisation for some businesses. In Kenya, from October 2017, the on-line registration fee was set at KSh10,650 (US$105). There, business registration is quite efficient because of several factors: Registration of companies is regulated under the Companies Act of 2015. On average, starting a company requires seven procedures, takes 23 days and costs 22.0% of Kenya's income per capita. While the process is less efficient compared with the global Doing Business 2016 average, it is faster and costs less than half of the regional average in Sub-Saharan Africa (World Bank, 2016; Doing Business in Kenya). Huduma Centres, which are spread all over the country, together with a new electronic database of company names, helps to speed up company name reservations across Kenya.

In Ethiopia, analysis of the distribution of license fees, compliance costs and the ratio between the two shows that most license fees are modest— more than 70% cost ETB 254 (US9) or less. However, more than 90% of licenses have total compliance costs of more than ETB 2,000 (US$74), and 32% more than ETB 8,030 (US$295), the national per capita income. Finally, for more than half of all licenses the compliance costs are ten times or more than the application fee. Perhaps this helps to explain the lower level of registration than in Kenya, suggesting there may be a strong case to be made for reducing compliance costs by simplifying and streamlining the licensing regime in Ethiopia.

According to World Bank (Doing Business in Ethiopia, 2018), it takes 33 man days to register a business in Ethiopia with a cost of 57.7 of per capita income. Ethiopia is ranked 161 out of 190 economies compared to Kenya which is ranked 117 (Doing Business in Kenya, World Bank, 2018). The same shows that Ethiopia is 47.77 away from the frontier, i.e. the best performance in doing business, which is lower than the sub- Saharan average of 50.43 and Kenya at 65.5.

After an extensive on-line search, it was not possible to obtain data very much on impediments to the registration of small establishments in Somalia. However, according to the World Bank, Doing Business 2018: Reforming to Create Jobs, Somalia ranks the last when compared to the 190 economies in 2018, regarding the ease of doing business. It is at 19.98 away from the frontier, meaning it is close to the worst performance indicators. The report estimates that it takes 70-man days and costs 203.6 % of the income per capita to register a business in Somalia.

Business advice: The business community lacks any advisory support to help them sustain their businesses. There is an urgent need to teach business management and accounting skills. Almost all small entrepreneurs lack business management skills and many young entrepreneurs fail because of they do not understand the concepts relating to profit and loss in their businesses. Many lacks an understanding of seasonality. For example, businesses involved in honey, livestock and milk are often not profitable in the rainy season, especially since pastoralists move away from their markets in the villages to gain access to better grazing for their livestock.

Career ladders: NGOs are major formal sector employers in the region. Yet, there are no explicit career ladders in their offices, except for basic training for the livestock health sectors. And this is kind of basic training is unrelated to the career ladders in each office. Career paths need to be identified for such major players in the region to motivate their employees. More intensive training in business management and day-to-day operations is required for occupations relating to honey, milk-selling, meat-selling, livestock marketing, livestock fattening and trading, and export market crop production.

Skills training: The most urgent skills-training systems needed are related to cooperative principles and management skills for the sector, sharing of business experiences in the farming communities, and identifying key skills and training for productive staff in each sector.

Agricultural extension agents in the villages need additional training since they often do not have adequate information and skills in entrepreneurship, farming, and marketing to help businesses' sustainability.

There are few current training systems and the most significant gaps need to be rectified, such as those in Cooperative and financial management, plumbing and construction for the WASH sector, farming techniques, honey bee and livestock fattening and forage production, tailoring and restaurants for small business cooperatives, and TVET for agricultural extension agents (development agents in the villages) for business enhancement.

In the WASH and Construction sectors, the major problems impeding the operation of the businesses need to be addressed by the local authorities and NGOs by expanding opportunities for training. They are related to the lack of skilled carpenters, masons, construction foremen, raw materials, construction kits (start-ups) for construction workers, and plumbing skills. Demand for these occupations is projected to increase, at the same time as much civil construction, plumbing, and farming is ongoing.

The Focus group discussions focused on an assessment of the local labour market and generated the following recommendations.

Technical and vocational education and training should focus on new and existing priority sectors. There is a lack adequate training in honey production, milk marketing, meat-selling, livestock fattening and marketing, and business management. In addition, training is required in export market crop production, pre- and post-harvesting of crops and cooperative business management, including tailoring skills. TVET programmes should explore ways to lengthen their training periods, particularly for more technical skills.

There are few current training systems and the most significant gaps are in co-operative and financial management, plumbing and construction for the WASH sector, farming techniques and start up kits, tailoring and restaurants for small business co-operatives and TVET for agricultural extension agents (development agents in the villages) for business enhancement.

Associations of trainees should be and provided with support services. By pooling knowledge, social capital and financial resources, such organisations can improve graduates' ability to become self- employed.

The analysis finds that the lack of supply of goods and services is less problematic than their quality which needs to be prioritised.

1

Introduction

BORESHA Consortium

Funded by the European Union Trust Fund for Africa, the Building Opportunities for Resilience in the Horn of Africa (BORESHA) project's overall objective is to promote economic development and greater resilience, particularly among vulnerable groups in the cross-border area between Kenya, Ethiopia and Somalia. The project will adopt a community-driven approach to address the shared nature of the risks and opportunities in this border area. It is part of the EU's programme for Collaboration in the Cross-Border areas of the Horn of Africa, providing over 60 million euros of investment to prevent and mitigate the impact of local conflict and to promote economic development and greater resilience in four different cross border regions.

With a total budget of 14 million Euros, the BORESHA project targets to reach communities in Mandera County in Kenya, Dolo Ado region in Ethiopia, and Gedo region in Somalia. A consortium of partners who include Danish Refugee Council as the lead, WYG, World Vision, CARE will implement the project from November 2017 and November 2020.

About the assignment

The target region is an area where the countries of Kenya, Ethiopia, and Somalia meet. The Kenyan side is represented by Mandera town which is the capital of Mandera county in the former North Eastern province of Kenya. Mandera is inhibited by Garreh, Murulle, Degodia, and other smaller tribes. The Ethiopian side is represented by the Suftu, also known as Malka suftu, which is one of the three towns in the Dolo Odo district of Ethiopia. The town is inhibited by Somalis from the Degodia and Garreh of Ethiopia. The Somali of the Triangle are represented by Beled Hawk (Hawo city) formerly Bula Hawo (Hawo village). This city has grown rapidly and is the second largest city in Gedo, the largest province in Somalia.

The three borderlands have suffered from the impact of a long civil war in Somalia, violent extremism in the region, inter-clan warfare and frequent drought. In the early 1980s, Beled Hawo in Somalia was the business and development capital of the region. It was a hub for business and trade, an entertainment centre and tourist attraction. Then the town was connected to electricity while Mandera and Suftu were in darkness. War has reversed all such indicators of development and, currently, the three border regions revolve around the Kenyan town of Mandera, which has become the focal point.

Brief overview of the region

Mandera County, Kenya: Population 1,025,000. This is bordered on the East by Gedo Region of Somalia, on the North by Doolow Woreda of Ethiopia, and on the West and South by Wajir County of Kenya. Mandera County is divided into six constituencies/sub-counties –Mandera West, Mandera East, Mandera South, Mandera North, Banissa, and Lafey. The county covers a total of 26,474 square kms of Northeast Kenya.

In general, there are more employment opportunities on the Madera side of the Triangle which is likely to have been triggered by devolution. Many people from across the international borders cross over to Mandera in Kenya seeking unskilled work. In contrast, as a result of greater educational opportunities in Kenya, school leavers and college graduates from Kenya have better command of the English language and often cross to Ethiopia and Somalia to be employed by NGOs.

The most recent information on the level of human capital in the country comes from a survey conducted by the Kenya National Bureau of Statistics: Kenya Integrated Household Budget Survey 2015-2016, March 2018, which illustrates the relative underdevelopment of human resources in Mandera[1]. Of the population 3 years old and above, only 48% in Mandera had ever attended school, compared with the national figure of 89%. However, improvements in Mandera are evident in that of the cohort age 14-17 years, 93% are currently attending school in Mandera compared to 90% nationally; and 60% of those age 18-24 are attending school in Mandera compared with the national figure of 38%. However, this latter figure may well reflect the later start in school by pupils in Mandera. This inference is clearly substantiated by the net attendance rates in Mandera: pre-primary school attendance for Mandera is 12% for males and 9% for girls, compared with national figures of 63% for males and 65% for girls. At the Primary school level, the net attendance ratio for boys in Mandera is 62% and 55% for girls, compared with 82% and 83% nationally.

Functional literacy in Mandera is estimated to be 87% for boys and 57% for girls age 15-24 years, compared with national figures of 95% for boys and 94% for girls. Evidently, educational attainments in Mandera are well behind the national attainments, with females particularly disadvantaged.

Recent years have seen a growth in vocational educational opportunities. Critical sectors, such as education and health, were neglected by successive post-independence governments. However, the advent of devolution of government to local authorities has brought with it significant improvements. For example, there has been a mushrooming of colleges in Mandera which seek to bridge the gap in tertiary level education in the region. One of them is Maarifa College, located in the heart of the county, which is seeking to empower the region's youth through education. The college opened 2011 with 1,063 students but the enrolment has risen over the years to more than 2,194 students currently. The institution offers 12 courses, including in computer systems and application, English language, human resource management, nutrition and dietetics, business management, secretarial studies, logistics and supplies management and project management and planning.

Mandera Vocational Training Centre is a training organisation which provides a high quality, flexible learning environment. It offers courses in Trade Testing in Electrical wireman (NITA), in Motor Vehicle Mechanic (NITA), in Masonry (NITA), in Dress making (NITA) and in Welding and fabrication (NITA).

There are 32 registered Co-operatives out of which 18 are active and the rest dormant (Mandera County Integrated Development Plan, 2013-2017). A total of 15 co-operatives did not take off after registration while attempts to locate the promoters proved fruitless. Efforts have been made to revive the dormant ones and also streamline and strengthen the active co-operatives. These co-operatives are located in eight categories which include Urban, Transport, Crop and Livestock Marketing, Consumer products, Multi- purpose, 'Jua Kali', Investment and Building and Construction. There is a total of 1,524 members out of which males are 1,274 while females are 250. However, youth members are less than 5%. Few women are in management positions while the majority of members are over 40 years old. On this evidence, membership of cooperatives is not widespread on the Kenyan side of the Triangle.

1The survey placed Mandera county 46th out of 47 counties in terms of the share of the population in poverty, with over 80% below the poverty line.

While Ethiopia is likely to have a greater presence of cooperatives. unfortunately, after an extensive literature search, the author was unable to obtain comparable data for the Ethiopian and Somali areas of the Triangle. Doolow, Ethiopia: Population 111,511. This estimate is based on the Census of 2017. It is located in the angle formed by the confluence of the Ganale River with the Dawa River, and bordered to the west by the Woreda of Mubarak, to the northwest by the Woreda of Filtu, to the southeast by Gedo Region of Somalia, on the north and east by Afder Zone, and on the south by Mandera County of Kenya. The Woreda is part of the expansive Somali region of Ethiopia which comprises 350,000 square kilometres in south - east Ethiopia. Gedo Region, Somalia: Population 328,378, an estimate based on UNDP data of 2005. It is bordered on the East by Bay and Bakool regions, on the West by Mandera County of Kenya, and with Middle Juba to the South and Doolow Ethiopia to the North. The region is made up of six administrative districts, Garbaharey, Baardheere (the capital), Ceel Waaq in the south and Belet Xaawo, Doloow, and Luuq in the north. The value chain analysis on Livestock, livestock products and alternative livelihoods assessment in the cross border area between Kenya, Ethiopia and Somalia was commissioned to provide WYG and BORESHA consortium partners with proper understanding of the livestock and livestock products value chains to inform strategy for building self-reliant and resilient pastoral communities in the project area.

Capital and Finance

A study in Ethiopia (World Bank Group, SME Finance in Ethiopia: Addressing the Missing Middle Challenge, 2015) found the existence of a ‘missing middle’ phenomenon in terms of financial services catering to small firms. It found young and smaller firms are much more likely to be rejected for a loan or a line of credit than firms who are more established or larger. Moreover, despite confirming the need for access to finance, SMEs are discouraged from applying for loans due to excessively high collateral requirements. In turn, data also show that firms that are credit constrained exhibit poorer performance and productivity: in Ethiopia, a firm that is credit constrained has sales growth that is 15 percentage points lower, employment growth that is 5 percentage points lower, and labour productivity growth that is 11 percentage points lower than firms who are not credit constrained.

The supply-side analysis indicated first of all that financial institutions in Ethiopia lack an “SME finance culture”: the use of a harmonised definition of MSME is missing, especially for commercial banks and consequently specific SME financing strategies are not in place.

While Kenya’s small and medium enterprises (SMEs) continue to create numerous jobs and boost the country’s GDP, they face a myriad of challenges that hamper their growth. A recent National Economic Survey report by the Central Bank of Kenya (CBK) indicate that SMEs constitute 98 percent of all business in Kenya, create 30 percent of the jobs annually as well as contribute 3 percent of the GDP. According to the 2014 survey, 80% of the 800,000 jobs created in the year came from the informal sector which is dominated by SMEs (http://www.africanreview.com/finance/business/smes-are-growing-kenya-s-economy-3).

Yet, even with its immense contribution to the economy, Kenya’s SMEs are faced with numerous challenges. According to a report (Deloitte Kenya Economic Outlook 2016), SMEs are hindered by inadequate capital, limited market access, poor infrastructure, inadequate knowledge and skills and rapid changes in technology. Corruption and other unfavourable regulatory environments present other bottlenecks to this vital cog of the economy. Approximately 400,000 micro-, small and medium enterprises do not celebrate their second birthday. Few reach their fifth birthday, a result in keeping with our survey results from Mandera- leading to concerns of sustainability of this critical sector.

In Somalia, the concept of banking is fairly new. After the war, the entire financial infrastructure has been rebuilt from scratch. It has gradually seen some improvement as local banks have established micro- investment departments and loans are beginning to be provided. However, two major challenges stand out. Firstly, local banks are hesitant when it comes to providing loans to new entrepreneurs and only willing spend a very limited amount of their investment capacity on loan provisions; and secondly, some local organisations that have recently engaged in loan funds have failed to provide effective loan schemes to local SMEs. Therefore, loan provisions have stopped, or funds have become inaccessible for most SME's due to confusing application requirements (http://www.spark-online.org/banking-somalia-smes-struggle-get-financed/).

