

Increasing Employment of Young Women and Men in Leather Sector Through Improved Quality of Vocational Education and Support for Business in SNNPR, Ethiopia, 2016-2017

Baseline Survey

People in Need Ethiopia, July 2016.

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CZECH REPUBLIC
DEVELOPMENT COOPERATION



Acronyms and Abbreviations

MFI	(OMO) Micro Finance Institution
BDS	Business development services
GOs	Governmental Organizations
GTP	Growth and Transformation Plan
Iqub	A traditional way of saving money
Kebele	The lowest level administration unit with elected government
MSE	Micro and small enterprises
NGO	Non-Governmental Organization
PIN	People in Need
PWD	Person with Disabilities
ReTVET	Regional Technical and Vocational Education and Training Bureau
TVET	Technical and Vocational Education and Training
Woreda	The third level administration unit, consists of kebeles
WS	Workshop

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1. Executive summary

The proposed project aims to increase the employment of youth, both women and men, in leather sector in Ethiopia by improving technical vocational education and direct support in finding a job or start their own business with the special emphasis to people with disabilities in Wolayta and Gedeo Zone, SNNPR, Ethiopia. The proposed project is in line with Ethiopian governmental strategies that are emphasizing the development of leather sector.

The rationale of the project is standing on three pillars, namely 1) strengthening the technical, pedagogical and operational capacities of the providers of National Technical & Vocational Education & Training (TVET); 2) increase sustainable employment of youth through the support of graduates and newly created MSEs including facilitating the access to financial resources; 3) establishment and support multi stakeholder network for sustainable business development and support of the leather sector in target areas. 200 unemployed youth will be given a long-term and short-term training, counselling, life skill training and other practical skills. Successful graduates will be able to start their own business or to get a job in one of the leather enterprises. At least 28% of women and 5% of people with disabilities will benefit from the project activities.

People in Need has been operating in leather sector in Ethiopia since 2011 when the first project supported by the Czech Development Agency started. The proposed project therefore builds on previous interventions, experience gained and contacts with relevant stakeholders. PIN will strive to further ensure equal opportunities for women and men and the integration of people with disabilities.

The overall objective of the baseline survey has been to assess the current situation of leather sector in terms of access to TVET program and employment opportunities in micro and small enterprise in SNNPR with spatial reference to Dilla and Sodo towns and establish bench marks that will be used to control project progress.

The baseline survey has summarized the following values for each of the project indicator:

Log frame Indicators	Key information needed	Baseline Values
Results		
35% of leather course graduates (male and female) from Wolayta/Sodo Polytechnic College and Dilla TVET College got employment opportunity	% of leather course graduates who got employment opportunity	0 Leather Course graduates both in Dilla and Sodo
2 TVET institution offering Level I– III leather production training according to the Ethiopian TVET	Number of TVET institutions providing	No institutions currently providing Leather

Qualification Framework and sectorial occupational standards.	Leather production trainings	production courses both in Dilla and Sodo
12 leather production MSEs that receive standard support services, incl. business development training, production and market place, access to raw material, access to loan, individual counseling, experience sharing.	Types and extents of supports offered to these MSEs by other NGOs and Gos. What kind of trainings they are receiving, From where they get loan etc.	4 Leather sector MSEs in Sodo and 0 functional Leather sector MSEs in Dilla
2 Leather sector Association (1 in Sodo, 1 in Dilla) that perform their roles and responsibilities as per Chamber of Commerce and Sectorial Association regulation by the end of the project and cooperating in the leather sector actors network	Number of Leather sector associations and their respective responsibilities	0 leather sector associations both in Dilla and Sodo
80% of trainees (of which 28% female and 5% PWDs) trainees complete leather production long-term and short-term courses at Sodo PTC & Dilla TVET	Current dropout rate of the current courses and current % of women and PWDs participants	

<p>2 TVET providers, Sodo polytechnic and Dilla TVET colleges will be accessible for PWDs</p>	<p>Accessibility of TVET providers to PWDs. Are Workshops, classrooms, school compound and facilities safe and accessible to PWDs?</p> <p>Inclusive education concepts are included in TVET curriculum? Are TVET colleges flexible enough to accommodate any learner including PWDs? Are there ongoing efforts to identify and remove barriers that exclude learners (including PWDs) with Unique situation?</p>	<p>TVET institutions both in Dilla and Sodo are not easily accessible (unsafe infrastructure) to PWDs even if there are some PWDs in the Colleges</p>
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6 new instructors (in TVET Methodology) and 12 instructors (in footwear, garments and leather goods technology) will be qualified to lead leather courses at Sodo PTC & Dilla TVET by professional standards after 6 months of the project	Number of staff who are qualified in the leather technology (who have Diploma , Degree or Masters in the leather technology)	0 staffs qualified in leather technology
2 TVET providers equipped with set of machineries and material required to run short-term and long-term leather manufacturing training in line with National curricula by the end of the project	The extent and type of equipment and machineries of TVET providers	no leather machineries' and equipment both in Dilla TVET and Sodo Polytechnic Colleges
25 graduates acting in the leather sector are employed somewhere else than in MSEs	Employment rate of Leather course graduates (where will they be employed after graduation)	No leather course graduates who got employment opportunities and no potential employers

2. Introduction

2.1. Background situation

The Ethiopian economy is still mainly based on agriculture. While its share in GDP was 47%, approximately 85% of the inhabitants are dependent on the agriculture, although the government is pushing for greater diversification, especially in the manufacturing industry, garment industry and energy production. Rural areas suffer from frequent droughts, interspersed with sudden floods. Extensive use of natural resources, overgrazing of grasslands and uncontrolled felling of trees, these are the effects of the traditional approach to the landscape and impacts of inconsiderate agriculture. This, coupled with high population density and population growth, leads to an even greater burden on the existing natural and agricultural resources.

During the last 15 years, Ethiopia has undergone considerable economic and social change and recorded one of the highest GDP growth rates. But the Human Development Index have not noticed such significant growth in the past decade compared to other developing countries that have grown at a similar pace. UNDP in its latest report of 2014 (National Human Development Report) ranks Ethiopia 173 place out of 187 countries.¹ Ethiopia still has a relatively low number of children (especially girls) attending schools, unsatisfactory access to sanitation, safe water and health services. Although the

¹ National Human Development Report 2015 Ethiopia

poverty rate has fallen (from 44% in 2000 to 30% in 2011²), the poverty is in Ethiopia still an important factor due to the high population growth and increasing demands on resources.

In the past, the Ethiopian government has adopted and implemented The Growth and Transformation Plan (GTP) for the period 2010/11–2014/15 which is followed by the GTP II on the period from 2015/16 2019/20. Its aim is to continue to help Ethiopia to become a lower middle income country by 2025 by achieving the average annual real GDP growth rate of 11 percent within a stable macroeconomic environment.

The Strategic Pillars of GTP II are:

- Sustaining the economic growth and development witnessed during the last decade within the GTP I;
- Increase productive capacity and efficiency mainly through rapidly improving quality and competitiveness of productive sectors – agriculture and manufacturing industries;
- Enhance the transformation of the domestic private sector;
- Build the capacity of the domestic construction industry with particular focus on ensuring quality provision of infrastructure services;
- Proactively manage the on-going rapid urbanization;
- Accelerate human development and technological capacity building and ensure its sustainability;
- Continue to build democratic good governance through enhancing implementation capacity of

² Ethiopia Poverty Assessment – World Bank, 2015

public institution and actively engaging the citizens;

- Promote women and youth empowerment, ensure their effective participation in the development and democratization process and enable them equitably benefit from the outcomes of development; Building climate resilient green economy.

According to the *Concept of Foreign Development Cooperation of the Czech Republic* for the period 2010–2017, Ethiopia is among the so-called Program countries and therefore has the highest priority. In accordance with the Concept, the development programs in Ethiopia focus on five sectors: education, health, water supply and sanitation, agriculture, forestry and fishery, disasters prevention and preparedness to deal with them. The majority of projects is concentrated in the regions of Southern Nations, Nationalities and Peoples' Region (SNNPR), which are among the poorest regions in Ethiopia.

Governmental policy and other activities of donors on Leather

The industrial development strategy as a sectorial strategy issued in 2002 (FDRE, 2002) has preceded the GTP. It recognizes the private sector as an engine of development and emphasizes the need to follow export-led growth, the need to pursue Agriculture Development Led Industrialization (ADLI), the need to forge linkages between internal and external investors and the role of government in providing leadership. The purpose is to develop the industrial sector and enhance its contribution to the overall economic growth. In a bid to support industrial development, the strategy outlines that there is a need to create stable macro economy, establish modern financial system, provide reliable infrastructural facilities such as road transport, rail transport, air transport, telecommunication service, power provision, and water and land delivery. Further, the need to create efficient and developmental administration including fostering transparency and accountability, improved tax and information

system, fair competition and efficient judicial system was also emphasized. Within the industrial sector, some specific industrial groups that are considered as strategic are selected as priority sub-sectors.

