

National Entrepreneurship Strategy of Ethiopia

2020 - 2025



Entrepreneurship Development Center (EDC) -
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List of acronyms:

A4AI	Alliance for Affordable Internet
AACCSA AI	Addis Ababa Chamber of Commerce and Sectoral Associations Arbitration Institute
AAU	Addis Ababa University
AEMF	Association of Ethiopian Microfinance Institutions
BIC	Business Incubation Centers
BSED	Business Skill and Entrepreneurship
CRGE	Climate-Resilient Green Economy
CSA	Central Statistical Agency
DBE	Development Bank of Ethiopia
DCA	Development Credit Authority
DCED	Donor Committee for Enterprise Development
DOT	Digital Opportunity Trust
EAC	East African Community
ECAE	Ethiopian Conformity Assessment Enterprise
ECIC	Ethiopia Climate Innovation Center
EDC	Entrepreneurship Development Center
EDRI	Ethiopian Development Research Institute
EEBS	Empretec Ethiopia Business Society
ESA	Ethiopian Standards Agency
ESDP-V	Education and Sector Development Program V
ESIC	Ethiopian Standard Industrial Classification
EPS	Ethiopian Postal Services
ENAO	Ethiopian National Accreditation
FDI	Foreign Direct Investment
FSMMIPA	Federal Small and Medium Manufacturing Industry Promotion Agency
GEM	Global Entrepreneurship Monitor
GRED	Gross Expenditure on Research and Development
GTP II	Second Growth and Transformation Plan
IAIP	Integrated Agro-Industrial Park
ICTCoE	ICT Center of Excellence
IFAD	International Fund for Agricultural Development
IPR	Intellectual property rights
KAB	Know About Business
KMS	Knowledge Management System
LED	Local Economic Development

LPGs	Loan Portfolio Guarantees
MCIT	Ministry of Communication and Information Technology
MIS	Management Information System
MoA	Ministry of Agriculture
MoFEC	Ministry of Finance and Economic Development
MoST	Ministry of Science and Technology
MoTI	Ministry of Trade and Industry
MSMEs	Micro, Small and Medium Enterprises
NES	National Entrepreneurship Strategy
NFIS	National Financial Inclusion Strategy
NMIE	National Metrology Institute of Ethiopia
NQI	National Quality Infrastructure
OS	Occupational Standards
PCP	Project for Country Partnership
RJOC	Rural Job Opportunity Creation Strategy
RUFIP	Rural Financial Intermediation Programme
SACCOs	Savings and Credit Cooperatives
SMEs	Small and Medium Enterprises
STISA	Science, Technology and Innovation Strategy for Africa
TVET	Technical and Vocational Education and Training
USAF	Universal Services and Access Fund
WEDP	Women Entrepreneurship Development Project
YDGS	Youth Development and Growth Strategy
YoWEP	Youth and Women Entrepreneurship Promotion project

1. Introduction

The Government of Ethiopia recognizes the prominent role of start-ups and micro, small and medium enterprises (MSMEs) in the development of the country's economic growth, diversification and resilience. They have a role to play in making Ethiopia a (lower)-middle income country by 2025, as envisaged by the Second Growth and Transformation Plan (GTP II), the government guiding economic strategy document. Policies initiated by different ministries, as well as governmental programmes and initiatives have been designed to achieve this goal.

UNIDO Project for Country Partnership (PCP) is a process-oriented approach led by the national government and serves as a hub for development partners, UN agencies, financial institutions and business sectors to synergize efforts and accelerate the country's inclusive and sustainable industrial development goals, as set out in GTP II. UNIDO's Youth and Women Entrepreneurship project (YoWEP), designed under the PCP framework, has the objective of supporting the country's industrialization process both by building the capacity of government implementation agencies and crafting a guiding strategy/framework for aligning various initiatives and stakeholders on entrepreneurship development. The development of the current National Entrepreneurship Strategy is a joined collaboration between UNCTAD and UNIDO and financially supported by UNIDO's PCP.

Inter-ministerial coordination and local ownership are crucial and facilitated by the synergies envisaged among the different pillars of the National Entrepreneurship Strategy (NES). Moreover, the government has engaged stakeholders in a participatory process to create a more inclusive and sustainable environment for existing and aspiring entrepreneurs, and for the youth and women of Ethiopia.¹ Entrepreneurship has recently become one of the key agents of change for decent job creation and sustainable economic growth. It triggers a nationwide process that enables the poorest groups of society to climb the wealth ladder, transforms the economy and enhances industrial development through competition and innovation, as well as the development of human capital. (UNCTAD, 2012).

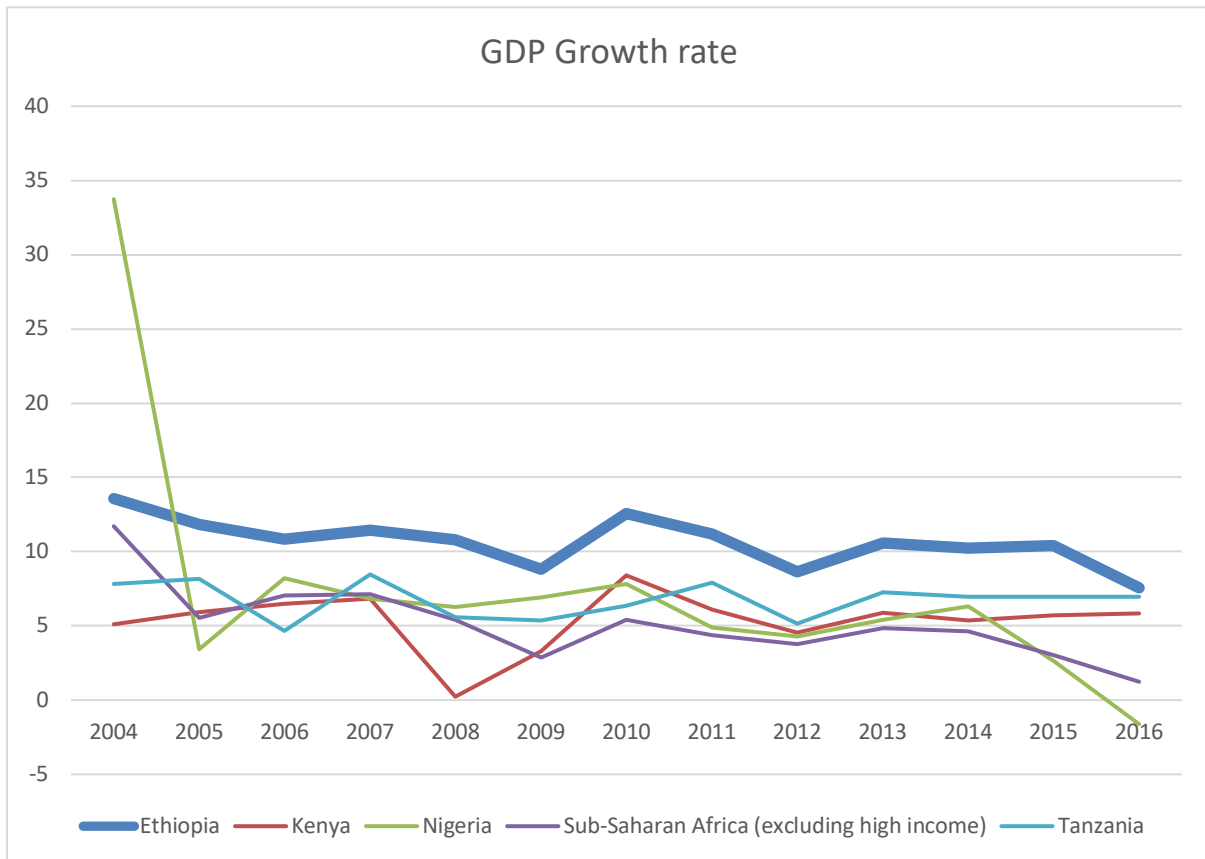
2. Formulating a National Entrepreneurship Strategy for Ethiopia: The Context and Process

2.1. The state of entrepreneurship in Ethiopia

Since the early 2000s, Ethiopia has designed and implemented a series of five-year development plans and various sectoral policies and strategies to trigger economic structural transformation. Structural transformation, or structural change, is defined here as “change in the long-term composition and distribution of economic activities” (UNIDO, 2013: xvi). Ethiopia was Africa's fastest-growing economy in 2016-2017. The IMF World Economic Outlook also predicts 7.5% growth in 2018. For that economic growth to be beneficial in the middle/long-term, it must be socially inclusive and environmentally sustainable. Between 2004 and 2015, the country registered nearly continuous double-digit economic growth (see Figure 2-1). The main economic sectors, including agriculture, industry and services, have also shown unprecedented growth over the same period.

¹ The National Youth Policy (2004) defines youth as those aged between 15 and 29 years old <http://www.mysc.gov.et/youth.html>

Figure 2-1 GDP Growth rate of Ethiopia and counterparts

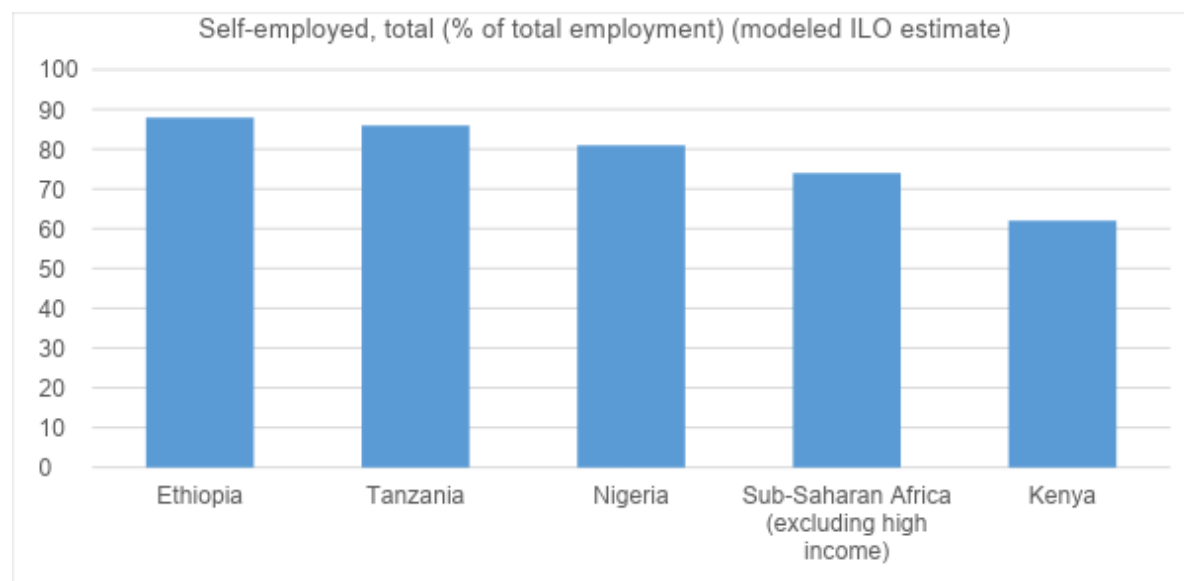


Source: World Bank, 2017

However, the country has not made significant strides in its structural transformation. In terms of sectoral composition, the service sector (41.5%) has overtaken agriculture as the largest contributor to GDP since 2010/11. Agriculture produces 37.2% of the value added and industry 21.3%. Ethiopia has made little progress in improving productivity in agriculture and in manufacturing. According to the CSA Labour Force Survey report 2013, agriculture accounts for about 72.7% of the 42.4 million employed people aged 10 and above.

In Ethiopia, self-employment is significant, accounting for about 41.1% of total urban employment, demonstrating the informal nature of employment. It is even more predominant in rural areas: self-employment in Ethiopia accounts for about 88% of total employment. It is one of the highest rates among African countries (see Figure 2-2).

Figure 2-2: Total self-employment as % of total employment



Source: ILOSTAT

The high percentage of self-employment however is not indicative of the presence of a thriving entrepreneurial community or an ecosystem that facilitates the creation of enterprises with high value-added generation. Ethiopia has few private enterprises in comparison to its population size. To make matters worse, about 85% of the enterprises are micro enterprises and few graduate into small, medium or large businesses. According to the latest available data (2012) of the Global Entrepreneurship Monitor (GEM), Ethiopia has one of the lowest entrepreneurial activity rates in sub-Saharan African countries, with about 12% of the adult population (18-64) reporting that they were in the process of establishing a new business or had been running businesses in the last 3.5 years. The average for countries in the sub-Saharan region is about 28%. Similarly, 8% of adults run established businesses in Ethiopia while the regional average stands at 15% (Herrington and Kelly, 2012). The country needs to enlarge the entrepreneurial community to achieve its structural transformation and to develop competitive and innovative small and medium sized firms.

A positive sign is the arguably high number of social entrepreneurs (about 55'000). According to this study conducted by the British Council, social enterprises in Ethiopia is a young and growing sector. Half of social enterprises' leader are under 35 years old and a quarter are women, which well above the national average of 4.5% (British Council, 2017).

2.2. The existing policy and institutional framework

The Government of Ethiopia has given special focus to entrepreneurship and small businesses development since the mid-1990s. It formulated an MSE development strategy in 1997 and established relevant institutions to implement it. The issue of entrepreneurship and MSEs has also been embedded in other strategies and development plans. The “*enhancement of enterprise cultivation and entrepreneurship*” is one of the strategic objectives of the Ethiopian Industry Development Strategic Plan (2013-2025) (MoTI, 2014).

These initiatives created the expectation that a large number of private entrepreneurs creating jobs for themselves and others would emerge. However, a vibrant small business sector has not yet emerged in Ethiopia. The existing enterprises are not adequate in terms of number, business sector or growth prospects.

The absence of a specific Entrepreneurship Strategy has resulted in fragmented initiatives and duplicated efforts, as shown in Table 2-1 below. To fill this gap, the Government of Ethiopia, in collaboration with UNIDO and UNCTAD has initiated the development of the proposed National Entrepreneurship Strategy (NES). The adoption of a NES is seen as an opportunity to design policies and strategies in all the pillars (regulations, education, innovation, access to finance, awareness and networking) as well as in other cross-sectional policy areas (women and youth, environmental sustainability, rural-urban linkages). This proposed NES is a tool for grass-roots private sector development, nurturing the entrepreneurial mindset at all level of society.

Table 2-1 List of policies related to entrepreneurship adopted by the Government of Ethiopia Source: EDRI Analysis

Name	Year	Key Focus areas/ Interventions	Target groups	Main Implementing agency
National TVET Strategy	2008	-Creation of an integrated yet decentralized and result-oriented TVET system -Make TVET hubs of technology development and transfer, restructure the TVET system to effectively deliver its goals	TVET students and graduates	Federal TVET agency
National Employment Policy and Strategy of Ethiopia	2009	-Promoting job creation in the private sector, public sector, self-employment and entrepreneurship -Improving labour market institutions -Achieving democratic transition, address rural-urban migration, protecting the rights of migrant workers, mainstreaming youth and gender in employment generation, child labour protection and environmental protection and resource conservation	Youth Women Disabled Children Migrants	MoLSA National Employment Council consisting of members from various ministries
Revised MSE Development Strategy	2011	-Human capital and technology development -Industrial extension policy -Access to finance, capital and working premises and market -One-stop shop service policy and favourable business environment -Note: support is customized based on the phase of growth of enterprises (start-up, growth and maturity phase)	Mainly manufacturing MSEs Labour intensive manufacturing, construction, trade and agricultural sub-sectors	FeMSEDA and its regional counterparts
The Green Economy Strategy	2011	-Improving crop and livestock production practices - Protecting and re-establishing forests for their economic and ecosystem services - Expanding electricity generation from renewable energy - Leapfrogging to modern and energy efficient technologies	Medium and large enterprises	MoTI, MUDHCo, MoWIE, MoEF, MoA
Science, Technology and Innovations Policy	2012	-Technology transfer -Human resources development -Research, financing and incentives schemes -Universities/research institutes/TVET institutions linkages with industries, science and technology information systems and intellectual property system. -Ethiopia's government also established the Ethiopia <i>Kaizen</i> Institute (EKI) in 2011 to disseminate <i>Kaizen</i> innovation system throughout the country.	Government bodies Firms Individuals Universities and research institutes	Ministry of Science and Technology
Industrial Development Strategic Plan and Roadmap	2013-2025	- Targets to increase share of industrial sector from 15% to 27% of GDP by 2025 - Targets to increase share of manufacturing sector from 33% to 67% of GDP by 2025 - Promote foreign investment and develop industrial zone	Mid-size and large firms	MoTI
Urban Development Strategy	2013	- Develop one-stop shops to alleviate problems of MSEs such as market, finance, capital, skills	MSEs are one of the priorities	Ministry of Urban Development and Housing
Education and Sector Development Program	2015	-Strengthening occupational standards development -Assessment, trainee development and institutional capacity building -Industry extension and technology transfer services	TVET institutes TVET students TVET graduates	Ministry of Education TVET agencies TVET Institutes
Ethiopian Youth Revolving Fund Establishment Proclamation	2017	-Assist youth to employ their capabilities in creating job opportunities -provide financial assistance for organized income generating activities conducted by youth -ensure the all-rounded participation and benefit of youth	youth (18 to 34) organized under micro enterprises (as meant in article 2(3) of the Federal Urban Job Creation and Food Security Agency	Ministry of Finance Ministry of Youth and Sports

National Financial Inclusion Strategy	2017	-Strengthen financial infrastructure -Ensure the supply of adequate range of suitable products, services and access points - Build a strong financial consumer protection framework - Improve financial capability	Ethiopian population in general	National Bank of Ethiopia
National Small and Medium Manufacturing Industry Development	2018	-Recognizes the importance of access to finance -Advocate for industrial parks and cluster development -Advocate for partnership and linkages between local and international firms	Small enterprises in the manufacture sector	FSMMIPA
Rural Job Opportunity Creation Strategy	2018	-Capacity building for the development of sustainable entrepreneurship in rural areas	Rural population, women and youth	Ministry of Agriculture

Entrepreneurship strategy cannot, of course, be treated separately from broader economic development strategies. Coordination and coherence are essential in order to achieve a positive impact, to benefit from the synergies of these policies, and to maximize the economic and social growth they can provide. This requires a “whole of government” approach, with strong commitment at top ministerial level and coordination across ministries, in partnership with the private sector and other civil society stakeholders, including academia, NGOs, and community organizations. The different pillars (regulations, education, innovation, access to finance, awareness and networking) are also linked to one another. As entrepreneurship is a systemic phenomenon, a bottleneck in one area may become a bottleneck for all other areas. Enterprises can only thrive if the overall environment enables them to obtain all the external inputs that they require—e.g. skills, finance or technological services—at the right time.

Yet, many relevant policies have been devised for sectoral development, creating a silo mindset as well as an intricate web of incentives and disincentives. The objective of the entrepreneurship strategy is to create a conducive environment for all entrepreneurs, based on building trust among the government and all stakeholders in Ethiopian society. In addition, it includes cross-cutting elements to link with other national policies, in particular industrial, science, technology, urban development and innovation and regional development policies.

Several bodies have been identified as being responsible in some way for MSMEs development, with diverse measures and mandates, namely:

- The Federal Small and Medium Manufacturing Industry Promotion Agency (FSMMIPA) led by the Ministry of Industry
- the Federal Urban Job Creation and Food Security Agency led by the Ministry of Urban Development and Housing and its Entrepreneurship Development Center (EDC)
- To coordinate policy action on SMEs development, there is a special council under the PM’s office, and whilst its mandate does not focus on entrepreneurship, it includes youth, job creation and SMEs development.
- The Jobs Creation Commission, under the office of the Prime Minister, mandated to identify, study, implement and monitor new job creation schemes.
- The Ministry of Agriculture and Natural Resource, mandated to promote agricultural development, has programmes and initiatives related to rural entrepreneurship

Strengthening the institutional structure: Establishing the Council on Entrepreneurship

A Council on Entrepreneurship should therefore be established, under an existing institutional mandate, as a coordination body responsible for the implementation of entrepreneurship-related policies and strategy. Such an identified institution should be strengthened to lead the council, securing its sustainability and by creating a regular private-public sector mechanism for engaging all entrepreneurs in a constructive dialogue. The overlapping and lack of coordination among actors in the field of entrepreneurship is a reality and a challenge for Governmental Institutions, as well for the local and international development partners in Ethiopia. The establishment of a National Coordination Platform on Entrepreneurship seeks to create a unique party recognized by all the stakeholders as the point of reference for all entrepreneurship-related initiatives in the Country, and as the responsible body for the application of a coordinated and strategic approach. The Platform will serve to improve harmonization and coordination of initiatives and to increase awareness by facilitating information sharing at federal and regional levels.

The Coordination Body created within the Platform shall serve as a:

1. **Unique entry point for all stakeholders** (donors, agencies, implementing partners,...) willing to work/active in the field of entrepreneurship in Ethiopia;
2. **Leading Institutions** responsible for the effective and timely implementation of the NES Action Plan;
3. **Body able to strategize future interventions** and to provide guidelines for a more streamlined approach and greater impact.