Since the country has very limited experience in funding, investment and loan management, this process has been littered with obstacles. One study investigated the accessibility of microfinance for small businesses in Mogadishu (Abdel Hafiez Ali, Abdimajid Omar Abu-Hadi and Ali Yassin Sheikh Ali, The Accessibility of Microfinance for Small Businesses in Mogadishu, Somalia, International Journal of Humanities and Social Science, Vol. 3, No. 11, June 2013). The results obtained showed that the requirements for small businesses to access loans include collateral, repayment capacity, and security deposit or guarantor. The findings revealed that the requirements hinder the possibility of borrowing money from microfinance institutions so as to start, run or expand small businesses.

These studies emphasise the difficulties experienced by small firms at the national level in our three countries. Given the underdeveloped state of business in our research area, it comes as no surprise that these results are replicated in our small-scale study from the Triangle.

The cross-border economy

The Mandera/Beledhawo/Doolow borders form an integrated, cross-border economy and play a critical role for commerce and livestock sales for the entire region. Due to the relatively more developed infrastructure in Kenya's Mandera County, neighbouring people tend to move to the Kenyan side so as to access markets, hospitals, and schools. Communities on both sides of the border not only engage in cross-border trade, but also make use of each another's economic and social services, including livestock markets, schools, health posts, and airstrips. Over the past 15 years, some aid programmes have encouraged the sharing of cross-border facilities as part of an effort to strengthen local commitments to peace in border zones.

Cross-border trade, including lucrative smuggling, takes place in the Triangle and involves consumer goods imported through Mogadishu into Kenya; cattle trade from southern Somalia into Kenya; cross -border camel trade, which includes movement of camels from northern Kenya into Somalia and Ethiopia, often for export to the Gulf states; and the overland trade of khat from Kenya and Ethiopia into Somalia.

Recently, this form of cross-border trade has been discouraged by the authorities. For instance, the Kenya - Somalia border has been officially closed, but commodities continue to find their w ay into the market. Foodstuffs and household items, including motor vehicles, arrive in Mandera from Somalia, while wheat, beans, natural herbs and cement, mostly arrive in Mandera from Ethiopia. The town of Mandera is also a transit zone for goods destined for Ethiopia from Somalia, such as tea leaves, sugar, and processed products like biscuits, juice and cooking oil. Goods from Mandera are sent to Somalia include construction materials such as timber, metallic items, steel, iron sheets, paints etc.

These commercial sectors are major pillars of this regional economy and typically involve cross - border business partnerships. As such, they are usually resilient to conflict, as these business partnerships have a vested interest in maintaining peaceful and secure trade arteries.

Task and Duties (objectives and activities)

The objective of the project is to conduct a labour market assessment within the targeted regions of the Kenyan, Ethiopian and Somali parts of the cross-border area between Kenya, Ethiopia and Somalia that will:

- identify economic sectors that have growth potential and offer opportunities for self-employment and paid employment;

- understand what WYG and other consortium partners can propose and implement to encourage greater participation of such vulnerable groups as women and youth in the labour market;

- identify the feasible microbusiness ideas that have potential for employment creation, the potential employers, and the potential providers of market driven technical skills training to enable participation in the identified economic opportunities.

During project implementation, comparable data will be collected from labour market participants and key informants who are resident in the Kenyan, Ethiopian and Somali parts of the Triangle.

Economic Activities and Connections

In cross border area between Kenya, Ethiopia and Somalia, there are at least four different, but inter- related livelihood systems including:

- pastoralism,
- agro-pastoralism,
- formal and informal employment, and
- trading

Pastoralists pursue livelihoods dominated by livestock rearing; agro-pastoralists pursue a mixed livelihood of both livestock rearing and crop farming; farmers live in settled communities and cultivate crops for food and cash income; urban residents live in towns and earn their living from formal or informal employment. Two other categories include traders and the range of marketing agents, especially livestock trading.
Livestock rearing is the main economic activity in the Triangle where households rely primarily on camels, goats, sheep and cattle to meet their daily needs. Cattle are not kept in large numbers because of the harsh climatic conditions and lack of sufficient water resources required to maintain substantial herds of cattle. Livestock products sold include camel milk, meat, and skins.

Although livestock rearing remains the main economic activity in the Triangle, there are some agro- pastoralists along the two major rivers. The crops grown in the region include, inter alia, maize, cow peas, onions, watermelons, fruit trees, and tomatoes. Most of this produce is locally consumed and any surplus faces an intractable marketing challenge. The region is a net importer of cereals since the quantity of local production cannot meet domestic consumption demand with most cereals imported via Somalia ports. There are three official border points along the Kenya-Somalia border while the rest of the border is porous, and numerous unofficial crossing points exist. Cross-border trade, including lucrative smuggling, is one of a number of “affordances” created by borders for local communities.

The major commercial trade that takes place in the Triangle includes consumer goods imported through Mogadishu into Kenya; cattle trade from lower and middle Jubba regions of southern Somalia into Kenya; the cross-border camel trade, which includes movement of camels from northern Kenya into Somalia and Ethiopia, often for trade to the Gulf states; and the overland trade of khat from Kenya and Ethiopia into Somalia.

Mandera and Doolow Addo heavily rely on goods that are smuggled from Somalia. Foodstuffs and household items, including motor vehicles arrive in Mandera from Somalia, while wheat, beans, natural herbs and cement, mostly arrive in Mandera from Ethiopia. The town of Mandera is also a transit zone for goods destined for Ethiopia from Somalia, such as tea leaves, sugar, and processed products such as biscuits, juice and cooking oil. Goods from Mandera that are sent to Somalia include construction materials such as timber, metallic items, steel, iron sheets, paints etc.

These commercial sectors are major pillars of this regional economy and typically involve cross - border business partnerships. As such, they are usually sources of resilience to conflict, as these business partnerships have a vested interest in maintaining peaceful and secure trade arteries. In some cases, cross- border trade has been the source of competition. Rival businessmen have been responsible for fomenting communal conflict in a number of border crossings, including El Wak on the Kenya-Somalia border and further north, on the Somaliland-Djibouti-Ethiopia border areas, where the Afar and Somalis are competing over smuggling routes.

The local economies of the Triangle are vulnerable to various natural and man-made factors. The pastoral economy is vulnerable because livestock, which are owned by most rural households in the Triangle, are unprotected against disease due to the absence of veterinary services. There have been reports of declining numbers in recent years, due to a combination of recurrent droughts, livestock disease, religious or social contributions of animals as zakaat or dowry payment, or to assist poorer relatives. Dependence on pastoral wealth is a major of source of household vulnerability, given the susceptibility of livestock to drought and disease.The farming economy is especially vulnerable as it is confined to riverbanks and, due to overreliance on canal-based irrigation, is “low input, low output”. Yields are low, marketing opportunities are limited, even though some farmers are exporting farm produce and other cash crops to Somalia, and the risk of crop failure in drought years is high. Sharecroppers and landless households in farming communities are especially vulnerable. Seasonal food price variability poses a risk for all farming households as poorer farmers, with undiversified incomes, are forced to sell food crops post-harvest to raise cash, and then to buy food later in the year at much higher prices. With no access to fertilizer, irrigation equipment, input credit or agricultural extension services, the prospects for farmers in the cross border area between Kenya, Ethiopia and Somalia look unpromising.

Vulnerabilities affect formal employment in various ways. For example, the population of the Somali Region of Ethiopia is among the poorest in Ethiopia. Data from the 2005 Demographic and Health Survey show that 72% of the inhabitants fall into the lowest wealth quintile. A contributing factor is poor educational outcomes where, in 2007, the adult literacy rate for men was 15% and for women 12%. However, gross school enrolment rates have increased from 33% in 2007/08 to 64% in 2009/10.

Meanwhile, according to the Kenya Integrated Household Budget Survey (KIHBS) of 2005/06, the literacy rate in Mandera County stood at 24.8 % compared with the national rate of 71.4 %. In addition, the gross enrolment ratio was 71.5, 16.2 and 0.8 in primary, secondary and tertiary levels respectively for the county, compared to 116.9, 39.9 and 9.8 respectively for Kenyan national rates. Education standards in the region are poor, students do not perform well in school, and teacher- student ratios are very low. For example, while the average teacher-student ratio in Kenya is 1: 25 to 1:30, in Mandera it is 1:120 in primary and 1:60 in secondary schools.

The Al-Shabaab threat, and the escalation in terror-related incidents after Kenya’s military incursion into Somalia in October 2011, have had negative impacts on the key sectors of education and health care, sectors that are almost entirely dependent on professionals from other parts of Kenya, many of whom have fled the county for their safety. Other occupational groups that have been badly affected and in deficit include those in construction, masonry, plumbing etc.

In addition, the majority of the population in the Triangle are young persons. Due to their poor performance, more than 80% of high school leavers do not qualify for tertiary and university education. Since they refuse to engage in the pastoral economy, and want to be employed where there are very few white-collar job openings, they add to the high rate of unemployment, further leading to practices such as drug abuse, and joining outlawed groups, such as Al -Shabaab. In addition, few youths from the region have the much-needed vocational skills to create jobs for themselves.

Although girl-child education has improved over the years, it continues to remain a major problem, where social-cultural factors impede progress. Among the Somali community, preference for education is always given to the boy-child, especially so when the family is economically poor and household income is scarce. Early marriage also leads to a high number of girls dropping out of school. Many girls are married off before they complete basic primary and secondary education. Indeed, in the last year of primary education, girls make up less than 25% of the candidates sitting for the exam. However, behaviour is slowly changing in the community, and more families seem willing to send their daughters to schools.

2

Methodology

Data Sources and Constraints Facing the Project

Given the glaring information and data gaps in all parts of the Triangle, the first priority was to design a programme of data and information collection and analysis on which to build policy interventions. The most obvious relevant source of Kenyan labour market information (LMI) is the Micro, Small and Medium Enterprises (MSME) Survey of 2015/16. Our principal interest was in the analysis of the MSME survey as it relates to Mandera, including the size and structure of its current and prospective labour force and the constraints which impede the growth of productive employment and incomes, via insertion in both the formal and informal sectors.

Unfortunately, approaches made to the Kenya National Bureau of Statistics (KNBS) requesting analysis of the data set as it relates to Mandera proved fruitless, leaving this project with a key challenge. Therefore, a survey instrument was prepared by the consultant applicable for all three countries and shared with the field staff for comments. The project's survey team administered the survey instrument to a randomly chosen to set of establishments from the three parts of the Triangle (see Appendix 1).

The goal of this exercise was to collect relevant data, the analysis of which will help policy-makers to understand the functioning of the labour market from the perspective of potential employers in the private sector, as well as the public sector, which is a major employer in the region. Therefore, the survey instrument has provided information on local employers' perceptions of job seekers, especially youth and women; opportunities for mentorships, apprenticeships, and job placements; and information on hiring patterns and trends. The survey tool was also used to collect information on vocational skills currently and prospectively in demand by potential employers, the results of which can assist in guiding providers of TVET and informally operated training courses.

Lacking any sampling frame, small samples of operating businesses were carefully chosen by our team in Mandera and guided by local officials of the public and private sectors to portray a fair representation of the sexes, industrial sectors and size classes of employment, occupational groups and geographical locations.

Focus group discussions: A less time-consuming and costly exercise entailed the conducting of focus group discussions with a cross-section of current employees, private sector employers, job-seekers, public sector officials and NGO administrators, in order for them to offer their perceptions of current skill gaps, and opportunities and challenges for sectoral economic growth and resulting enhanced near-term gains in the level of employment.

Systematic collection and analysis of data using participant observation and interviews was used to gather the desired information.

Project Team and Activities

The project team was led by Dr. William J House a labour market economist. He was assisted by Ms Josephine Mugambi of SPARD AFRICA, a Nairobi-based consultancy, which was responsible for data collection and overseeing operations on the ground. There was one survey team in each of the three countries, composed of a country supervisor and five enumerators, all of whom underwent intensive training before they commenced data collection. The team members were responsible for drafting, pilot-testing and finalising the survey questionnaire. The supervisors and enumerators were very familiar with the survey locations and were trained in Mandera by Ms Mugambi and her team. Data analysis and report writing have been undertaken by Dr House.

A set of training materials was designed by the consultant with inputs from team members, as part of the preparation and delivery for the Establishment Survey, as well as the Focus Group Discussions. The materials were aimed at the supervisors and enumerators who are conducting the survey and leading the FGDs.

he Labour Economist and the staff of the Consultancy firm worked closely to finalise the survey instruments and the methodology to be followed in implementing the survey. The survey questionnaire addressed to business owners was designed, pilot-tested and administered in the field with no major problems reported, other than some identified respondents refusing to be interviewed. The survey questionnaire is attached as Annex 1 while the guidance notes for the leaders of the Focus Group discussions are attached as Annex 2, The schedule for data collection from the enterprise survey is attached as Annex 3.

The project team held discussions on the best way to select a randomly chosen sample of establishments in the three pilot areas of the Triangle, given the lack of any known sampling frame. The County Governments' Revenue Authorities and their equivalents in Kenya, Ethiopia and Somalia should have a data base of licenced establishments. Consideration was given to approach them to provide some indication of the numbers and sectoral distribution of licenced businesses in the urban and rural areas. However, anticipated problems with this approach were numerous because of:

- The tendencies by many businesses to avoid licencing (sometimes in collaboration with the officials),
- The possible reluctance to cooperate from the county revenue offices, especially from the Kenya side,
- The situation is likely to be different in the three countries, especially in Ethiopia, where the Government has strict control, and
- The informal sector may well constitute the largest employer and could be under-enumerated if we focused only on licenced businesses.

We needed to pursue an alternative methodology. Our adopted approach was to employ the random walk technique. The random walk approach is a simplified cluster sampling method developed by the World Health Organisation (WHO) and originally implemented in the Expanded Programme on Immunization (EPI).

Following this approach, our intention was that the population of business establishments be divided into a specified number of geographic "clusters" (e.g., villages, neighbourhoods, etc.) of a known or estimable population size. In theory, clusters are randomly selected with probability proportionate to size (PPS) (i.e., larger clusters are more likely to be selected), and then the desired number of establishments per cluster are selected. The method for randomly selecting business establishments depends on the size, density, and economic activity within the cluster. In small villages, full enumeration of establishments, followed by random sampling, is often possible.