One of the sectors that Ethiopia seems to have a clear comparative advantage in manufacturing is the leather sector. The Government of Ethiopia (GoE) has given high priority to this sector in its industrial policy and it's "Export Development Strategy". In addition, GTP II aimed at achieve an annual average real GDP growth rate of 11 percent within stable macroeconomic environment while at the same time pursuing aggressive measures towards rapid industrialization and structural transformation. To this end, the government has set to increase productive capacity and efficiency to reach the economy's productive possibility frontier through rapidly improving quality, productivity and competitiveness of productive sectors as one of the pillar strategies in GTP II.

In long term, the government provides institutional support for development of leather sector, it has established *Textile and Leather Technology Institute*, *Leather Industry Development Institute (LIDI)* provides technical assistance to the sector through a variety of training packages related to the processing of raw leather and skins, technologies in leather products, footwear and other goods/clothing, as well as in the field of shoe design and handicrafts using leather.

The government also supports establishment and development of the MSEs, which is explicitly stated, for example, in the Poverty Reduction Strategy, the Micro and Small Enterprises Development Strategy, and the Federal Food Security Strategy. The Government of the Federal Democratic Republic of Ethiopia has recognized and paid due attention to promote and development of MSEs which are seen as important vehicles to address the challenges of unemployment, economic growth and equity in the country. To this effect, the government has formulated a national MSE Development and Promotion Strategy, which enlightens a systematic approach to alleviate the problems and promote the growth of MSEs.

The national MSE strategy of Ethiopia states that in all the successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress at large. The small business sector is also seen as an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change, and through all of these stimulate economic development. While the importance of large industrial and other enterprises for the growth of the Ethiopian economy cannot be denied, there is an ample evidence that the labour absorptive capacity of the small business sector is high, the average capital cost per job created is usually lower than in big business and its role in technical and other innovation activities is vital for many of the challenges, which is Ethiopia facing.

Moreover, the National Technical & Vocational Education & Training (TVET) Strategy, which was developed by the Ministry of Education in August 2008, also integrates MSEs into the formal educational system of the country. The overall objective of the National TVET Strategy is to create a competent, motivated, adaptable and innovative workforce in Ethiopia contributing to poverty reduction and social and economic development through facilitating demand-driven, high quality technical and vocational education and training, relevant to all sectors of the economy, at all levels and to all people. The strategy dictates that the institutions are expected to relevantly transfer the technologies to micro and small enterprise sector in order to increase their productivity and to provide TVET programs and technology transfer services to strengthen MSE in urban and semi-urban areas.

In this respect, especially the organization UNIDO has played a key role in capacity building, in support of the market and in other related aspects in the sector. Significant support is also provided by the organizations USAID, mainly through a variety of programs ranging from support for the development of livestock production in the country to targeted interventions – particularly in the leather industry. Agribusiness Trade and Expansion Program (ATEP) is a specialized program which is funded by USAID

2.2. Project summary

The proposed project aims to increase the employment of youth, both women and men, in leather sector in Ethiopia by improving technical vocational education and direct support in finding a job or start their own business with the special emphasis to people with disabilities in Wolayta and Gedeo Zone, SNNPR, Ethiopia. The proposed project is in line with Ethiopian governmental strategies that are emphasizing the development of leather sector.

The rationale of the project is standing on three pillars, namely 1) strengthening the technical, pedagogical and operational capacities of the providers of National Technical & Vocational Education & Training (TVET); 2) increase sustainable employment of youth through the support of graduates and newly created MSEs including facilitating the access to financial resources; 3) establishment and support multi stakeholder network for sustainable business development and support of the leather sector in target areas to 200 unemployed youth will be given a long-term and short-term training, counselling, life skill training and other practical skills. Successful graduates will be able to start their own business or to get a job in one of the leather enterprises. At least 28% of women and 5% of people with disabilities will benefit from the project activities.

People in Need has been operating in leather sector in Ethiopia since 2011 when the first project supported by the Czech Development Agency started. The proposed project therefore builds on previous interventions, experience gained and contacts with relevant stakeholders. PIN will strive to further ensure equal opportunities for women and men and the integration of people with disabilities.

Table 1: Project objectives and indicators

	Project description (intervention logic)	Objectively Verifiable indicators of achievement	Baseline Values
Overall Objective	To contribute to increase employability and entrepreneurial opportunities for unemployed young women and men through vocational training and business support in the leather sector in Ethiopia	<p>% of previously unemployed youth who make a living by leather production during a project period after TVET course graduation</p> <p>Target: 35% employment of leather course graduates (male and female) from Wolayta/Sodo Polytechnic</p>	<ul style="list-style-type: none"> 0% youth currently make a living by leather production in Dilla 16 youths in 4MSEs are currently making a living by leather production in Sodo

		College and Dilla TVET College	
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Specific Objective	<p>To enhance the effectiveness of the actors of the leather industry revitalised by the young graduates of the vocational training in the Wolayta and Gedeo zones, SNNPR, Ethiopia</p>	<p>Number of TVET institutions offering Level I–III leather production training according to the Ethiopian TVET Qualification Framework) and sectorial occupational standards</p> <p>Target: 2 TVET institutions by the end of the project</p> <p>Number of MSEs that receive standard support services, incl. business development training, production and market place, access to raw</p>	<ul style="list-style-type: none"> • 0 institutions currently offering leather courses both in Dilla and Sodo • Two MSEs in Dilla received training from TVET college (Dilla TVET College facilitate the to come to Hawassa polytechnic College and take the courses)
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		<p>material, access to loan, individual counselling, experience sharing</p> <p>Target: 12 leather production MSEs by the end of the project</p> <p>Number of newly established leather production associations of MSEs established according to the rules of Trade Chamber and Sectorial association</p> <p>Number of newly established</p>	<ul style="list-style-type: none"> • 0 functional leather MSEs in Dilla • 4 functional leather MSEs in Sodo
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		<p>Leather MSE Associations that perform their roles and responsibilities as per Chamber of Commerce and Sectorial Association regulation by the end of the project and cooperating in the leather sector actors network</p> <p>Target: 2 Leather sector Association (1 in Soddo, 1 in Dilla)</p>	<ul style="list-style-type: none"> 0 leather sectorial associations both in Dilla and Sodo
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Outputs	Output 1 Strengthened technical, pedagogical and operational capacities of Wolayita and Dilla TVET Colleges to provide market-relevant and inclusive long-term and short-term vocational training in accordance with national standards and available also to PWDs	1.1: % of trainees complete leather production long-term and short-term courses at Sodo PTC & Dilla TVET by the end of the project Target: 80% of trainees (of which 28% female and 5% PWDs) 1.2.: Number of TVET providers accessible for PWDs Target: 2 TVET providers, Sodo polytechnic and Dilla TVET colleges	<ul style="list-style-type: none"> • 0 leather course trainees both in Dilla TVET and Sodo polytechnic colleges • Both Colleges are not disability friendly. • There are no College instructors who are qualified on leather
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	<p>Output 2</p> <p>Comprehensive support for employment and business development of graduates of TVET in leather sector provided by members of newly established network of stakeholders active in the leather sector</p>	<p>1.3: Number of College instructors qualified to lead leather courses at Sodo PTC & Dilla TVET by professional standards after 6 months of the project</p> <p>Target: 6 new instructors(in TVET Methodology) and 12 instructors (in footwear, garments and leather goods technology)</p> <p>1.4: number of TVET providers equipped with set</p>	<p>courses in both the colleges</p> <ul style="list-style-type: none"> • 0 TVET providers equipped with leather machineries
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	<p>Output 3</p> <p>Leather sector industry supported and coordinated through effective information sharing and cooperation among all the stakeholders</p>	<p>of machineries and material required to run short-term and long-term leather manufacturing training in line with National curricula by the end of the project</p> <p>Target: 2 TVET providers</p> <p>2.1: number of newly established functional leather industry MSEs by the end of the project</p>	<ul style="list-style-type: none"> • 0 functional leather industry MSEs in Dilla • 4 functional leather industry MSEs in Sodo
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		<p>Target: 12 MSEs</p> <p>2.2: % of the newly formed MSE will have:</p> <ul style="list-style-type: none"> - system of accounting and financial records; - created a business plan; - a loan from MFIs; - a marketing strategy with emphasis on unifying design; - focus on quality (internal standardisation of the production) 	<ul style="list-style-type: none"> • 0 Textile and garment and leather sector MSEs get loan from MFI in Sodo • 3 textile and garment and 0 leather MSEs get loan from MFI in Dilla
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		<p>by the end of the project</p> <p>Target: 80% of new leather sector MSEs</p> <p>2.3 number of graduates acting in the leather sector are employed somewhere else than in MSEs</p> <p>Target: 25</p> <p>2.4 number of events organised for creating opportunities for better connections between market and MSEs,</p>	<ul style="list-style-type: none"> • 0 leather course graduates who got employment opportunities
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		<p>promotion and retail</p> <p>Target: 12 (markets and displays)</p> <p>3.1 number of networking meetings for leather sector actors (TVET institutions, trade and industry chambers, leather sector associations, MFIs, private entrepreneurs, companies etc.) by the end of the project</p> <p>Target: 8 meetings</p>	<ul style="list-style-type: none"> • No networking meetings yet • No documents regarding leather sector cooperation
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		<p>3.2. Number of key documents referring to cooperation and mutual support (experience sharing, internships, common promotion events etc.)</p> <p>Target: 1 memorandum of cooperation</p> <p>3.3 Number of newly established Leather MSE Associations participating in the leather sector actors network, who have signed the memorandum</p>	<ul style="list-style-type: none"> 0 leather sector association
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		<p>Target: 2 Leather sector Association (1 in Sodo, 1 in Dilla)</p> <p>3. 3. Number of supportive measures created thanks to the cooperating network of the leather sector actors</p> <p>Target: 4 action plans created on the basis of identified gaps/weak points of the leather sector used in leather</p>	<ul style="list-style-type: none"> • No action plans yet
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		associations in Sodo, Dilla	
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2.3. Baseline purpose, scope and objectives