Improving institutions' performance: building on e-governance, measuring results and ensure policy learning

The strategy is also an opportunity to improve institutions performances as well. The Government of Ethiopia has defined e-governance as the application of electronic means in the interaction between government and citizens, and government and businesses, as well as in internal government operations, to simplify and improve democratic, government and business aspects of Governance. E-governance can facilitate the interaction of entrepreneurs with regulators and improve the engagement of stakeholders in strategy implementation and increase efficiency.

Lack of a clear entrepreneurship strategy and the institutional weakness and fragmentation affect the Government's ability to adequately measure impact. There are no specific targets or measurable objectives for increasing entrepreneurial activity. Moreover, there is a lack of formal mechanisms for ensuring feedback, monitoring and evaluation, which means policy lessons are seldom learned. Impact assessment usually takes places on an ad-hoc basis. For example, the SMEs strategy impact was assessed in 2015/2016 for FeMSEDA with the support of Embassy of Canada, by means of an external survey.

It is therefore advisable to think of a Monitoring and Evaluation (M&E) Plan in parallel of the NES and the Action Plan. Technical assistance from UNIDO or UNCTAD can be provided in this regard to provide FSMMIPA with the internal capacity and the correct tool to conduct M&E.

Policy makers could also consider adopting the Donor Committee for Enterprise Development (DCED) Standard for Results Measurement, which has been developed to measure and improve programme performance (Donor Committee for Enterprise Development, 2010). The Standard helps programme managers to clearly articulate the hypothesis connecting programme activities with desired change at the enterprise and economy level.²

In addition, the development of a Knowledge Management System (KMS) based on the one used by the RJOC, could also ensure a feedback loop and better learning. Finally, the establishment of an SME index that would integrate the main pillar of this strategy would be a useful M&E tool to indicate the effect of economic policies on small enterprises in general and of the strategy in particular.

Table 2-2 below sets out the SWOT analysis for the implementation of a National Entrepreneurship Strategy for Ethiopia.

² <https://www.enterprise-development.org/measuring-results-the-dced-standard/>

Table 2-2 SWOT Analysis of the Ethiopia NES Implementation

Strengths	Weaknesses
<ul style="list-style-type: none"> • Human potential: young and resourceful entrepreneurial force (demographic dividend) • Economic potential of women entrepreneurs • Sustained GDP growth of approximately 10% on average over the last 10 years • Government expenditure on education almost doubled from 2002 to 2012 	<ul style="list-style-type: none"> • Lack of data on the entrepreneurial ecosystem • Lack of inter-ministerial coordination • Unclear leadership of governmental agencies for entrepreneurship implementation capacities and funding • Weak governance standards • Very weak ICT infrastructure • Closed, underdeveloped financial system • Lack of linkages between rural and urban entrepreneurial ecosystems
Opportunities	Threats
<ul style="list-style-type: none"> • The economic weight of the country in the region • Ethiopia's geographical proximity to export markets • Ethiopia's membership in the East African Community (EAC) and the Community Market for Eastern and Southern Africa (COMESA) totally together over 600 million consumers • The Continental Free Trade Area, signed in spring 2018, brings together fifty-four African countries with a combined population of more than one billion people and a combined gross domestic product of more than US \$3.4 trillion • Renewed transport infrastructure for the Ethiopia-Djibouti trade corridor • Strong FDI inflows (US\$ 4 Billion in 2017) 	<ul style="list-style-type: none"> • Increased competition in Ethiopia's strategic economic sectors • Increased in tariff and trade barriers at the global level • Effects of global warming on Ethiopia's agricultural ecosystem • Political instability, social upheaval and recurring conflicts within the Horn of Africa • Societal preference for products and services with foreign brands •

2.3. The strategy formulation process

The design of the NES should reflect the specific realities of the country and therefore needs to be based on a thorough assessment and understanding of the current state of entrepreneurship and the ecosystem within the country. The NES must also follow a broad-based consultation process with key federal and regional governmental representatives.

To ensure this, strategy formulation in Ethiopia followed a three-step approach:

- **Preliminary Studies (Phase I):** A desk review of the entrepreneurship and business environment in Ethiopia and existing policies, together with a mapping of key actors in the entrepreneurship ecosystem has been done by local institutions (EDRI and GIZ). For the NES to reflect the existing situation of the country, it should be based on a thorough assessment and understanding of the country's state of entrepreneurship and its ecosystem. These studies provided a basis for identifying key priority issues in the preparation of the national entrepreneurship strategy. Together with UNIDO, UNCTAD also gathered preliminary data on current entrepreneurship promotion programmes/initiatives and future development agendas from several governmental agencies and donor communities (MoI, Agricultural Transformation Agency, EDRI, Italian Cooperation, DFID, World Bank, IFC, European Union, European Investment Bank, Canada Embassy, Techno serve, CAWEE, Netherlands Embassy and Nova Star Ventures). This provided the overall framework of the

country's policy environment and focus of donor programmes to align it with existing and future agendas being initiated in entrepreneurship.

- **Data Collection and Consultation (Phase II):** The formulation of the strategy was based on a participatory process with the objective of engaging all the relevant stakeholders and developing an evidence-based document. It is therefore the result of a collaborative effort drawing on local expert research and inputs provided by the workshop participants and focus groups, including:
 - The organization of a first consultative workshop in Addis Ababa, which gathered more than 120 participants from over 70 organizations representing governmental and non-governmental organizations. This workshop laid the foundation for acquiring initial feedback from the stakeholders to initiate the first draft NES strategy.
 - Two rounds of working group discussions on each of the thematic pillars (regulatory environment, education, innovation, access to finance, awareness and networking) i.e. 10 sessions with the involvement of approximately 190 participants from various organizations. Inputs and propositions were compiled and integrated in the preparation of the strategy.
 - Four regional consultation workshops on the NES have been conducted in the regions including SNNPR, Tigray, Amhara and Oromia, involving 137 experts from at least 25 sectoral organizations in each regional government offices, and local entrepreneurs.

- **Design and Approval (Phase III):**
 - The structure of the document follows the Entrepreneurship Policy Framework developed by UNCTAD. It identifies policy objectives and options in the form of recommended actions and proposes checklists, case studies and good practice. It also offers a user guide and methods for monitoring and evaluation, suggesting a set of indicators to measure progress.
 - Consultations at NES - Technical Task Force (TTF) level have also been conducted to review the draft NES strategy and to ensure its alignment with current realities and government strategies. The TTF is composed of Governmental and non-governmental organizations that are the key promoters of entrepreneurship such as: MoI, MoST, MoYS, EDC, GIZ, FSMMDA, WB, UNCTAD, UNDP and UNIDO.

3. Ethiopian National Entrepreneurship Strategy: An overview

Vision

- **Creating entrepreneurial opportunities for all**
- **To establish an ecosystem conducive to sustainable entrepreneurship**
- **To establish an ecosystem conducive to innovative, green, social and inclusive entrepreneurship for all**

Mission

- To promote inclusive entrepreneurship through the development of entrepreneurial opportunities for all and contribute to the economic and social transformation of the country and promote a “*can do*” mind set shift in the society.
- To ensure that disadvantaged groups, such a women, youth, rural population and people with disabilities benefit from entrepreneurial opportunities
- To support the development of innovative, competitive entrepreneurs, enhancing industrial production and productivity
- To triggering agricultural transformation through rural entrepreneurship
- To promote the creation of entrepreneurial opportunities innovative green industries

Coverage

According to UNCTAD, an **entrepreneur** is an individual who identifies opportunities in the marketplace, allocates resources, and creates value. **Entrepreneurship** “implies the capacity and willingness to undertake conception, organization, and management of a productive new venture, accepting all attendant risks and seeking profit as a reward” (UNCTAD, 2012). **Entrepreneurial ecosystems** can then be defined as “a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory” (Stam and Spigel, 2016). The implementation of the National Entrepreneurship Strategy in Ethiopia will be facilitated by the introduction of clear targets, by defining profiles of rural, innovative, youth, green and women entrepreneurs. Another categorization will identify the business development stage, such as start-up, growth phase, exporting firms. This will help to policy makers to adjust measures according to different business needs. The strategy primarily addresses the emergence of new businesses, but it will also identify the relevant needs of the enterprises in the growth phase. It will refer to measures to strengthen export development, which is already included in separate government policy and strategy.

Objectives

Optimizing the regulatory framework. To set up an easy, transparent and digitalized start-up process and streamlined procedures for Micro, Small and Medium sized Enterprises (MSMEs) operations, with adequate regulations for finance and insurance. Strong property protections, functioning courts, and modern legal and judicial systems will serve new and existing businesses, with special provisions for women and youth; with appeals mechanisms available as well as an

oversight mechanism. Innovative Start-ups and SMEs would benefit from a reduced business tax and be able to carry over losses into the future. A special programme of technical assistance will be designed for SMEs operating in the “informal” sector to bring them into the formal sector, with simplified labour regulations. This can also help improve access to insurance and finance. A coherent, unique and legal definition of “SME” and “innovative start-up” is one of the main proposals of this NES. It will improve data collection and adequate institutional support. Regulatory sandbox and specific support are designed to encourage the establishment of innovative and competitive firms. Good governance of the support institutions and a strong public-private sector dialogue will be put in place, embedding the different cohorts. A modern bankruptcy law will stimulate investment and risk-taking necessary for entrepreneurial activity.

Enhance entrepreneurship education and skills development: The youth of Ethiopia need to be educated in best practice entrepreneurship and business skills, become IT savvy and learn languages, whatever their field of specialization, to drive Ethiopia’s economy forward effectively. A thorough reform of entrepreneurship education will include the adoption of a learning-by-doing methodology to achieve mind-set and behavioral changes. Improved practical entrepreneurship curricula, academic teaching and new learning resources which account for the needs of local communities are envisaged. Extra-curricular learning and increased interaction and involvement of private sector in the learning process will offer opportunities to strengthen university-industry linkages, to provide students with role models and success stories and to introduce them to the business reality surrounding them. In parallel, the NES envisages the strengthening of teachers to enable them to teach and transmit entrepreneurship skills effectively. An emphasis upon students determining the futures they want and expanding their horizons to self-employment opportunities, and a strong training of trainers, represent a dual approach in which stakeholders can work together to achieve effective mind-set change. To implement this change, there will be mobilization of all responsible entities including, TVETs, universities, standard authorities, local government and the private sector and support organization.

Facilitate technology exchange and innovation: An information technology and communications infrastructure must be built through private/public partnerships that will propel the development of Ethiopia’s industry and entrepreneurship into the 21st century. At the core of this pillar lies the “innovative start-up” status that will enable access to an incentive package, including capacity building and access to finance mechanisms. A substantial shift towards green technologies and the upgrading of existing industrial and agro-parks will be sought to embed start-ups in these facilities and develop linkages between large and small businesses in key value chains. Information on economic opportunities and government procurement will facilitate market access to SMEs. University and secondary school education should teach young Ethiopians IT skills and programming languages, critical thinking and creative problem-solving. Intellectual property will be protected so that researchers and innovators are encouraged to invest time, energy and funds into research and development of new ideas or products.

Improving access to finance: Improved and affordable access, particularly for vulnerable population, to financial services will be a priority, as will be the facilitation of access to venture and equity capital, particularly important for innovative start-ups. Access to credit will be facilitated through the creation of innovative financing tools, such as the creation of a collateral registry and loan guarantee scheme funds. In addition, the financial management capacity of small firms will be

upgraded. New investment vehicles expand access to green financing to exporters and export-ready MSMEs. Trade support institutions will be empowered to better support MSMEs for improved access to green financing. Value chain financing mechanisms will be strengthened, expanding financial inclusion. Additional tailor-made mechanisms will be made available to rural entrepreneurs.

Promoting awareness and networking: Changing mind-sets and behavior is a long-term challenge and the strategy makes a continuing commitment to engage all stakeholders for promoting entrepreneurship and inclusive and sustainable development. To build a community of entrepreneurs, the development and promotion of entrepreneurial networks and offline and online platforms at regional and federal level will be encouraged to improve the effectiveness of local development policies, thereby contributing to the economic modernization and increased competitiveness of the country. Moreover, tailored awareness campaigns will share inspirational evidence, target potential groups and select the type of actions and activities likely to have an impact in each local context.

Targeted Entrepreneurs:

The profiles below present the target groups for Ethiopia's Entrepreneurship Strategy. To complement this information, additional surveys will be carried out during the implementation, monitoring and evaluation phase.

Innovators: Individuals who are able to “implement a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations“ (OECD definition of innovation) (

Rural and Agropreneurs: Highly entrepreneurial farmers and businesses with potential to transform agriculture in value added products, coming out of commodity dependency to achieve industrial agribusiness transformation.

Green entrepreneurs: Entrepreneurs who start and run ventures that are designed to be environmentally sustainable in products and processes from the moment of set up, aiming to have a positive effect on the natural environment, reducing any negative impact and at the same time to achieve financial sustainability

Young Entrepreneurs: The Youth Policy of Ethiopia, adopted in 2004, defined youth as aged between 15 and 29. UNESCO statistic reports that people aged between 15 and 24 make up approximately 20% of the Ethiopian population, making a total of 60% of the +100M population being under 25 years old. The projected increase in the size of the youth population in Ethiopia should not be viewed as a liability, rather as an asset that, if well harnessed, could yield a ‘demographic dividend’ in terms of providing a potential source of labour and creating jobs, as well as a ready consumer-base for goods and services, thereby providing the impetus for economic growth and social development.

Women Entrepreneurs: Although small businesses owned by women in Ethiopia have traditionally focused on the fashion, food and services sectors, recently women entrepreneurs have been moving rapidly into manufacturing, construction and other industrial fields. The hidden entrepreneurial

potential of women has gradually been changing with the growing sensitivity to their role and economic status in the society. It means women have the potential, skills, knowledge and adaptability to run a business successfully.

Social Entrepreneurs: They develop, fund and implement solutions to social, cultural, or environmental issues. This concept may be applied to a variety of organizations with different sizes, aims, and beliefs. Social entrepreneurship typically attempts to further broad social, cultural, and environmental goals, often associated with the voluntary sector in areas such as poverty alleviation, health care and community development.

The strategy also considers the following phases of enterprise growth:

Stage 1: Start-up

Having tested their business ideas in the market, the start-up phase includes the registration, obtaining the legal entity and official launch. Start-up needs are distinct in all the areas of the UNCTAD's EPF. Start-ups need to be nurtured and supported in developing their business skills as this is the riskiest stage of the entire business lifecycle. In fact, it is estimated 25% of start-ups do not reach their fifth birthday. The attrition rate is much higher in Ethiopia and start-up rarely graduate into SMEs.

Stage 2: Growth and Expansion

At this stage, businesses generate a consistent source of income. Entrepreneurs develop concerns about labour, productivity, competition policy, taxation and positioning in the local market. This is the transformational phase, during which the enterprise can expand and achieve improved quality and production standards. Companies at this stage are commonly referred to Small and Mid-sized Enterprises (SMEs).

Stage 3: Maturity and exit

At this stage, companies look at broadening their horizons with expanded offerings and entry into new geographies, beyond borders and within other markets. The company could be a role model to other enterprises by creating employment and substantial income for owners as well as contributing to the entire economy through taxation and creating national wealth. Some companies may not succeed and may exit the sector or close the business. Companies at this stage are usually medium and large firms.

The NES makes recommendations for all three stages. However, its focus is on the start-up and growth and expansion stage. Annex 1 provides details on the different measures according to the enterprises business lifecycle.

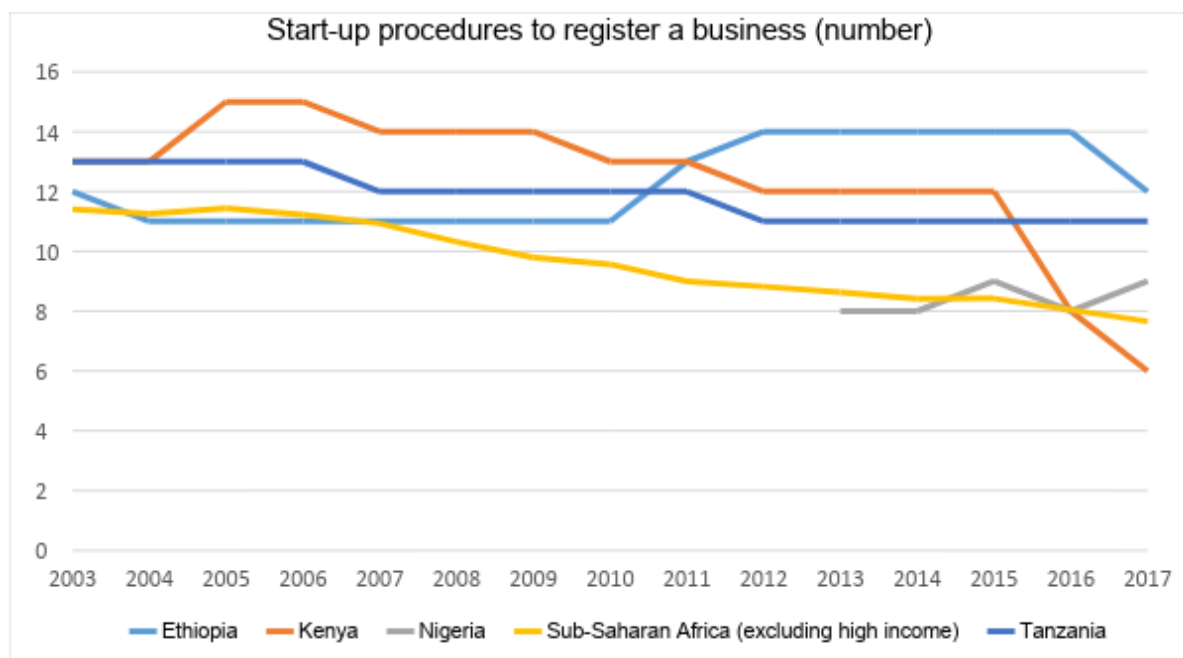
4. Main components of the Ethiopian National Entrepreneurship Strategy

4.1 Optimizing the regulatory environment

Economies with high rates of entrepreneurship offer a conducive environment and have streamlined procedures for business establishment and operations, providing a stable and transparent regime that governs disclosure, licensing and registration procedures, and the protection of physical and intellectual property rights.

Ethiopia lags behind its neighbours in all aspects of regulation relating to starting a business. While the number of procedures to register a business dropped down to 8 in Sub-Saharan Africa from 2003 to 2017, it did not change in Ethiopia, remaining at 12, as shown in Figure 4-1.

Figure 4-1 Number of procedures to start a business in Ethiopia and Sub-Saharan Africa



Source: World Bank Database

To respond to stakeholders' needs, the strategy focus is on cutting red tape, and investing more in simplification and transparency.

To improve the regulatory framework, the first step is to consolidate the legal status of micro, small and medium sized enterprises (MSMEs). There is still no clear and consistent definition of MSMEs in Ethiopia. The definition was revised 2011 to align it with other countries and international organizations. However, the adopted definition segregated services from manufacturing and thus governmental bodies apply it differently. Moreover, this new definition does not distinguish small from medium and medium from large enterprises. The Central Statistical Agency (CSA) merged

medium and large enterprises together when these enterprises have more than 10 employees and use automated machinery. In the definition, the type of assets and services are neglected. The Federal Micro and Small Enterprises Development Agency (FeMESDA) defined micro and small firms according to their needs for support, excluding medium sized firms. The Ministry of Finance and Economic Development (MoFEC) does not appear to use any definition of micro enterprises³.

The problem of definition is combined with a weak institutional framework. There is no central institution to coordinate the various activities of stakeholders involved in economic development according to size and business cycles.

The lack of a clear definition has many negative implications ranging from difficulties in policy design and implementation to monitoring and evaluation. Micro enterprises are often informal and do not appear in the fiscal registry. Service enterprises are often neglected from a statistical point of view, and also do not receive sufficient support. Table 4-1 provides a synopsis of barriers and suggested measures.

Table 4-1 Optimizing the regulatory environment.