In scattered populations, randomly selecting a direction to walk (e.g., by spinning a bottle), selecting a random starting point, and sampling contiguous establishments is possible. Random selection in urban settings can be more challenging, given the larger sampling frame and complex business types, including itinerant salesmen. In such settings, a common approach is to divide the geographic area of interest into clusters, randomly select a cluster, and randomly select a starting point within that cluster to commence the random walk.

Therefore, following this methodology in principle, the intention was for project personnel on the ground to design rough maps of areas of concentration of economic activity which would serve as sampling frames from which to undertake random walks to select enterprises for interview.

In practice, field staff focused on randomly identifying the towns to be visited, which it was agreed should be about 50 kms apart. Each town was then divided into zones while residential areas and airstrips were eliminated. The remaining zones were thereafter sampled through the random walk method. A starting point was also selected randomly from where the random walk to administer the questionnaires started[2].

Sampling Methodology

Data collection tools were developed in line with the information needed to respond to the TOR. These included structured questionnaires and focus goup discussions with key informants. The paper questionnaires, after approval by WYG were uploaded into computer software called Kobocollect which is a digital platform that allows real time data collection and uploading into a central server. A data collection schedule was designed and agreed upon by WYG. The schedule provided for the various activities to be undertaken by the study team and proposed dates for each activity. Enumerators were trained for a number of days on research and interviewing skills and also taken through the tools in detail. In addition, they were also trained on how to use tablets to administer the digital quationnaires. Digital questionnaires were thereafter pretested and updated ready for data collection. A total of 15 enumerators and three supervisors were engaged in the excercise . The enumerators and supervisor were derived from study sites in Kenya, Somali and Ethiopia.

Due to the nature of the economy, there were different types of informal businesses within a given urban centre, including mobile shops. Therefore, each of the towns was divided into zones, with each zone being given a number. The local enumerators purposively eliminated the zones that are occupied by residential areas, airstrips etc. The remaining zones were, thereafter, sampled through a random sampling method. This was undertaken by randomly selecting numbers so that zones whose numbers were picked at random were considered for the study. A starting point was also selected randomly from where the random walks to administer the questionnaires were made. In addition to the survey, Focused Group Discussions were held with employers/employees found within the sampled area.

Data Collection Sites and Process

After consultation with WYG and the project consultant, it was agreed that the study should focus on towns that are within 50 km radius and should be areas with the potential to create more jobs. The following are the towns from where data were collected:

(i). Kenya – Mandera town from Mandera East and Rhamu from Mandera North
(ii). Ethiopia – Suftu and Dolo Ado
(iii). Somalia - Bulahawa and Dolow

2 Feedback from the field indicated that some respondents considered the information too personal, such that some declined to be interviewed. The enumerators then moved to the next establishment within the zone until they found a willing substitute respondent.

All the selected towns are busy border towns with very vibrant cross-border trading activities. Most of these are main corridors through which goods flow from one country to another. For instance, Suftu (Ethiopia) and Mandera town (Kenya) are only separated by the River Daua; Mandera town in Kenya and Bulahawa in Somalia are within walking distance from each other. Dolow (Somalia) and Dolo Ado (Ethiopia) are only separated by the River Juba Bridge. As such, there is a great deal of similarity in the economic activities and business operations in these urban areas.

The questionnaire was designed by this consultant and translated by the team of Ms. Mugambi into a digital format using a Computer Assisted Personal Interview Software (CAPI). This platform allowed data to be collected and uploaded in a central server in real time. A total of 15 enumerators were recruited and trained for 3 days in order to ensure that they understood the data collection tool. After the training, the draft survey instrument was pretested by having the enumerators administer questionnaires to some business owners in Mandera town. The CAPI software was also pretested during enumerator training and adjustments made prior to data collection from the field. After pretesting, the participants offered constructive suggestions for reducing ambiguity in the revised version of the questionnaire, before a final version was uploaded to the tablets ready for data collection from the field.

The supervisors were also given a demonstration of the tools to be used in Focused Group Discussions. They were further trained on how to facilitate the FGDs and other interviewing skills. After receiving the final version of the questionnaires, the enumerators were dispatched to the field. Data were collected for a period of 14 days, during which time, both the business survey and the Focused Group Discussions were carried out simultaneously. The total number of establishment enumerated during the period was 1,007 from the 3 countries.

Challenges experienced during data collection

The following were the major challenges experienced during the data collection:

Insecurity: Cross border area between Kenya, Ethiopia and Somalia is an insecurity zone, largely because of the Al Shabaab Militia movement, resulting in the teams of enumerators having to be extra vigilant. In Ethiopia, data collection had to be suspended for some days because of violent demonstrations in Dolo Ado. In Kenya, soon after the start of Ramadan, there were cases of Al Shabaab attacking some mosques, as well as threats of violence along the Kenya/Somalia border.

Sensitivity: Some of the respondents considered the questions, especially those relating to incomes and expenditures, to be too personal and were not willing to respond to them. There was also a general fear among the informal, and even the formal sector entrepreneurs, of being reported to the tax authorities. However, the enumerators took time to explain why they were undertaking the study. In cases where the respondents chose not to participate, the enumerators were required to replace them using the same sampling methodology. In some cases, due to such rejections, it was not possible to follow the sampling protocol, as the enumerators had to interview only those who were willing to participate.

Fatigue: The data collection teams suffered fatigue as they participated during the month of Ramadan. This meant that the enumerators, as well as the respondents, had to work intensively, especially in the morning, before their energy levels fell later in the day.

Apathy: Respondent apathy, and their expectation of compensation for their time, was a problem. In some of the towns, the respondents indicated that they had had experiences of being interviewed but being left with nothing material in return. Hence, they anticipated being paid something for their time. The enumerators addressed this issue by explaining to them how the findings of the study would inform the design of appropriate interventions for the betterment of their communities.

3

Labour Market Operations: Survey Data Analysis

Allocation of respondents by sector

A total of 1,007 business owners and managers were interviewed via the survey methodology and an additional number of individuals through the FGDs. In Ethiopia, 316 entrepreneurs were interviewed and a further 348 in Kenya and 343 in Somalia, making the total of 1,007 respondents.

Figure 1 and table 1 illustrate the overwhelming importance of the Trade sector in the local economies, which includes the trading of cattle. The second most important sector is Mining, Manufacturing and Construction, dominated in this case by Construction.

Figure 1. Distribution of Respondents (%) in the Sample, by Sector and Country

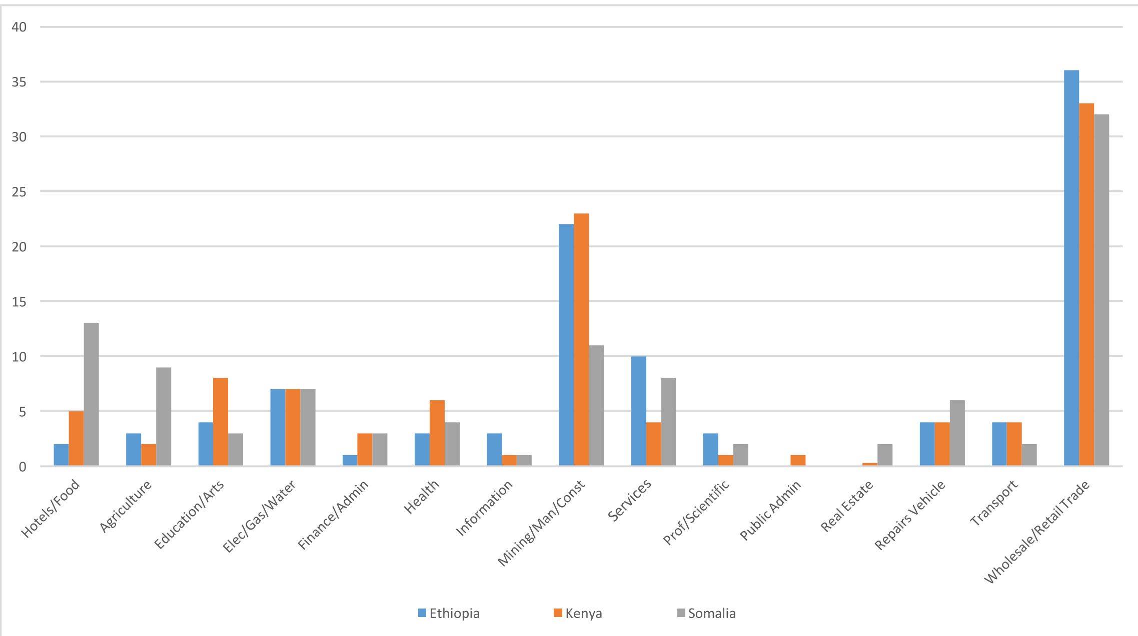


Table 1 Number and %age of establishments interviewed by sector and country

Sector of Enterprise		COUNTRY			Total
		ETHIOPIA	KENYA	SOMALIA	
Accommodation and food service activities	Count	6	18	43	67
	% within Country	1.9	5.2	12.5	6.7
Administrative and support service activities	Count	2	0	8	10
	%	0.6	0.0	2.3	1.0
Agriculture, Forestry, Fishing	Count	9	8	29	46
	%	2.8	2.3	8.5	4.6
Arts, entertainment	Count	6	13	2	21
	%	1.9	3.7	0.6	2.1
Construction	Count	5	25	13	43
	%	1.6	7.2	3.8	4.3
Education	Count	5	15	6	26
	%	1.6	4.3	1.7	2.6
Electricity/gas	Count	16	17	12	45
	%	5.1	4.9	3.5	4.5
Financial and insurance activities	Count	1	11	3	15
	%	0.3	3.2	0.9	1.5
Human health and social work	Count	9	21	13	43
	%	2.8	6.0	3.8	4.3
Information and communication	Count	10	4	3	17
	%	3.2	1.1	0.9	1.7

Manufacturing (Jua Kali)	**Count**	**60**	**45**	**21**	**126**
	%	19.0	12.9	6.1	12.5
Mining	Count	2	1	3	6
	%	0.6	0.3	0.9	0.6
Other service activities	Count	31	14	28	73
	%	9.8	4.0	8.2	7.2
Professional, scientific and technical activities	Count	10	2	7	19
	%	3.2	0.6	2.0	1.9
Public administration and defence	Count	0	4	0	4
	%	0.0	1.1	0.0	0.4
Real estate activities	Count	0	1	5	6
	%	0.0	0.3	1.5	0.6
Repair of motor vehicles	Count	12	14	21	47
	%	3.8	4.0	6.1	4.7
Transportation and storage	Count	12	13	8	33

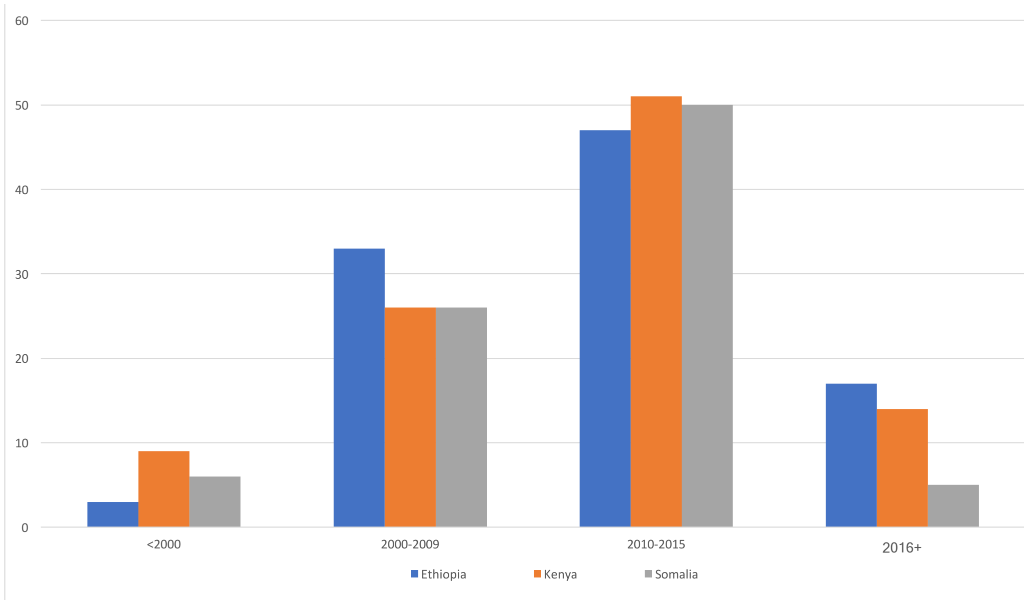
	%	3.8	3.7	2.3%	3.3
Water supply/sewerage	Count	5	8	9	22
	%	1.6	2.3	2.6	2.2
Wholesale and retail trade	Count	115	114	109	338
	%	36.4	32.8	31.8	33.6
Total	Count	316	348	343	1007
	%	100.0	100.0	100.0	100.0

Obviously, without knowing the underlying relative importance of each economic sector within the overall regional economies, we cannot make general inferences about the macro-level situation in these areas. All we can do is build up a snapshot picture of the situation of businesses from a sample across the region, highlighting their labour-absorbing capacity, their profitability and the constraints they face on their operations. No doubt herding and selling of animals dominates these economies. As a result, figure 1 and table 1 show the dominance of the sectors of Wholesale and Retail Trade, Manufacturing and Repairs, and Services across all three countries' urban sectors.