Objective of the baseline survey

The overall objective of the baseline survey is to assess the current situation of leather sector in terms of access to TVET program and employment opportunities in micro and small enterprise in SNNPR with spatial reference to Dilla and Sodo Towns and establish bench marks that will be used to control project progress.

Scope of the baseline survey

The baseline survey was carried out in SNNPR at Dilla and Sodo Towns from June 10/2016 to June 30, 2016 and the following issues have been covered by the survey:

- Collecting and analyzing both secondary and primary data from Trade and Industry and from its respective line offices in Dilla and Sodo Towns on the current situation micro and small enterprise and employment opportunities in the Towns.
- Collecting and analyzing primary and secondary data on current profile of textile and garment and leather MSEs operating in Dilla and Sodo Towns.
- Collecting and analyzing primary and secondary data on access to MFIs credit service in Dilla and Sodo Towns.
- Collecting and analyzing primary and secondary data on accessibility of TVET program for leather sector in Dilla and Sodo Towns and their accessibility to PWDs.
- Collecting and analyzing primary and secondary data on the technical and institutional capacity of TVET institutions in Dilla and Sodo in relation with leather sector.

Approach and Methodology

Participatory assessment has been an integral component of the design, planning as well as data collection process of the baseline survey.

The survey methodology consists of:

- Review of all relevant secondary data
- 11 in-depth interviews (7 at Dilla and 4 at Sodo) with relevant stakeholders(Trade and industry offices, OMO MFIs, TVET institutions, youth and sport offices, food security and job creation units,
- Quantitative survey with all Textile and garment and leather MSEs.)

For the quantitative survey, the list of MSEs from textile, garment and leather sector per sub-city and area of business has been collected. Then all of the MSEs have been surveyed since they were low in number.

Table 2: Functional MSEs selected for quantitative survey

Area of business	Number of MSEs in Dilla	Number of MSEs in Dilla
Textile and garment	14	9
Leather and leather products	0	4

3. Key Findings

3.1.Youth Unemployment Rates and employment opportunities in Dilla and Sodo

According to Gedeo zone food security and job creation unit and Dilla town youth and sport office, currently there are 28,000 total populations of youth in Dilla from which 17420 unemployed. 1020 of the unemployed youth are TVET graduates and 250 of them are Degree level graduates.

According to Sodo town trade and industry office and the data 34183 there are 8300 unemployed youths in Sodo town which is relatively lesser than Dilla.

While trade and industry offices, OMO MFIs, Youth and Sport offices and TVET Colleges both in Sodo and Dilla were asked the reasons for the high unemployment rate in the towns the following were the most frequently mentioned factors:

- Less interest of the youth to work on MSEs (attitudinal problem)
- Less interest of youth to join TVET
- Lower number of factories and employers
- High rate of rural to urban migration
- Higher Interests of the youth to be employed only in governmental organizations.
- Rapid population growth
- Lack of starting capital and Collateral to get loan to from OMO MFI to start business.
- Lack of technology extension
- Lack of working premises

Almost all the interviewed stakeholder declared that it seems difficult to get potential employers for the new leather course graduates due to the fact that the sector is new for the areas and there are no any factories or associations working on leather production. They all recommend establishing MSEs for the graduates and facilitating the necessary preconditions so as to make them successful in the sector.

MSEs were also asked if they know any leather course graduates who've got employment opportunities and all of the MSEs both in Dilla and Sodo stated that they do not know anyone who is graduated from leather sector or got employment opportunity.

3.2. Basic characteristics of MSEs in Dilla and Sodo Towns

According to Dilla and Sodo Trade and Industry offices 104 and 106 manufacturing sector MSEs have operated in Dilla and Sodo towns respectively in 2015/2016.

Within manufacturing sector, the proportion of existing MSEs, according to data from Dilla and Sodo towns' trade and industry Offices is currently as follows:

Table 3: Dilla and Sodo MSEs in manufacturing sectors

	Dilla	Share	Sodo	Share
Textile and garment	19	18.3%	28	26.4%
Leather and leather products.	1	1%	4	3.8%
Food processing and beverage	42	40.4%	37	35%
Metal & wood works	38	36.5%	56	52.8%
Agro-processing	1	1%	22	20.8%
Other	3	3%	13	12.3%
Total	104	100.0%	106	100%

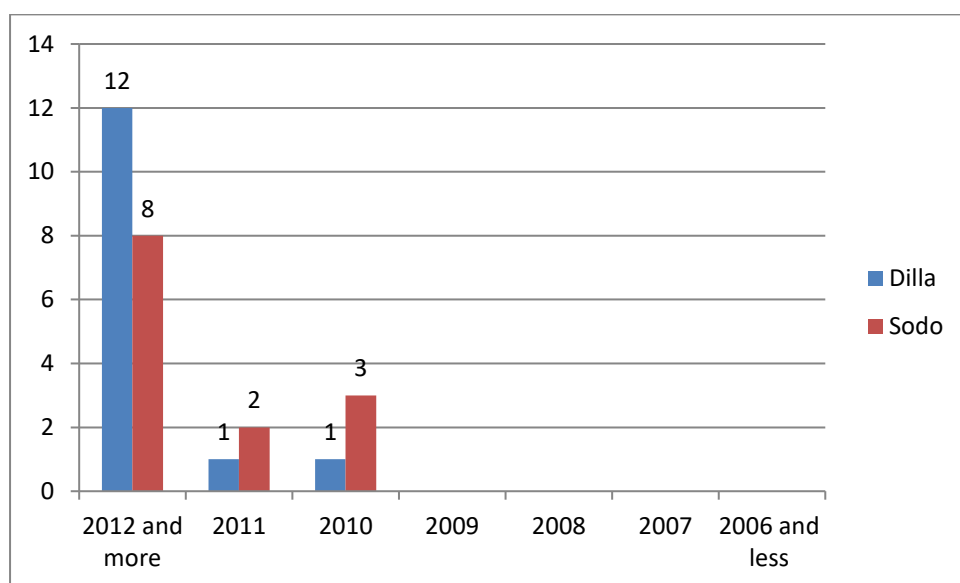
Even though the number of textile and garment MSEs were stated as 28 in Sodo and 19 in Dilla there are only 13 and 14 functional MSEs on the sector in the towns respectively.

The trade and industry office of Dilla town stated that, there was one leather MSE; it was found out that the MSE is not functional and didn't start its business yet.

As it could be seen in the table above food processing and beverage sectors dominates among the city's micro and small enterprises, followed by metal and wood work businesses in Dilla and vice versa in Sodo.