Objectives	Barriers	Recommendations
Examine regulatory requirements	<ul style="list-style-type: none"> • Inconsistent definitions • Sectoral administrative requirements create multiple procedures • Weak inclusion of small firms in public-private dialogue 	<ul style="list-style-type: none"> • Establish definition of entrepreneurship and MSME, (as proposed by the NFIS) • Improve data collection • Engage small firms in public-private sector dialogue, building on existing fora
Minimize regulatory hurdles for business start-ups and MSMEs where appropriate	<ul style="list-style-type: none"> • Weak one-stop shops support for local entrepreneurs • Lack of online digital procedures • Complicated tax system and burdensome administration • Costly bankruptcy procedures • Lack of institutional capacity • Regulatory hurdles for social entrepreneurship, associations and grass-root movements. 	<ul style="list-style-type: none"> • Reinforce skills and mandate of one-stop shops, particularly in rural areas • Extend number of one-stop shops and introduce online procedures • Fully implement reforms to ESIC categorization • Establish an “innovative” start-up status with legal definition (see pillar on innovation) and introduce regulatory sandbox • Raise the threshold for VAT imposition • Review bankruptcy law and procedures
Build entrepreneurs’ confidence in the	<ul style="list-style-type: none"> • Weak governance • Inadequate Alternative Dispute 	<ul style="list-style-type: none"> • Modernize the ADR mechanism and resolve conflict between

³ The Council of Ministers Regulation (No. 373/2016) establishing the Federal Small and Medium Manufacturing Industry Development Agency provides a clear definition of small “manufacturing” enterprises, which bounds its mandate to manufacturing. As objective, it plans to establish a one-stop shop for “manufacturing” small enterprises. <https://chilot.me/wp-content/uploads/2017/04/regulation-no-373-2016-federal-small-and-medium-manufacturing.pdf>

regulatory environment	<ul style="list-style-type: none"> • Resolution (ADR) mechanisms • Lack of information transparency/uniformity on administrative procedures, especially for public procurements • Lack of a model PPP for sustainable development • Tension between customary law and civil code • Land ownership restrictions and uncertainty • Weak competition and property rights affecting the growth phase 	<ul style="list-style-type: none"> • customary law and civil code • Fully implement e-procurement strategy • Strengthen competition law and intellectual property rights • Establish Geographical Indications and procedures for DOC and DOP • Continue land ownership reforms
Guide and support entrepreneurs through the start-up administrative process and enhance the benefits of formalization	<ul style="list-style-type: none"> • Lack of coordination and transparency • Multiplication of institutional counterparts as interlocutors in the process • Business regulations and advice are not available electronically • Multiplication of initiatives in an uncoordinated manner • Weak capacity of regional governmental bodies 	<ul style="list-style-type: none"> • Strategize and streamline initiatives to guide entrepreneurs • Increase capacity of local administrations • Establish a client charter in administrations • Establish benchmarking • Modernize, formalize and disseminate information on procedures via OSS and online • Establish social protection, insurance and simplify labour law to trigger formalization

a. Examine regulatory requirements for Start-ups, Micro and Small Enterprises

Distinguishing essential regulations from those that are redundant is possible only on the condition that the regulatory requirements are regularly assessed. Regulatory review requires examination and feedback from the private sector. This mechanism is in place in the form of The Public Private Consultative Forum (EPPCF). established by the Ministry of Trade and Industry and Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA). It also supports Public-Private Dialogue (PPDs) through regional chambers or other partners such as the Center for International Private Enterprise (CIPE). It established a National Business Agenda (NBA) 2013-2014 whose objectives were to:

- Identify and prioritize concrete policy, legal, regulatory and administrative barriers faced by the Ethiopian private sector,
- Select opportunities for facilitation measures by recommending concrete actions and steps to remove these barriers or alleviate/reduce the costs which they imply for businesses,
- Prepare a priority list of issues to be reviewed through a public-private sector dialogue that can ensure sustainable level of consultation with the Government.

This seems to be the most comprehensive and thorough exercise in business regulations impact assessment that Ethiopia has undertaken. It has not, however, resulted in a formal and regular business environment review mechanism.

Barriers

- Inconsistent and multiple sectoral definitions of micro, small enterprise and medium-sized enterprises
- Weak data collection due to definition issues and lack of institutional capacity
- Administrative requirements are often established by sectors, so, naturally, these requirements do not apply to all types of enterprises. In addition, data collection to benchmark the time and costs of starting businesses is weak
- The EPPCF appears to be designed for larger businesses. The research-driven agenda for Public-Private Dialogue that EPPCF follows is naturally biased toward larger firms, since the coverage and engagement of start-up and small business is more difficult and cumbersome

Recommendations

- Unify the existing definitions of MSMEs across ministries, state agencies and governmental programmes. A definition of “Start-up”, which would emphasize the process of setting-up functional business rather than its size, would allow the revision and simplification of some regulatory requirements
- Gather data on the self-employed, micro and small enterprises disaggregated by gender, age and geography, in order to formulate evidence-based policy and better understand the effect of business regulations on small scale entrepreneurship
- Build upon the EPPCF to establish a mechanism(s) through which MSMEs could participate in a Public-Private Dialogue

b. Minimize regulatory hurdles for business start-ups where appropriate

The perceived regulatory burden on entrepreneurs is the sub-area of the regulatory environment that deserves the most attention according to the result of the workshop conducted in March 2018 (see Annex 2). Selected regulations related to business registration have been revised such as, for example, the minimum paid up capital requirements. However there remain many constraints and the whole process becomes more cumbersome if the nature of the business and business model is an innovative one which falls out of the standard scheme. The Ethiopian Standard Industrial Classification (ESIC), which categorizes firms according to their activities, lacks flexibility and business registration requires certification criteria to be fulfilled as a pre-requisite. Obtaining multiple license for closely related business activities drives the cost of compliance up. Since the start of the NES, ESIC has been reviewed and the number of business activities reduced from 1’352 to 429.(World Bank 2016, Tadesse, 2028). This reform needs however to be fully implemented. By the same token, paying taxes and closing a business is very costly in Ethiopia. There is a need for thorough implementation of initiatives simplifying administrative processes. Overall, the introduction of a National ID card, important also for facilitating access to finance (see improving access to finance) would be a first step toward the reduction of administrative burdens as almost all procedures require it.

Barriers

- The strict and inflexible categorization by ESIC is a burden for innovative businesses, whose activities do not fall neatly in ESIC categories. A lot of administrative procedures are attached to ESIC categories.
- Complicated VAT system is ill adapted to start-ups and small enterprises: paying taxes can be complicated for small firms. Evidence shows that the tax burden is heavier on small firms due to the strict reporting requirements, driving up the cost of compliance
- The absence of ICT-based administrative procedures imposes increased costs and uncertainty on businesses and increases government inefficiency. The weak IT infrastructure does not facilitate implementation of regulatory reforms.

- One-stop-shops which do exist for foreign investors (EIC), are of weak support to local, and particularly small, investors, and offer very poor coordination, information and services. One-stop shops are hard to access for local businesses, making the licensing process too lengthy, and often discouraging to entrepreneurs, particularly women and youth
- Bankruptcy procedures are extremely costly and takes a long time, pushing many entrepreneurs to just leave businesses inactive (but still registered) instead of closing them, therefore biasing statistics and data collection
- The lack of institutional capacity is problematic. Ministries do not have any guidance manuals on how to reform regulations and implement reform focused on entrepreneurship. There is a high turnover of staff, which prevents an effective process of institutional learning.
- Lack of capacity and skills for client-oriented services, adapted to MSMEs and women, is also problematic

Recommendations

- Prioritize the establishment and network of one-stop shops for start-ups across the country, including upgrading the IT infrastructure of local administration and opening the door for other procedures to be available electronically and online.
- Develop capacity building for relevant administrative staff, both at the local and federal level; as well as establishing a culture of client orientation within institutions.
- Fully implement reforms to simplify ESIC categories to allow more flexibility between different economic activities
- Establish an “innovative” start-up status with legal definition and regulatory sandbox
- Raise the threshold over which enterprises are required to file accounting records and define adequate solutions for VAT payments
- Review bankruptcy law and procedures

c. Build entrepreneurs’ confidence in the regulatory environment

One of the consequences of the perception of over-regulation is weak confidence in the regulatory environment, which is aggravated by the lack of coherent laws and poor enforcement, leading to a preference of graduates to employment over self-employment. The protection of entrepreneurs’ intellectual property rights seems also not to be fully respected.

Uncertainties related to land access and real-estate are problematic and may discourage potential and existing entrepreneurs. According to formal land tenure, individuals land use rights include limited rights to transaction. It means that land use rights can be inherited, donated, leased and rented, but not sold or exchanged privately nor can they be mortgaged. The State is the custodian of the land on behalf of the Ethiopian people and can therefore expropriate land for public purposes against compensation. This formal land tenure might have led to abuses and predatory practices from the State. Customary land tenure systems where agro-pastoralist communities regulated the use of Common Pools Resources (CPR) are still in use in rural regions, where land certification is not completed. The recent surge in transnational investor and related commercial motivation for land resources opened the door for conflicts between indigenous communities, settlers and investors. Sima (2017) found that the parcel maps and holding certificates increased the commoners’ capacity to exercise their rights and improved land governance and agricultural productivity.

In a country where agriculture is still the backbone of the labour market, this has huge consequences for food safety, poverty reduction and the emergence of value-added rural entrepreneurship. Additionally, the use of local land certification is considered unique and has been beneficial to women. The certificate of ownership is in the name of both husband and wife, which is considered an important step toward the empowerment of women (USAID, 2013, UN Women 2014),

particularly in a financial system where collaterals are mandatory. The expansion of commercial agriculture remains a challenge for the sustainability of the common pool natural resources as well as some unresolved gender issues.

Informal institutions based on communalism are also used as Alternative Dispute Resolution mechanisms (ADR), which are deeply rooted with a strong traditional place in Ethiopian society. They are used in rural and urban area to resolve disputes on contracts, family, labour, succession and business issues. But ADR is conducted outside the formal framework of modern legal institutions. This has the negative consequence of contradicting the Ethiopian modern legal system. The Addis Ababa Chamber of Commerce and Sectoral Associations Arbitration Institute (AACCSA AI) is the only ADR body for commercial disputes.

Barriers

- Weak governance and management of entrepreneurship related matters at all levels of administration
- Traditional ADR lacks compliance with the civil codes, the persons conducting it lack training in modern ADR techniques, and decisions lack enforcement. Yet, this traditional judicial process is perceived by the population as more legitimate as participants indicate that the “modern/formal” complaint hearing system is biased toward influential interests
- Lack of transparency in public procurement
- Weak competition and intellectual property rights affect innovative start-up and companies in the growth phase
- Land ownership regime lacks transparency and may be unfavorable to women and youth
- Past practices have made investment and development synonymous with displacement from ancestral land.

Recommendations

- Modernize the traditional ADR system to make it compliant with the modern civil code and increase the independence and transparency of the modern complaints hearing processes; Efforts to solve contradiction between customary law and commercial civil code have been made and should continue.
- The strategy to establish a public e-procurement platform has been published in 2018. The implementation of that strategy should ensure the participation of SMEs in public procurement
- Upgrade competition and intellectual property rights regime to cater for business growth and innovative enterprises
- Establish Geographical Indications to boost quality upgrade of Ethiopia industrial and manufactured products. Define the procedures for the recognition and adoption of protected designations of origins ad products and quality labels and packaging.
- Enhance reforms of the land ownership regime

d. Guide entrepreneurs through the start-up administrative process and enhance the benefits of formalization

There are specific policies in place to encourage the formalization of small-scale entrepreneurs and in fact Ethiopia has made progress the past decade in this area (see annex 2). Support for entrepreneurs to meet regulatory requirements is offered through several channels. Targeted

assistance to youth and women exists through the TVET and the university system, although its effectiveness could be improved significantly.

Barriers

- The multiplication of initiatives and policy in an uncoordinated manner; sectoral policies provide different and preferential regimes but lack transparency and do not apply to all entrepreneurs, thereby creating a discriminatory environment
- Regional units lack capacity to deliver guidance and support on compliance with regulations. They also lack decision making power.
- Information and advice on business regulation and licensing are insufficient, not available electronically and are not adapted to local populations, which explains the reported lack of knowledge on incentives to formalize. Information on administrative procedures is not easily accessible, although this varies by sector.

Recommendations

- Coordinate support programmes and information outreach to entrepreneurs to ensure coherence and clarity
- Build capacity in regional administrative units and empower local decision-making that would also ensure the participation of local stakeholders in local policy making. That would allow the establishment of a client charter in administration.
- Establish client charters and provide skills upgrading to improve services to entrepreneurs in the different administrations. Benchmark administrative requirements for regions and with other African countries
- Establish information centres linked to one-stop shops and prepare lists of information and documents needed to put regulations online. Prepare a comprehensive business information service for clients, ensuring the outreach of business operations information to the private sector. Increase the accessibility of information regarding legal procedures and transparency of the administrative processes
- Adopt a simplified formalization process and extend labour, social protection and coverage to enhance benefits to these firms

4.2. Enhancing entrepreneurship education and skills development

Entrepreneurship education usually takes place within the formal education system and aims at strengthening entrepreneurial mindsets. Skills development is facilitated by entrepreneurship training programmes, which tend to focus on management, facilitating the start up or operation of an enterprise. Entrepreneurship education and skills development differ in their objectives and outcomes. The entrepreneurship strategy in Ethiopia should therefore identify the best conditions for supporting the development of the entrepreneurial mindset across primary and secondary education, universities, TVETs and community college levels. Building an entrepreneurial mind-set will bring cultural changes to Ethiopian society, improving employability and life skills. This will enable the skills of those who choose to start a business to be upgraded.

So far, entrepreneurship education in Ethiopia has been mainly implemented with support from international organizations including, among others:

- CEFE, which is linked to the local business development service providers in Ethiopia, with a comprehensive set of training instruments designed to stimulate positive change in various development processes via experiential learning methods.

- The entrepreneurship programme at La Sierra University.
- Empretec Ethiopia Business Society (EEBS), linked to the Entrepreneurship Development Centre (EDC) supported by UNDP and UNCTAD.
- The Business Skill and Entrepreneurship Development (BSED) of the World Bank by Women Entrepreneurship Development Programme (WEDP) which aims to increase the earnings and employment of female-owned micro and small enterprises.
- ILO's Women in Self-Employment project (WISE) which provides women's cooperatives with entrepreneurship education.
- GIZ's Sustainable Training and Education Programme (STEP), which aims, among other things, at enabling entrepreneurship and incubation centres to promote self-employment.
- TVET Centre has integrated entrepreneurship education to a certain degree, especially after the reform introduced in 2008.
- Digital Opportunity Trust (DOT) centres, supported by the Canadian development arm (Global Affairs Canada), providing training and BDS
- The Global Business School Network (GBSN) is developing programmes to enhance the capacity of business schools in Ethiopia to train entrepreneurs and SMEs managers, as well as civil servants working with the private sector and other management educators.
- EDC is entrusted with building the capacity of entrepreneurs and government institutions which are involved in entrepreneurship development endeavours, and hosts the Empretec Centre, delivering UNCTAD's Entrepreneurship Training Workshops.

A recent research study reports that the entrepreneurial propensity in the adult population in Ethiopia increases with the level of education; individuals with higher education have a higher intention rate (50%) of starting a business compared with low literacy groups (5%). It is therefore important in Ethiopia to link entrepreneurship to formal education. While entrepreneurship education has already been integrated in formal and informal education, for example with the introduction of mandatory courses on entrepreneurship in public universities, it is not delivered very effectively as it is very theoretical and often taught by professors that have no experience in the field. Bust most of all, a general problem is the lack of freedom students have in deciding their career path. Students are given too broad a choice between Natural and Social Science and then assigned to a study a subject in accordance with their initial choice and a draw. This leads to students studying topics in which they have no interest, and it has a negative effect on their career choice and employability.

Table 4-2 provides a summary of barriers and suggested measures relating to this theme of the Entrepreneurship Policy Framework.

Table 4-2 Enhancing entrepreneurship education and skills.

Objectives	Barriers	Recommendations
Embed entrepreneurship in formal and informal education	<ul style="list-style-type: none"> • Entrepreneurship courses and programmes not offered everywhere and at the same level • Entrepreneurship education at tertiary level suffers from a lack of organizational capacity and strategy • Ill-conceived entrepreneurship curricula, lack of local content and inadequate trainers • Absence of quality control for entrepreneurship education 	<ul style="list-style-type: none"> • Entrepreneurship should be taught at all levels of education in all schools in the country • Build capacity in Ethiopian universities to develop strategies related to entrepreneurship education • Set up entrepreneurship quality guidelines and accreditation • Broaden the spectrum of target group of training and BDS services and design programmes

	<ul style="list-style-type: none"> • Weak BDS support and awareness on ongoing programs 	following a bottom-up approach
Develop effective entrepreneurship curricula	<ul style="list-style-type: none"> • Entrepreneurship curricula too theoretical and not linked to local context and business reality (relevant business cases) • Weak links between entrepreneurship centres and formal education • Lack of local content, and specific teaching on innovation and sustainability • Low use of ITC in classroom (linked to innovation) 	<ul style="list-style-type: none"> • Reform the entrepreneurship curricula in a way that favours learning-by-doing and experiential learning,⁴ local content and innovation and green modules • Strengthen existing entrepreneurship centres links with formal education to develop joint content • Introduce ICT in TVET programmes and in classrooms to facilitate learning-by-doing.
Train teachers	<ul style="list-style-type: none"> • Absence of teacher trainings and preparation, lecturers often have no experience of the subject • Weak interaction between teachers and the private sector • Lack of national networks of entrepreneurship educators 	<ul style="list-style-type: none"> • Train and certify entrepreneurship trainers / Set up training courses for teachers • Establish incentives for teachers to increase their learning and teaching capacity and bring professionals in the classroom • Support the formation of a network of entrepreneurship educators
Partnership with the private sector	<ul style="list-style-type: none"> • Weak public – private linkages. TVET, schools and universities are not connected with external stakeholders • Unstructured incentives for the private sector to participate in entrepreneurship education • Diaspora not mobilized to contribute to entrepreneurship education 	<ul style="list-style-type: none"> • Support programmes, discussion forum and events bringing together public institutions in education and the private sector • Promote incentives for the private sector to participate in entrepreneurship education • Use the TVET, schools and Universities to provide consultancy and extension services to start-up and MSMEs.⁵ • Engage the diaspora to support capacity building

a. Embed entrepreneurship in formal and informal sectors

Entrepreneurship education is established in Ethiopia as a discipline in itself, but not taught consistently at all educational levels or integrated into other disciplines, as recognized in international best practices (Lackéus, 2015). At universities, it is mainly offered in business schools and agricultural colleges, though recently it has been included in the curricula of other schools too, mainly technology institutes/colleges, but not integrated in other disciplines. There is reportedly a good integration of entrepreneurship education within the technical and vocational education and

⁴ As suggested by the Science, Technology and Innovation Policy of Ethiopia

⁵ As suggested by The Science, Technology and Innovative Policy of Ethiopia

training (TVET) system, which, after the 2008 reform and the series of interventions implemented, adopted a competence-based education and training system. The multi-dimensional and holistic approach in TVET is well-suited for incorporating entrepreneurship education. However, the implementation of the shift from a supply to a demand driven TVET has proved challenging. Most notably, the federal TVET agency responsible for the standard setting and the occupational assessment outcomes in accredited public or private centers has been lagging behind. There is also a shortage of qualified instructors, particularly severe at the higher levels of TVET (Krishnan & Shaorshadze, 2013, Hagos, 2016).⁶

Table 4-3 below shows the different kinds of training MSMEs receive in Ethiopia. Micro firms are consistently less exposed to training than other enterprises. Moreover, business development services are donor and supply driven. The relevant target groups are rarely consulted about their specific needs (EDRI baseline study, 2018).

Table 4-3 Entrepreneurship Training by type of training and size of enterprises

Type of support/training on:	Micro	Small	Medium	All
Before establishment of business	15.5	29.1	23.2	23.4
After establishment of business	32.5	51.2	39.8	43.2
Technical skills training	73.1	74.8	71.8	74.2
Marketing management trainings	35.7	43.7	53.4	41.5
Financial management trainings	41.9	56.7	61.1	52.1
Entrepreneurship trainings	39.7	52.4	48.9	48.3
Kaizen trainings	45.1	69.9	63.4	61.8
Other trainings	2.8	5	7.6	4.4

Source: Gebreeyesus et al. 2017

The national TVET strategy of 2008 considered TVET institutes as potential hubs of technology development and transfer (FDRE/MOE, 2008). TVET are also at the Centre of the Education and Sector Development Programme V (ESDP-V) (2016-2020) which focuses on strengthening occupational standards (OS) development and assessment, as well as trainee development, institutional capacity building, industry extension and technology transfer services. Even if the ESDP – V does not mention entrepreneurship *per se*, reaching these objectives implies the support of entrepreneurship education and training within a formal and informal educational structure.

