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# **USAID BUREAU FOR HUMANITARIAN ASSISTANCE (USAID/BHA) ETHIOPIA PRIVATE SECTOR LANDSCAPE ASSESSMENT (PSLA)**

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# ACRONYMS

AEMFI	The Association of Ethiopian Microfinance Institutions
BHA	U.S. Bureau of Humanitarian Affairs (Formerly FFP and OFDA)
B2B	Business-to-Business
CBE	Commercial Bank of Ethiopia
CDCS	Country Development Cooperation Strategy
COVID-19	2019 Novel Coronavirus or 2019-nCoV
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DFC	U.S. International Development Finance Corporation
DO	Development Objectives
DRM	Disaster Risk Management
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FFP	Food for Peace (Now BHA)
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GPS	Global Positioning System
GDP	Gross Domestic Product
ECEA	Ethiopian Coffee Exporters Association
EHPEA	Ethiopian Horticulture Producers & Exporters Association
ICT	Information, Communication, and Technology
IDP	Internally Displaced Populations
J2SR	Journey to Self-Reliance
JICA	Japan International Cooperation Agency
KIIs	Key Informant Interviews
MSMEs	Micro, Small, and Medium-Sized Enterprises
NGOs	Non-Governmental Organizations
OFDA	Office of Foreign Disaster Assistance (Now BHA)
PEPSE	Promoting Excellence in Private Sector Engagement (USAID project)
PIVOT	Practical Innovative On-the-Job Training (USAID program)
PPP	Public Private Partnerships
PSE	Private Sector Engagement
PSLA	Private Sector Landscape Assessment
PSNP	Productive Safety Net Program
QR	Quick Response code
RFID	Radio-Frequency Identification
RFSA	Resilience Food Security Activity
SOW	Scope of Work
USAID	United States Agency for International Development
USD	U.S. Dollar
WASH	Water, Sanitation and Hygiene
WFP	World Food Program

# Executive Summary

The U.S. Bureau for Humanitarian Assistance (USAID/BHA) Private Sector Engagement (PSE) team sees an opportunity to engage global and local private sector actors in disaster preparedness to improve the efficiency and effectiveness of humanitarian assistance. In line with its overall strategy, USAID/BHA requested support to conduct a private sector landscape assessment (PSLA) in Ethiopia to identify private sector engagement (PSE) and partnership opportunities and provide action-oriented recommendations for next steps that align with USAID/BHA's emergency and development portfolio in Ethiopia.

The aim of this PSLA is to identify areas of aligned interest between USAID/BHA priorities and private sector operating in Ethiopia to create more resilient, sustainable, and inclusive humanitarian assistance programs that lead to self-sufficiency. Ultimately, this PSLA a) recommends types of companies and business units that offer the greatest opportunity for alignment and joint value; b) recommends entry points for USAID/BHA to engage the private sector to enhance priority areas; and c) identifies specific short- and medium-term partnership opportunities for USAID/BHA and USAID/Ethiopia to jointly pursue.

## Ethiopian Private Sector Landscape Findings

Through working collaboratively with USAID/BHA, the PSLA team identified potential alignment in four business sectors within USAID/BHA's existing priority areas. These business sectors included agribusiness, finance, logistics and transportation, and technology.

### Cross-cutting themes

While each target sector revealed its own unique challenges, several themes stood out as being relevant across industries and therefore representative of the Ethiopian private sector more generally. The team uncovered two types of cross-cutting themes through interviews: 1) context for engaging the private sector, and 2) barriers to successful partnerships, as follows.

#### Context for engaging the private sector in humanitarian assistance:

- Corporate Social Responsibility (CSR) and the culture of giving back is ingrained throughout the private sector.
- The Government of Ethiopia relies on private sector support for humanitarian or development assistance, though the private sector would like to receive more Government support in return.
- The Telecom market is currently dominated by a single company, although plans are underway to open this sector to competitors.
- Companies do not immediately see the need for disaster preparedness, but instead see disasters as "business as usual."
- Implications of COVID-19 include economic hardship but also a pivot towards better preparedness and opportunity for innovation.