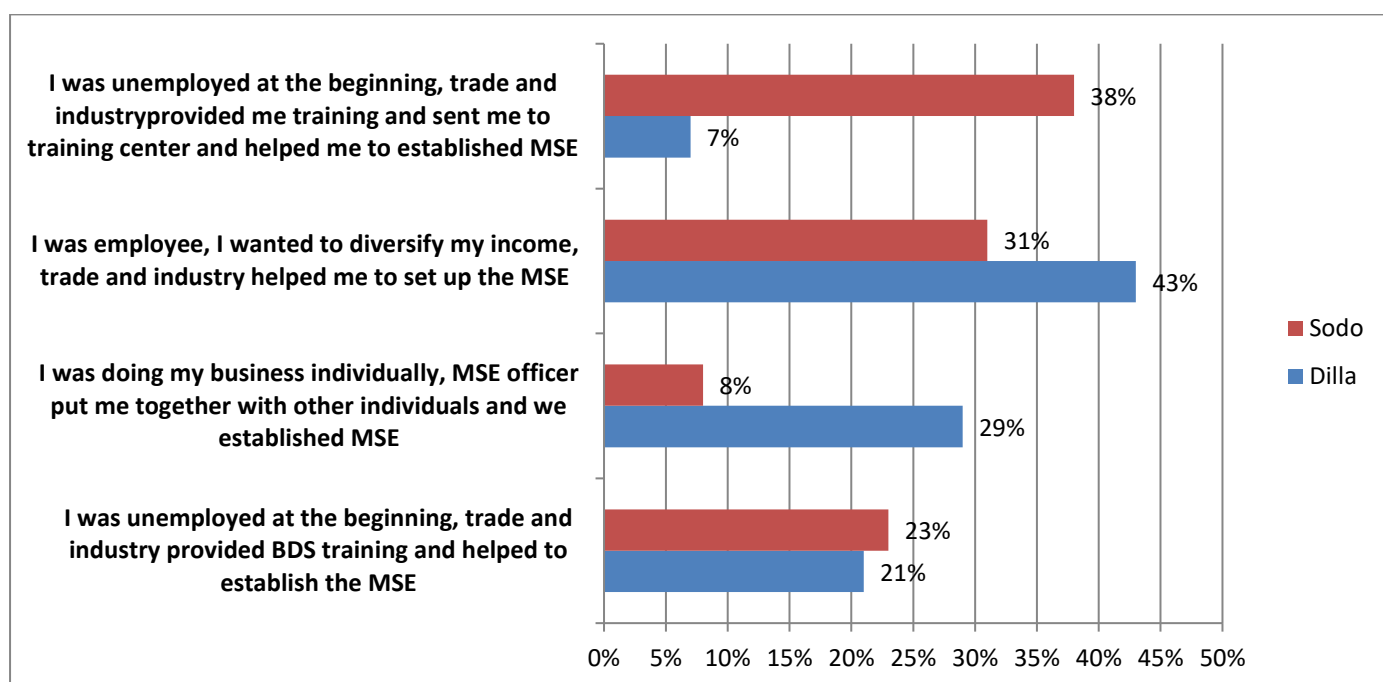
The leather sector which only has 1 nonfunctional MSE in Dilla and 4 functional MSE in Sodo cover currently only 1 % and 3.8% of the manufacturing sector micro and small scale enterprises respectively in each town.

Graph 1: MSEs' year of establishment



Almost 86 % and 62% of MSEs in Dilla and Sodo were established after 2012. It could be caused by increased effort in promoting in GTP 1 and the special focus on manufacturing sector MSEs according to GTP 2 in the last few years, but also by a fact that there has been high disintegration among MSEs in previous years as some of interviewed stakeholders agreed.

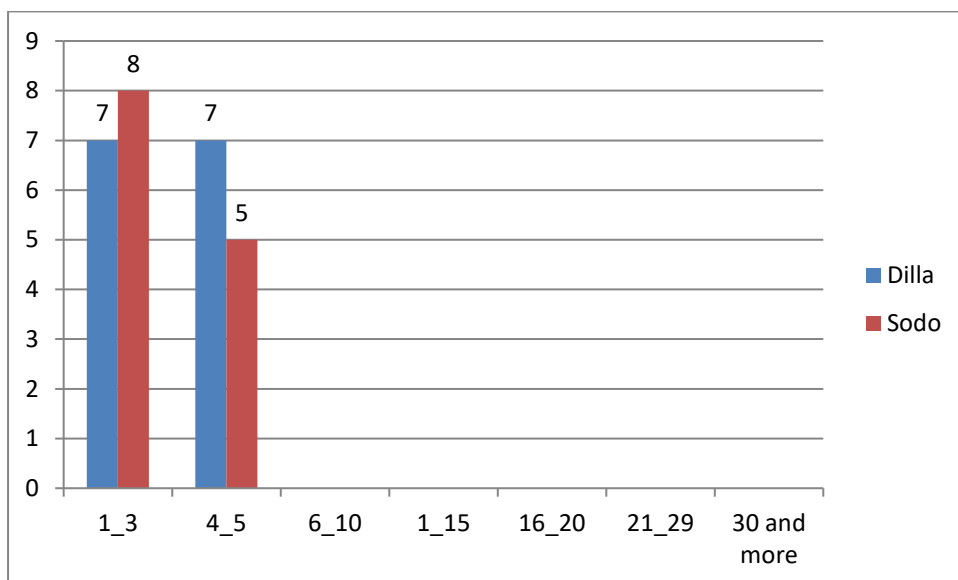
Graph 2: Reasons for MSE establishment



As could be seen in the above graph, the main factor in a fact that an individual or a group establishes potentially sustainable MSE, beside the necessary support of trade and industry, is the need of diversifying income. 43% of MSEs in Dilla have been established by youths who were employed and wanted to diversify their income and trade and industry helped them to set up the MSEs and on the other side 38% of the MSEs in Sodo town have been established by youths who were unemployed at the beginning and then trade and industry provided them training and support them to establish the MSEs.. This number may grow in the future because there is a strategic decision in GTP 2 to incorporate unemployed youth to MSE area especially on the manufacturing sector.

The leather sector MSEs in Sodo among the four MSEs three of them were established by persons who were employee and wanted to diversify their income and one MSE was established by persons who were doing their business individually and the MSE officer put them together to establish MSE.

Graph 3: Number of members/employees



The most usual size of MSE both in Dilla and Sodo is 1-3 and 4-5 members or employees. Just considering human power, almost all of enterprises both in Sodo and Dilla could be considered as micro-scale businesses.

Table 4: Size of leather MSE

Size	No. of leather MSE in Sodo
1-3	2
4-5	2

Among the four leather MSEs in Sodo, all of them could be considered as micro enterprises because two of them have 1-3 members and two of them have 4-5 members. According to interviews, there is usually a core of about 5 MSE members who hire employees when their business starts to grow up.

Table 5: MSEs Chairperson's demographic characteristics

Variables	Dilla	Sodo
sex		
Average Age	32	28
Primary education	3	1
Secondary education	7	7
Higher	4	5

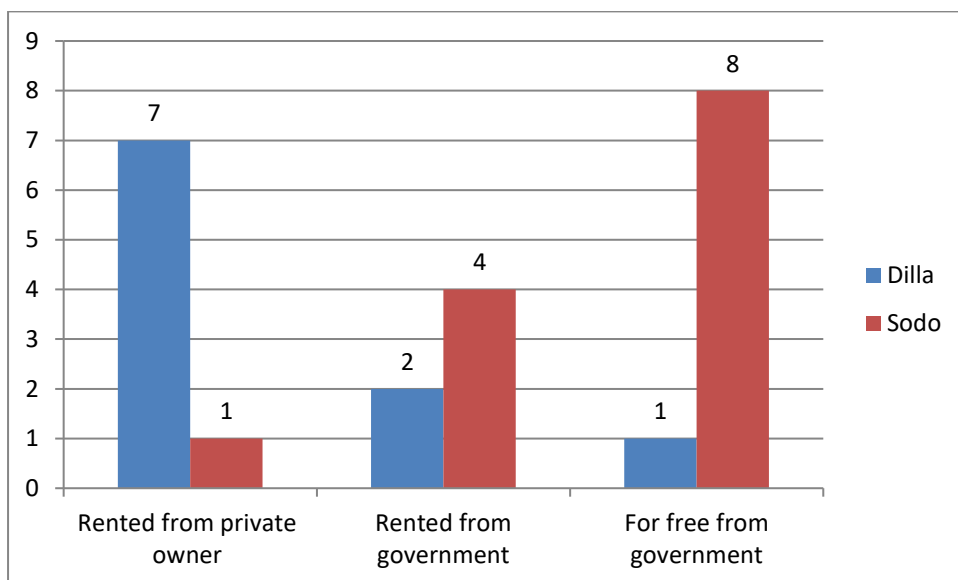
In general, the MSE leaders are relatively young, with average age about 32 years in Dilla and 28 in Sodo. 3 of the leaders in Dilla and 1 in Sodo declare that they have only primary education and 7 leaders both in Dilla and Sodo have secondary education and 4 and 5 leaders have higher level education in Dilla and Sodo respectively.

Among the four Chairpersons in the leather sector MSEs two of them have higher level education while only one of them declare that he has only primary education and one has secondary education and they are slightly younger comparing to general average, 26 years old.

MSEs Working Premises

Majority of the MSEs both in Dilla and Sodo towns declared that they have working premises However, when they were asked how they get the premise the give the following response.

Graph 4: Source of MSEs premises



Among the ten MSEs who have working premises in Dilla, majority of them (7) get it from private owners and they pay rent for it. The majority of the MSEs in Sodo (8 of them) get their working premises from government for free. However it was observed both in Dilla and Sodo that the MSEs have shortage of working premises since it is very small in size.