Firm turnover by sector

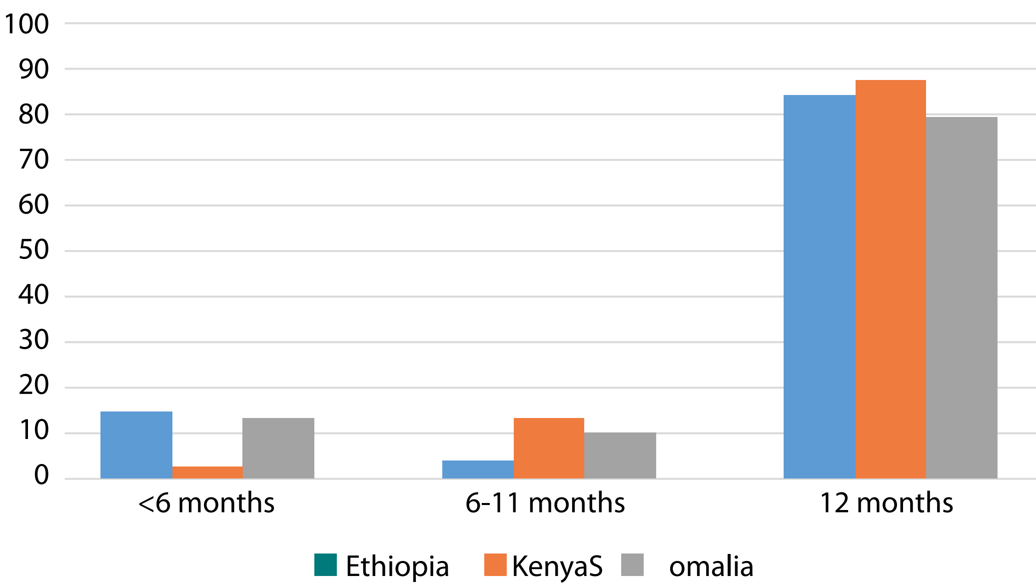
Given the lack of security in the survey area, it would be surprising if the turnover of enterprises were not quite rapid. In addition, the relatively low level of start-up capital and technology required, the lack of major barriers to entry and the intense competition resulting from the nature of the undifferentiated products and services on offer in many sub-sectors, then business longevity is likely to be relatively short. Indeed, 52% of businesses in Ethiopia, 44% in Kenya and 46% in Somalia, began operations only since 2013. As illustrated in figure 2, in Kenya, we find a high of 9% of our sampled establishments began operations prior to the year 2000; in Ethiopia (3%) and Somalia (6%), the comparable age of business is much lower. An earlier study, for instance, established that 30% of Medium and Small Enterprises (MSE) operating in retail trade in Kenya are likely to close within one year (Liedholm, C., Small Firm Dynamics: Evidence from Africa and Latin America, World Bank Institute 2001). In Kenya, the devolved governance system has been a major driver of economic development in Mandera county as devolved funds increased business opportunities and turnover, especially in urban areas, contributing to rural to urban migration. Somalia is gradually becoming more peaceful and the greatest factor may have been the establishment of the Federal Government and the activities of the African Union Mission to Somalia (AMISON) and the Kenya Defence Forces (KDF) fighting Al Shabab. Also, there have been many pastoralists who have moved to towns to seek alternative livelihoods due to the loss of livestock as a result of droughts. In Ethiopia, the government in the recent past has opened up space for the urban private sector which was not the case previously.

Figure 2. Percentage Distribution of Businesses by Years of Opening by Country



Operating time per annum

Figure 3. Number of Months Businesses Are Open, by Country

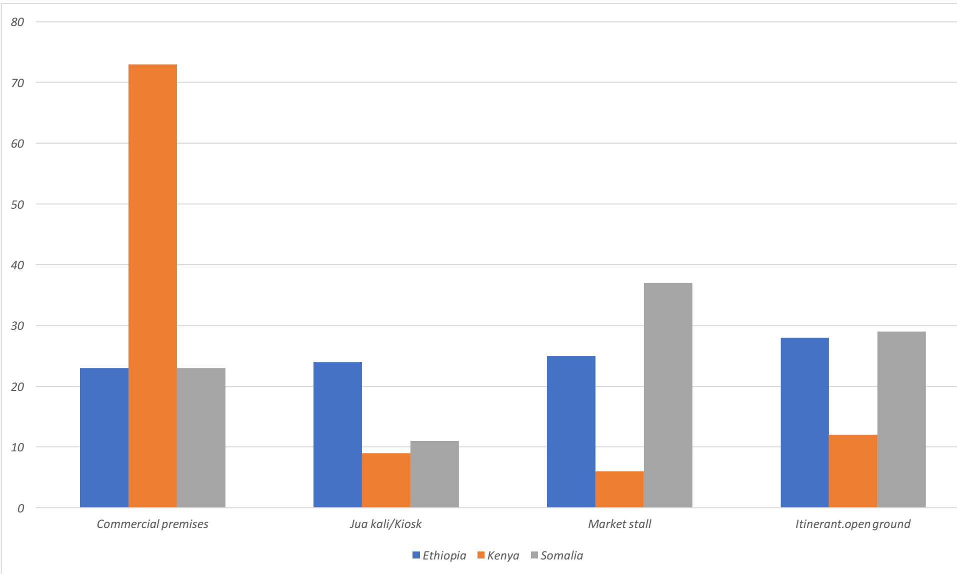


In figure 3, Kenyan respondents appear very much more established, with 89% open for 11-12 months a year with only 1% operating for less than six months. Corresponding data for Ethiopia and Somalia is 84% and 80% for being open 11-12 months, and 14% for both Ethiopia and Somalia for less than six months. Only 3% of Kenyan businesses operate for 15 days or less in a month, in contrast to 16% and 8% in Ethiopia and Somalia respectively. Again, 72% of operators in Kenya are open for business for 30 days a month compared with only 50% and 60% in Ethiopia and Somalia respectively.

Business location

Furthermore, in figure 4, 73% of respondents in Kenya are operating from commercial premises, compared with only 23% in both Ethiopia and Somalia. By contrast, only 13% of Kenyan respondents operate from a market stall, from a Jua Kali shed or from open ground, compared with 58% in Ethiopia and 61% in Somalia.

Figure 4. Location of Businesses by Country



Business registration

Informality, especially amongst certain service providers, presents a key challenge to policy-makers in all three countries. Small businesses operating informally are unable to access certain services, especially financial services. Given that business registration and tax compliance is a requirement for beneficiaries of public procurement preference, informal sector players cannot benefit from the acquisition of Government contracts. Addressing constraints associated with formalising a business should be a policy priority. The governments should, therefore, facilitate the transition of enterprises in the Triangle from the informal to the formal sector. This requires a review of the regulatory environment with the aim of identifying the laws and requirements that discourage formalisation, and the introduction of a comprehensive and coordinated approach aimed at promoting formality in business, leading to security of operations (Kenya Economic Report 2016, Fiscal Decentralisation in Support of Devolution, Kenya Institute for Public Policy Research and Analysis (KIPPRA).

Security of operations is, seemingly, reflected in the number of operators that claim to be registered with either the Local or Central Government authorities, amounting to 97% on the Kenyan side of the Triangle, compared with only 72% in Ethiopia and 81% in Somalia. However, we have no independent evidence to substantiate these claims. Indeed, this alleged high level of registration appears suspect in that it does not seem to guarantee security, since almost 70% of operators in both Ethiopia and Kenya fear eviction by either the Government or the landlord; in contrast only one-third of those in Somalia fear this threat. Evidently, the introduction of a policy of guaranteeing security of tenure would be an incentive for businesses to be registered and, in addition, to invest further in their operations.

The cost of registration may be a deterrent to formalisation for some businesses. In Kenya, from October 2017, the on-line registration fee was set at KSh10,650 (US$105), which may not be a major deterrent for many operators to register in Mandera (https://hapakenya.com/2017/10/09/here-is-how-to-register-a- business-in-kenya/). In Ethiopia, analysis of the distribution of license fees, compliance costs and the ratio between the two shows that most license fees are modest— more than 70% cost ETB 254 (US9) or less. However, more than 90% of licenses have total compliance costs of more than ETB 2,000 (US$74), and 32% more than ETB 8,030 (US$295), the national per capita income. Finally, for more than half of all licenses, the compliance costs are ten times or more than the application fee. Perhaps this helps to explain the lower level of registration than in Kenya, suggesting, there may be a strong case to be made for reducing compliance costs by simplifying and streamlining the licensing regime in Ethiopia, (The World Bank Group, The cost of business registration and licensing in Ethiopia and options for reform, March 2016, p7).

It was not possible to obtain data on registration costs of small establishments in Somalia. As the World Bank suggests, Somalia's economy has many features commonly associated with a low tax base. They include a large informal sector, including large agriculture and livestock sectors, which are hard to tax; an extremely low level of development; and institutional capacity constraints that hinder the Government's ability to collect taxes and taxpayers' ability to comply with tax regulations. One proposal is to have Local Governments issue licenses to all other businesses with fixed premises (World Bank Group, mobilising domestic revenue to rebuild Somalia, July 2017). A recent attempt to impose a 5% mandatory sales tax on traders in Somalia's largest market, Bakara, Mogadishu, met with businesses boycotting the market over what they termed as punitive tax measures imposed by the government (Africa News, 19 Feb. 2018).

Structure of ownership and employment

Sole male ownership of the sampled businesses is dominant across all three countries at 76%, 74% and 66% in Ethiopia, Kenya and Somalia respectively. However, as illustrated in table 2, Somali females do better than women in the other countries in terms of outright or joint ownership at 34%, compared with only 25% and 26% in Ethiopia and Kenya respectively. Indeed, businesses in Somalia host a larger absolute number of female owners (230) than in Ethiopia (95) and Kenya (122), although only a slightly larger relative share of all owners. However, there is no significant difference between the mean of gender differences in ownership across the three countries because the column proportions do not differ significantly from each other at the 5% level.

Table 2 Percentage of joint, male and female owners in the sampled businesses in Ethiopia, Kenya and Somalia

Ownership	Ethiopia	Kenya	Somalia
Joint	4	7	12
Males	75	74	66
Females	21	19	22

Table 3 examines the type of employment --- full-time, part-time, casual, apprentice, unpaid family worker by gender, across the three countries. The mean size of establishment in our sample, as measured by the average number of employees, is much larger in Ethiopia than in Kenya and Somalia. However, employment status is much more likely to be part-time, casual or apprentice, for both sexes, in Ethiopia than in Kenya and Somalia, which might explain why the size of establishment, in terms of the number of workers per plant, is much higher in Ethiopia.

Table 3 The structure of employment (%) by gender and country in the sample
Males Females

	MALES			FEMALES		
	Ethiopia	**Kenya**	**Somalia**	**Ethiopia**	**Kenya**	**Somalia**
Total %	100	100	100	100	100	100
Full Time	37	57	70	27	47	68
Part Time	18	8	8	23	11	12
Casual	25	20	16	24	17	12
Apprentices	17	9	4	24	13	4
Unpaid Family Workers	3	6	2	2	12	4
Total Male Employment	2543	2393	1379	2030	778	517
% of All Employment	75	75	73	44	25	27

Total Wage Employment	**4,573**	**3,171**	**1,896**
Number of Establishments	316	348	343
Mean Size of Establishment	14.5	9.1	5.5

Level of employment

Table 4 examines the level of total employment, including owners and employees (paid and unpaid), reported in our survey, according to country and sector.

Table 4 Level of employment and number of sampled establishments, in parentheses, by sector and country

Sector	Ethiopia	Kenya	Somalia
Accommodation and food service activities	39 (6)	156 (18)	305 (43)
Administrative and support service activities	136 (1)	-	36 (8)
Agriculture, Forestry, Fishing	102 (9)	70 (8)	298 (29)
Arts, entertainment	19 (6)	127 (13)	6 (2)
Construction	107 (5)	444 (25)	168 (13)
Education	118 (5)	239 (14)	89 (6)
Electricity/gas	573 (16)	230 (17)	143 (12)
Financial and insurance activities	69 (1)	49 (11)	39 (3)
Human health and social work	123 (9)	297 (21)	97 (13)
Information and communication	376 (10)	24 (4)	27 (3)

Manufacturing (Jua Kali)	693 (60)	756 (45)	222 (21)
Mining	172 (2)	2 (1)	18 (3)
Other service activities	96 (31)	87 (14)	273 (28)
Professional, scientific and technical activities	409 (10)	9 (2)	60 (7)
Public administration	-	70 (4)	-
Real estate	-	13 (1)	62 (5)
Repair of motor vehicles	511 (12)	284 (14)	227 (21)
Transportation and storage	164 (12)	54 (13)	76 (8)
Water supply/sewerage	353 (5)	109 (8)	108 (9)
Wholesale and retail trade	1,123 (114)	870 (114)	768 (108)
Total including Self-employed			**5,183 (314)**

We should recall that the data were collected via random walks through the urban areas of major economic activities, without the benefit of a sampling frame. Therefore, it is not possible to draw firm conclusions about the relative importance of each sector in the overall regional urban economies. However, our data confirm what conventional wisdom would suggest and demonstrate the relative importance of some of the key sectors including utilities, manufacturing and construction, and trade. It is fair, however, to assume that the sampled establishments are reasonably representative of the population of urban establishments in each of their sectors in the respective countries, and that trade is the dominant sector.

Training

Motor Vehicle Skills development at Bulahawa TVET Centre

Employees may undergo training at a training institution or, more likely, while performing their day-to-day tasks. On-the-job training, also known as OJT, entails the teaching of skills, knowledge, and competencies that are needed for employees to perform a specific job within the workplace and work environment. Employees learn in an environment in which they will need to practice the knowledge and skills taught in such on-the-job training. On-the-job training uses the regular or existing workplace tools, machines, documents, equipment, knowledge, and skills necessary for an employee to learn to effectively perform his or her job. It occurs within the normal working environment that an employee experiences on the job. It may occur as the employee performs actual work, or it may occur elsewhere within the workplace using training rooms, training workstations, or training equipment. The simple objective of OJT is to use the existing environment, tools, and skill training that are available in their workplace to train an employee to do their job.

Respondent businessmen in the cross border area between Kenya, Ethiopia and Somalia were asked whether their employees are being trained on-the-job or at a training institution.

Table 5 Proportion of employees being trained and by source of training

	Ethiopia	Kenya	Somalia
% of employees being trained	26.3	79.0	25.1
Of these, how trained?	32.5	29.6	33.7
% At a training institution % On-the-job	62.7	68.6	65.1
% Other method	4.8	1.8	1.2

Table 5 demonstrates that a much higher proportion of employees in Kenya are being trained, one-third at a training institution and two-thirds on-the-job. In contrast, only one-quarter of employees are being trained in Ethiopia and Somalia, again most of whom are trained on-the-job[3].

Respondents were asked to identify the source of funding of such training. Around 40% of the respondents claimed such training is free in Ethiopia and Kenya; 45% in Somalia. NGOs are more likely to fund the smaller amount of training taking place in Ethiopia and Somalia (15% of respondents in each) compared with Kenya (5%), while a greater share of funding comes from students in Kenya (18% of responding businesses) compared with Ethiopia (10%) and Somalia (7%).

