

# Private Sector Development in Ethiopia (PSD-E)

Improving growth opportunities for micro, small and medium-sized enterprises (MSMEs), start-ups, and small and growing businesses (SGBs)

## Context and Challenge

Ethiopia has made significant progress in its economic development in the fifteen years before the Covid-19 pandemic started in 2020. With an average economic growth rate of 10%, the economy sustained one of the fastest economic growths in the world. The **Home-Grown Economic Reform (HGER) Agenda** initiated in 2019 and the subsequent launch of the **10-Year Development Plan (2021-2030)** have opened considerable opportunities for investments in the economy and adapted private sector-led economic growth as one of the strategic pillars.

However, the Ethiopian economic ‘take-off’ and progress was primarily led by the public sector. It was fueled by public investments in infrastructure as well as government reform measures that allowed for a much greater role of the private sector in driving growth and job creation. Nevertheless, the business and regulatory environment is constraining domestic firm growth and hindering the expansion of the private companies in the productive sectors. Furthermore, several challenges ranging from specific market constraints to the general operating environment hold back the private sector in Ethiopia from investing and reaching its potential.

In addition to the existing structural challenges, several recent global and domestic crises, such as Covid-19, Russia’s war in Ukraine, climate change and the conflict in the north, as well as the continuing political instability in the country are hurting existing businesses and create uncertainty for private investments. As a result, these businesses - especially SMEs and micro-enterprises - struggle to recover or even continue their operations which resulted in the loss of thousands of permanent jobs and income as well as in reduced access to relevant products or services for the Ethiopian population.

For the private sector to play the expected transformative role in the economy, an enabling business environment needs to be created and the capacity of public institutions as well as private sector actors must be strengthened.

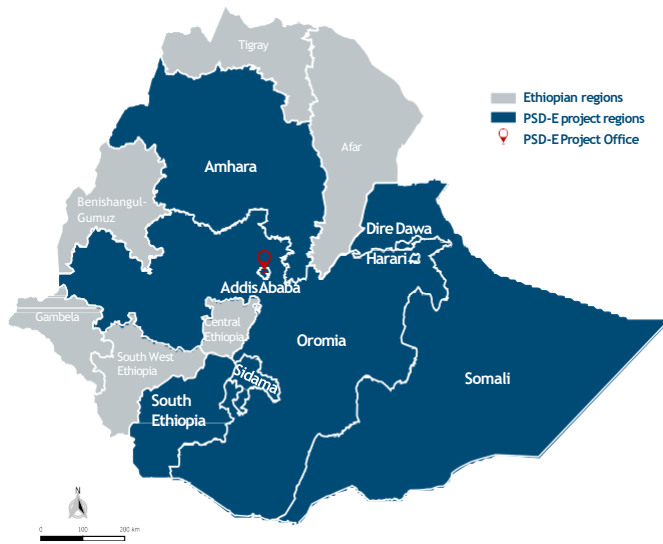
<b>Project name</b>	Private Sector Development in Ethiopia (PSD-E)
<b>Commissioned by</b>	German Federal Ministry for Economic Cooperation and Development (BMZ)
<b>Lead executing agency</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
<b>Project regions</b>	Addis Ababa, Amhara, Dire Dawa, Harari, Oromia, Sidama, Somali and South Ethiopia
<b>Political partner</b>	Ministry of Industry (MoI)
<b>Further public and private partners</b>	Ministry of Innovation and Technology (MINT) Ethiopian Enterprise Development (EED) Entrepreneurship Development Institute (EDI) Ministry of Labour and Skills (MoLS) Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA)
<b>Duration</b>	October 2020– September 2024 (4 years)
<b>Budget</b>	EUR 25 million

## Our Project Objective

The “**Private Sector Development in Ethiopia**” (PSD-E) project impacts on improving the economic policy framework as well as the employment and income situation in the Ethiopian private sector. It builds upon the HGER and the 10-Year Development Plan (2021-2030) of the Ethiopian Government.

PSD-E specifically aims to **improve growth opportunities for MSMEs, start-ups, and SGBs**. To this end, PSD-E strengthens the capacities and private sector orientation of public institutions, Business Membership Organizations (BMOs), start-up ecosystem intermediaries and Business Development Service Providers (BDSPs). In addition, the project provides direct support to MSMEs and entrepreneurs affected by recent conflicts and crises to sustain or recover their business operations.





## Our Approach

On behalf of the German Ministry for Economic Cooperation and Development (BMZ) and in cooperation with the Ministry of Industry (MoI), PSD-E focuses on the following areas of intervention:

### 1. Improving legal and regulatory framework conditions

Public institutions are strengthened to improve framework conditions for the private sector. Managerial and technical staff is supported in enhancing their organizational structures, in implementing business-friendly policy implementation frameworks, and in organizing public-private dialogue formats.

### 2. Strengthening business membership organizations

Ethiopian chambers and associations are strengthened in their two core functions of representing their member businesses' interests more effectively vis-à-vis public institutions and in providing demand-driven services for their members and the broader business community.

### 3. Enhancing the innovation ecosystem

The capacities of intermediaries (e.g., business incubators & university incubation centers) are enhanced by strengthening the sustainability of their business models and improving their services for start-ups. Additionally, local, regional and international linkages with further ecosystem players are created to enable knowledge exchange, learning and networking.

### 4. Improving business development services

The private market for higher-quality business development services (BDS) for SMEs and SGBs is strengthened by enhancing the capacities of BDS providers towards international certification and by introducing a BDS portal and voucher system to spur demand for high-quality BDS.

## 5. Enhancing business recovery and resilience

As a response to recent global and domestic crises, (M)SMEs and entrepreneurs are provided with direct, needs-oriented support to sustain and recover their business operations. As a result, the affected businesses are able to (re-) generate incomes and secure or even increase employment.

## Our Achievements

### Public institutions (MoI, MinT, EED) supported

6 policy frameworks developed in cooperation with public institutions: "Ethiopia Tamrit Movement (ETM) implementation guideline" w. MoI; "Science, Technology & Innovation (STI) policy implementation framework" w. MinT and "SME Roadmap" w. EED

6 instruments & tools to enhance the organizational structure, the inter-agency coordination & Public Private Dialogue formats developed & piloted

### Business Membership Organizations strengthened

Research & advocacy capacity of BMOs to strengthen their members' interest representation improved

Existing BMO services for member businesses improved and new services developed: "Business Leadership Academy", "Export Support Facility" and "Exporters Club"

### Intermediaries in the innovation ecosystem strengthened

10 new demand-driven services to benefit start-ups introduced

15 new revenue streams to improve business models of incubators identified

"Ethiopian Association of Startup Ecosystem" (EASE) established & launched

### Business Development Service providers (BDSPs) strengthened

38 BDSPs certified in the internationally recognized ILO "Expand your Business Curriculum"

60 BDSPs registered on the BDS portal to promote their visibility and establish lasting relationships with their clients

### Crises-affected businesses and entrepreneurs supported

1,900 businesses selected and support measures kicked-off for 938 MSMEs and entrepreneurs

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