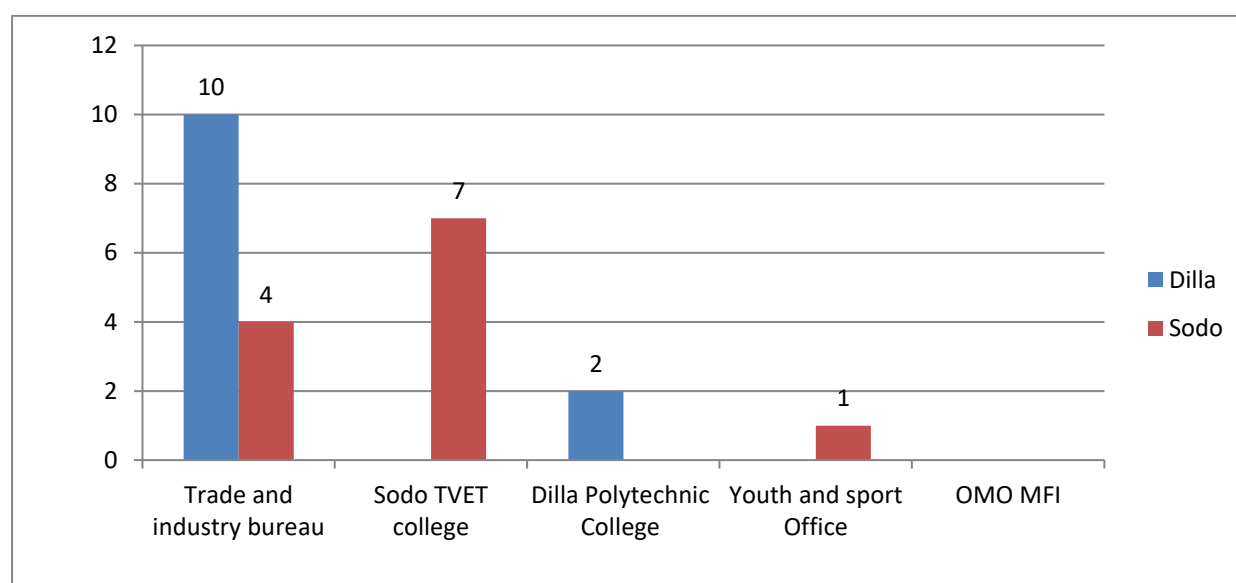
3.3. Educational support

Table 6: MSEs's trainings

	Dilla	Sodo
MSEs which received training	10	10
MSEs which didn't any receive training	4	3

In general, ten of the MSEs from both Dilla and Sodo declare that they have received trainings from governmental organizations, and 4 MSEs from Dilla and 3 MSEs from Sodo didn't get any training from any organization and from the three MSEs which didn't get any training, two of them are leather MSEs.

Graph 5: Number of MSEs received training from different institutions



Ten MSEs from Dilla and four from Sodo got some training support from trade and industry Office, Two MSEs in Dilla and 7 MSEs in Sodo have gone through training in Dilla and Sodo Polytechnic TVET Colleges respectively.

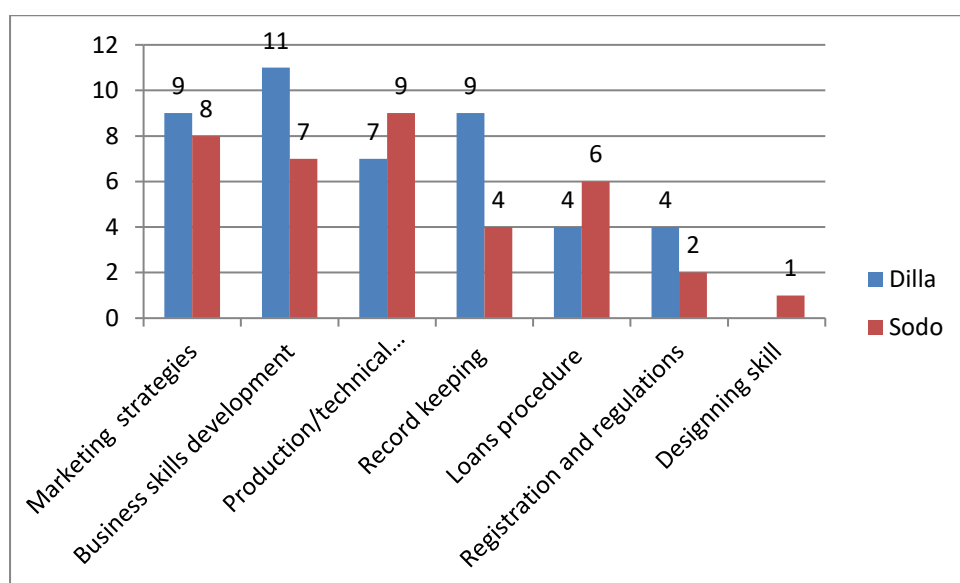
Perceptions of trainings

The MSEs in general consider training mostly as very useful.

MSEs Training Interests

All the MSEs both from Dilla and Sodo declared that they have interests to receive more training on the following topics as presented on the graph:

Graph 6: Training interest areas of MSEs



Majority of the MSEs in Dilla and Sodo need to get trainings on business skill development, market strategies, record keeping and loan procedures. One MSE in Sodo stated it needs to get trainings on designing skills.

3.3.MSE business, skills and credit services

Table 7: MSEs's Trends of salary and Living

MSEs in Dilla and Sodo were asked if they have a trend of paying salary for their members and/or their employees and their response were as follows:

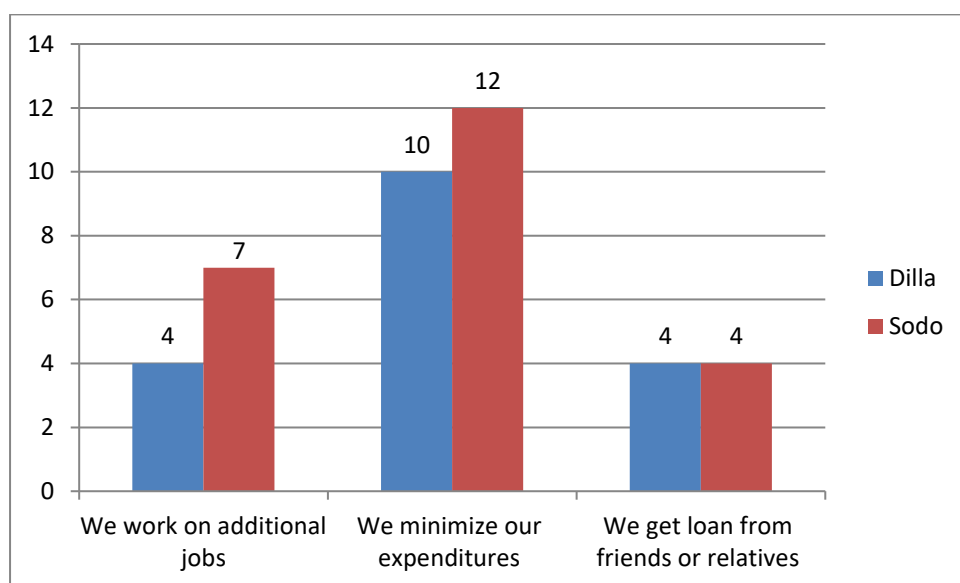
Do you pay salary for your members or employees?	Dilla	Sodo
yes	12	13
no	2	0

Table 8: Average salary MSEs's Pay

	MSEs in Dilla	MSEs in Sodo
average salary per month	1161ETB	857.7ETB

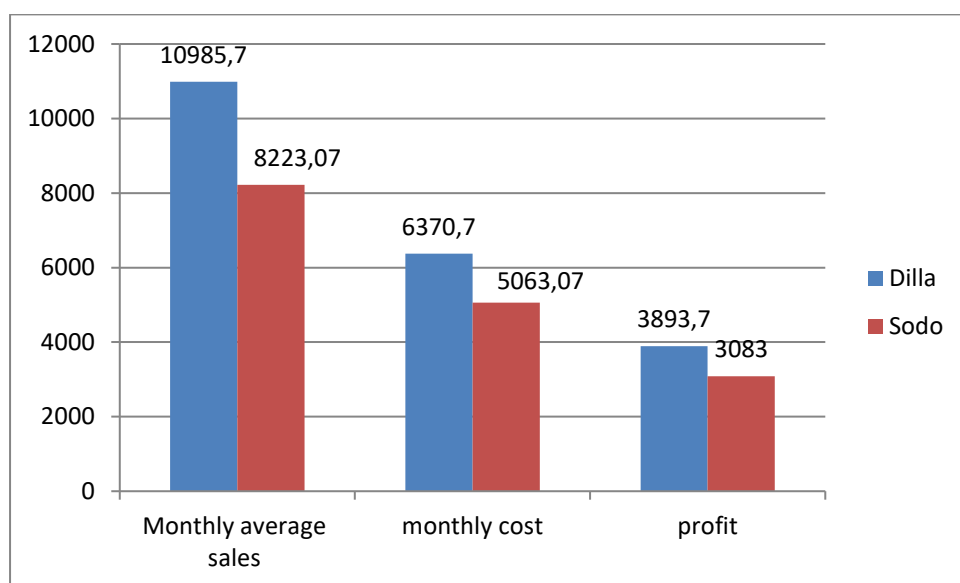
Majority of the MSEs (12 MSEs in Dilla and all in Sodo) pay salary to their employees and members, however while they were asked if the salary they are paying is enough for living, all declared that it is not enough for living except two MSEs 1 from Dilla and 1 from Sodo. When they were asked how they solve the situation they gave the following responses:

Graph 7: MSEs's Alternatives other than salary



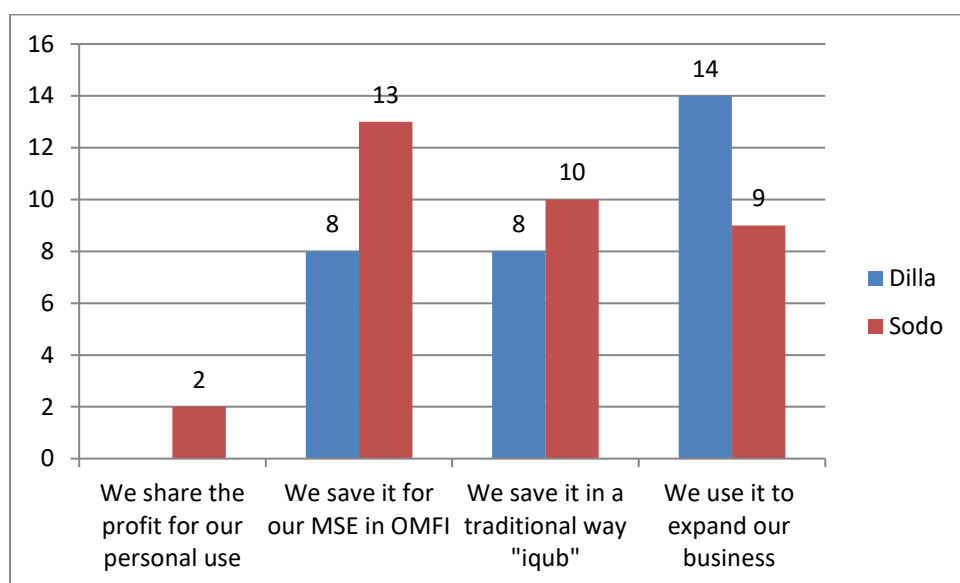
Most MSEs (10 in Dilla and 12 in Sodo) said that they minimize their expenditure since the salary they get from their MSEs is not enough to cover up all their livings and 7 MSEs work on additional jobs in sodo the others (4 MSEs both in Dilla and Sodo) get loan from their friends or relatives.

Graph 8: MSEs Monthly sales, cost and profit in ETB



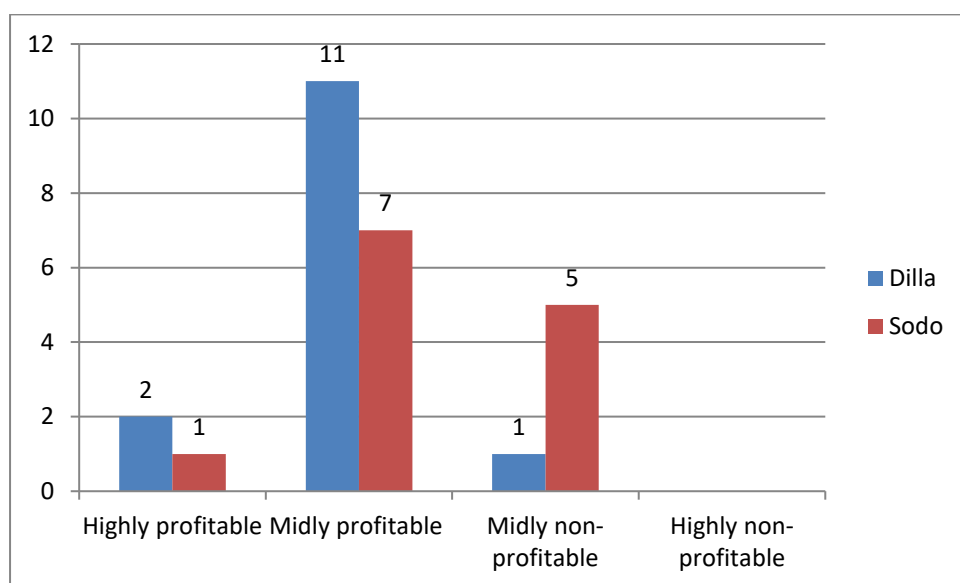
MSEs in Sodo have monthly average sales of 8223.07 birr in the last month while MSEs Dilla have slightly higher sales which is 10985.7 birr. MSEs both in Dilla and Sodo have almost similar monthly profits which is 3893.7 and 3083 respectively.

Graph 9: MSEs's Profit usage



Most MSEs do not have the trend of sharing profits for their own use rather all of the MSEs in Dilla use the profit they get to expand their business while all of the MSEs in Sodo save the profit they get in OMO MFI, 10 MSEs in Sodo and 8 in Dilla also save the profit in traditional way called “iqub”.

Graph 10: MSEs's Profitability Perceptions



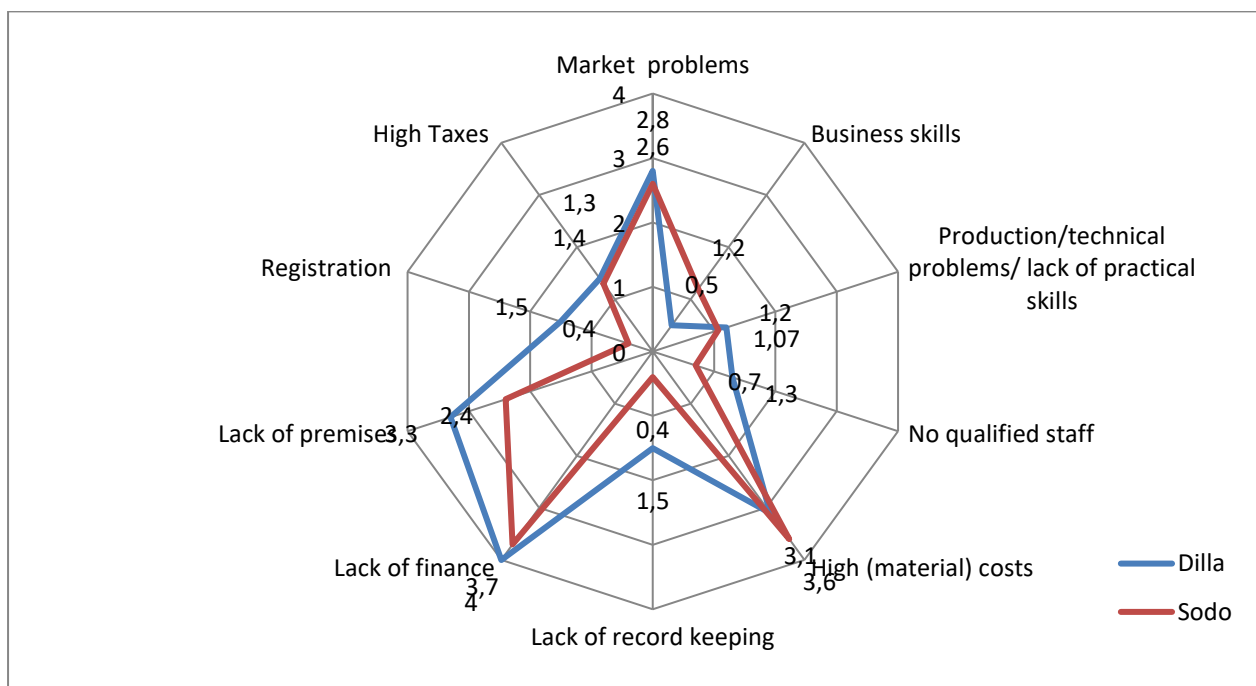
MSEs were requested to rate their profitability and 11 MSEs in Dilla rated their business as midly profitability while 5 MSEs in Sodo consider their business as midly non profitable.

MSEs Problems

All MSEs in Sodo declared that they face different problems and 11 of the MSEs in Dilla did so. As it is shown in the graph below, MSEs have been asked to describe the problems to which they face and then assess their severity. They have been asked to evaluate severity of problems on scale from 1 (least severe problem) to 5 (most severe problem). They also could use option 0 – not problem at all.