Education of managers

Entrepreneurship is a key factor in the generation of economic growth, the enhancement of productivity, contributes to high levels of creativity and innovation and provides for employment and job opportunities. Entrepreneurs are characterised as being creative, innovative, risk-taking, dynamic, flexible, and opportunity-recognising. New ideas and knowledge are converted to profitable and useful products and services and job opportunities for others. Education for such creativity and innovation in business starts from the early stages of childhood, enhancing the role of education in entrepreneurship development. Our research in the three countries is consisted with the main hypothesis that there is a meaningful relation between education and business success.

It is generally accepted that Africa's private sector lacks innovation and suffers from low productivity, which contributes to its low level of economic development. Entrepreneurship supports economic growth and development through the introduction of small-scale innovations that add value to the individual enterprise and the overall economy. Innovation takes several forms, including the generation of new products and services, new processes or ways of using existing factors of production more efficiently, and/or the implementation of technologies previously developed by others but not yet introduced in the local market.

Table 6 Educational attainments of the three principal business mangers or key decision- makers (%)

Manager #	1	2	3	1	2	3	1	2	3
None	44	60	65	17	28	42	31	34	48
Primary	9	4	3	21	14	6	21	18	14
Secondar y	26	10	7	34	36	24	30	22	14
Diploma	13	13	13	12	9	13	11	13	10
Vocation al	1	1	1	5	4	4	4	9	10
Universit y	7	13	11	13	10	11	4	3	3
Other	-	-	-	-	-	-	-	1	1
Total1	100	101	100	102	101	100	101	100	100
#Cases			312			219			208

Note: 1: % ages may exceed 100 due to rounding

3 The question was directed at whether employees are currently being trained. However, it might be that, while the share of employees currently being trained is lower in Ethiopia and Somalia than in Kenya, the stock of employees in the former two countries may well have received earlier training and are not in receipt of current training. Unfortunately, we cannot make such a distinction.

The educational attainments of the three principal managers in our countries of study are illustrated in table 6. The significant feature is the larger share of managers in Kenya with higher educational attainments than in the other two countries. For example, fewer managers in Kenya than in either Ethiopia and Somalia have no education, while Kenyan managers are more likely to have attained Primary, Secondary, Vocational and University levels. Therefore, ceteris paribus, we would expect business success, as indicated by profitability, to be greater in Kenya than elsewhere, a suggestion to which we return below. Of course, the level of education of the managers is only one of many factors helping to determine profits, the latter including the sector of operation, the capital intensity of the technology, the productivity of capital and labour, the extent of competition, etc.

Education of employees

Human capital theory posits that workers' educational attainments develop skills that make workers more productive and subsequent wage differentials reflect differences in such productivity. Accordingly, more highly educated workers will earn higher wages ceteris paribus simply because they are more productive than their less-educated counterparts. Furthermore, firms with a more educated workforce will be more profitable than employers with a workforce with lower educational attainments.

Table 7 Number of full-time employees by education levels; % in parentheses

	Ethiopia	Kenya	Somalia
None	400 (29)	455 (23)	506 (39)
Primary	244 (17)	414 (21)	293 (22)
Secondary	230 (16)	539 (27)	267 (20)
Vocational	155 (11)	186 (9)	127 (10)
Diploma	208 (15)	234 (12)	85 (6)
University	168 (12)	167 (8)	36 (3)
Total	1,405 (100)	1,995 (100)	1,314 (100)

One recent study has concluded that the instances of conflict have negatively affected the development of some areas on the Kenyan side of the Triangle (Vainusa Yussuf Aburo: 'Effects of Under Development in Mandera County, Kenya' MA thesis, US International University, Nairobi, 2016). Destruction of schools, displacement of pupils and teachers, shortage of teachers and learning materials have led to poor performance in the schools in the study areas. Destruction of health facilities and shortage of health workers have contributed to poor health indicators among the affected population. Poor infrastructure, fear of investing by potential investors, constraints on trade in the region and the decrease in tourism have all curtailed any potential economic growth in the region. As a consequence, the residents in the region languish in poverty. Evidently, exploratory research across the borders of the neighbouring countries is needed to obtain a more comprehensive picture.

Table 7 illustrates the percentage distribution of full-time employees by their educational attainments. Ethiopia and Somalia have a higher proportion of their employees with no formal education than Kenya which also has proportionately more employees with primary and secondary attainments than Ethiopia and Somalia. Ethiopia does best in having the largest share of employees with university education.

Training institutions

Table 8 Knowledge of training institutions in the areas

Question: Do you know of any training institutions in your area:				
	Ethiopia	Kenya	Somalia	
Don't Know	Count	55	85	62
	% within COUNTRY	17.4	24.4	18.1
NO	Count	195	80	222
	%	61.7	23.0	64.7
YES	Count	66	183	59
	%	20.9	52.6	17.2
Total	Count	316	348	343
	%	100.0	100.0	100.0

Respondents were asked if they know of any training institutions in their locality and results are reported in table 8. Respondents (53%) in Kenya showed the greatest knowledge of their existence with respondents in Ethiopia and Somalia showing little awareness of their existence (21% and 17% respectively).

The numbers of establishments in our sample that claimed to have workers who had attended a vocational training institution were 42 (13%) in Ethiopia, 102 (29%) in Kenya and only 22 (6%) in Somalia. The numbers of current workers having attended such institutions were estimated to be only 97 in Ethiopia, 424 in Kenya and 64 in Somalia, indicators of the poverty of trained skilled labour in the target region.

Wage levels

Mean monthly wages (US$) paid to full-time employees are illustrated in Table 9.

Table 9 Mean monthly wages (US$) paid to full-time employees.

	Ethiopia	Kenya	Somalia
Males	219 (203)	152 (302)	67 (237)
Females	53 (154)	63 (180)	31 (102)
Ratio M/F	4.1	2.4	2.2

Mean monthly wages for males relative to females are significantly higher at the 1% level in Ethiopia and at the 10% level in Somalia. Male monthly wages are significantly higher at the 1% level in Ethiopia compared with Kenya and Somalia, while the Kenya-Somalia difference is also significant at the 1% level. While females in Ethiopia and Kenya do relatively well compared with those in Somalia, only the Kenya- Somalia difference is significant at the 5% level. What could explain these differences? Evidently, the major determinants of wage differences by sex will include a whole raft of human capital and other indicators, including the relative allocation of labour across the sectors, the capital intensity of the sectors which will help to determine the productivity of labour in the sectors, the education of the workforce in the sectors, the type of work undertaken, etc. An analysis of male-female wage differences in the three countries would call for a very different type of data collecting exercise than that here.

Profitability

Perhaps, to some extent, the wages paid by employers may well reflect their perceived profitability of the enterprise. When asked for the owner's rating of the business performance last month, their responses are reflected in table 10, with the owners' ratings highest in Ethiopia.

Table 10 Owners' rating of the business performance last month (%) Ethiopia Kenya Somalia

Very good	40	19	32		
Above/average	53	66	63		
Below average	5	10	5		
Poor/very poor	2	5	-		
Total			100	100	100

Registration of businesses

Table 11 Percentage of businesses registered and the nature of their registration

	Ethiopia	Kenya	Somalia
Not registered	28	3	20
Registered	72	97	80
% registered with:			
Local authority	2	10	0
Central Government	88	69	92
Both	10	21	8
Total	100	100	100

Registration of a business is a clear indicator of the formality of business operations and identified with being part of the formal sector of the economy. Business registration with the authorities, representing the various layers of Government, may well open the path to various financial and other benefits, such as access to bank and Government loans and avoidance of harassment from the authorities. However, there are costs attached to being registered, relating to financial and other costs in the form of the time taken to undertake registration.

Table 11 reports on the proportion of respondent businesses that are registered and with whom they are registered. The overwhelming share of businesses in Kenya report being registered while across all three countries the majority of registrations takes place with the Central Government.

Access to basic infrastructure

Table 12 Percentage of respondents who have access to basic infrastructure

	Ethiopia		Kenya		Somali	
% who:	Have1	Want2	Have1	Want2	Have1	Want2
Water	27	61	54	89	38	86
Electricity	77	45	88	85	58	88
Sewerage & waste disposal	17	58	35	87	18	87
Computer services/internet	25	77	34	53	17	82

Note 1= % of those who currently have access; 2= % of those who do not currently have access but who wish to have access to the facility.

Table 12 demonstrates how access to basic infrastructure is more widespread on the Kenya side of the border than in Ethiopia and Somalia. For those who do not have current access to facilities, the pent up demand is very high in Kenya and Somalia, exceeding 80% in most cases. Policy makers should take note of the unsatisfied potential customers for access.

Size and Sources of initial capital investment

Respondents were asked to estimate the size of their initial investment, but the responses seemed totally unreliable. For example, they ranged from zero US$ to US$1.5 million in Ethiopia to US$5.9 million in Kenya, and to US$13.9 million in Somalia., with means of US$22 thousand, US$63 thousand and US$ 65 thousand respectively.

The main source of initial start-up funds was overwhelmingly from family and own savings, ranging from 90% of respondents in Ethiopia, 79% in Kenya to 87% in Somalia. Access to a Government loan was mentioned by 8% of respondents in Kenya, but no-one mentioned this in Ethiopia and only one respondent in Somalia. Other sources mentioned included money lenders, non-bank credit associations, informal cooperatives and NGOs, but all were cited by very few respondents. Similarly, the same sources were mentioned by respondents when asked to name the institutions from where subsequent additional funds for investments were acquired. Evidently, the underdeveloped capital market should be of major concern to policy-makers. It needs expansion to enable businesses to undertake capital-deepening and diversification of their existing and new activities.

Yet, the concept of ‘capital markets’ may be inappropriate because of the prevailing religious beliefs, as well as the prevailing types of businesses in the Triangle. Due to their lack of awareness, most of the business personnel assume that banks and other formal financial institutions do not have sharia compliant products, hence they shy away. The general perception is that people do not want to borrow because they do not want to go against the religious beliefs. For pastoralists, they invest in livestock, so when they have funds to invest, they buy more animals.

Possibilities for access to aspects of business information and advice seem equally underdeveloped in the Triangle, with very few respondents able to cite any advice received relating to marketing, accounting, legal issues and business planning.[4]

Access to physical and financial capital

Respondents were queried about their access to physical capital and the types of machinery used. Those operating in Kenya (91%) have much greater access to energy-driven machinery than those in Ethiopia

(60%) and Somalia (64%) while most machinery is powered by electricity[5]. Human-powered machines make up 9% of the total in Ethiopia and 18% in both Kenya and Somalia. The remainder, less than 10%, are using oil and diesel-powered machines.

If imported machinery is assumed to be of a later vintage, and perhaps more efficient, then Ethiopia and Kenya score highly since 60% and 77%, respectively, of their machines have been imported compared with only 21% in Somalia. Most the remainder in Ethiopia and Somalia was inherited from the previous business owner or purchased from another business in-country.

Almost one-quarter of respondents in Somalia, compared with 17% in Ethiopia and 10% in Kenya, claimed that the electrically-operated machines are inadequate for their business operations, largely because of their high maintenance and running costs.

4 One quarter of respondents mentioned that they had received advice on marketing, but this came mainly from friends and relatives.

5 The machinery is powered by electricity to the extent of 84% in Ethiopia, 78% in Kenya and 76% in Somalia.

The 'thinnest' of the capital market is apparent from so few respondents having applied for a formal sector loan in the last two years; only four applicants in Ethiopia, fifteen in Kenya and seven in Somalia. The result was that three were successful in Ethiopia, ten in Kenya and six in Somalia.

Our results are substantiated by studies from the countries under review. For example, the Ethiopian government has given due emphasis to Micro, Small and Medium Enterprises (MSMEs) though they are facing various constraints. One of the crucial problems is finance for start-up and operational activities. A study from a sample of MSMEs selected from three towns in west Oromia region indicated that only a small portion of MSMEs are able to access finance from banks and MFIs as a result of their lack of collateral, complex loan procedures, high interest rate charged, difficulty to form groups and forced saving required by MFIs (D.M. Lakew et al. Financing Practices of Micro and Small Enterprises in West Oromia Region, Ethiopia, Journal of Management Research, 2018, Vol. 10, No. 2).

The MSME sector's outreach in Kenya is extensive with over 8.5 million clients. Yet, North East province, which includes Mandera District, recently had only 41 out of 698 branches, with only 0.3% of the micro- finance sector's loan books (Association of Micro-Finance Institutions in Kenya, 2014 Sector Report, October).

In Somalia, the concept of banks and banking is fairly new. After the civil war, the entire financial infrastructure has had to be rebuilt from scratch. The financial sector has gradually improved over recent years and local banks have established micro-investment departments and loans (Direct Loan Funds and Loan Guarantee Funds) are beginning to be provided. However, since the country has very limited experience in funding, investment and loan management, this process has been littered with obstacles. Two major challenges stand out. Firstly, local banks are hesitant when it comes to providing loans to new entrepreneurs and only willing to spend a very limited amount of their investment capacity on loan provisions; and secondly, some local organisations that have recently provided in loan funds have failed to establish effective loan schemes to local SMEs. Therefore, loan provisions have stopped, or funds have become inaccessible for most MSME's due to confusing application requirements (http://www.spark- online.org/banking-somalia-smes-struggle-get-financed/).

Plans for business expansion

The great majority of business owners in Ethiopia (67%), Kenya (90%) and Somalia (80%) claim to have plans to expand in the coming six months and their methods of expanding are illustrated in table 13. Evidently, business owners are quite ambitious in anticipating an expansion of their businesses, by investing in new equipment and hiring more skilled workers. For the many unskilled and under- or unemployed labourers in the Triangle, their future job prospects look bleak from this evidence.

Table 13 Proposed methods of expanding businesses by country (%)

Expand by:	Ethiopia	Kenya	Somalia
Increase output/sales	86	85	68
Invest new equipment	42	27	47
Hire more skilled workers	22	17	66
Hire more unskilled workers	1	3	0

Constraints on expansion

As we might expect, the most important constraint to those with no expansion plans is the lack of funds, mentioned by 56% in Ethiopia, 44% in Kenya and 51% in Somalia. The lack of skilled labour was also seen as a constraint by 13% of those with no expansion plans in Ethiopia, and 6% or less in Kenya and Somalia. This result is not surprising since most of the businesses are involved in such low-skilled activities as petty trade and merchandising, especially in Somalia. The challenges for skills development are mainly seen in the emerging opportunities in the manufacturing and service industries, such as in construction, multivehicle/motorcycle repairs, tailoring, and agribusiness.