Barriers

- Entrepreneurship courses, training and programmes are not offered everywhere throughout the country at all levels of formal and informal education and do not start at the same level everywhere
- Entrepreneurship education suffers from a lack of organizational and human capacity and strategy on the part of Ethiopian universities, which is a barrier to a deeper integration of the subject of entrepreneurship. This is confirmed by a synthesis report on Entrepreneurship Education in Ethiopian universities
- Entrepreneurship training, in particular, may be too standardized and not relevant to target groups according to different needs of enterprises size, sector and target audience (youth and

⁶ TVET has five levels and students enter after the 10 grade. Levels 4 and 5 are considered higher education.

women entrepreneur cohorts as well as people with disabilities). This leads to a particularly low level of interest in the regions

- Multidisciplinary activities are not promoted to support the integration of technical skills with entrepreneurial skills
- Absence of quality control and student evaluation guidelines in entrepreneurship education
- Different actors are engaged in providing Business Development Services, but they are uncoordinated and fragmented

Recommendations

- Teach entrepreneurship at all levels of formal education in all schools across the country
- Build capacity in Ethiopian universities to develop strategies related to entrepreneurship education. This will also help in establishing closer ties with the local private sector
- Broaden the spectrum of target groups for training and BDS services and design customized programmes, following a bottom-up approach that takes into account the needs of the different target groups, in particular women and youth and people with disabilities.

b. Develop effective entrepreneurship curricula

Experiential learning through interactive teaching methods is much more effective than theoretical teaching for entrepreneurship development, especially if combined with ICT-based online learning tools. Entrepreneurship curricula exist but are not applied everywhere or effectively taught, as the teaching methods are often inadequate and the trainers not prepared. A study based on the data from 16 public universities and 76 entrepreneurship instructors (Gerba 2012) reports that the teaching methods primarily used are class lectures and lectures by experienced entrepreneurs, as well as reading assignments and business plan preparation, mostly based on fictional examples and not on real business cases.

Barriers

- Entrepreneurship curricula in use in Ethiopia are too theoretical and detached from the local context and therefore ineffective, which further exacerbates the absence of interest by aspiring and existing entrepreneurs. Curricula lack the use of concrete local business cases that could provide role models for aspiring entrepreneurs.
- Learning-by-doing is not promoted and interaction with the business community is not provided as support to teaching.
- Integration between the field of study of the students and the entrepreneurship classes is not done. Students are not taught how they could use their knowledge in their field of study in the business world.
- The overall weak use of ICT in a lot of domains is confirmed. ICT tools are not used as learning tools for entrepreneurship in the classroom.
- Lack of curricula to meet the needs of target groups responding to local context needs, for rural, women, green and young entrepreneurs.

Recommendations

- Reform the entrepreneurship curricula to include learning-by-doing and experiential learning, as well as customized business cases according to the target audience and local context.
- Extra-curricular activities should also be considered. This is in line with a recommendation put forward by the Science, Technology and Innovation Policy of Ethiopia, which proposes to develop training materials that include innovation and sustainability to support the shift to green growth and innovative solutions to development challenges. The production of local

content in local languages should be encouraged, with adaptation to local context and target groups.

- Strengthen existing entrepreneurship centres linkages with formal education to develop joint content.
- Introduce ICT in TVET programme and in the classroom to facilitate learning-by-doing.

c. Train teachers

Entrepreneurship education is based on a curriculum, but there are few teachers able to teach it (see Annex 2). Although Gerba's study dates back to 2012, an overwhelming majority (72%) of this study's respondents, supposed to be entrepreneurship instructors, had not received any special training or specialization on that topic. A practical curriculum based on a learning-by-doing methodology with content reflecting local examples is arguably easier to teach. It requires however specialized teacher trainings or even better, trainers that are entrepreneurs themselves and at least have a passion and interest in the subject.

Barriers

- Lack of capacity and/or passion of the assigned teachers in teaching entrepreneurship and absence of training and preparation
- Although the training of teachers in entrepreneurship receives attention (there are specific training opportunities for teachers to learn more about entrepreneurship and its importance, apparently more so in the TVET system than in other educational levels), schools are not encouraging teachers to engage with business practitioners and local entrepreneurs to bring them to the classroom (or such incentives are only project based, as in the case of the Aflatoun programme)⁷ or to make the program more practical and engaging
- Similarly, there are no national networks of entrepreneurship educators, except among the network related to EDC. The lack of such a national network prevents the setup of extracurricular activities that teachers could organize (such as business club or business plan competitions)

Recommendations

- Set up training, mentoring and coaching of selected teachers.
- Establish incentives for teachers to increase their learning and teaching capacity
- Support the formation of a network of entrepreneurship educators for best practices exchange

d. Partnership with the private sector

Collaboration between Universities and businesses is a problematic issue. Mentoring and coaching schemes are in place for and by entrepreneurs and exist as well for young entrepreneurs and apprentices. Some academic institutions deliver support, training, counselling and advisory services to entrepreneurs through community service programs. TVET also delivers such support to existing businesses. These ties between educational structures and the private sector are however not leveraged for the funding of entrepreneurship education. EDC offers a 5-day course and some NGOs have established sponsorship as well. The increase of financial sponsorship from the private sector to entrepreneurship education is under discussion but there are barriers to stronger partnership with the private sector (Annex 2).

⁷ <https://www.aflatoun.org/>

Barriers

- Lack of communication between the private and public sector due to weak linkages. Schools and universities are loosely or not connected with external stakeholders for employability, funding and business opportunities.
- Unstructured incentives for the private sector to partner with educational institutions. The low capacity of the latter negatively impacts on the ability to form strategic partnerships. The perceived lack of commitment from the private sector might also be due to unclear advantages of closer ties.
- The diaspora is not used to increase connections, bring best practices or support the entrepreneurship education strategy implementation

Recommendations

- Support programmes, discussion forums and events bringing together public institutions in education and the private sector
- Support incentives for the private sector in participating in entrepreneurship education (through the promotion of CSR and social entrepreneurship)
- Use the TVET schools and Universities to provide consultancy and extension services to start-up and MSMEs⁸
- Engage the diaspora for coaching, mentoring, e-learning and internship opportunities

4.3. Facilitating Technology Exchange and Innovation

An entrepreneurial ecosystem that generates opportunities for all relies on the ability of its stakeholders to innovate and adopt or adapt new technologies. Innovation is embedded in all successful entrepreneurial ventures. Innovation processes are complex and necessitate the interaction of several actors and institutions at the firm level, as well as at the country level. The share of Gross Expenditure on Research and Development (GERD) to GDP in Ethiopia increased from 0.24% in 2010 to 0.61% in 2014, according to UNESCO institute for Statistics, but still below the threshold of 1% decided at Khartoum by the African Union and on which the Science, Technology and Innovation Strategy for Africa (STISA) is based. At firm level, available innovation indicators show that Ethiopia lags behind its peers, as shown in Table 4-4 below. In particular, the percentage of firms that spend money on R&D is much lower than the rest of the Sub-Saharan countries, as is the percentage of firms using technology licensed abroad.

Table 4-4 Innovation indicators for Ethiopia

Indicator	Ethiopia	Sub-Saharan Africa
Percent of firms using technology licensed from foreign companies	7.7	15.1
Percent of firms having their own website	34.8	31.2
Percent of firms using e-mail to interact with clients/suppliers	74	59.7
Percent of firms that introduced a new product/service	25.6	44.2
Percent of firms whose new product/service is also new to the main market	73.5	71.6
Percent of firms that introduced a process innovation	32.6	42.7
Percent of firms that spend on R&D	4.4	17.8

Source: Enterprise Survey 2015, World Bank.

⁸ As suggested by The Science, Technology and Innovative Policy of Ethiopia

Innovative entrepreneurial ecosystems are not only dependent on firms and government spending on R&D. More important are the interactions among the different actors of a National System of Innovation, which the Ethiopia STI policy (FDRE/ESTC, 2012) recognized. failed to fully address. This policy lists certain objectives to bring the country to a “lower middle-income status” by 2025. The strengthening of linkages among the different actors in the national innovation system is one of the stated priorities. However, entrepreneurs are not identified as a policy target, resulting in the lack of interaction within the NSI identified by numerous studies and the preponderance of the public sector over the private sector in technology exchanges. Taking this into account, recommendations listed hereafter are aligned with the National Science, Technology and Innovation Policy of Ethiopia. Indeed, the emergence of the community of entrepreneurs based on new industrial strengths and green approaches can only take place if the National STI policy is fully implemented.

According to UNCTAD’s survey, linkages between the various institutions of the NSI are the weakest component in this pillar (see Annex 2), pointing to the need to build sustainable linkages and innovation diffusion channels, and upgrading the existing industrial and agro-parks. Table 4-5 below shows the barriers that were identified related to this theme and sets out suggested policy measures to address them.

Table 4-5 Facilitating Technology Exchange and Innovation.

Objectives	Barriers	Recommendations
Support greater diffusion of ICT to the private sector	<ul style="list-style-type: none"> • Weak local content • Lack of highly skilled ICT experts • Weak incentives for the private sector to use ICT • High ICT costs 	<ul style="list-style-type: none"> • Support programmes to increase computer literacy in general and in education and training institutions • Invest in programmes to increase ICT skills for college and university students • Tax incentives, training subsidies and support services to expand ICT use in small firms
Promote inter-firm networks that help spread technology and innovation	<ul style="list-style-type: none"> • Lack of trust in “<i>Made in Ethiopia</i>” • Lack of market-driven linkages between FDI and the local economy • Underdeveloped National Quality Infrastructure (NQI) services • Certifications mainly focus on export-oriented products 	<ul style="list-style-type: none"> • Upgrade linkages between industrial parks and local businesses and review FDI incentives to expand the flow of technology through FDI and linkages in value chains • Establish a national Business Linkages programme • Develop NQI services and support decentralization of NQI to provide incentives • Develop ads and campaigns information to promote the “made in Ethiopia” brand

Build bridges between public bodies, research institutions, universities and the private sector	<ul style="list-style-type: none"> • Preponderance of public sector over private sector in industries and agricultural extensions • Weak enforcement of trademark and design regime • Lack of technology transfer offices 	<ul style="list-style-type: none"> • Establish cross-sectoral research institutes and support inter-agencies collaboration • Establish private sector led extension services • Improve enforcement of trademark and design regime • Establish technology transfer offices in relevant universities
Support high-tech start-ups	<ul style="list-style-type: none"> • Lack of coordinated support mechanisms for innovative start-ups • Absence of guidelines and financial sector connection, incentive and accountability in Business Incubation Centres (BIC) and weak capacity and experience from universities in establishing BIC 	<ul style="list-style-type: none"> • Establish a legal definition of “innovative start-up”, providing incentives and other support such as incubators and accelerators⁹ • Use demand policy (trade and procurement) to promote innovation¹⁰ • Establish mechanisms to push and structure the emergence of BIC as a private sector industry in its own right

a. Support greater diffusion of ICT to the private sector

The number of broadband subscriptions per 100 people in Ethiopia in 2016 was 0.55: the same level of the average for Sub-Saharan Africa (ITU Statistics). Internet penetration rate – the number of individuals using the internet as percentage of population – is at 15%. It is below the Sub-Saharan average (19%, as shown in Figure 4-2 below) and one the lowest in the world. In fact, the diffusion of ICT to the private sector is weakest aspect in this pillar (see Annex 2). The weak penetration of internet and mobile data is unsurprising given the fact that ICT services are prohibitively expensive for most Ethiopians. The price of broadband data as % of GNI is about 20%, whereas it costs about 1.4% of GNI in South Africa.¹¹ The government monopoly over the telecom sector gives consumers very few options and keeps prices artificially high.

The weak rate of ICT penetration also reflects the fact that the ICT industry in Ethiopia is nascent. ICT focused courses are part of university curricula and the country built an ICT park in 2016 – the Ethio ICT Village - to support business growth in this sector. There are awareness campaigns in the form of fairs and exhibitions. The diffusion of ICT among women and youth exist through *ad hoc* projects supported by NGOs, such as “Girls can code” (a project financed by the U.S. Embassy) or the “Digital Opportunity Trust (DOT)”. Yet the impact on the diffusion of ICT and technologies by these programmes is perceived as very limited, hardly reaching the small-scale entrepreneurs, particularly those located in the different regions.

The ICT Center of Excellence (ICTCoE)¹² was established by the Ministry of Communication and Information Technology (MCIT) and it is hosted by the Addis Ababa University (AAU). ICTCoE

⁹ As suggested by the Science, Technology and Innovation Policy of Ethiopia

¹⁰ Ibid

¹¹ Alliance for Affordable Internet (A4AI) http://a4ai.org/affordability-report/data/?_year=2017&indicator=INDEX

¹² <http://www.ictcoe.org.et/>.

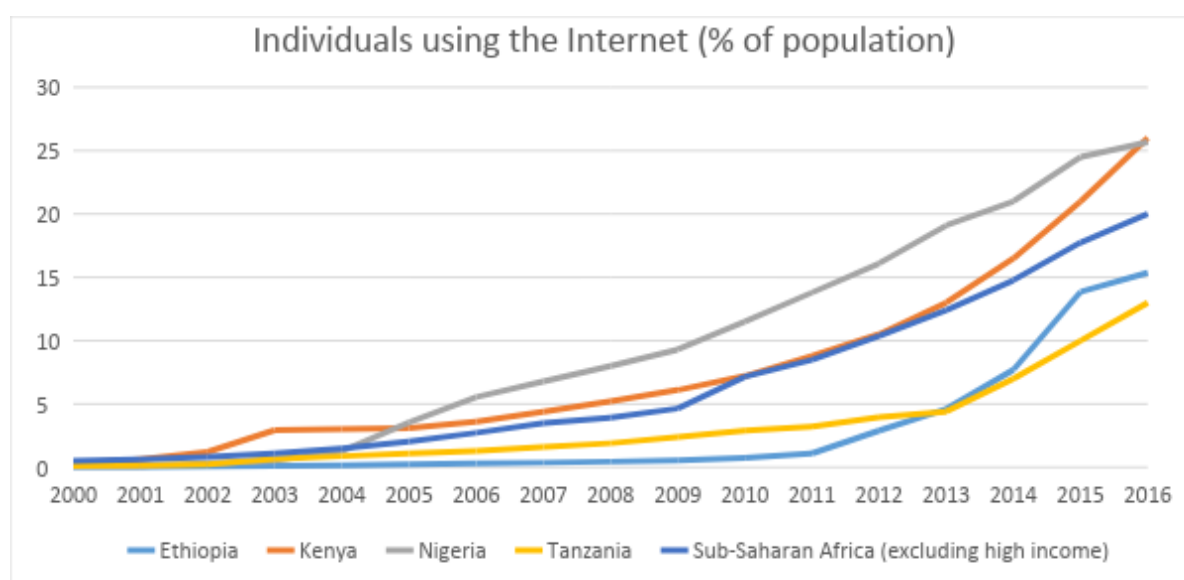
aims to be a catalyst and an enabler of ICT progress in Ethiopia. It works to make ICT the enabler for accelerated national economic and social development.

The industry is represented by two associations:

- The Ethiopian Information Technology Professionals Association (EITPA <http://www.eitpa.org>). Its mission is promoting Information and Communication Technology for development in Ethiopia, and empowering ICT professionals by advancing their skills.

The Information and Communication Technology Association – Ethiopia (ICT-ET <http://www.ictet.org/about+us.php>) aims to engage with the private ICT sector in Ethiopia and enable its growth through publications, events, engagement with government, competitions and diaspora activities.

Figure 4-2 Percentage of the population using the internet in Ethiopia and selected African countries



Source: ITU Statistics

The ICT industry is in an early stage of development, but its main components have been put in place. The Vision of Ethiopia's National ICT Policy and Strategy (2009) is to ensure that "every aspect of Ethiopian life is ICT assisted" (p.3) and the policy recognizes the role of the private sector in achieving this (p.19). It commits the Government to removing the obstacles that constrain its growth and entrepreneurial development for sustainable development, encouraging the private sector to provide and expand ICT service to rural areas. This in line with the proposed NES.

To implement the ICT policy, special incentives are offered to the private sector to introduce ICT services to rural areas, to establish business incubators, and to build ICT parks. For the development of the ICT sector in general, the policy commits to the creation and review of the legal, regulatory and institutional framework, providing special incentives and proper support to ICT firms. The World Bank (Lixi and Dahan, 2014) issued a list of recommendations for the development of the ICT sector in Ethiopia that are aligned with the National ICT Policy and Strategy, giving concrete guidelines for implementation. All the aspects relevant to entrepreneurs already embedded in these policy documents have been taken into account in the proposed policy actions.

Priority should be given to the removal of identified barriers such as poor infrastructure and the lack of a stable and reliable internet connection. Mobile data is extremely expensive because of the State

monopoly on the telecom industry and the lack of high-speed connectivity. The lack of competition increases frustration with the poor performance of the sole internet provider, EthioTelecom. The telecom industry will benefit from the liberalization recently announced by the new government¹³. This could translate into the development of an IT infrastructure that could provide stable and fast connections and in an increase in ICT access points, especially in rural areas.

Barriers

- Access to local content is crucial. Computer literacy is low. The adaptation of keyboards for local language digitization could help to create the condition for the production and increased visibility of local content;
- There is a shortage of skilled human resources, computing infrastructure colleges and universities and limited access to software and training materials;
- Lack of incentives and support for the private sector for the expansion of ICT.

Recommendations

- Support programmes to increase computer literacy in general and in education and training institutions, in particular in TVET centres, with a focus on youth and women; as also proposed by the Industrial Development Strategic Plan (2013-2025).
- Invest in programmes to increase ICT skills in college and university students;
- Establish tax incentives, training subsidies and support services to expand ICT use in the private sector.

b. Promote inter-firm networks that help spread technology and innovation

Most of the basic components needed to cement inter-firm networks are in place as linkages are promoted to increase exports. The forthcoming integrated agro-industrial parks have the objective of including small-scale entrepreneurs in their networks and value chains. There are trade fairs dedicated to innovation but organized only in big cities. There are incentives for SMEs to become suppliers; however, they need to be improved to take into account value chain upgrading. Most of the existing incentives are government-led, through the procurement system and the organization of trade exhibitions, facilitating linkages between MSMEs, large firms and foreign buyers. Market-driven linkages are weak.

There are several industrial parks and integrated agro-industrial parks established throughout the different regions. These parks require services such as mentoring, business support and network facilitation to function well, however they are either absent or of low quality. In some cases, it is much cheaper to import better quality from abroad than buy locally produced services or products. Evidence can be seen in inputs from flower farms, agricultural clusters and other global value chains.

One of the biggest barriers to the formation of local value and the integration into global value chains relates to the low quality of products and services offered by Ethiopian enterprises. The lack of quality standards plays a big role in this regard. The government provides assistance with standardization and quality certification for local enterprises, but often limited to the export and food industry sectors. Certification procedures are not transparent and are poorly implemented. It is well

¹³ African Business, Ethiopia to allow privatization of Ethiopian Airlines, Telecoms, June 6 2018.

recognized that National Quality Infrastructure (NQI) can affect a firm's capacity to innovate and the Ethiopian NQI was reformed in 2011 in accordance with international principles. The former Quality and Standards Authority of Ethiopia was reorganized into four separate NQI institutions: The National Metrology Institute of Ethiopia (NMIE); Ethiopian Standards Agency (ESA); Ethiopian National Accreditation Office (ENAO); and Ethiopian Conformity Assessment Enterprise (ECAE) have been established as legally autonomous institutions under the Ministry of Science and Technology (MoST).

The experience of Ethiopian companies with Kaizen methodology is an important asset to be used to set up quality and productivity upgrade programmes. *Kaizen* was introduced to Ethiopia in 2009 with JICA's technical assistance. Ethiopia's government established the Ethiopia *Kaizen* Institute (EKI) in 2011 to disseminate *Kaizen* throughout the country. The series of programmes set up since 2009 are successful and demonstrate the transferability and effectiveness of Kaizen (Mekonen, 2018). Yet, recent surveys on Kaizen in Ethiopia show that there is still room for improvement in the way the methodology is implemented (Abera 2015).

Barriers

- The lack of appreciation for Ethiopian products or services among their prospective customers and society at large. Mistrust towards goods and services that are “*Made in Ethiopia*” : a perception that they are not of high quality constitutes a barrier to the commercialization of Ethiopian innovation;
- Foreign direct investment in Ethiopia has not developed market driven linkages with the local economy, in particular large foreign firms in industrial parks do not have business connections with small firms;
- Complying with better product standards and quality practices is a long and difficult process. The biggest obstacle seems to be the non-existence of NQI services. The absence of internationally recognized domestic firms providing tests and certifications drives up the cost of compliance as firms need to have tests done abroad. It also means that Ethiopian firms are less informed about international quality standards. The absence of a certifying body at regional level prohibits local firms from making improvements to quality standards.

Recommendations

- Upgrade linkages between industrial parks and local businesses and review FDI incentives to expand the flow of technology through FDI, as proposed by the National STI policy and the Industrial Development Strategic Plan (2013-2025).
- Establish a national Business Linkages programme¹⁴ making use of the Kaizen methodology already transferred to some Ethiopian enterprises, using the pool of certified consultants
- Continue strengthening the regulatory and enforcement requirement for the NQI, as proposed by the National STI policy and the Industrial Development Strategic Plan (2013-2025). This entails also the development of NQI services and the support of decentralization of NQI. This will improve access to information and raise awareness about the importance of standards. Increasing awareness on the function of standards and certification can improve the visibility of a “made in Ethiopia” brand.
- Develop ads and campaigns information to promote the “made in Ethiopia” brand

¹⁴ See more information on UNCTAD Business Linkages programme here: <https://unctad.org/en/Pages/DIAE/Enterprise%20Development/Business-Linkage-Programme.aspx>

c. Build bridges between public bodies, research institutions, universities and the private sector

The low level of interaction between the different actors of the NSI is an important impediment to the development of an innovative entrepreneurial ecosystem in Ethiopia. The lack of linkages among the different stakeholders is due to several factors, but the silo approach based on sectoral industrial policies and the predominance of the Government-led initiatives are the main roadblocks.