Regardless the sector of business, Lack of premises, High (material) costs and Market problems have been identified as the most problematic areas for MSEs in Dilla and lack of finance, high material cost and market problems are the most Sevier for MSEs in Sodo in order.

Graph 11: Severity of MSE' problems in business



3.4. Major Institutions Working with MSEs in Dilla and Sodo towns

Trade and Industry office

Trade and industry office is responsible for promotion of governmental and regional plans and strategies focusing on MSE development.

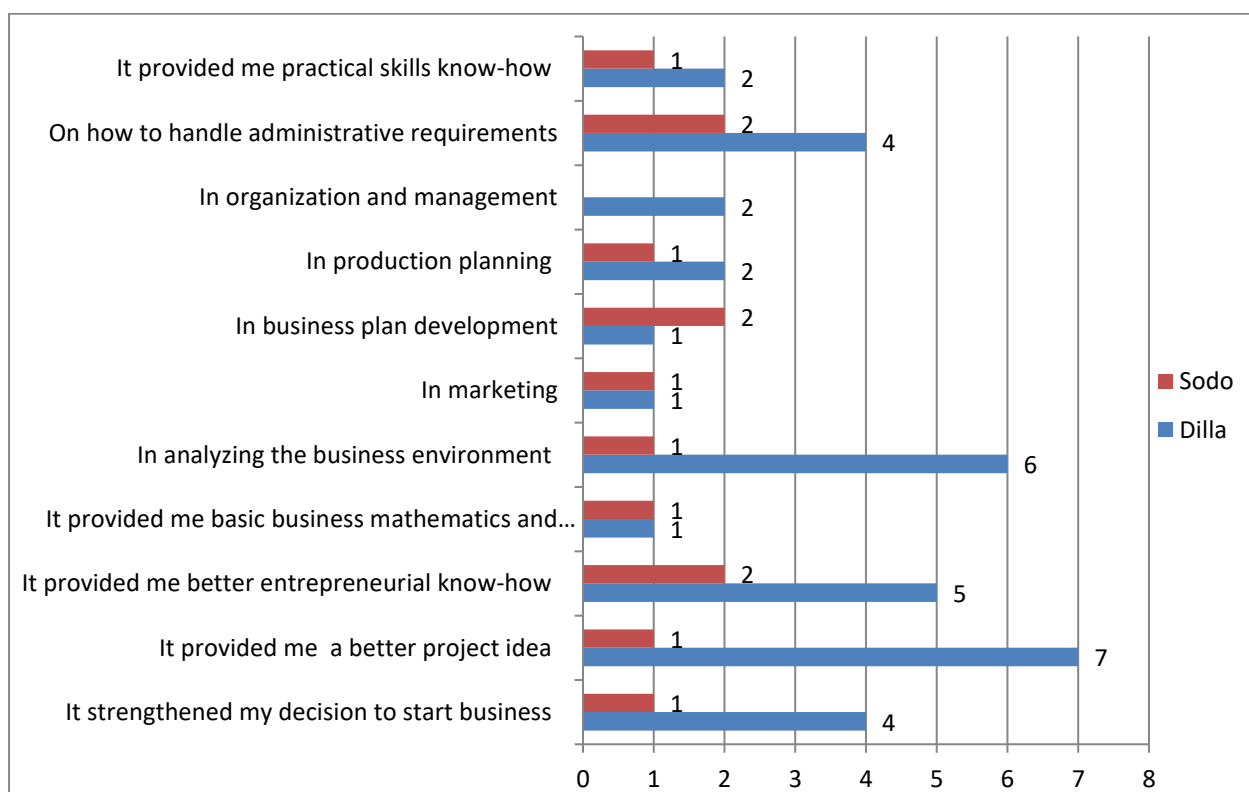
The structure of agencies copies the governmental structure in general – it has zonal, city and sub city/kebele line offices. It is the governmental body responsible for promoting MSE Development and Promotion Strategy.

Main Trade and industry office tasks are:

- Facilitation of MSE developing process and licensing

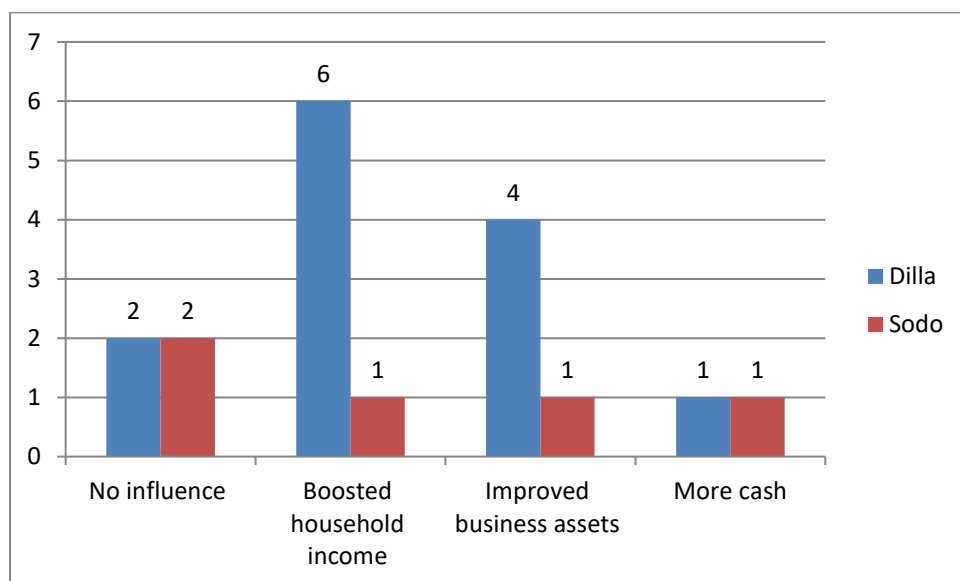
- Facilitation of trainings – collecting information, identifying gaps, providing business development service (BDS), technical training, together and in cooperation with TVET bureau and institutions
- Facilitation of credit services – in cooperation with MFIs, supporting MSEs to be able to get loans
- Facilitation of working/selling premises
- Facilitation of marketing and promotion opportunities
- Facilitation of networking with private sector/ other enterprises

Graph 12: Benefits of training/support of Trade and industry office



According to the interviews conducted, trade and industry offices provide trainings to MSEs to some extent, integrating with TVET institutions however the MSEs on the leather sector in Sodo didn't get any technical trainings on the sector due to the fact that the TVET institutions are not currently providing leather course. Nevertheless, interviewed MSE members declare a range of benefits they get from trade and industry on-job support. Among the most frequent benefits, the following have been mentioned from MSEs: supports in analyzing business environment, better entrepreneurial know how and the business decision to start business.

Graph 13: Trade and Industry's training influence on MSEs income



Among the MSEs surveyed in Dilla majority (6 MSEs) declared that the training they get from trade and industry boosted their household income while only one MSE stated that it get this influence. Two MSEs one from each towns replied that the training didn't influence their income in any way.

Dilla TVET and Sodo Polytechnic Colleges

In general, Technical and Vocational Education and Training (TVET) institutions are supposed to provide the new service package, Industrial Extension Services (IES). The government strategies state that the government is committed to foster and support MSEs in order to solve unemployment in the urban areas by focusing on laying the ground for the transformation of the economy from agriculture to industry, giving focus and priority to MSEs. The services that are supposed be provided to the MSEs by TVET institutions among other include skills trainings on entrepreneurship, business management, best technology adaptation and transfer, productivity, quality maintenance and product standardization and certifications. Dilla TVET College and Sodo Polytechnic Colleges are training centers controlled by SNNPR TVET Bureau, which currently have total of 1567 and 1179 trainees respectively.

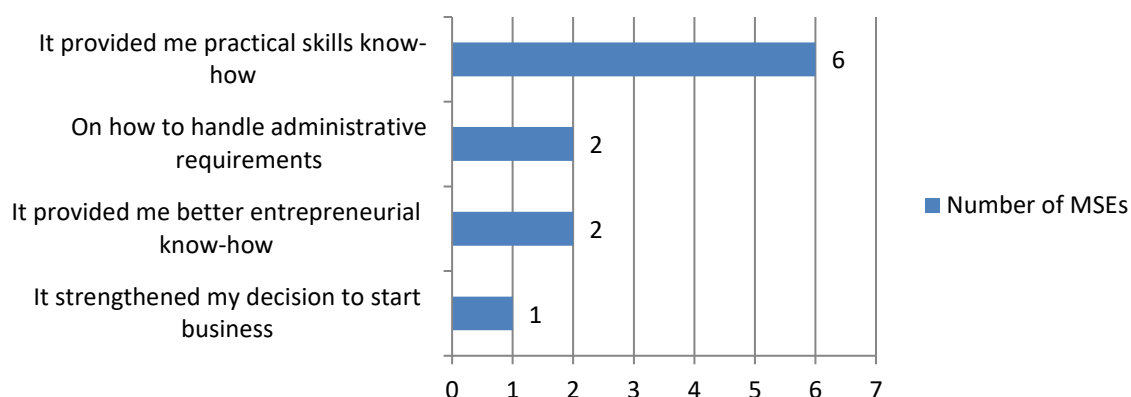
The Colleges currently do not provide any leather courses and also they don't have any qualified staff for leather production courses. The Colleges do not have any leather production machineries as well. The interviewed managements however expressed that they have strong interests to start giving the courses on the sector.