On the Kenyan side of the Triangle, each Sub county has a TVET, while there is one in Dolow and Bulahawa in Somalia; there is none in Ethiopia. The common courses offered by the TVETs include electrical for construction, tailoring and dress making, masonry, ICT, motor vehicle mechanics, and hair salons. The courses in greatest demand by women are for tailoring and dressmaking, and electrical courses for construction are mainly demanded by men. However, there are agencies that have been promoting and supporting skills development, mainly the Norwegian Refugee Council (NRC) and CARE, targeting refugees as well as the host communities. It seems local Somalis have not been engaging in some jobs because of their stereotyping their fellow citizens, whereby they believe that only people from outside the region can work in welding, blacksmithing and quarrying. However, this is gradually changing. On-going projects should encourage the local community to change their attitudes and, instead of being just owners, as in the case of quarries, become employed in jobs, such as in the extraction of building stones, which are currently performed by outsiders.

The lack of physical space was also noted as a constraint on expansion by 10%, 11% and 5% in the countries respectively.

Skills sought in new recruits/new hires

What kind of skills are being sought by employers with plans to expand their labour force? The relative importance of the various kinds of skills are highlighted in table 14.

Table 14. Skills required in new recruits (% of those employers seeking to recruit skilled workers)

Type of skills:	Ethiopia	Kenya	Somalia
Communications	67	23	88
Teamwork	87	71	85
Problem-solving	20	2	80
Management	61	46	33
Computer	48	35	15
Leadership/management	20	2	13
‘Blue-collar’	0	14	2
‘White-collar’	2	15	11
Academic	7	6	19
Work ethics	48	29	71
Number of cases	46	52	170

Respondents in Somalia are more likely to want to hire skilled workers and they want recruits with such attributes as communication skills (listening, verbal and literacy), teamwork, problem-solving and work ethics. Management and computer skills are more often mentioned by respondents in Ethiopia and Kenya while all countries seem to appreciate work ethics.

Assessment of current business

Table 15 Number of responses to an assessment of current business (%)

Assessment	Ethiopia	Kenya	Somalia
Very bad, thinking of closing	0 (0)	6 (2)	0 (0)
Unsatisfactory	2 (1)	12 (3)	9 (3)
Satisfactory	116 (37)	133 (38)	160 (47)
Fairly profitable	137 (43)	175 (50)	150 (44)
Very profitable	61 (19)	22 (7)	24 (6)
Total	316 (100)	348 (100)	343 (100)

At least 50% of all respondents in table 15 claim that business is ‘fairly profitable’ or ‘very profitable’, with those from Ethiopia and Kenya being the most satisfied. Perhaps this optimism is reflected in an ‘ability to pay’, by the relatively higher male wages paid in these two countries compared with Somalia, as demonstrated earlier in table 9.

Risks to business operations

Table 16 Respondents identifying risks to their business (%)

Risks	Ethiopia	Kenya	Somalia
Too few customers	71	29	41
Too much competition	42	47	36
Lack of skilled workers	23	18	64
Lack of funds	49	32	73
Poor infrastructure	23	31	28
Lack of raw materials	10	18	20
Harassment by local Government officials	2	8	1

The competitive nature of the markets is apparent in all three countries in table 16, with large numbers of respondents citing too few customers and competition as major risks to their businesses. Lack of skilled workers and lack of access to funds is very apparent in Somalia, but these constraints also impact on operations in Ethiopia and Kenya, albeit to a lesser extent than in Somalia.

4

Analysis of the Focus Group Discussions

Ethiopia

The Government Sector

After in-depth deliberations, representatives of cooperatives, livestock marketing, the Livestock Health Department, crop production and farming sectors identified the following major problems that are preventing the efficient operation/expansion of businesses and need to be addressed:

- The need to legalise small enterprises and businesses because many small entrepreneurs are operating their businesses without legal documentation.
- Lack of finance for small entrepreneurs to operate and/or expand their businesses.
- Almost all small entrepreneurs lack business management skills and many young entrepreneurs fail because of they do not understand the concepts relating to profit and loss in their businesses.
- Many lacks an understanding of seasonality. For example, businesses involved in honey, livestock and milk are often not profitable in the rainy season, especially since pastoralists move away from their markets in the villages to gain access to better grazing for their livestock.
- The business community lacks any advisory support to help them sustain their businesses.
- There are no explicit career ladders in the NGO offices except for basic training for the livestock health sectors for CAHWs. And this is kind of basic training is unrelated to the career ladders in each office.
- The need to reduce taxes

There are major occupational shortages in the sectors of livestock marketing, cooperative promotion, livestock health, farming and rural development. There is a lack of staff to advise marketing groups to link with other groups; a lack of incentives for agricultural extension workers to operationalise and expand community businesses; and a lack of staff with the necessary skills and knowledge to help sustain business groups. There is need to Identify key skills and training for productive staff in each sector.

The consensus emerged that these vacancy problems could be resolved by equipping staff with capacity- building training, the provision of working kits and incentives. The agricultural extension agents in 22 Dollow Ado villages do not have adequate information and skills in entrepreneurship, farming, and marketing to help businesses' sustainability. Currently there are only 9 staff (3 in each sector) and these support activities in the villages. Yet, around three staff are required in each village to support the business communities. Evidently, the numbers in these positions will need to increase as the livestock and farming businesses expand, raising the demand for skilled community workers.

There is a lack adequate training in honey production, milk marketing, meat-selling, livestock fattening and marketing, and business management. In addition, training is required in export market crop production, pre- and post-harvesting of crops and cooperative business management, including tailoring skills.

All organisations cannot expect much change as there are no NGO development projects in the border areas. The most urgent skills-training systems are needed in co-operative principles and management, and the sharing of business experiences in the farming communities.

There are few current training systems and the most significant gaps are in co-operative and financial management, plumbing and construction for the WASH sector, farming techniques and start up kits, tailoring and restaurants for small business co-operatives and TVET for agricultural extension agents (development agents in the villages) for business enhancement.

NGOs

In the WASH and Construction sectors, the major problems impeding the operation of the businesses are the lack of skilled carpenters, masons, construction foremen, raw materials sold by local suppliers, construction kits (start-ups) for construction workers and plumbing skills.

Because of these constraints, contractors import skilled construction workers from elsewhere in Ethiopia, contributing to their high wage costs. In addition, agriculture lacks good farming practices, suffers from low-level demand in markets for farm products, resulting in local labour receiving relatively low payments. High fuel costs add to the problems of farm owners, as cash-flow problems interrupt farming schedules which often results in low wages being paid due to subsequent un- and under-employment.

In the WASH and Construction sectors, there are no discernible career ladders for employees. This results in a deficit of local skilled labour and, in turn, the construction sector needs to hire more expensive skilled manpower from highland areas at higher costs.

Livelihood sector organisations have provided training in capacity building, farm management and crop production, and guidance on how to establish savings groups, financed via a grant facility. As a result, farmers have enjoyed higher income for their families. However, these have had limited impact because they are all dependent on donor-funded project objectives and goals.

The group identified the following major occupational shortages in their organisations: masons, carpenters, plumbers and construction foremen. To overcome these problems, the organisation gave construction work to contractors and supervised its quality. Demand for the above-mentioned occupations is projected to increase, at the same time as much civil construction, plumbing, and farming is on-going. Occupations that require increased training opportunities in the NGO sector include masons and construction foremen, plumbers, agricultural production and agro- processing, livestock production and fattening and feeding, tailoring, electronic maintenance, solar panel maintenance, auto mechanics, including driving tractors, furniture-making and painting and mobile telephone and electronic material maintenance.

The above-mentioned occupations should have their own start-up kits and capital, and require TVET training. Active and capable local people should be invited for training to replace those from outside the local area. They should receive practical courses in the nearby TVET institutions and rewarded with some form of certification. There should also exist a system for upgrading skills through local TVET institutions. Local youth communities do not have opportunities for accessing life-skills training which need to be established, with youths able to undergo vocational training.

Currently, most programmes focus on civil construction works e.g. water points, construction and pipe installations. In addition to this, some livelihood activities are included, which are more focused on income generation activities and garden farming practices for refugees and some host communities. The scope of these programmes needs to be widened. Local government bodies should undertake expand capacity-building and skills training by using vocational training at the zonal level, link youth trainees to NGOs for skill upgrading, provide skill trainings by using different government programmes, and provide safety kits for construction workers.

Greater orientation and skills training before employment is often found in the construction sector, which could be linked with NGOs. In addition, NGOs ned to check and orient construction workers before they commence activities, for their safety and protection.

Private Sector Employers

The major identified problems preventing operating/expanding businesses include the lack of capital and finance, skills deficits, the high cost of imported materials in Mandera and Dollow Somalia, the high tractor maintenance costs, the lack of experience in conducting business activities, inadequate market information and the shortages of labour with requisite skills.

Private sector organisations lack career ladders with which to motive their employees. They also suffer from deficits in 'back-office' skills in documentation and filing systems, marketing knowledge, finance management, sales knowhow, management in finance and business, skills in farming practices, purchasing, crop husbandry, and agricultural marketing, mechanical skills-motor pumps and tractors, livestock marketing and honey production and marketing.

Unfortunately, there are no focused programmes currently operating in most of these areas. Suggested solutions include awareness-creation and training for staff on filing and documentation, engaging trained staff with enough knowledge to manage the businesses, linking local and national private sectors in order to expand the scope of the business catchment area to maximise profit, and building capacity of private sector staff in the essential skills identified above.

Somalia

Somalia is one of the poorest countries in the world, with a per capita income of US$ 226; 73% of Somalis are poor, 43% extremely poor. The country has been deeply affected by conflict in recent decades, which has contributed to extreme poverty, vulnerability and a complex set of political and social grievances that remain as threats to the mere existence of the nation. Despite the turmoil and instability, some segments of business have been booming compared to many other sub-Saharan countries in Africa. The dynamo for this revival has been the livestock sector which is the backbone of the economy and the main source of livelihoods: 60% of the population generates 40% of GDP from livestock production. Despite this seemingly bright picture, more than 70% of the population is under age 30, many of whom suffer from unemployment and underemployment.

In recent years, the country has experienced some measure of security and stability in a turbulent region, despite the presence of a terrorist organisation intent on disrupting the periods of tranquillity. This has enabled the business community to expand and become established.

Providing employment for the Somali population gives it the ability to meet its basic needs and help to lift it out of poverty. The rehabilitation of infrastructure has provided a sustainable framework for employment creation. Various ILO-sponsored projects have re-established key economic infrastructure – such as canals, feeder and secondary roads, and markets – through labour-intensive technologies. The approach has been to work hand-in-hand with local administrations, communities and the private sector, which has created income-generating activities for Somali men and women. Impact assessments conducted after the rehabilitation of critical infrastructure have shown how this has facilitated improvements in the local economies.

Such ongoing rehabilitation of Somalia offers great opportunities in the region, especially for the construction sector. The increasing number of returnees and their remittances are among the factors that are promoting the growth of the construction sector. The relative peace observed in Ndolo has been a major attraction for development agencies who have come to establish their operational bases, thus triggering the growth of the construction sector. The peace in Dollow is mainly attributable to the heavy presence of Ethiopian troops. Bulahawa is growing into a trading hub facilitating flow of goods from Mogadishu to Dollow and Mandera, and also for goods imported from Kenya to Somalia. As a result, there is a good deal of merchandising and cash flowing into the town, which is also triggering the demand for houses, which contributes to the growth of the construction sector. The main impediment and challenge come from the shortage of skilled labour within the region, that can take up these opportunities. There is a need to develop the capacities of youth in such artisan occupations as masonry, plumbing, electrical, woodwork etc. so that they can access emerging jobs in the construction sector.

To address some of these issues, including those relating to the lack of vocational skills, policy research requires in-depth identification and study of the business sectors that are most appropriate for training in technical and vocational subjects. However, such extensive research goes well beyond the scope of this review.

Overall Major Problems

The poor quality of infrastructure remains one of the principal impediments to the development of the local economy. Roads become unusable during the rainy season, while the transporting of goods and people is further impeded by the extensive number of unofficial barriers erected between Mogadishu and the local area by various militia intent on extracting ‘dues’ from travellers.

Electricity supply remains unreliable and expensive. The quality of supply is very poor and often rationed, thus hindering the efficient operations of the whole of the district’s business community. The private monopoly supplier’s charges are very high per KWT. Because of this, businesses risk ceasing to operate when they fail to pay on time.
Years of instability have impacted on the education and vocational training sectors, resulting in deficits in the numbers and quality of skilled labour available to work in the economy, particularly in the agricultural sectors of crop growing, horticulture and animal husbandry. No functioning training centre operates which can provide a regular supply of appropriately qualified skilled labour which can meet the needs of the market.

Furthermore, the current crop of graduates in the Mandera area does not meet the needs of the local market due to their lack of appropriate vocational skills. Deficits in the number of qualified managers is caused by a lack of qualified trainers and short-term courses offered by the local TVETs. Indeed, no properly functioning vocational training centre exists that can produce qualified skilled labour to meet the needs of the local labour market. Nor are any tracer studies undertaken to monitor how the graduates of the local TVET centre are inserted in the local labour market.

The consensus of local informants is that most of the technical training provided by TVET institutions in the district continues to be irrelevant. Indeed, a high proportion of consumers complain of the inferior skills of the graduates of the TVETs currently operating in the area.

Currently, 47% of TVET graduates are self-employed, which has to be applauded, but 33% of them remain jobless. The following sectors were identified by one of the focus groups as priority sectors:

- Construction (plumbing, electricity, carpentry, flooring, exterior finishing);
- Fishing
- Information technology (IT), graphic design
- Furniture making, and
- Hairdressing

While training for some skills in demand by consumers is available in local TVETs, the local informants' perceptions are that many unemployed graduates are inappropriately located in urban areas and not situated where they could meet local demand for their services.

Main Challenges and opportunities

The current socio-political-economic scenario imposes severe constraints on employment opportunities available to the region's cohorts of youth. The effects of decades of instability remain evident in the anaemic local economy and in the major vocational skills deficits apparent among the local jobseekers. An added impediment to a well-functioning local labour market is the critical role of personal connections in allocating jobs, a barrier which faces disadvantaged youths attempting to find productive employment. A further ubiquitous constraint to potential and current entrepreneurs' ability to generate employment opportunities includes the lack of, and access to, financial capital.