The institutional infrastructure linking universities, research institutes and the private sector is highly ineffective. The University-Industry academic research and innovation relationship is not well developed. However, as described by Mulu (2017), the legal and policy frameworks are in place:

- The 2009 Higher Education Proclamation (650/2009) provides a clear focus on partnerships with industry. It allows universities to conduct joint research projects with other national and international institutions, research centers and industries.
- The National Science, Technology and Innovation (STI) Policy (MoST, 2012) established a national STI council and a forum for university-industry collaboration to regulate the national research and innovation priorities and systems.
- The Research and Technology Transfer Conceptual and Governance Framework of Ethiopian Higher Learning Institutions (MoE, 2016) is a new national framework for research and technology transfer.
- The Professional and Program Mix Policy (MoE, 2008) articulates a 70:30 undergraduate mix in favour of hard sciences.
- The intellectual property (IP) right system is in place in universities (MoE, 2008) but few of them have adopted the available schemes.

Barriers

- Preponderance of the public sector in the industries and agricultural extensions
- Weak enforcement of Domestic Intellectual Property Law.
- A case study on the Addis Ababa University showed that IP policy is not well known in universities, and there is a lack of awareness of the value of IP protection.
- There are offices for technology transfer in universities, but they remain ineffective. Research and innovation materials are bought without training staff to fully utilize them.

Recommendations

- Establish private sector led extension services in priority industrial sectors and agriculture.
- Encourage cross-sectoral research and support inter-agency collaboration on the diffusion of innovation and technology.
- The national patent system should be adapted to the needs of local entrepreneurs, industries and traditional knowledge holders. Copyright protection should be used to promote the growth of creative industries, as proposed by the National STI policy. While encouraging the development of applied research in collaboration with the private sector, relevant universities should fully integrate available intellectual property schemes.
- Establish and/or strengthen technology transfer offices in relevant universities, as also mentioned in the Industrial Development Strategic Plan (2013-2025).

d. Support high-tech start-ups

Supporting start-ups and helping them to move from idea to commercialization is crucial. Support can be provided in many forms. One of the most popular is the establishment of Business

Incubation Centers (BIC), which are still new in Ethiopia. This proposed NES encourages the establishment of incubators, accelerators, co-working spaces, tech hubs, fab-labs, hacker-spaces and other innovation centres, according to the different contexts and sectors in collaboration with the private sector to make them relevant and sustainable.

Established BICs are mostly owned by the Ministry of Communication and Information Technology (MCIT) and public universities. Only one out of the five incubation centers owned by MCIT is active. Addis Ababa, Hawasa and Bahir Dar Universities are the only ones to have BICs. X-Hub, ICE Addis, Addis Garage and Bluemoon are some of the privately-owned BICs, located in Addis Ababa. BIC, particularly privately-owned BIC, have not been able to spread very far outside of the capital and often rely on donors for funding.

BICs face many challenges related to the supporting environment: policies, guidelines, incentives and the connections with the financial sector are absent or weak. Tenant dropout rates are high (more than 50%) and BIC are found to use less than 50% of their capacity. In this context, performance monitoring is rare, and readjustment based on feedback by users does not take place.

The Sustainable Development Goals (SDGs) offer a road map for new initiatives in this area, with clear tracking mechanisms. High-tech startups have the potential to solve some of the challenges related to climate change and agricultural development. Access to innovation and technology, especially for the youth and women, will facilitate SDG implementation.

Barriers

- New products are not allowed on the market unless there is a standard drafted and met, which constitutes a big constraint and slows the pace of innovation.
- Existing BICs lack guidelines, connection with financial sector due the financial sector underdevelopment and other barriers related to access to finance (see the next section on access to finance) and connection at the international level. Public BIC lack incentives and accountability.
- Universities lack experience and capacity in the setting up of incubators and accelerators.

Recommendations

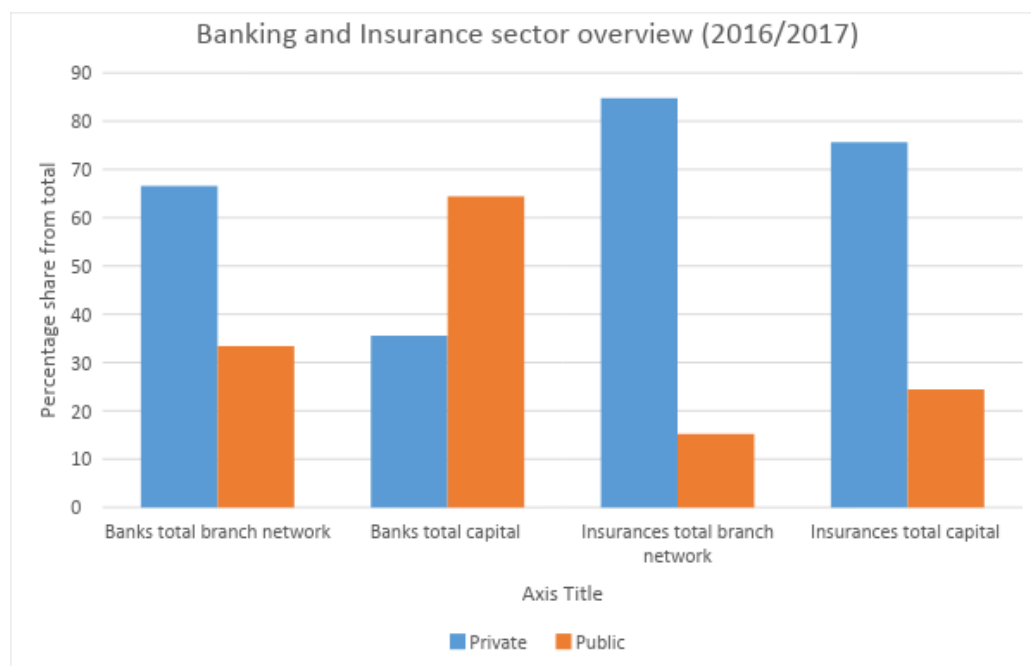
- Support for innovative start-ups could be facilitated and made coherent with a legal definition of “innovative startup” that could include adapted regulations, licenses, and access to guaranteed funds. Financial incentives, such direct (contract, grants, awards) and indirect (duty exemption for imported R&D, tax rebates) incentives could be established. This is well aligned with to the measures proposed by the National Science, Technology and Innovation Policy
- Use demand policy (trade and procurement) to promote innovation
- Establish mechanisms to establish BICs, as envisaged by the Industrial Development Strategic Plan (2013-2025) and accelerators as a private sector foundation and structure (umbrella association, guidelines, common strategies, franchising in the regions, provide a quality certification for BICs, supporting their upgrading)
- Facilitate the establishment of co-working spaces

4.4. Improving access to finance

The Ethiopian financial sector is mainly composed of banks, insurance companies and micro-finance institutions. By the end of June 2017, the National Bank of Ethiopia supervised 18 banks, 17 insurance companies and 35 micro-finance institutions. Out of 18 banks, 16 are private and 2 are State-owned. Even though the total number of branches rose in 2017, the ratio of bank branch to population declined to one branch per 22,164 inhabitants. Moreover, 33 per cent of all bank

branches are located in Addis Ababa. As shown in figure 4-3 below, private banks have more branches than public ones (67% versus 33%) while public banks have more capital than private ones (65% versus 35%). The banking sector is dominated by the two public banks hampering the development of customer-oriented financial products.

Figure 4-3 Banking and Insurance sector overview for 2016/2017



Source: The National Bank of Ethiopia Annual report 2016/2017

Similarly, the microfinance industry has a strong state role and low levels of competition (Ayele, 2015). The National Bank of Ethiopia report 2016/2017 indicates that the microfinance and insurance industries are scaling up and expanding their network and product diversification, without providing much detail (NBE, 2017). The Association of Ethiopian Microfinance Institutions (AEMFI) provides the data up to 2017, showing an impressive expansion, both in savings and loans (see annex 3). Yet an overwhelming majority of the rural poor in Ethiopia do not have access to any kind of financial services. The microfinance industry is yet not mature and faces many challenges at the root of which are fund shortages, that is, insufficient start-up capital, and governance problems (Ossa, 2014). Microfinance institutions are a central component of a strong and efficient rural finance ecosystem, as recommended by the Rural Job Opportunity Creation Strategy and the Association of Ethiopian Micro-Finance Institutions. Access to credit through MFIs was found to have a positive impact on agricultural technology adoption in Ethiopia (Abate et al. 2016), which is critical for boosting agricultural productivity. These recommendations are endorsed in this proposed NES.

Savings and Credit Cooperatives (SACCOs) are also very important as they have been found to have higher impact than MFIs on the adoption of agricultural technology (Abate et al. 2016, Abebaw and Haile, 2013). Yet, the development of SACCO is impaired by the **lack of a regulatory framework** enabling their emergence as per the AEMFI (2010). It is also plagued by weak governance, poor financial management, limited outreach and product diversification.

Two main features of the Ethiopian investment landscape that should be considered as a resource should be noted here. Ethiopia has become the largest recipient of Foreign Direct Investment (FDI)

in Africa, with FDI flows increasing by more than 46 percent in 2017¹⁵. The large Ethiopian diaspora can also be considered as an asset to promote future investment. FDI and Diaspora investment flows could be incentivized toward innovative and non-traditional export sectors. Towards this goal, the government should introduce specific reforms, which will be discussed below

Assessing how well the financial industry serves the private sector in general and small-scale enterprises in particular in Ethiopia is a difficult task. Efficient financial intermediation is dependent on structural constraints, and a certain number of macro-economic factors hamper a well-functioning financial industry in Ethiopia. This proposed NES did not evaluate the success of the financial sector development strategy in Ethiopia but notes the limited development of private financial institutions (Gedda, et al, 2017). This proposed NES identifies ways to advance policies and initiative that support and ease entrepreneurs’ access to finance at the institutional level (meso-level) within the parameters set by the adopted macro-economic strategy, even if not optimal. This approach demands high and inclusive growth to compensate for the loss of efficiencies associated with financial-sector controls¹⁶.

The National Financial Inclusion Strategy (NFIS), developed by the National Bank of Ethiopia and approved by the government in 2017, is comprehensive with a concrete action plan. This current strategy notes that the gaps in terms of infrastructure, information and institutions (the improvement of the legal framework and the information content and dissemination system to reach out selected target groups) are well-covered by the NFIS.

The current entrepreneurship strategy notes its importance and will retain only policy proposals directly related to the development of start-up and small firms. Two broad policy directions are important, from an entrepreneurship development point of view, and demand specific attention:

- The **deepening of the financial sector** towards the poorest and most vulnerable segment of the population requires close attention to the micro-finance sector, gender related issues of access to finance, insurance and rural finance institutions, as well as financial literacy.
- **Breakthrough in the financing of innovative and non-traditional export industries** demands the cautious opening up of the financial sector accompanied by capacity building of the supervision and regulatory authorities. It also requires the improvement of IT infrastructure and technical financial literacy.

This specific focus on these two broad themes is the result of consultative workshops and working group meetings, which were able to clearly identify the pockets of inefficiencies mentioned above. On the one hand, basic mechanisms facilitating access to finance (e.g. public credit guarantee schemes, recognition of moveable collateral, provision of financial services by post offices, availability of leasing, provision of financial regulation) seem to be in place, albeit, only for certain segments of the Ethiopian economy (exporters, foreign investors, large firms). A more detailed summary of the barriers identified and suggested policy responses is set out in table 4-6 below.

Table 4-6 Improving access to finance. Barriers and suggested measures

Objectives	Barriers	Recommendations
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¹⁵ UNCTAD, World Investment Report, 2017.

¹⁶ Gedda, Alemu and Addision (2017) note indeed the importance of realizing the trade-off that “financial repression” implies. Macro-economic stability comes at the cost of inefficiencies (of rent-seeking behaviors and corruption threats) in closed and controlled financial system.

Improve access to relevant financial services on appropriate terms	<ul style="list-style-type: none"> • Unsuitable Identification system • Lack of a modern electronic collateral registry • Weak capacity of MFIs and especially rural MFIs • Lack of regulatory framework for the establishment of SACCO • Weak capacity of the insurance sector, particularly micro-insurance ¹⁷ 	<ul style="list-style-type: none"> • Fully implement reforms related to identification system¹⁸ • Establish a modern electronic collateral registry • Review regulatory framework to facilitate expansion of financial institutions in rural areas. • Improve MFI capacity for the provision of technology supported products and services • Improve capacity of SACCO sector • Training courses covering retail insurance, micro insurance and group insurance • Study to devise mechanism to link informal savings to regulation financial sector. ¹⁹
Promote funding for innovation	<ul style="list-style-type: none"> • Lack of regulatory framework for equity finance • High level of the minimum capital investment for foreigners 	<ul style="list-style-type: none"> • Continue efforts to review the legal framework allowing the emergence of a domestic Venture Capital industry • Promote diaspora investments • Reduce minimum capital investment for foreigners
Build the capacity of the financial sector to serve start-ups	<ul style="list-style-type: none"> • Lack of credit bureau and registries • Entrepreneurial illiteracy of financial officers • Under-exploitation of remittances flow • Mobile money is not well developed • crowd-funding opportunities are not available 	<ul style="list-style-type: none"> • Expand the current Credit Reference Bureau database ²⁰ • Assess the remittances market and its regulatory framework and promote diaspora investment ²¹ • Promote mobile money and crowd funding ²²
Provide financial literacy training to entrepreneurs and encourage responsible	<ul style="list-style-type: none"> • Lack of awareness of financial services and new solutions based on digital platform • Weak Capacity of bank loan 	<ul style="list-style-type: none"> • Introduce simplified standardized accounting for MSMEs ²³ • Improve bank and MFI capacity to support sustainable business models

¹⁷ As identified by the RJOC of MoA and NFIS

¹⁸ As identified by the World Bank in ID4D country diagnostic Ethiopia (2016).

¹⁹ All proposals in this cell from the National Financial Inclusion Strategy (NFIS)

²⁰ From the National Financial Inclusion Strategy (NFIS)

²¹ Ibid

²² As recommended by World Bank, (2014) ICT as an enabler of Transformation in Ethiopia, World Bank, Washington

<http://documents.worldbank.org/curated/en/938461468256731409/pdf/892890WP0P12390IC00FINAL90060ICTWeb.pdf>

²³ Ibid

borrowing and lending	officers to deal with entrepreneurs and start-ups	and develop suitable products and services ²⁴
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a. Improve access to relevant financial services on appropriate terms

The deepening of the financial sector in the Ethiopian context implies the improved and affordable access of the vulnerable part of the population to financial services. This requires the development of financial service outreach in rural regions. The Findex Database provides some relevant indicators, which shows that Ethiopia lags behind other African countries with regards to ownership of bank accounts by gender, income levels and rural/urban locations. The graphs in annex 3 display similar survey outcomes.

New modes of financial services based on digital banking and mobile banking and transfer services, which offer great advantages in servicing rural areas, are also less developed than in other similar emerging economies. The micro-finance institutions and the post offices (or other proximity lenders) are other avenues to increase financial services outreach. The Financial Business Unit of the Ethiopian Postal Service (EPS) is in charge of all matters related to financial inclusion. EPS provides money orders and fax orders, two money transfer mechanisms that are inadequate for financial deepening, especially in remote rural areas. Lack of IT infrastructure is a structural constraint as well as the closed capital account (the Post is not allowed to have Foreign Accounts, which prevents many international partnerships). Many companies have approached the Post to establish partnerships related to money transfer. The mobile money and international remittances segments are two promising areas where the Post could develop its activities to pursue financial inclusion. One of the reason for the limited development of the financial services industry often cited by experts during the NES consultation is the ill-suited system of identification based on kebele card. This identification system, based the local administrative unit of the kebele, is highly decentralized. This system makes the use of files related to identification very difficult. This has huge implication for the financial services industry, which rest on the confidence of the state ability to identify its citizens.

There are incentive programmes funded by donor agencies through the Development Bank of Ethiopia (DBE), but they are inconsistently implemented and restrictive. DBE provides also lease financing, even if the availability of these financial instruments is, for small scale entrepreneurs, quite limited. A new law has just been ratified that will allow movable assets, such as vehicles and equipment to be used as collateral, easing access to loans.

Barriers

Against this background, the further improvement of financial services offering is impaired by the following barriers:

- Ill-suited decentralized system of identification based on Kebele
- Moveable assets might be legally considered as collateral, but the lack of a modern electronic collateral registry affects the efficient disbursement of loans.

²⁴ Ibid

- Lack of an appropriate framework for expansion of financial sector in rural areas. Gaps and repressive regulation further affect the provision of financial services, especially in rural areas. For example, the 200,000 Birr loan cap prevents the offering of small loans and the entering of banks into the micro-finance segment.
- Regulation of the use of mobile money should be eased and considered from a technology point of view instead of a financial point of view. The legal requirement time for the approval process of a loan should be reduced.
- Financial cooperatives, which tend to be more inclusive and adapted to regional context, lack a dedicated regulatory framework.
- Weak capacity of MFI and SACCO and of the insurance sector.

Recommendations

- Fully implement reforms to establish modern ID cards
- Continue the reform necessary to fully implement the modern electronic collateral registry
- Review regulatory framework for encouraging expansion in rural areas, as proposed by NFIS.
- Improve MFI capacity for the provision of technology supported products and services
- Improve capacity of SACCO sector.
- Design training courses covering accounting, retail insurance, micro insurance and group insurance
- Study to devise mechanisms for linking informal savings to regulated financial sector

b. Promote funding for innovation

Funding for innovation is very limited and there are no incentives to promote it to start-ups and small businesses. Innovation financing requires risk-management tools and practices that are based on information, which is lacking (as seen in the previous section). Non-traditional export sectors do innovate and are in dire need of funding, but when access to finance in general is limited, access to finance for innovation is even more constrained.

The list below underlines the obstacles and suggested measures.

Barriers

- Workshop participants informed of ongoing reforms related to Ethiopia's legal framework allowing the registration of domestic venture capital funds. The full implementation of these reforms is crucial to favor initiatives promoting venture capital and the development of business angel networks. There is a robust network of international angel investors, but not connected to a domestic one, partly because there is no formal way for domestic angels to come together.
- The minimum capital investment for a foreigner investing in Ethiopia is USD 200,000, a sum often too large to be absorbed by small firms and discouraging diaspora investment.

Recommendations

- Continue the necessary reforms to develop a legal framework allowing the emergence of a domestic equity finance industry, including angel investors, diaspora investment and venture capital.
- Angel investors, particularly local/diaspora, targeting successful local entrepreneurs should be promoted.

- The minimum capital investment for Foreign Investment should be reduced and regulations allowing Financial Technology (Fintech) to emerge.

c. Build the capacity of the financial sector to serve start-ups

Increasing the capacity of the financial sector to serve small-scale entrepreneurs is another area for priority intervention. The Development Credit Authority (DCA) offers partial credit guarantees to incentivize commercial banks to lend to SMEs, to new sectors or to new clients. DCA provides loan portfolio guarantees (LPGs) to primary sectors including agricultural value chains, the health sector, diaspora and women entrepreneurs. By the same token, a 10 million Birr youth revolving fund has been established aimed at providing financial assistance to youth. Moreover, donors lead initiatives such as the Women Entrepreneurship Development Project (WEDP) by the World Bank is an investment lending operation designed to ease financing constraints of women entrepreneurs.

The risk-management tools, products and practices that banking institutions develop, and which allow them to offer new financial services tailored to their particular market segment (agro-finance, rural finance, SME, cooperatives) depend on the availability and depth of financial information.

Barriers

- As stated earlier, the lack of credit bureau and registries limits the capacity building of financial institutions. According to the World Bank, data from banks and financial institutions on firms and individuals are not distributed, neither are data from retailers or utility companies. Banks are therefore not able to use credit scoring.
- Micro-finance seems detached from the rest of the financial sector, so loans from MFIs often do not show up in the credit history
- Remittance flow from the important Ethiopian diaspora abroad represent a relevant source of finance, yet under-exploited
- Crowd-funding (funding a project or business idea through lots of small contributions, usually through the internet) is not available, due to a weak legal and regulatory framework
- Mobile money is underdeveloped due to weak access to mobile technology, awareness and infrastructures, particularly in rural areas

Recommendations

- Develop credit bureau and registries as the essential component of a strong banking sector, to allow the exchange of financial information and better risk management. Information from the micro-finance sector needs to be included as well.
- The introduction of a national ID card would allow banks to assess the private financial history of possible clients. The data used and produced by MFI need to be included in overall informational data infrastructure
- Assess the remittances market and its regulatory framework (as per NFIS) and promote diaspora investment.
- Promote mobile money²⁵ and crowd-funding. A review of regulatory frameworks allowing the emergence of these Fintech in general can be a preliminary step to achieve this objective

²⁵ As recommended by World Bank, (2014) ICT as an enabler of Transformation in Ethiopia, World Bank, Washington
<http://documents.worldbank.org/curated/en/938461468256731409/pdf/892890WP0P12390IC00FINAL90060ICTWeb.pdf>

d. Provide financial literacy training to entrepreneurs and encourage responsible borrowing and lending

Supervision and regulations are in place to ensure responsible borrowing and, in fact, the financial sector might be, in this regard, over-regulated. Financial inclusion is the object of a strategy on the part of the NBE, but increased financial literacy is not mentioned as a specific objective.