### Barriers to successful partnerships, as perceived by private sector actors:

- Lack of co-creation between donors and companies.
- Perception of an opaque partnership engagement process.
- Layers of complexity of relationships and culture creates a language barrier.

## **Existing Private Sector Engagement in Humanitarian Assistance**

### **Private sector expectations, roles, and responsibilities**

Ethiopian private sector actors have distinct perceptions of the roles of different actors within humanitarian assistance. The following summarizes the perceptions the Ethiopian private sector holds of different actors within humanitarian assistance, as well as the private sector's perception of its own role.

- Donors: provide funding and grants; procure services.
- Humanitarian community (NGOs, implementers): works with private sector through transactional procurement; has humanitarian technical expertise and knowledge, but little local context of remote communities; not all NGOs are “good”, some only seek profit.
- Government: requests emergency funding from private sector when disasters arise; policy maker.
- Private sector: provides products and services; has local context and access to certain markets; knows remote regions best.

### **Private sector business motivations in areas of interest**

The PSLA team designed and distributed an electronic survey to companies in the target assessment sectors to further supplement the information gathered through individual interviews. The survey explored four areas of interest to USAID/BHA for possible future programing and/or partnership with private sector actors.<sup>1</sup> These included:

- Increasing access to financial services.
- Strengthening transportation networks.
- Facilitating employment opportunities in rural areas.
- Creating innovative technology solutions to build resilience to shocks.

The survey responses provided valuable information about private sector actions and perceptions of humanitarian assistance. Overall, the survey concluded that companies in Ethiopia are eager to engage in humanitarian assistance activities and can provide valuable support through partnerships with BHA in these areas.

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<sup>1</sup> Aligned to the preliminary opportunity areas highlighted in the in-briefing and mid-point assessment presentations.

## **Opportunities and Recommendations**

### **Ways of working with the private sector**

The PSLA team identified insights into the private sector's preferred "ways of working." The following provides opportunities for engagement and suggestions for how to approach potential private sector partners:

- Work differently with business units than with CSR departments.
- Maintain open communication and transparency around expectations.
- Leverage focus on displaced communities.

### **Short- and medium-term partnership opportunities**

The PSLA team identified opportunities for engagement based on areas of alignment between the Ethiopian private sector and USAID/BHA's priorities. The team has categorized each opportunity as either high priority or medium priority, and as either short-term or medium-term. Please see the PSE opportunities and recommendations below in priority order:

- Scale on-farm and off-farm water access.
- Strengthen the business case for companies to expand to remote/rural areas.
- Co-create business opportunities in refugee communities.
- Provide capacity building on good partnership development.
- Micro-insurance and financial instruments for the poor.
- Strengthen Ethiopia's trucking sector to increase livelihood opportunities and strengthen disaster response.
- Support standardization of warehousing to ensure sufficient stocks of commodities during disasters.
- Strengthen linkages among agriculture supply chain actors.
- Associations as catalyst for strengthening companies and operations in rural areas.
- Produce and share case studies of existing partnerships.
- Increase opportunities for refugees and other displaced populations.

# I. Introduction

## I.1 Context and Background

The U.S. Bureau for Humanitarian Assistance (USAID/BHA), formerly Food for Peace (FFP) and the Office of U.S. Foreign Disaster Assistance (OFDA), continues to explore opportunities to collaborate with the private sector in the humanitarian space. Although the private sector is often involved in disaster response at a discrete and mostly transactional level, USAID/BHA's Private Sector Engagement (PSE) team sees an opportunity to engage different types of global and local private sector actors strategically and preemptively in disaster preparedness to improve the speed, efficiency, and effectiveness of humanitarian assistance through planned collaboration and partnerships. In line with its overall strategy, USAID/BHA requested support to conduct a private sector landscape assessment (PSLA) in Ethiopia to identify high-potential private sector engagement (PSE) and partnership opportunities and provide action-oriented recommendations for next steps that align with USAID/BHA's emergency and development portfolio in Ethiopia. While USAID/BHA activities include both long-term development actions as well as emergency food and non-food assistance, the Ethiopia PSLA focused on the portion of BHA that was formerly FFP, and therefore aligned most closely with emergency food and non-food assistance priorities.