Two MSEs in Dilla stated that they received training from Dilla TVET College the MSEs were brought to Hawassa for attend short trainings and while asked the benefits they got from the trainings, one MSE explained that the training helps them to accept the work they are engaged on and that to make them believe that they can be successful if they committedly work on it. The other MSEs mentioned the following benefits they got from the college: It provided us better entrepreneurial know-how; it provided us basic business mathematics and financial analysis, in business plan development and on how to handle administrative requirements.

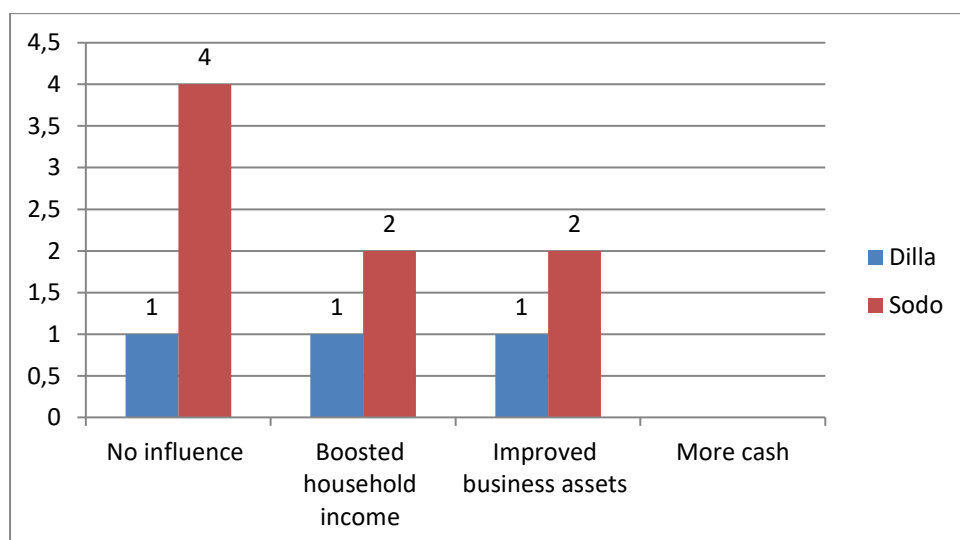
Seven MSEs in Sodo received trainings from Sodo polytechnic College and rated the benefits they got from the College as follow:

Graph 14: Benefits of training from Sodo Polytechnic College

Benefits of trainings from Sodo Polytechnic College



Graph 15: Dilla TVET and Sodo Polytechnic College's training influences on MSEs income



Four MSEs in Sodo stated that the training they received from Sodo Polytechnic College didn't bring any influence on their income, 2 MSEs from Sodo and one MSE from Dilla said the training boosted their household income and improved their business assets.

Gender and Disabilities

According to the interview with Dilla TVET and Sodo polytechnic College managements, the institutions have a goal of achieving 50 % female participants in training centers. In the Colleges, the proportions of women differ in Dilla TVET College the proportion of female trainees is only 40% while it is 51.7% in Sodo polytechnic college.

Even though there are some PWDs in the colleges (8 in Dilla TVET College and 5 in Sodo polytechnic College) the managements declared that the College's compounds are not PWD friendly and it was also confirmed with observation that there were no ramps, handles and disability friendly latrines. However Dilla TVET College managements explained that they started to implement inclusive VET which they don't have before and making the compound PWD friendly by building ramps and disability friendly latrine. However the managements of Sodo polytechnic college stated that even though they have inclusive VET curriculum, they are not implementing it fully, due to financial scarcities. The college currently has no disability friendly latrine, ramps and handles, even though there are disable people using wheel chair. In Sodo, they have one teacher who got sign language who is currently supporting one deaf student. They have also a plan to start braille by training some instructors in Sodo.

Food security and Job Creation Unit

This unit is established recently with the responsibilities of creating job opportunities to MSEs by facilitating working and selling premises to MSEs which was the responsibility of trade and industry before.

According to the interviews conducted with Sodo town and Gedeo zone Food security and Job creation unit management, their office has a plan of creating job opportunities for 75% percent of unemployed youths in the zone. They explained that their office works with high integrity with TVET College; they try to create job opportunities for TVET graduates by helping starting from initiating their interest to work, facilitating their establishment to creating market opportunities.

OMO MFI

Requirements for applying a loan at OMO MFI:

- Collateral (guarantee)
 - Land owner ship certificate, proven ownership of buildings, cars or assurance for reimbursement by NGO or GO
- 20 % of required amount saved in 2 consecutive months (only 80 % of target amount is provided then)
- Business plan prepared
- ID card, resident for at least 180 days
- Socially and economically eligible (no debts, socially acceptable behavior)
- Working/selling premises proved

The most common problem is to obtain guarantee (collateral), as the GO are not willing to provide assurance for MSEs and majority of MSEs don't own enough assets to be able to guarantee for demanded loans.

The other most common issue is the MSEs do not repay the loan they from OMO MFI on regular basis because they usually get in to conflicts after they get the money on how to use it, and the interviewed managements of OMO MFI both in Dilla and Sodo stated that they have established saving and loan agents in each Kebeles so as to solve the problem.

Leather Sectorial Association

All the MSEs both in Dilla and Sodo declared that they didn't know any leather sectorial association and Trade and industry offices both in Dilla and Sodo declared that there are no any leather sectorial associations or actors who are responsible for the sector. They explained that they have trends of establishing sectorial associations for other sector MSEs and it won't be a new and strange experience to apply it to the new MSEs in leather sector.

4. Conclusions and recommendation

4.1. Output 1: Strengthened technical, pedagogical and operational capacities of Wolayita and Dilla TVET Colleges to provide market-relevant and inclusive long-term and short-term vocational training in accordance with national standards and available also to PWDs

Conclusions:

- Currently, both Dilla TVET and Sodo Polytechnic Colleges are not providing any leather production courses and they haven't offered leather focused trainings so far.
- The Colleges has prepared workshops for different leather courses.
- They both don't have any leather machineries.
- Gender: There is a relatively high interest in trainings among women, the women: men ration exceeds 50 % in Sodo polytechnic College and 40% of the trainees in Dilla TVET college are women.
- PWD: Currently, workshops and compounds are not PWD friendly.
- The Colleges do not start implementing inclusive VET yet and they don't use braille and sign language

Recommendations

Regarding indicators of Output 1, the following areas need to be given attention

- Since the Colleges do not have any experience in the leather sector attention should be given to the new instructors and their qualification though frequent follow up.
- The workshops in particular and the compound in general are not PWD friendly, this should be solved by building ramps, handles and disability friendly latrines so as to make PWDs who will be engaged in the courses successful. Providing Braille and sign language course to instructors is also recommended.

4.2. Output 2: Comprehensive support for employment and business development of graduates of TVET in leather sector provided by members of newly established network of stakeholders active in the leather sector.

Conclusions:

- In general there are only four leather sector MSEs and there are no any leather sector MSEs in Dilla.
- The existing MSEs in Sodo have high problems of practical skills and lack of machinaries.
- There is also higher shortage of working and selling premises.
- Most of the MSEs were challenged on providing collateral to get loan.
- There are no any potential employers in both towns since the sector is not common on the areas.

Recommendations

- The newly established MSEs should get enough practical skills before starting the business.
- It is recommended to support MSEs to be able to get loan from official credit service institutions. As the most problematic (and regarding the poverty of applicants partly discriminating) condition is perceived the necessity of collateral (guarantee). Therefore People in Need plans to establish revolving fund controlled by OMO MFI which itself would serve as collateral. The other requirements focused on MSE business skills development would remain.
- Arranging the facilitation of working and selling premises should be given higher attention.
- From the interviews with stakeholders and MSEs it was found out that there are any potential employers for leather course graduates so it is recommended that the graduates should establish MSEs and work on their own business to be successful.

4.3 Output 3: Leather sector industry supported and coordinated through effective information sharing and cooperation among all the stakeholders

Conclusions:

- There are no leather sector associations.
- There is no special coordination on leather sector among relevant Go offices and MSEs.

Recommendations

- People in Need has planned to establish leather sector associations in each of the towns which will help to create cooperation among leather actors.
- The sectoral associations should be followed up by the responsible bodies so that they can be functional and effective on resolving the problems of the MSEs on the sector.