As the graphs in Annex 3 show, Ethiopians do save for starting, operating or expanding a farm or business more than the Sub-Saharan average, but have less access to formal financial institutions services. FINDEX data show also a gap of 10% between men and women saving to start a business (33% for men, 23% for women), showing the gender gap in the availability of resources. The graph in annex 3 also indicates the percentage of the population saving at informal savings clubs. These are used much more as a saving mechanism than anywhere else amongst Ethiopian counterparts. This shows the extent to which Ethiopians trust and use their banking system for savings.

A study conducted among micro-entrepreneurs in Addis Ababa found that short-term financial literacy training and periodic SMS reminders encourage better saving behaviours. Entrepreneurs often under-save because they fail to understand the value of savings and how to use them for investment opportunities, keeping them in a “low-knowledge trap”. Appropriate financial literacy for entrepreneurs is therefore needed.

Barriers

- Lack of awareness amongst potential entrepreneurs of the potential business uses of financial services and absence of new solutions based on digital platforms
- Loan officers do not understand the entrepreneurial processes and approaches. Risk-management is very weak, and this leads to lending practices relying almost entirely on collateral. The percentage of collateral (296.2 %) ²⁶ is therefore higher and limits access to credit

Recommendations

- Introduce financial literacy, including accounting and insurance training for all entrepreneurs, with particular focus on digital solutions.
- Improve banks and MFI capacity to develop sustainable business model and suitable products and services (as proposed NFIS). Capacity building for bank loan officers needs to be provided. Banks need to be educated on how to serve entrepreneurs and start-ups

4.5. Promoting awareness and networking

Data from the Global Entrepreneurship Monitor (GEM) on the attitudes towards entrepreneurship in Ethiopia, shown in table 4-7 below, are positive. Media attention to entrepreneurship and the status of the entrepreneurs is rated high by respondents of the GEM survey. The percentage of the adult population who think that entrepreneurship is a good career choice is also high. Similarly, a high percentage of respondents state that there are good opportunities to start a business within the next

²⁶ <http://www.enterprisesurveys.org/data/exploreconomies/2015/ethiopia#finance>

month (65%) and that they are confident to have the skills necessary to do so (70%). This places Ethiopia more or less on an equal footing with other Sub-Saharan African countries.

The rate of perceived entrepreneurial opportunities and self-evaluation of capabilities display a gender-based differential. Fewer Ethiopian women perceive good opportunities and consider having the skills to start a business than their male counterparts (6% and 7% percentage points respectively). Regional differences exist as well.

Table 4-7 Attitudes towards entrepreneurship, on average.

Phase of economic development	Entrepreneurship as a good career choice	High status to successful entrepreneurship	Media attention for entrepreneurship	Entrepreneurial intentions
Factor driven economies	76%	80%	68%	49%
Ethiopia (factor driven)	74%	91%	72%	22%
Efficiency driven	70%	69%	60%	27%
Innovation driven	55%	70%	56%	13%
Sub-Saharan Africa	76%	80%	77%	53%

Source: Herrington and Kelly, GEM report 2012.

However, these positive results do not translate into actual intentions to establish an enterprise, which is the measure of entrepreneurship used by GEM. People's lack of engagement, often in rural areas, is due to the lack of awareness of entrepreneurial opportunities. Participants also noted that industrial parks represent a significant opportunity to raise awareness about business development opportunities.

A summary of the barriers identified in relation to this theme and suggests policy responses is set out in Table 4-8 below.

Table 4-8 Promoting awareness and networking. Barriers and suggested measures

Objectives	Barriers	Recommendations
Highlight the value of entrepreneurship to society and address negative	<ul style="list-style-type: none"> Mistrust of private sector by civil society, mistrust of government by the private sector Multiplication of exchange 	<ul style="list-style-type: none"> Involve media to raise awareness of the benefit of entrepreneurship²⁷ Facilitate knowledge and information exchanges by linking the various platform

²⁷ As suggested by the Science, Technology and Innovation Policy of Ethiopia

cultural biases	<p>platforms</p> <ul style="list-style-type: none"> • Lack of visibility of success stories and role models but also poor engagement from local entrepreneurs 	<ul style="list-style-type: none"> • Create opportunities to showcase success stories
Raise awareness about entrepreneurship opportunities	<ul style="list-style-type: none"> • Lack of opportunities for entrepreneurs to network and exchange such as entrepreneurship clubs • Weak business associations • Lack of information sharing • Lack of coordination among initiatives and poor communication/fragmented 	<ul style="list-style-type: none"> • Introduce entrepreneurship clubs • Develop a portal for entrepreneurship related networks and events
Stimulate private sector led initiatives and strengthen networks among entrepreneurs	<ul style="list-style-type: none"> • Unclear procedures for registration of professional associations • High costs of running information exchange platforms 	<ul style="list-style-type: none"> • Clarify legal status of entrepreneurs' associations • Establish incentives (tax breaks, fast-track procedures) for such associations • Use of the networks in place (media, extensions services, social safety net programmes) for developing outreach campaign for rural areas.

a. Highlight the value of entrepreneurship to society and address negative cultural biases

There is a lack of local success stories and learning from failure. The government recognizes that entrepreneurship is a driver for development and makes sure it is mentioned in official speeches. Global Entrepreneurship Week is celebrated under the auspices of EDC UNDP also organizes an annual National Entrepreneurship Award. The first Ethiopia Social Entrepreneurship Forum was launched in 2016. There are National Science and Technology Innovation Awards and the National ICT Innovation Awards although these occasions do not always link to entrepreneurship. These should be strengthened as the Industrial Development Strategic Plan (2013-2025) envisaged.

Existing barriers, explained below, show how most entrepreneurs fail to develop a long-term vision and that short-term objectives of quick returns prevail, creating a perception of misalignment with the country's long-term goal, or the stagnation into low-value added or necessity entrepreneurship.

Barriers

- Mistrust in the private sector: There is a negative perception in Ethiopian civil society about the private sector: it is not seen to be aligned with the country's development objectives;
- Entrepreneurship is culturally defined to serve the local market, which is further reinforced by the perception of a divide between urban and rural entrepreneurship, which is relegated to subsistence farming;
- Mistrust in the government: entrepreneurial success is difficult to celebrate because of fears of government intervention and tax reviews. This is reinforced by cultural factors: Ethiopians are not very comfortable talking about their success-stories and find it difficult to "sell themselves".

- Overcrowding of exchanges platforms: there are a lot of existing exchange platforms run by different ministries and private sector companies, but they are not interlinked or connected to each other.

Recommendations

- Engage the media to raise awareness of entrepreneurship and to change the mind-set about it (e.g. by publishing local entrepreneurial success stories). Entrepreneurship needs advocacy at all levels and sectors of society. The promotion of various programmes on Entrepreneurship in Ethiopia focusing on innovation could be a key message for awareness campaigns. Media involvement could be instrumental in bringing a particular focus on women, youth and green entrepreneurship as well as on entrepreneurs with disabilities.
- A systemization of the various fora and publishing the various results would facilitate a greater exchange and overall knowledge transfer. This practice would also contribute to an educational process for the government. The idea is the more officials hear about entrepreneurship related topics, the sooner they start paying attention to the subject.

b. Raise awareness of entrepreneurship opportunities

There are many initiatives from associations, NGOs, and donors to raise the visibility of women and youth entrepreneurship, with the objective of improving the image of entrepreneurs. However, according to stakeholders, entrepreneurship is still not considered a serious career option by graduates.

The various governmental bodies working on issues related to entrepreneurship have not integrated the importance of entrepreneurship into their particular domains and agendas. Awareness of entrepreneurial opportunities starts at the governmental level, with agencies working on topics directly related to economic development. Information gaps can be filled directly by the private sector and represent a business opportunity.

Barriers

- Entrepreneurship clubs only exist in a few education institutes in Ethiopia among TVET colleges and universities;
- Lack of a transparent system for information sharing, and poor economic research to identify trends and analyze opportunities;
- Weak grass-roots organizations for women entrepreneurs.

Recommendations

- Introduce entrepreneurship clubs throughout the whole country. Those institutions would be a great opportunity for informing students about challenges and opportunities in the entrepreneurial sector. A specific and clear mandate for entrepreneurship clubs in all public and private schools should be developed. Cooperation with existing media clubs for spreading awareness might also be possible. Entrepreneurship related competitions for schools could be an incentive for education institutions to facilitate the creation of such clubs on their premises
- Develop of a portal for entrepreneurship related networks and events. Existing agricultural and health extension networks, which bring together relevant stakeholders in these sectors, might provide useful platforms for beginning this activity.

c. Stimulate private sector led initiatives and strengthen networks among entrepreneurs

There are a reasonable number of entrepreneurial associations and other professional bodies that are encouraged by the government. It is hard to assess if and how these different networks (which seems to be structured along sectoral lines) are included in ongoing policy dialogues and whether small-scale entrepreneurs are part of them. It is difficult to assess which networks already exist and in which sectors they operate. Mobile applications such as *Viber* and *Telegram* are the biggest outlets and they are the preferred means of information sharing.

Data and information about entrepreneurial opportunities are spread and exchanged more easily if networks are strong and diversified. In that regard, the existing platforms must be broadened and extended. Policy actions in this area are mostly related to the set-up of initiatives, platforms and databases, which have to be accessible to the general public

Barriers

- The major constraint in this area is that there are no clear regulations on the registration procedure of professional associations and most of them are considered as consultancy organizations.
- High cost of running information exchange platforms.

Policy recommendations

- Clarify the legal status, role, function and establishment procedures of associations. In that context, legal provision clarifying the role and function of social entrepreneurship and its importance for the development of the country would be needed. This could accompany efforts to clarify the legal status and regulations related to cooperatives
- Granting tax breaks for private companies if they engage in funding such platforms. The promotion of firm activities supporting common good and sustainability should be further reinforced
- In order to reach focal persons in rural areas, a combination of the usage of community radio, text messages and internet-based applications seems the best option. Social safety net programs could further encourage entrepreneurs to take risks. Further policy actions might include a greater use of extension workers to help spreading awareness

5. Cross-sectional issues

This policy document identified three transversal issues: women & youth, the green economy and rural-urban linkages, at the centre of which is the development of productive, sustainable agriculture. They are essential as they form integral parts of the long-term strategy of Ethiopia towards social and environmental sustainability. As this strategy is aligned with the SDG and promotes, in fine, socially and environmentally sustainable enterprises, social entrepreneurship is hard to isolate as an issue in itself in a national strategy. This section will discuss each of these issues and set out suggested responses across the five areas of the EPF.

5.1. Women and Youth Entrepreneurship

As the EDRI report mentions, women and youth in Ethiopia face higher probabilities of under- and unemployment. The EDRI BDS survey shows also that woman-run firms face particular challenges of skills acquisition and access to finance. The issue of women's empowerment has, in fact, attracted

the attention of the academic literature on economic development in Ethiopia (Bayeh, 2016, Kumar and Guisumbing, 2015, Shibru, 2017, Geleta, et al. 2017).

The challenges faced by youth and women, and young women in particular, include inadequate business skills, cumbersome administrative and regulatory frameworks, poor access to infrastructure and premises and lack of start-up capital. These are problems all entrepreneurs face, but they are disproportionately felt by youth and women. Societal and cultural attitudes, biased against youth and women taking personal initiative, crystalize these barriers for this population. The type of economic activities in Ethiopia is very gender-specific, with women undertaking low-paying jobs such as domestic work (Shibru 2017). Although women are granted legal rights to ownership and inheritance of land, they have in practice little control over it. The consequence, in terms of division of labour, is straightforward. Women provide the majority of labour in agriculture, but the management and decision-making are male domains (Bekele et al. 2017). In a country where 80% of the population is active in agricultural production, this has far reaching consequences. Due to the nature of their work, women tend to be more concerned than men with the problem of environment and climate change (Naganag, 2014), but their lack of integration in decision-making process deprives agricultural management of a wealth of knowledge and expertise that would benefit environmental and resource protection. Empowering women to take a more active role in resources management, a skill that entrepreneurship programs could help them to acquire, is therefore vital for the sustainable development of Ethiopia (Bayeh, 2016). The policy recommendations that these articles identify are fully integrated in the various cross-sectional paragraphs among the different pillars of this document. At the policy level, EDRI mentions however a weakness: while the importance of women and youth empowerment is well recognized by overall development policy document (GTPI, GTPII, NEPS) and is even embodied in a National Action Plan for Gender Equality (NAP-GE 2006-2010), entrepreneurship related policies do not currently mention programmes or initiatives targeting women and youth in particular. The new Youth Development and Growth policy acknowledges the importance of providing youth with equal opportunities of economic development. It sets out to “*correct the misconceptions towards the youth*” and “*ensure benefits of the youth in green economic development*”. These are the two important objectives that this National Entrepreneurship Strategy has integrated. A summary of proposed policy measures for women and youth entrepreneurship is included in table 5-1 below, which is followed by further discussion.

Table 5-1 Barriers and suggested policy measures to enhance the cross-cutting theme of women and youth entrepreneurship

Objectives	Barriers	Recommendations
Optimising the Regulatory Framework	Weak exposure and participation of women and youth enterprises to information and decision making about regulation	Provision of more gender disaggregated data on the role of women and youth in the national economy
	Bias against women in traditional institutions	Review PPD framework to remove barriers to the participation of women and youth entrepreneurs in the PPD

	Regulatory hurdles	Increase women's awareness of their legal rights and roles with regards to customary practices
		Simplify legal and regulatory procedures required for forming grass-roots associations, social enterprises, cooperatives.
		Establish legal definition of "social entrepreneurship" and provide incentives linked with "innovative start-up" packages
Enhancing Entrepreneurship Education and Skills	Weak participation of women and youth in entrepreneurship education	Mainstream entrepreneurship education in youth development and recreational centres, as proposed by the YDGS
		Support youth and women to participate in training programmes by establishing quotas and incentives
		Identify women role models and select advocates for youth and women entrepreneurship
Facilitating Technology Exchange and Innovation	Digital divide among women and youth population	Establish a Universal Services and Access Fund (USAF) to improve reach of ITC among youth and women
Improving Access to Finance	Low level of financial literacy among youth and women	Extend large individual loans to growth-oriented women entrepreneurs
		Help lenders move away from traditional collateral-based lending
		Develop financial literacy programmes for youth and women
Promoting Awareness and Networking	Weak visibility of female entrepreneurship	Promote formal and informal business networks of women and youth entrepreneurs.
	Lack of women grassroots organizations	Encourage establishment of grassroots women and youth business associations
	Misconceptions of women and youth	Increasing access of women and youth entrepreneurs into existing business association and networks

Optimising the regulatory framework: The lack of data about enterprises established by youth and women, the sectors in which they are active, their performance and the kind of constraints they face prevents quality fact-based policy making. The gathering of gender- and age-disaggregated data should therefore be encouraged. Information on the regulatory framework hardly reaches excluded

minorities. The participation of women and youth entrepreneurs in urban and rural areas in decision-making processes related to regulation, such as Public-Private Dialogue mechanisms is recommended. The EPPCF is an established mechanism(s) through which the private sector could participate in a Public-Private Dialogue, can be used to enhance the inclusion of MSME, as recommended above, as well as women and youth entrepreneurs. Social entrepreneurship is completely absent from policies or strategies and therefore is not the subject of facilitated administrative processes. Yet, as already stated earlier, there are arguably about 55'000 social enterprises in Ethiopia and this sector is growing (British Council, 2017). The establishment of a legal definition of social entrepreneurship with incentives for the promotion of business model integrating social and environmental concerns is recommended. This can be done in synergy with efforts to simplify and promote innovative start-up. By the same token, the legal status and administrative procedures regulating associations, cooperatives and grass-root movements is problematic. Moreover, the lack of a women's grass-root association is preventing their participation in development activities. Finally, customary law tends to be patriarchal and family arbitration systems and gender bias limit women's access to resources. Simplified legal and regulatory procedures are required for forming grass-roots associations, social enterprises, and cooperatives.

Enhancing Entrepreneurship Education and Skills: The Youth Development and Growth Strategy (YDGS) deemed vital to expand youth participation into the economy. It proposes to incorporate youth development and recreational centres in urban centres, woredas and kebeles. Entrepreneurship education modules and methodologies could be adapted to informal institutions and expanded to youth development and recreational centres. Moreover, raising awareness of young people on the challenges of environmental protection is crucial. Entrepreneurship education for youth should pay specific attention to green issues, as proposed by YDGS.

By the same token, participation of women and youth in training programmes should be encouraged. The private sector can be incentivized to increase its involvement in women's and youth entrepreneurship training. Similarly, young women entrepreneurs should be made more visible and taken as role models for the development of business cases, adapting the training content to the local context and strengthening ties between educational institutions and the private sector.

Facilitating Technology Exchange and Innovation: The very low score of Ethiopia on the Affordability Drivers Index (ADI) developed by the Alliance for Affordable Internet (A4AI)²⁸ reflects the digital divide that the country faces. Universal Services and Access Fund (USAF) are well-recognized mechanisms for tackling market failures that leave certain populations (poor segments of the population, women, rural communities) underserved²⁹(see annex 3).

Improving Access to Finance: According to the FINDEX database, 41% of men had a bank account in 2017, compared to 29% of women. This gap was insignificant in 2014, with the share of women and men having an account being even. The access to finance gender gap is therefore

²⁸ Ethiopia ranks 55 out of 58 countries in the latest Alliance for Affordable Internet (A4AI) report http://a4ai.org/affordability-report/data/?_year=2017&indicator=INDEX

²⁹ A4AI & WWF, Universal Universal Service and Access Funds: An Untapped Resource to Close the Gender Digital Divide, <https://webfoundation.org/docs/2018/03/Using-USAFs-to-Close-the-Gender-Digital-Divide-in-Africa.pdf>

widening as the efforts made to facilitate access to finance for the general population does not seem to reach women in the same proportion. Societal and cultural factors are key. Levels of financial literacy among urban dwellers in Addis Ababa are statistically lower among women and youth than for the rest of the population (Matewos et al. 2017). This policy therefore recommends supporting initiatives and institutions facilitating access to finance for women such the women-based financial institutions and other associations.

The lessons of the World Bank's Women Entrepreneurship Development Project are very useful in that regard: large individual-liability loans to growth-oriented women make a significant impact. The programme and the research conducted on it show the limitations of small loans to groups (Alibhei et al. 2018). Helping lenders to move away from collateral-based loans and find new ways of assessing businesses goes a long way to help women accessing finance. Capacity-building for lenders should be promoted. At the same time, financial literary programmes for youth and women also have to be developed and expanded.

Promoting Awareness and Networking: The Youth Development and Growth Strategy (YDGS) mentions the importance of correcting misconceptions of youth. This prevents the youth from expanding its participation into the relevant sectors of the economy, notably within the green economy, which the YDGS also identified as a priority.

Attitudinal challenges have been identified by the RJOC. Entrepreneurial ventures are still viewed negatively and perhaps more so in rural areas. Parents prefer their children to have salaried jobs rather than becoming entrepreneurs. Providing information about entrepreneurial opportunities related to agricultural and non-agricultural activities in rural areas is therefore important. The RJOC provides a detailed list of such opportunities.

5.2. Green economy

Mainly due to climate change, Ethiopia has faced frequent droughts across its different regions. The protection of Ethiopia's natural resources and eco-system is therefore of vital importance for its environment and its people. As previously mentioned, 80% of Ethiopia's population lives from agriculture. Small-scale farmers and pastoralists are likely to bear most of the negative consequences of climate change, which will affect poverty levels, water scarcity and food security and many other health and sanitary issues. The EDRI reports mentions low-levels of awareness of and commitment to environmentally sustainable production practices. Only 12% of micro and small enterprises have operational wastewater treatment facilities. Similarly, Wakeford et al (2017) report that only 12% of firms are engaged in green product innovation and 15% in green process innovation, green innovation being defined as "innovations that aimed to reduce energy, water and material in puts or solid, liquid and gaseous wastes" (Wakeford et al. pp. 1). The Climate-Resilient Green Economy (CRGE)³⁰ initiative aims at building a green economy in line with the goal of reaching middle income status before 2025. The green economy plan, which follows a sectoral approach, is complemented by a 15-year National Adaptation Plan (NAP) launched in 2017. It focuses on agriculture, forestry, health, transport, power, industry, water and urbanization.