Despite these substantial challenges, opportunities exist to improve the relevance of TVET to the needs of the labour market. Greater engagement with the business community in the design of TVET programmes, and through apprenticeships and mentorships, are methods through which TVET training could help the graduates achieve better employment outcomes. Cooperatives are ways in which the obstacles to entrepreneurship and self-employment, primarily the lack of economic as well as social capital, may be overcome. The viability of cooperatives can be improved through support services, such as mentorships and by linking cooperatives to financial services.

Key Recommendations

The Focus group discussions, having focused on an assessment of the local labour market, made the following recommendations.

Technical and vocational education and training should focus on new and emerging priority sectors. TVET programmes should explore ways to lengthen their training periods, particularly for more technical skills.

Cooperatives of trainees should be formed and provided with support services. By pooling knowledge, social capital and financial resources, cooperatives can improve graduates' ability to become self-employed.

The analysis finds that the lack of supply of goods and services is less problematic than their quality which needs to be prioritised.

Kenya

Many of the responses from Kenyan business owners and managers, regarding the issues they face, are duplicates of those from the other two countries, such as:

Shortages of capital and labour, both skilled and unskilled

The scarcity of capital and skilled labour are interrelated. There are many jobseekers who are looking for employment but, either they do not have the requisite skills, or the businesses cannot afford to employ them;

Too much competition Due to the informal character of commerce, most businesses are just duplicating, which creates intense competition for customers. In addition, there is minimal differentiation of products and services among the enterprises, which illustrates the limited nature of entrepreneurial skills in the economy;

Insecurity

Kenyan respondents frequently mentioned the insecurity they feel because of the frequent clashes between the various ethnic groups and the threat from terrorism. They also experience language problems with the labour they hire from across the international borders[6];

Lack of supervisory personnel

Most of the businesses are managed by the owners/entrepreneurs, some of whom do not have management skills, being either small-scale or, due to limited know-how, do not employ managers to fill this strategic gap;

Inadequate transport facilities

Inadequate transport facilities for goods and services, as well as for potential job-seeking employees unable to access employment opportunities, impede the well-functioning of the product and labour markets.

6 In addition to Somali, there is a small proportion of people in the Somalia Regional state in Ethiopia that speak Amharic. So language problems are encountered when these Amharic speaking locals cross over to the Kenyan side to search for employment.

5

Conclusions and recommendations

Given the glaring information and data gaps in all parts of the under-researched cross border area between Kenya, Ethiopia and Somalia, the principal activity was to design a programme of data and information collection and analysis on which to build policy interventions. The project's consultant devised the survey instrument which the field staff administered to a randomly chosen set of establishments from the three parts of the Triangle. A major constraint facing this exercise was the lack of a sampling frame from which to draw the sample. The survey tool was used to collect information on vocational skills currently and prospectively in demand by potential employers, the results of which will assist in guiding providers of TVET and informally operated training courses.

Lacking any sampling frame, small samples of operating businesses were carefully chosen by our team in the various parts of the cross-border area between Kenya, Ethiopia and Somalia. They were guided by local officials of the public and private sectors to portray a fair representation of the sexes, industrial sectors and size classes of employment, occupational groups and geographical locations.

A less time-consuming and costly exercise entailed the conducting of focus group discussions with a cross- section of current employees, private sector employers, job-seekers, public sector officials and NGO administrators, in order for them to offer their perceptions of current skill gaps, and opportunities and challenges for sectoral economic growth and resulting enhanced near-term gains in the level of employment. The project team held discussions on the best way to select a randomly chosen sample of establishments in the three pilot areas of the Triangle, given the lack of any known sampling frame. Our adopted approach was to employ the random walk technique. In addition, it was agreed that the study should focus on towns that are within 50 km radius and should be areas with the potential to create more jobs. The following are the selected busy border towns, with very vibrant cross-border trading activities, from where data were collected:

Kenya – Mandera town from Mandera East and Rhamu from Mandera North
Ethiopia – Suftu and Dolo Ado
Somalia - Bulahawa and Dolow

The following were the major challenges experienced during the data collection: insecurity sensitivity, fatigue and apathy.

No doubt herding of animals dominates these economies, but our survey focused on the urban economies. The results showed the dominance of the sectors of Wholesale and Retail Trade, Manufacturing and Repairs, and Services across all three countries. Given the lack of security in the survey area, it is not surprising that the turnover of enterprises is quite rapid. More respondents in Kenya are operating from commercial premises with fixed structures, compared with both Ethiopia and Somalia. Sole male ownership of the sampled businesses is dominant across all three countries; Somali females do better than women in the other countries in terms of outright or joint ownership. Employment status is much more likely to be part-time, casual or apprentice, for both sexes, in Ethiopia than in Kenya and Somalia, which might explain why the size of establishment, in terms of the number of workers per plant, is much higher in Ethiopia.

A much higher proportion of employees in Kenya are being trained than in Ethiopia and Somalia, again most of whom are trained on-the-job.

A larger share of managers in Kenya have higher educational attainments than in the other two countries. Therefore, given the universally documented relationship between education and earnings, we would expect business success, as measured by profitability, to be greater in Kenya than elsewhere, which seems to be the case.

The numbers of establishments in our sample that claimed to have workers who had attended a vocational training institution were minimal, indicating the paucity of trained skilled labour in the cross border area between Kenya, Ethiopia and Somalia. Mean monthly wages for males are higher in Ethiopia while females do relatively better in Kenya. Wages are lowest for both sexes in Somalia. Perhaps, to some extent, the wages paid by employers may well reflect their perceived profitability of the enterprise. When asked for the owner's rating of the business performance last month, owners' ratings were highest in Ethiopia.

Registration of a business is a clear indicator of the formality of business operations and identified with being part of the formal sector of the economy. The overwhelming share of businesses in Kenya report being registered, while across all three countries the majority of registrations takes place with the Central Government

Access to basic infrastructure is more widespread on the Kenya side of the border than in Ethiopia and Somalia. Policy makers should take note of the widespread and unsatisfied potential customers for access to these essential services for business. The main source of initial start-up funds was overwhelmingly from family and own savings Access to a Government loan was mentioned, including money lenders, non-bank credit associations, informal cooperatives and NGOs, but all were cited by very few respondents. Similarly, the same sources were mentioned by respondents when asked to name the institutions from where subsequent additional funds for investments were acquired. Evidently, the capital market is grossly underdeveloped in the cross-border area between Kenya, Ethiopia and Somalia which should be of major concern to policy-makers in the nations' capitals.

Possibilities for access to aspects of business information and advice seem equally underdeveloped in the Triangle, with very few respondents able to cite any advice received relating to marketing, accounting, legal issues and business planning.

Respondents were queried about their access to physical capital and the types of machinery used. Those operating in Kenya have much greater access to energy-driven machinery than those in Ethiopia and Somalia, while most machinery is powered by electricity. If imported machinery is assumed to be of a later vintage, and perhaps more efficient, then Ethiopia and Kenya score highly since more of their machines have been imported.

More respondents in Somalia than in Ethiopia and Kenya, claimed that the electrically-operated machines are inadequate for their business operations, largely because of their high maintenance and running costs.

The underdeveloped state of the capital market is apparent from so few respondents having applied for a formal sector loan in the last two years The great majority of business owners in in all three countries claim to have plans to expand in the coming six months. Evidently, business owners are quite ambitious in anticipating an expansion of their businesses, by investing in new equipment and hiring more skilled workers. For the many unskilled and under- or unemployed labourers in the Triangle, their future job prospects look bleak from this evidence.

As we might expect, the most important constraint to those with no expansion plans is the lack of funds. The lack of skilled labour was also seen as a constraint; the lack of physical space was also noted. At least one-half of all respondents claim that business is 'fairly profitable' or 'very profitable', with those from Ethiopia and Kenya being the most satisfied. Perhaps this optimism is reflected in an 'ability to pay', by the relatively higher male wages paid in these two countries compared with Somalia. The competitive nature of the markets is apparent in all three countries, with large numbers of respondents citing too few customers and competition as major risks to their businesses. Lack of skilled workers and lack of access to funds is very apparent in Somalia, but these constraints also impact on operations in Ethiopia and Kenya, albeit to a lesser extent than in Somalia.

There is a documented lack of finance for small entrepreneurs to operate and/or expand their businesses. Innovative methods should be introduced to fill this lacuna using, for example, the type of rotating credit associations (RoSCA) operating elsewhere in Kenya[7] and across the developing world.

The unfavourable basic context, such as inadequate roads and tentative peace, represent the most important challenges which may affect the success of any microfinance initiative. However, the introduction and extension of both conventional and Islamic microfinance programmes might well contribute positively to economic development and poverty alleviation on all sides of the Triangle.

There is a need to encourage the registration and legalisation of these small enterprises because many are operating their businesses without legal documentation. The costs of registration should be kept low which would allow the least profitable to register, but official recognition could well allow them to access the, admittedly, grossly underdeveloped formal sector capital market.

The business community lacks any advisory support to help them sustain their businesses. There is an urgent need to teach business management and accounting skills. Almost all small entrepreneurs lack business management skills and many young entrepreneurs fail because of they do not understand the concepts relating to profit and loss in their businesses. Many lacks an understanding of seasonality.

NGOs are major formal sector employers in the region. Yet, there are no explicit career ladders in their offices, except for basic training for the livestock health sectors. And this is kind of basic training is unrelated to the career ladders in each office. Career paths need to be identified for such major players in the region to motivate their employees. More intensive training in business management and day-to-day operations is required for occupations relating to honey, milk-selling, meat-selling, livestock marketing, livestock fattening and trading, and export market crop production.

The most urgent skills-training systems needed are related to cooperative principles and management skills for the sector, sharing of business experiences in the farming communities, and identifying key skills and training for productive staff in each sector.

7 See William J. House and Ephraim M. Kanoga, ''Grass root' savings and credit operations in Kenya' in Vierteljahresberichte; Probleme der Entwicklungslander, Friedrick

Agricultural extension agents in the villages need additional training since they often do not have adequate information and skills in entrepreneurship, farming, and marketing to help businesses' sustainability.

There are few current training systems and the most significant gaps need to be rectified, such as those in Cooperative and financial management, plumbing and construction for the WASH sector, farming techniques, honey bee and livestock fattening and forage production, tailoring and restaurants for small business cooperatives, and TVET for agricultural extension agents (development agents in the villages) for business enhancement.

In the WASH and Construction sectors, the major problems impeding the operation of the businesses need to be addressed by the local authorities and NGOs by expanding opportunities for training. They are related to the lack of skilled carpenters, masons, construction foremen, raw materials, construction kits (start-ups) for construction workers, and plumbing skills. Demand for these occupations is projected to increase, at the same time as much civil construction, plumbing, and farming is ongoing.

The Focus group discussions undertook an assessment of the local labour market and generated the following recommendations. Technical and vocational education and training should focus on new and emerging priority sectors. TVET programmes should explore ways to lengthen their training periods, particularly for more technical skills.
Cooperatives of trainees should be formed and provided with support services. By pooling knowledge, social capital and financial resources, cooperatives can improve graduates' ability to become self-employed.

The analysis finds that the lack of supply of goods and services is less problematic than their quality which needs to be prioritised.

6

ANNEX 1 QUESTIONNAIRE

Ask the head/manager of the establishment:

Q1a Explain briefly the main (most important) activities of the business—what does it do? E.g. If manufacturing, what is being made?

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Coding here will be ISIC 2 digits

Q1b

Sector of Enterprise (For supervisors from Q1a)	Year started business	Business Location	Assess Location for getting customers	Risk of Location	Type of structure	Land ownership	Business ownership	How many months do you operate per year?	How many days do you operate per month?	How many hours do you operate per day?
A01	A02 Year	A03	A04	A05	A06	A07	A08	A09	A10	A11
1. Agric, Forestry, Fishing	-------------------	1=Commercial Premises	1=Very good	1=Eviction by County Government	1=Permanent	1=Owned by this business	1=Own/ Family	-----------	-----------	-----------
2. Mining		2=Industrial estate	2=Good 3=Fair	2=Eviction by Central Government	2=Semi-Permanent	2=Owned by community	2=Group 3=Rental			
3. Manufacturi ng 4. Electricity, gas		3=Market stall 4=Open market	4=Poor 5=Very poor	3=Eviction by owner/landlor d	3=Temporary 4=No structure 5=Vehicle	3=Owned by Government	4=Squatter 5=Other (Explain……….			

5. Water supply; sewerage 6. Construction 7. Wholesale and retail trade; repair of motor vehicles 8. Transportati on and storage 9. Accommodat ion and food service activities 10. Information and communicati on		5=Kiosk 6=Open ground 7 = Jua Kali sheds 8 = No fixed location 9=Other		4=End of tenancy 5=Other (Explain……… ………… 6=None	6=Other (Explain………… ….	4= Owned by the land lord 5=Not applicable			

11. Financial and insurance activities										
12. Real estate activities										
13. Profession-al, scientific and technical activities										
14. Administrati ve and support service activi-ties										
15. Public administrati on and defence										
16. Education										
17. Human health and so-cial work										
18. Arts, enter-tainme nt										
19. Other ser-vice activities										

1c Location of the business:

Kenya Mandera Urban: Mandera and Rhamu towns

3. Ethiopia Urban: where? Dolo Ado and Suftu Towns

5. Somalia Bulahawa and Dolo towns

Q.2

Number of workers attached to this establishment:

Owners: Males…………………………… Females…………………………...

Employees	Age in years	Full-time	Part-time <25 hours per week	Casuals last week	Apprentices	Unpaid family workers
Males	<15					
	15-24					
	25+					
Females	<15					
	15-24					
	25+					
Total	-					

Are some of your employees being trained:
No Go to Q4

Yes……1. On the job How many…………….............................

At a training institution How many…………….............................

3. Other How many……. Explain………………..........…………

4. Who pays for training?
Students
Employer
Both students and employer
NGO
Free—no fee

Total amount of wages paid last month to:

Males:
Full time……………..... Part-time…………........................…….
Casuals………………......

Females:
Full time……………....... Part-time…………........................…….
Casuals………………........