³⁰ Ethiopia's Climate-Resilient Green Economy

<http://www.undp.org/content/dam/ethiopia/docs/Ethiopia%20CRGE.pdf>

Although the documents include small-scale enterprises in these sectors, entrepreneurship is not mentioned. The NES will therefore strive to create linkages with these document and mainstream entrepreneurship in the programs supported by the NAP.

The several pillars of the entrepreneurship strategy will include recommendations aligned with the main objectives of the CRGE. This will increase the importance of green innovation and institutions such as the Ethiopia Climate Innovation Center (ECIC) supported by the World Bank’s InfoDev, which helps Ethiopian small and medium enterprises (SMEs) that are developing innovative solutions that address climate change challenges. A summary of proposed policy measures for green entrepreneurship is included in table 5-2 below, which is followed by further discussion.

Table 5-2 Barriers and suggested policy measures to enhance the cross-cutting theme of green entrepreneurship

Objectives	Barriers	Recommendations
Optimising the Regulatory Framework	Weak exposure of startups and small business to environmental standards and green regulation	Recognize farming as a business to ensure the success of listed initiatives of CRGE related to the agriculture sector
		Build capacity to inform, monitor and enforce environmental regulations
Enhancing Entrepreneurship Education and Skills	Weak integration of the green agenda within the education system	Mainstream green issues into curricula, training, management and advisory services
		Establish partnership between education and employers in the green economy
Facilitating Technology Exchange and Innovation	Weak integration of start-up and SMEs within the green agenda	Extend incentives to green entrepreneurs
		Use demand policy (trade and procurement) to promote green innovation
Improving Access to Finance	Lack of sustainable development finance mechanisms for investing in SDGs, such as blended finance and model PPPs	Introduce blended finance and sustainable inclusive PPP
Promoting Awareness and Networking	Lack of awareness of the market opportunities that green economy represent	Develop information portal on green entrepreneurship opportunities
		Facilitate emergence of association of green entrepreneurs

Optimising the Regulatory Framework: The projects listed by the CRGE³¹ need to ensure the inclusion of small entrepreneurs and rural entrepreneurs. The success of the CRGE depends in parts on the trajectory of agriculture, with livestock emissions of methane and nitrous oxide representing 45% of total emissions.³² Entrepreneurship modules should therefore be mainstreamed in the list of initiatives designed by the CRGE to increase agricultural productivity and increase animal value-chain efficiency.

Moreover, non-agricultural start-ups and MSMEs are rarely aware of environmental standards and regulations. Building the capacity to inform, monitor and enforce environmental standards and regulations is important.³³

Enhancing Entrepreneurship Education and Skills: This Entrepreneurship Strategy offers the opportunity to contribute to other strategies. The CRGE strategy, for example, fails to mention the importance of education. Yet, efforts to green the economy will be more sustainable if issues related to environmental protection are included into the education system. Entrepreneurship curricula, training and services can accommodate this. Strengthening the ties between green entrepreneurs and education structure is also important. It will demonstrate to students that there is a market for enterprises which can contribute to environmental protection.

Facilitating Technology Exchange and Innovation: Small firms are the least innovative enterprises in Ethiopia, which is an important barrier in the achievement of a green economy.³⁴ Support for innovation detailed in table 4-4 as well as the use of demand policy can be extended and tailored to favor the emergence of green firms. This would help to push Ethiopian firms to upgrade their environmental standards.

Improving Access to Finance: Ethiopia's Climate-Resilient Green Economy (Green Economy Strategy) outlines a roadmap to build Ethiopia's green economy, while omitting to mention the SME population of enterprises. It proposes tapping climate finance, some which could be directed at SMEs. Wakeford et al. (2017) are more specific in their recommendations, some of which are integrated below.

There are several mechanisms to support the funding of green start-ups and enterprises. Wakeford et al. propose that the Ethiopian Development Bank play a major role in providing finance for innovation, in which case, the inclusion of green start-ups and SMEs shall be ensured. The sharing of risk through public-private partnerships is also discussed. The latest approach to PPP (sustainable PPP) provides a good model for the financing of green projects and the inclusion of small firms

³¹ <http://www.ethcrge.info/proposals.php?stat=published>

³² According to Global Methane Initiative, in 2011.

https://www.globalmethane.org/documents/ag_ethiopia_res_assessment.pdf

³³ As proposed by Wakeford et al. (2017)

³⁴ Wakeford, J.J., Gebreyesus, M., ginbo, T., Yimer, K., Manzambi, O., Black, M., Mulugetta, Y., Okereke, Ch. (2017) Innovation for green industrialization: An empirical assessment of innovation in Ethiopia's cement, leather and textile sectors, Quantum Global Research Lab, working paper No. 2017/01

within it.³⁵ With the “Proclamation 1076/2018” Ethiopia will introduce a legal framework on PPP to facilitate the cooperation among public entities and private operators to support the economic growth of the country.

Promoting Awareness and Networking: More can be done to raise awareness of the opportunities presented by green entrepreneurship and to support the creation of a network of green entrepreneurs.

5.3. Rural-urban linkages

Agriculture is the main economic activity in rural areas while services and industry dominate in urban sectors. While both regions produce complementary goods (agricultural products and raw material in exchange for manufactured products) the linkages between rural and urban regions are weak. Trade links between cities and the countryside are insufficient. In times of surplus, farmers often face low prices due to the lack of market access, while people in other rural and urban areas face shortage. Poverty is still rampant in rural areas, which will continue to be a major factor in the rural-urban migrations. The urban service sector, especially the informal sector, tends to absorb rural migration (Adugna, A., Hailemariam, 2010). But as EDRI noted, an urbanization policy that ignores rural-urban migration and that does not create jobs for migrants can result in uncontrolled and unsustainable urbanization. Enhancing rural-urban integration through both investment in infrastructure and the provision of entrepreneurial training on the potential business opportunities in the linkage between rural and urban areas, such as agro-processing, is useful for both rural and urban entrepreneurs. Rural entrepreneurship has therefore the potential to bridge the rural-urban disconnect in Ethiopia.

The Rural Job Opportunity Creation Strategy (RJOC) from the Ministry of Agriculture (MoA) approved by the Government of Ethiopia in 2017 offers an occasion for inter-ministerial cooperation and policy coherence. The challenges to rural job creation the strategy identified have been integrated into this document, as well as the recommendation related to sustainable entrepreneurship it advanced.

The Integrated Agro-Industrial Parks (IAIPs) are a cornerstone of the structural transformation Ethiopia is experiencing in rural areas and the rural entrepreneurship component of this policy will rest on the IAIPs and under the main economic strategy of the government: Agricultural Development Led Industrialization. This proposed NES can bring entrepreneurship to rural areas and pay specific attention to rural entrepreneurs, as they face different barriers (size of markets, low level of information, underdeveloped infrastructure) than their urban counterparts.

The National Small and Medium Manufacturing Industry Development Strategy also recognizes *rural entrepreneurship as part of a private sector development* and as the basis for bringing transformation in the agriculture sector which is the back bone of the country’s economy. A

³⁵ As proposed by Wakeford, J.J., Gebreeyesus, M., ginbo, T., Yimer, K., Manzambi, O., Black, M., Mulugetta, Y., Okereke, Ch. (2017) Innovation for green industrialization: An empirical assessment of innovation in Ethiopia’s cement, leather and textile sectors, Quantum Global Research Lab, working paper No. 2017/01

summary of proposed policy measures for rural entrepreneurship is included in table 5-3 below, which is followed by further discussion.

Table 5-3 Barriers and suggested policy measures to enhance the cross-cutting theme of rural entrepreneurship

Objectives	Barriers	Recommendations
Optimising the Regulatory Framework	Weak social protection of excluded minorities (rural women in particular)	Establish Geographical Indications, with a focus on protected designation of origin (DOP) certifications
		Assess feasibility of legal reforms to bring informal sectors (cooperatives and micro-enterprises) to the national safety net schemes.
Enhancing Entrepreneurship Education and Skills	Weak outreach of entrepreneurship education and skills in rural areas	Provide entrepreneurship training and skills development to rural youth and women
Facilitating Technology Exchange and Innovation	Weak integration of start-up and SMEs scale enterprises into industrial clusters (As identified by the National Small and Medium Manufacturing Industry Development Strategy)	Mainstream entrepreneurship within the major components and establish incubation centers in Rural Transformation Centers of IAIP
	Weak linkages between rural and urban firms	Encourage the establishment of privately-owned cooperatives of producers
	Lack of commercialization component within state-supported cooperatives of producers	
Improving Access to Finance	Lack of appropriate framework for expansion of financial sector in rural areas	Review regulatory frameworks for encouraging expansion in rural areas investment vehicles (as proposed by the NFIS)
		Encourage the development of commodity-backed finance
		Develop rural financial intermediaries
Promoting Awareness and Networking	Attitudinal challenge (As identified by the RJOC of the MoA)	Develop information portal on rural entrepreneurship opportunities

Optimizing the Regulatory Framework: The National STIP policy proposes a review of the patent, copyright and trademark protection to promote innovation and the growth of creative industries. In this area, the establishment of schemes of geographical indications and traditional specialties can provide the appropriate regulation to favor the emergence of local sustainable agricultural products.

The Quality and Origin program of the FAO is of high relevance.³⁶ Products of origin-linked quality increases food security and diversity, encourages rural development, and presents consumers with a wider choice.

Excluded groups of the population, especially rural women, who are left outside of any kind of social protection scheme will find it difficult to become formal, high-value entrepreneurs, as it entails the acceptance of a certain level of risk. It is therefore important to provide social protection that reduces vulnerability and promotes economic empowerment of young and women entrepreneurs. This means that social protection schemes would need to be extended to minority groups³⁷.

Enhancing Entrepreneurship Education and Skills: The RJOC identified the weak outreach of entrepreneurship education and skills in rural areas as a barrier to its development and recognizes the importance of entrepreneurship as a policy measure. It proposes to provide entrepreneurship training and skills development to rural youth and women.

Facilitating Technology Exchange and Innovation: The weak integration of small-scale entrepreneurs within industrial clusters and lack of linkages between urban and rural firms are barriers to rural entrepreneurship that can be removed using already well-established IAIP. At the policy level, the Agricultural Development Led Industrialization approach provides the necessary policy input to mainstream entrepreneurship within the IAIP.

Research shows that the adoption of agricultural technologies by smallholders can be partly facilitated by cooperatives. State-sponsored cooperatives should be distinguished from private (often NGO supported) cooperatives. The latter tend to better integrate elements of commercialization and linkages with the market than the former, which focus mainly on production. The establishment of privately-owned cooperatives of producers should therefore be facilitated.

Efforts to better integrate local enterprises into the national economy could leverage the experience of UNDP Local Economic Development project. The LED is a Public-Private Partnership established to boost private sector development taking place at the regional level. It includes support for small scale entrepreneurs, especially for youth and women but not necessarily focused on the access to and production of innovation.

Improving Access to Finance: The urgent need to accelerate the financial access to rural areas is well-recognized by the NFIS. It cites the gap between the contribution of agriculture to GDP and employment (38.7% and 85%) and its share in portfolio of commercial banks and MFI (11.7% and 9.3%). The NFIS proposes therefore a review of financial regulations to favour the expansion of financial services into rural areas. This would also promote the development of commodity backed finance in rural areas, which is currently only sporadically present. Warehouse receipt systems,

³⁶ FAO Quality and Origin program <http://www.fao.org/in-action/quality-and-origin-program/en/>

³⁷ As proposed by NFIS

collateral management agreements and stock monitoring agreements, which are the three main types of commodity-backed finance, might require specific regulations and in the case of the warehouse receipt system, a licensing and inspection authority. (Varangis and Saint Geours, 2017). Interviews conducted for the development of this strategy also mentioned the significant impact of the Rural Financial Intermediation Programme (RUFIP)³⁸ of the International Fund for Agricultural Development (IFAD) whose phase II is currently ending. Stakeholders active in the development of rural finance urged for the set-up of RUFIP III.

Promoting Awareness and Networking: There is an opportunity to present the opportunities of rural entrepreneurship more effectively, for example through the creation of a portal.

³⁸ International Fund for Agricultural Development
<https://www.ifad.org/web/operations/project/id/1521/country/ethiopia>

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6. Annexes

Area	Start-up Stage 1	Expansion Stage 2	Maturity &Exit Stage 3
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Annex 1: Entrepreneurship Strategy of Ethiopia: Policy recommendations by enterprises' lifecycle

Table 6-1 Annex 1: Entrepreneurship Strategy of Ethiopia: Policy recommendations by enterprises' lifecycle

Optimizing regulatory framework	<ul style="list-style-type: none"> Streamline business establishment Introduce e-regulations and e-registrations Facilitate formalization Fiscal incentives Land ownership reform 	<ul style="list-style-type: none"> Procurement regime Fiscal regime PPP regime Accounting regime 	<ul style="list-style-type: none"> Element of Trade and Industrial Policy Bankruptcy Law
	<ul style="list-style-type: none"> Competition Law IPR Dispute settlements regime Investment law and trade agreement 		
Clear definition of MSMEs / Land ownership reform			
Enhancing education and skills development	<ul style="list-style-type: none"> Embed entrepreneurship education in formal system Engage TVET in Introduce learning by doing methods 	<ul style="list-style-type: none"> Introduce Mentoring and Coaching Set up expansion counseling Develop financial and accounting literacy 	
	<ul style="list-style-type: none"> Collaborate with private sector 		
Facilitating Technology Exchanges and Innovation	<ul style="list-style-type: none"> Incubators and co-working Awards to innovation Science Parks 	<ul style="list-style-type: none"> Set up accelerators according to industry needs Cluster development Engage diaspora 	<ul style="list-style-type: none"> Stimulate additional R&D in mature firms Promote international exchanges
	<ul style="list-style-type: none"> Element of Regional/Local development policies Business linkages programmes Quality standards and productivity upgrading Industry & University collaboration 		
Improving access to finance	<ul style="list-style-type: none"> Loan guarantee schemes Microfinance Venture capital regulatory framework Provide finance and mentoring to disadvantaged groups 	<ul style="list-style-type: none"> Build capacity of loan officers Introduce blended finance and PPP investment vehicles Set up domestic venture capital industry 	
	Set up credit bureau / Mobile money and digital payment regulation		
Awareness and networking	<ul style="list-style-type: none"> Entrepreneurship promotion campaigns Create inspirational models 	<ul style="list-style-type: none"> Trade fairs to encourage cross-border trade Information portals 	
	Set women and youth networks Strengthen industry associations Establish entrepreneurship clubs		
Governance Issues	<ul style="list-style-type: none"> Ensuring coherence of entrepreneurship strategy with other national policies Strengthening the institutional framework Measure results, ensure policy learning 		

Annex 2: Results of the UNCTAD's scorecard survey

Figure 6-1 Scorecard: Regulatory Environment

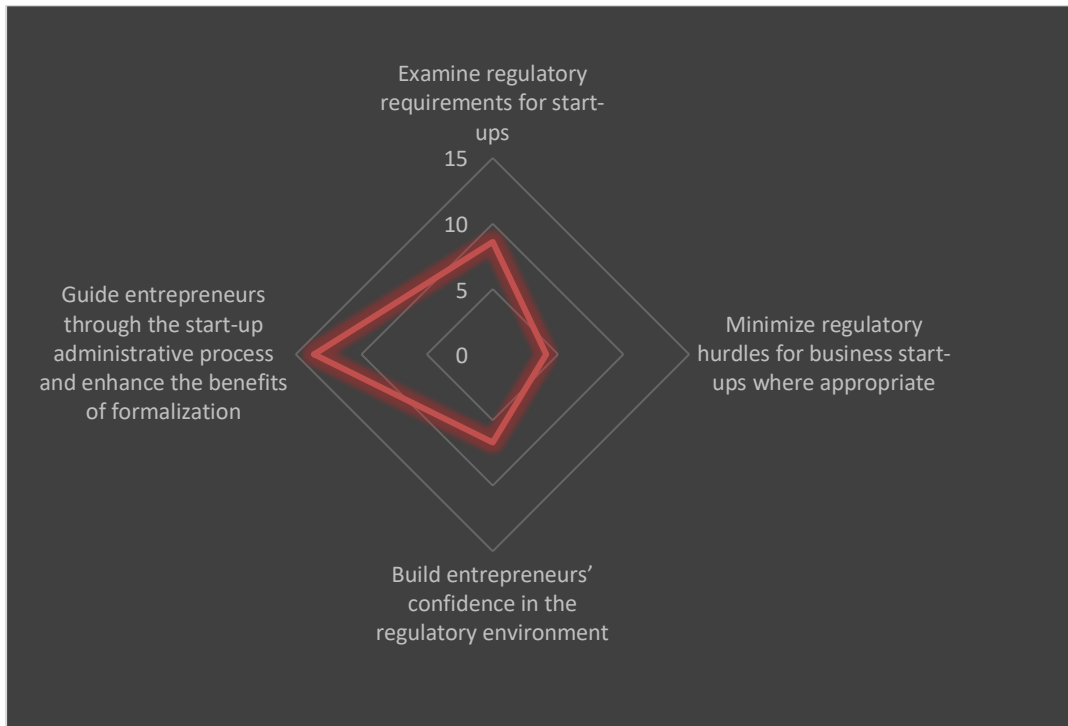


Figure 6-2 Scorecard: Entrepreneurship Education and Skills

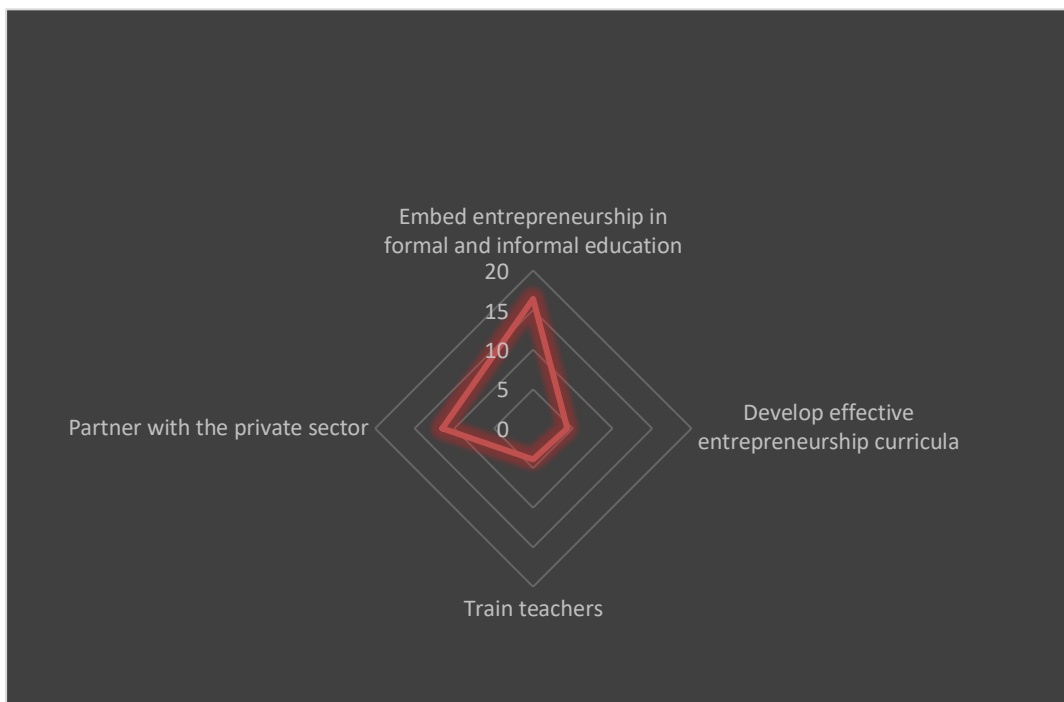


Figure 6-3 Scorecard: Technology and Innovation

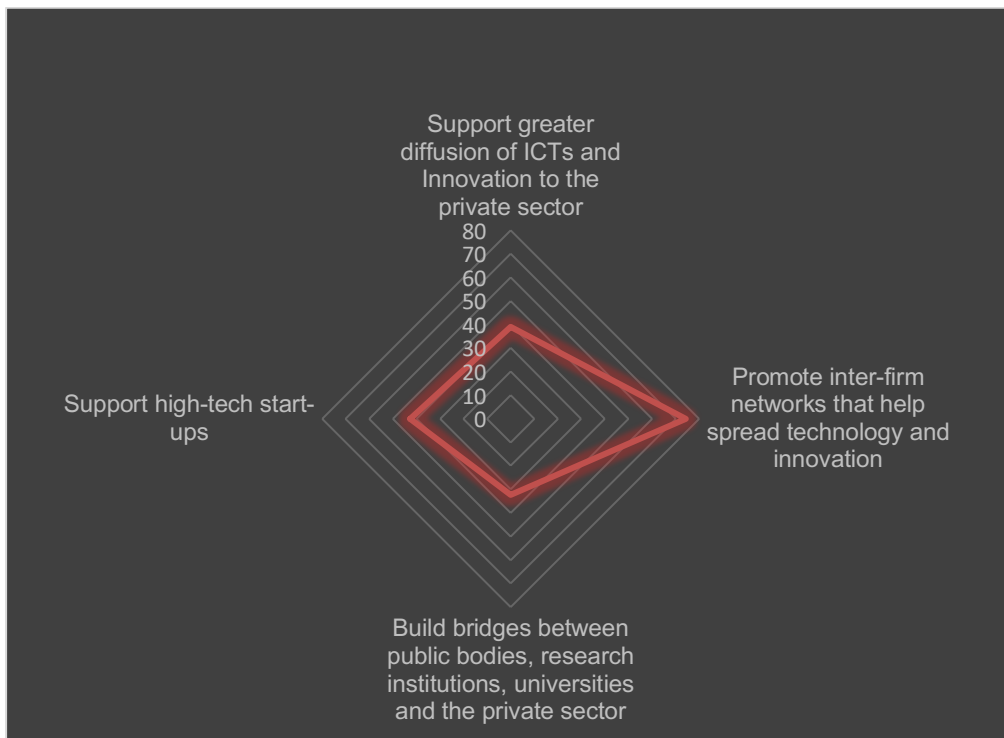


Figure 6-4 Scorecard: Access to Finance

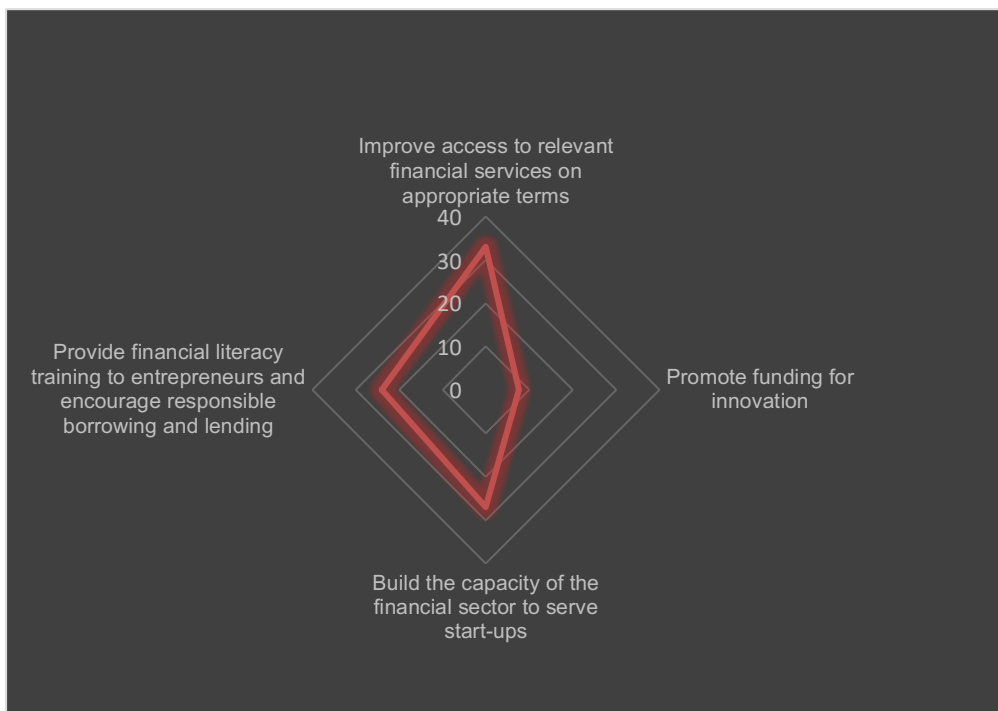
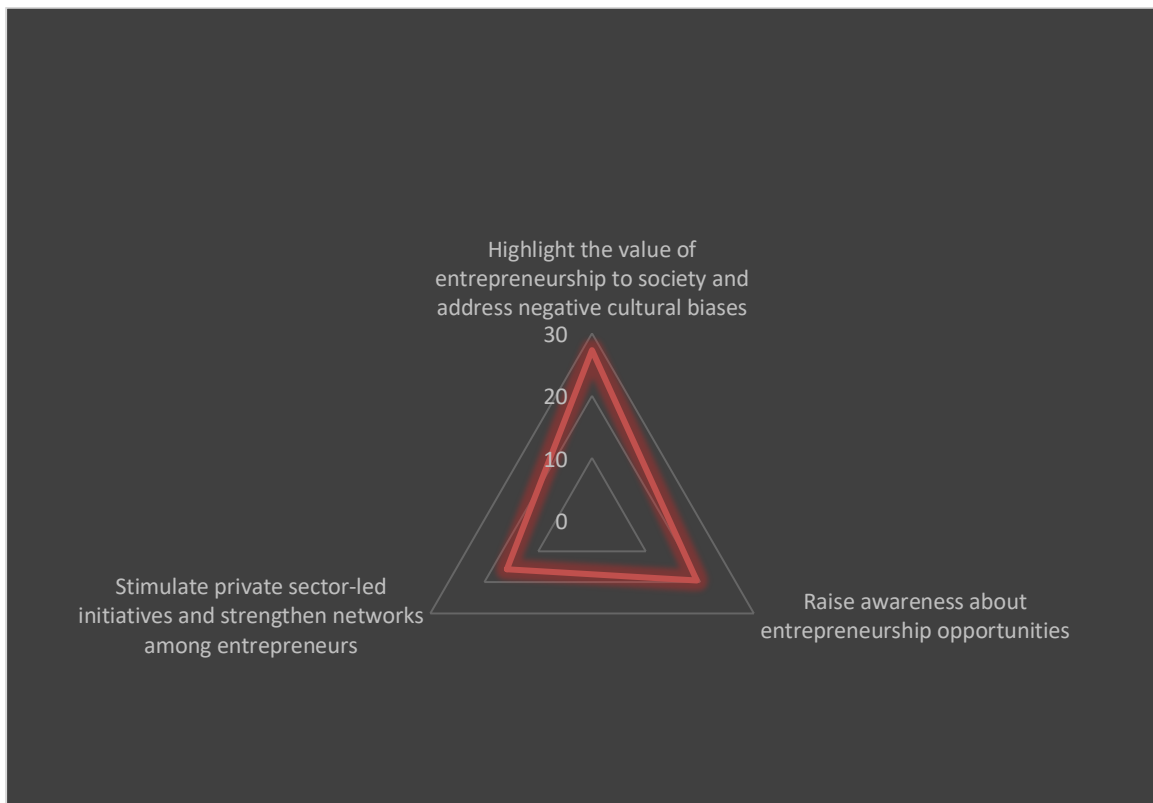


Figure 6-5 Scorecard: Networks and Awareness



Annex 3: Graphs and figures

Figure 6-6 Graph 1: Digital payment and mobile money account, FINDEX Database, 2017

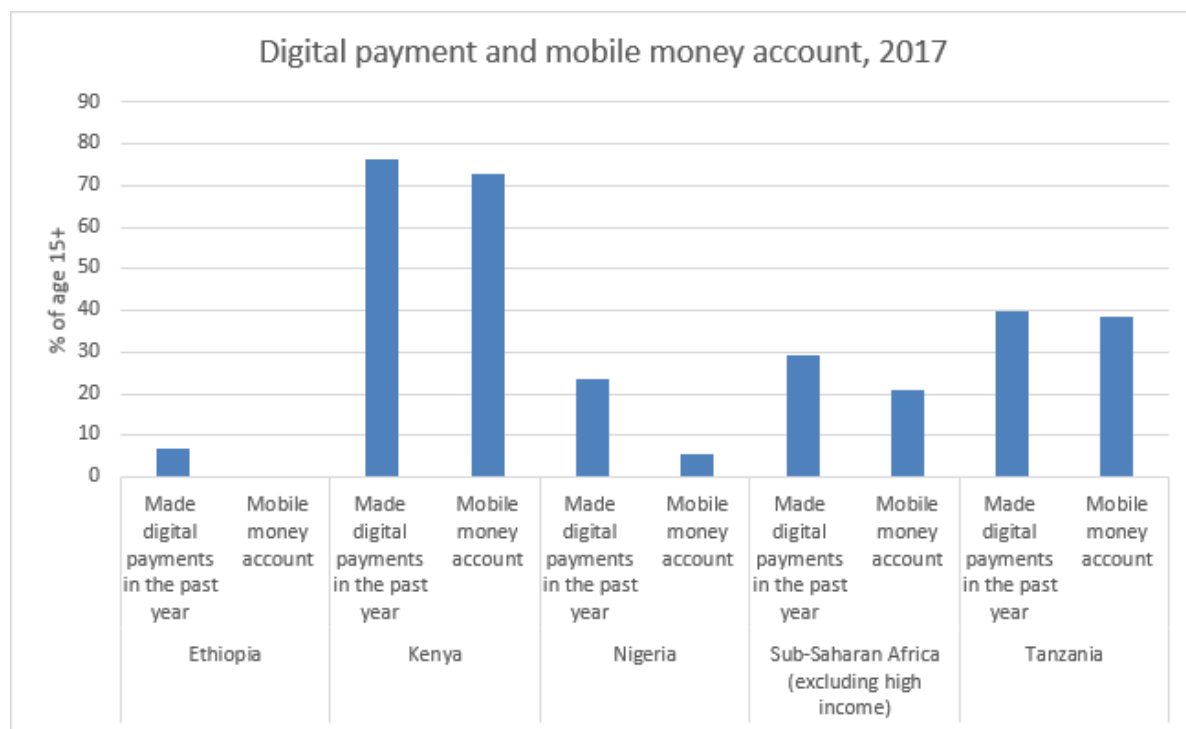


Figure 6-7 Graph 2: Bank account by gender, FINDEX Database, 2017

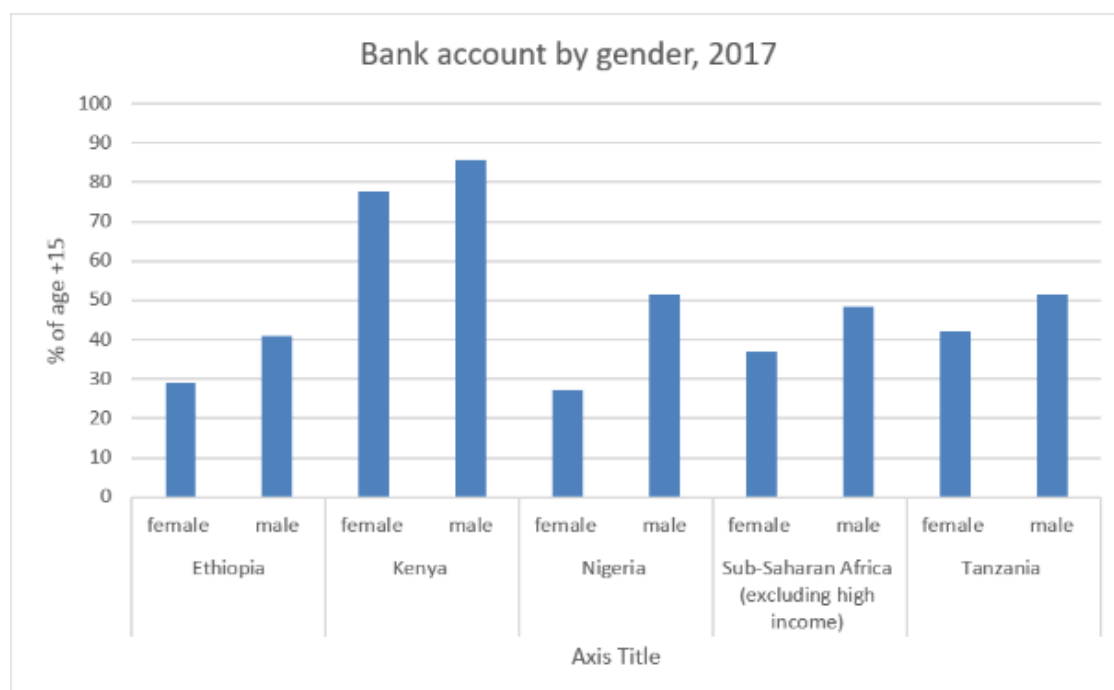


Figure 6-8 Graph 3: Bank account by level of wealth, 2017

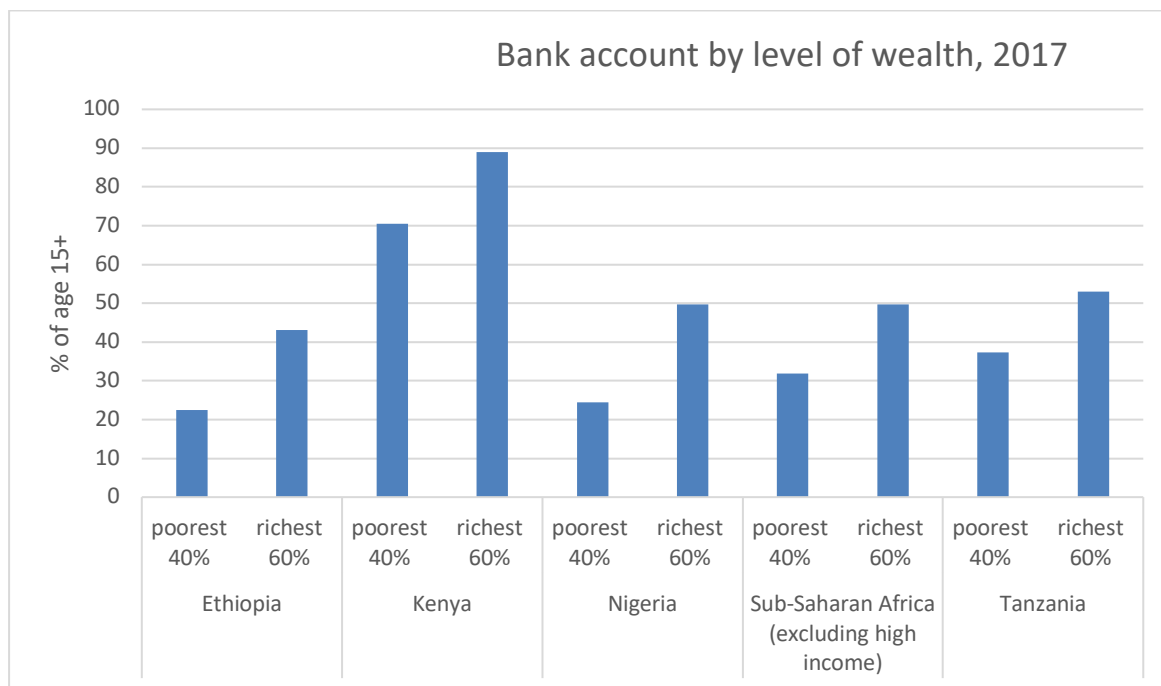


Figure 6-9 Graph 4: Bank account, rural, 2017

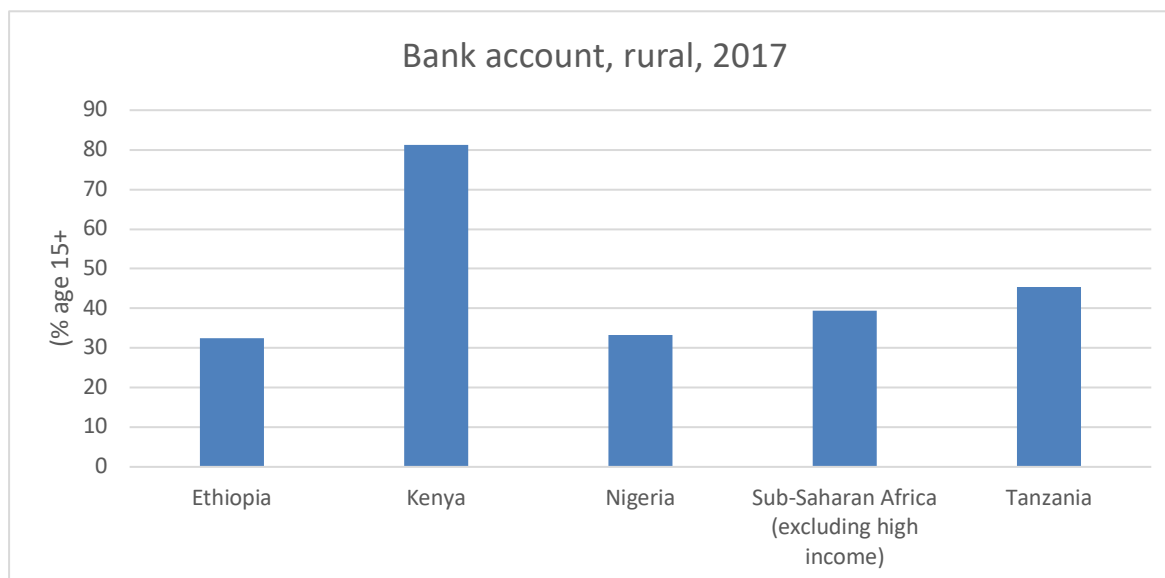


Figure 6-10 Graph 5: Saving for business and the use of informal saving clubs, 2017, FINDEX database

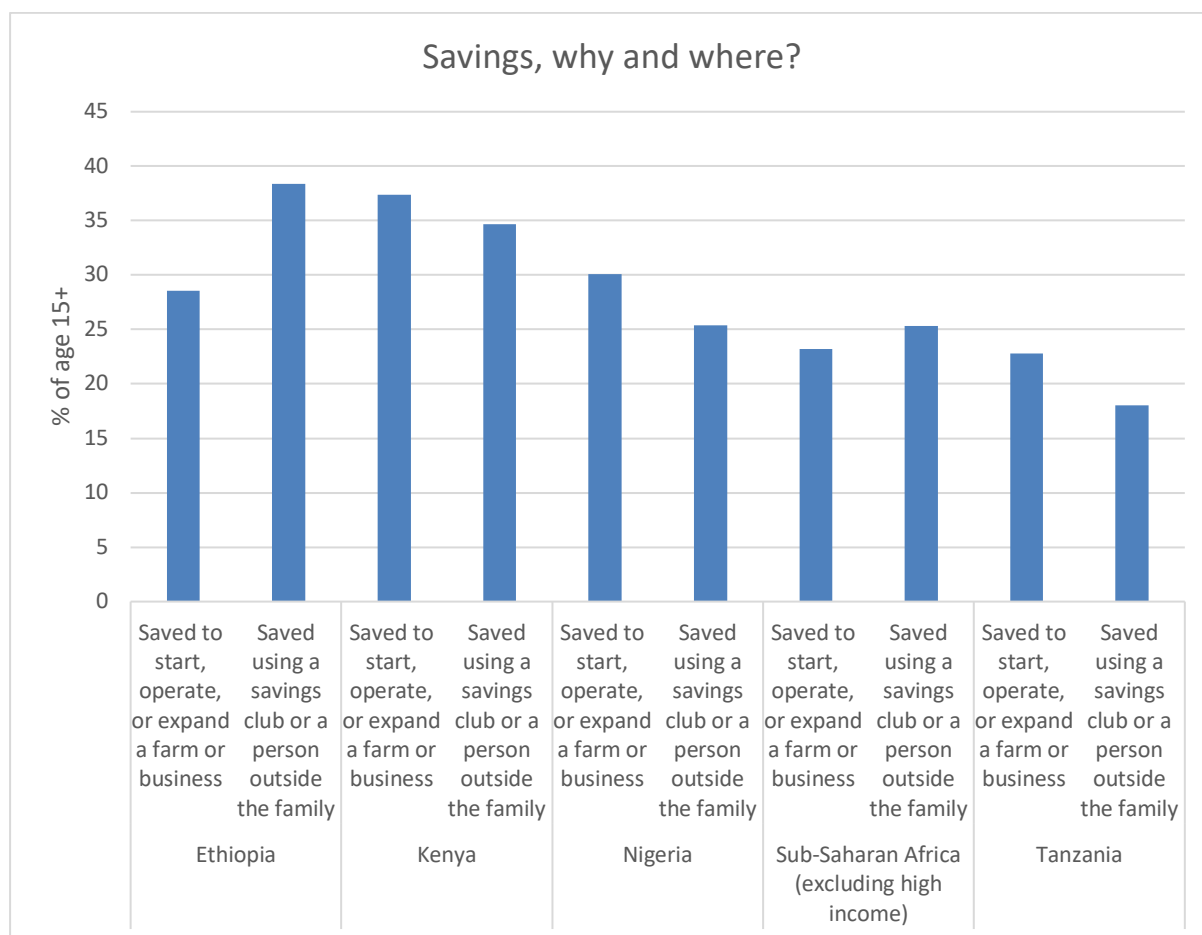


Figure 6-11 Graph 6: Gross loan portfolio trend