5 What is the highest:
Education level completed by the three main business owners/managers:
None
Primary
Secondary
Vocational Diploma
University

6. Other (Explain…………………………………
Number of employees with the following levels of completed education:
Level Average length of job training (apprenticeship/ internship) in months
1. None……………………………
2. Primary……………………… ……………………………………
3. Secondary………………….. ……………………………………
4. Vocational Diploma…….. ……………………………………
5. University…………………… ……………………………………
6. Other………………………….. ……………………………………

Which of the following methods do you use to recruit new workers?
Ask friends/relatives
Register vacancies with the Ministry of Labour
Advertise online
Advertise in newspapers

Ask training institutions for recommendations

6. Oter……………………………………………………………………..………………
……………………………………………………………………..

What are the main characteristics/attributes you look for in job applicants?
Formal education certificates
Vocational training certificates
Previous work experience
No previous work experience
Honesty/humility
Being a male
Being a female

8. Other explain ………………………………………………………………………

Q.6 Actual or estimated levels of business expenditure per month
Rent…………………………………………………………
Insurance……………………………………………………
Electricity…………………………………………..;…
Water……………………………………………………..
Bank charges……………………………………...…..
Wages & salaries………………………………....……..
Cost of materials used………………………....………..
Transport/storage……………………………,.....………..
Repairs/maintenance………………………….......……..
Licenses…………………………………………………..
Fines/taxes…………………………………………...……..
Advertising……………………………………….......…..
Social insurance……………………………...………
Equipment……………………………………...…………
Other operating costs……………………………......…..

7 Business income and expenditure
Total value of sales of goods and services last week……………………………
Your estimate of usual net income from the business per week…………….
Your estimate of net income from the business last week……………………
Apart from this business, what is your net weekly income from all other sources……………

How do you rate your overall performance from this business?

Last week: Last month: Last year

1. Very good
2. Good
3. Above average
4. Average
5. Below average
6. Poor
7. Very poor
8. Don’t know

Number of months per year when the performance of the business is usually: 1.
1. Very good…………………………………..
2. Good………………………………………….
3. Satisfactory………………………………..
4. Bad…………………………………………….
5. Very bad…………………………………….

Over the next few years would you expect the profitability of the business to;
Increase significantly Why…………………………………………….………….
2. Increase slightly Why…………………………………………….………….
3. Stay about the same Why…………………………………………….………….
4. Decease slightly Why…………………………………………………..…..
5. Decease significantly Why……………………………………………...........

10 is the business registered?
Yes, with Local Government
Yes, with Central Government
Yes, with Local Government and with Central Government
Not registered

11 Do you have access to the following:
Piped water

Yes No

Do want it?
1. Yes No

Electricity
Yes 1. Electricity company Own generator No Do want it? Yes No

Access to sewerage and waste disposal
Yes No

Do want it?
1. Yes No

Computer services
1. Own computer
1. Yes No

Shared computer
No, but would like to No need
Internet
1. Yes No Do want it? 1. YesNo

Q. 12 Capital

Initial investment	Main	Additional funds	Main	How much would you	Any
	source	invested	source	want if you were to	types of
	of funds		of	sell the business	other
			added		support
			funds		received
Column 1	2	3	4	5	6

Key: Col 2 and Col 4 From where 1=Family/own funds	7=Government loan	Key: Col 6 1=Marketing information
………………………………………..		
2=Family loan ………………………………………….	8=Formal/Informal cooperatives	2=Accounting training
3=Money lender ………………………………………..	9=Trade credit	3=Legal advice
4=Bank ………………………………………….	10=NGOs	4=Business planning
5=Non-Bank Credit institution specify……………………..	11=Other specify………………..	5=Other

6=Savings and Credit Association ……………………………... 6=None

Q. 13 How many machines and equipment do you have using these sources of energy:

Type	Number	From where acquired	Are they adequate for your business? 1.Yes 2. No	If No----- Why?
Electrically operated				
Oil/diesel using				
Human powered				
Animal powered				

You imported
Inherited
Came with the business
Own manufactured
Other (Explain…………..

2. High running costs
3. High maintenance costs
4. Not enough of them
5. Other specify……………………………………
6. N/A

Do you have any plans to expand your business (increase output, take on more workers, invest) in the next SIX months?

Yes……….1. Output/sales
Invest in buildings/machinery

2. No Why not………
2. No market for additional

1. No money /capital

output
Take on more skilled workers 3. No available skilled labour
Take on more unskilled workers 4. No physical space to expand
5. Other………..explain………………… 5.

Other………..explain…………………

NOW go to Q. 15 NOW go to Q. 17
Q.15a What % age increase in output do you expect?
Q.15b How much money will you invest?

5c How many more skilled workers will you take on?

Males……………………Full time Part time

Females………………..Fulltime Part time

Q.15d (i) How many Interns will you take on?
How many apprentices will you take on?

How many business partners would you like to add to your management structure?

Q.15e How many more unskilled workers will you take on?

Males……………………
Females………………..

Which of the following kinds of skills are you seeking in skilled workers mentioned in

Q.15c?: Communication skills — Listening, speaking and writing.

Teamwork----ability to work easily and build relationships with others
Analytical and problem-solving skills — people who can use creativity, reasoning and past experiences to identify and solve problems effectively.
Personal management skills — The ability to plan and manage multiple assignments and tasks, set priorities and adapt to changing conditions and work assignments.
Computer/technical literacy

Leadership/management skills — The ability to take charge and manage co-workers

'Blue-collar' and Technical skills----carpentry, bricklaying, masonry, plumbing, electrics,

Name them:………………………………………………………………………….……
…………………………………………………………………
'White collar' professional/technical skills------legal, accounting, managerial, engineers,

Name them:……………………………………………………………………….......
………………………………………………………………………………………

Academic competence in reading and mathematics.
Strong work ethics — Dependability, honesty, self-confidence and a positive attitude are prized qualities in any profession. Employers look for personal integrity.

How would you assess your current business?
Very profitable
Fairly profitable
Satisfactory
Unsatisfactory
Very bad, thinking of closing down□Why?

1. Too much competition
Shortage of skilled workers
Not enough customers
Too many Government regulations
Shortage of raw materials
Scarcity of credit/loans
Insecurity
8. Other (explain………………………………
What are the greatest risks to your business? Up to 3 risks:
Too few customers
Too much competition
Lack of skilled workers
Lack of funds
Poor infrastructure…eg buildings, roads, water, electricity
Lack of raw materials/inputs
Harassment from Local Government officials
Other (explain……………

Q.19a In the last two years, did you ever apply for a loan or credit?
2. No□Go to Q.21

1. Yes--------------------------□For how much?

9b Were you successful?

Yes □How much did you receive?

No
0a From where did you apply for a loan or credit? Up to 3 sources:
Your suppliers
Public finance agencies/Cooperatives 3.Commercial banks
NGOs
Informal interest free money lenders 6 Family/friends
Rotating credit associations
Traders/suppliers
Merry go round

Q. 20b Who gave you a loan/credit? Successful from which sources in Q.20a Put 0 if unsuccessful
21 Are there any technical/vocational training institutions in your area:
Yes 2. No 3. Don't know

1a.IfYes□Whichones?……………………………………………………………………

1b. How many of your current workers, including you, attended one or more of these institutions? …….

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ANNEX 2

GUIDANCE NOTES FOR FOCUS GROUP DISCUSSIONS (FGDs) WITH PRIVATE SECTOR EMPLOYERS, THE GOVERNMENT SECTOR AND NGO ADMINISTRATORS

The goal of this exercise will be to understand the functioning of the labour market from the perception of employers in the private and public sectors. Therefore, the FGDs will gather information on local employers' perceptions of job seekers, especially youth and women; existing and proposed opportunities for apprenticeships and job placements; and information on hiring patterns and trends. The survey tool will also collect information on vocational skills currently and prospectively in demand by potential employers, the results of which can assist in guiding providers of TVET and informally operated training courses.

Effective efforts to attract employers to the FGD are all based on good relationships and a reputation for protecting personal and proprietary information. The FGD should pose questions about occupations requiring some degree of certification and gather information about problems related to hard-to-fill vacancies, job turnover, and low productivity based on lack of training and skills. We should invite employers (especially smaller firms) with high-demand occupations and those who employ large concentrations of low-skill, limited work-experience workers.

Questions to Generate Discussion WITH PRIVATE SECTOR EMPLOYERS

Overall, what are the major problems preventing you from operating/expanding your business? (For facilitator; let them respond. If they do not mention the following issues, then give them some guidance on ---access to loans/capital, skilled labour, lack of demand for their goods/services etc.

Are there any career ladders in the organisation? The leaders of the FGDs should be able to explain to the employers attending the focus group, the definition of a career ladder before any substantive discussion of their participation can occur. A career ladder typically describes the progression from entry level positions, such as apprentices, to higher levels of pay, skill, responsibility, or authority. This metaphor is frequently used to denote upward mobility within an organisation. What are the occupations with career ladders? How are they initially trained? From which training institutions---Schools? Polytechnics? University?

1. What three or four major occupational shortages do you face? How could these problems be solved?
2. How many employees are currently in these positions in your organisation and how many more are needed in those positions?
3. What do you expect the demand for these occupations to be in three years in your organisation--
4. -major increase; some increase, no increase, or decline?
5. Are there any occupations (which ones?) for which you feel that preparation and

training are inadequate or inappropriate? What would you like to see changed in those areas?

6. Overall, given the direction in which you see your sector moving during the next two to three years, what are your biggest concerns about skills-training systems? Where (in which occupations and skills categories) are your biggest retention problems? Have your organisations developed programmes that have helped solve those problems?
7. Do you have any current training systems for your existing workers? What are they? What are the most significant gaps in those training systems---lack of trainers; lack of finance; lack of recruits who want to be trained?
8. What would you like to see the Government do (both Local and Central) that would improve the business environment?

With Employees

The FGDs will be with current private and public sector employees and job-seekers, in order for them to offer their perceptions of opportunities and challenges they face in terms of conditions in the labour market (job opportunities, promotion prospects, use of their education and skills, and pay levels.

A component of this exercise should focus on young men and women, documenting any gaps between their perceptions and the situation in the larger labour market: perceptions of young persons as employees, their attitudes towards employment, understanding how they view their current economic conditions, the results of which serve as keys to developing strategies for improving their labour market opportunities.

ASK:

On a scale of 1 to 10, how happy and contented are you at work? If <5 Why? If = or > 5 Why?
To get employee engagement right, you must start with this question. It's undoubtedly the most direct of questions to ask employees regarding workplace satisfaction.
Would you refer someone else to work here?

How likely an employee would refer someone is a reflection on how satisfied this person is at their job. If they're unhappy with their job, you can bet they don't have much good to say to their friends about the company.

Do you have a clear understanding of your career or promotion path, if any?
This aims to find out if the workers have a clear understanding of what lies ahead of them. If their answers are negative, the employer will need to start offering opportunities to prevent people from quitting.

On a scale of 1 to 10, how would you rate your work-life balance?
Employees need to balance work and their personal lives in order to be productive and engaged. Hypothetically, if you were to quit tomorrow, what would your reason be? Bad communication? Lack of transparency? Feeling undervalued — these can all be uncovered by asking this question.

Questions to ask employees about their boss(es)

1. Do you feel valued at work? Does your pay reflect your contribution to the employer?
2. How frequently do you receive recognition ---compliments, financial and non-monetary rewards from your boss?
3. The last time you accomplished a big project, did you receive any recognition? What/How?

Feeling valued at work is a huge motivator. This question will help uncover if leaders (or peers) have missed the mark when it comes to recognition. If employees don't feel their hard work is properly recognised, their morale and productivity will decline

Do you believe you will be able to reach your full potential here?

Employees want to work at a place that will nurture their desire for income growth/ promotion.
If you were given the chance all over again, would you reapply for your current job?
This is a tricky question — the happier an employee is at their current job, the more likely they would be to reapply to that very same position. So if an employee rates on the lower end of the spectrum then they're most likely unhappy and won't be at the job for long.

Do you think you will be working here one year from now? If 'Yes' why? If 'No' why?
Do you believe the management takes your work/commitment/suggestions seriously?
No one wants to work at a place that ignores their employees. When leaders don't take feedback or suggestions seriously, it shows that they're not committed to making improvements. And frankly, it makes employees feel unvalued.

Do you feel like the management team here is transparent---open about the firm's profitability, future prospects, sustainability/longevity?

Transparency is the number one factor that contributes to workplace happiness. Find out how well the business leaders are doing with providing information to their employees.

On a scale of 1 to 10, how comfortable do you feel offering feedback to your supervisors/bosses/business owners?

A workplace should never be a hostile environment. Nor should it be one that's suppressive. Employees should feel comfortable providing feedback to their supervisors so that they can continue to offer suggestions for improvements.

Do you feel that your co-workers give each other respect here?

You want to build a culture where people respect one another. Dig under the surface to find out how employees truly feel about each other. If they're not supporting one another, it's time to start team-building activities.

Does the management contribute to a positive work culture?

1. Are the bosses fostering a positive work environment or a negative one? With this survey question, you'll be able to go behind the scenes and find out how well leaders are promoting good working relations.

2. Do you have fun at work?

3. Employees spend so many hours at work. Find out if employees think if the working culture is worth waking up every day for.

ANNEX 3 FIELD PROGRAMME FOR DATA COLLECTION

Date	Ethiopia	Kenya	Somalia
18/05/2018	Training - Mandera	Training - Mandera	Training - Mandera
19/05/2018	Training- Mandera	Training- Mandera	Training- Mandera
20/05/2018	Training - Mandera	Training - Mandera	Training - Mandera
21/05/2018	Travel to Dolo Ado	Travel to Rhamu	Travel to Dollow
22/08/2018	Data Collection in Dolo Ado	Data Collection in Rhamu	Data Collection in Dollow
23/05/2018			
24/05/2018			
25/05/2018			
26/05/2018		Travel to Mandera	
27/05/2018		Data Collectionin Mandera	
28/05/2018	Travel to Suftu		Travel to Bulahawa
29/08/2018	Data Collection in Sufy		Data Collection in Bulahawa
30/05/2018			
31/05/2018			
1/06/2018			
2/06/2018			
3/06/2018			
4/06/2018			
5/06/2018	Return the Devises - Mandera	Return the Devises - Mandera	Return the Devises - Mandera

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