For development interventions, USAID/BHA has provided programming assistance to the Government of Ethiopia-led Productive Safety Net Program (PSNP) since its inception in 2005 to address the basic food needs of eight million chronically food insecure people in 350 *woredas*. Unique among USAID Missions, disaster risk management (DRM) and increased resilience of vulnerable populations are specific development objectives (DO 1 & DO 2) in USAID/Ethiopia's current Country Development Cooperation Strategy (CDCS). In addition, programming focuses on both chronic and acute vulnerability, including the interaction between the two, and places importance on the ability to scale activities that target chronic vulnerability for acute response when shocks arise (e.g., delivering scalable safety nets). Programming also takes a market system approach<sup>2</sup> to address extreme poverty and activities aim to tackle systemic barriers faced by poor households. USAID/BHA is committed to diversifying livelihoods and economic activities, to reduce their overall household risk to shocks and build resilience.

With about 109 million people, Ethiopia is the second most populous country in Africa after Nigeria.<sup>3</sup> Ethiopia is also a very diverse country, with 98 nationalities and peoples and roughly 92 languages spoken.<sup>4</sup> As Ethiopia is landlocked, it has relied on the neighboring port in Djibouti for the last 20 years and depends on this port for about 90 percent of its land-based trade. Although

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<sup>2</sup> An inclusive market system development approach focuses on building the capacity and resilience of local systems, leveraging the incentives and resources of the private sector, ensuring the beneficial inclusion of the very poor, and stimulating change and innovation that continues to grow beyond the life of the project. Specifically, the objective of inclusive market system development is to catalyze a process that results in a market system that is competitive, inclusive, and resilient.

[https://www.marketlinks.org/sites/default/files/resource/files/Market\\_Systems\\_Framework.pdf](https://www.marketlinks.org/sites/default/files/resource/files/Market_Systems_Framework.pdf)

<sup>3</sup> <https://www.worldbank.org/en/country/ethiopia/overview>

<sup>4</sup> <http://documents1.worldbank.org/curated/en/202771504883944180/pdf/119576-revised-Ethiopia-Country-Partnership-Web.pdf>

Ethiopia was set to resume using the Eritrean ports of Assab and Massawa for international trade,<sup>5</sup> recent conflict in the north could further deter this effort.<sup>6</sup>

Ethiopia is the fastest growing economy in the region; however, it is also one of the poorest, with per capita income at USD 790. Despite its low per capita income, Ethiopia has made progress in reducing the national poverty rate amid unpredictable climatic conditions according to the latest Ethiopia Poverty Assessment.<sup>7</sup> Notwithstanding Ethiopia's progress in poverty reduction and economic growth, the number of people in need of humanitarian assistance has increased in the past five years and is exacerbated by shocks and stresses. Some of these populations include, but are not limited to the following:

1. Farmers dependent on rain-fed agriculture (about 97 percent of farmers), mainly subsistence farmers in the highlands living on overused lands and pastoralists in the lowlands (approximately 10 million<sup>8</sup>).<sup>9</sup>
2. The poorest 10 percent of the population, which has not experienced any income growth since 2005, mainly because of the development state and lack of market-based approaches.<sup>10</sup> Many of the households that are chronically poor tend to have larger families, be less educated, and have fewer productive assets than other households.<sup>11</sup> With less income to spend on proper nutrition, children from poor households are at greater risk of being stunted.<sup>12</sup>
3. Internally displaced people who have migrated to escape violence associated with ethnic conflict and disagreement around nationalism and autonomy. In 2018, Ethiopia had the highest number of internally displaced people in the world.<sup>13</sup>

For millions of Ethiopians, the combination of poverty, vulnerability, and food insecurity threaten community and household resilience. According to the Food and Agriculture Organization (FAO)'s Early Warning Early Action report, harvests from September to February 2020 were insufficient to sustain households through the lean season between February and June 2020, leading to projected increases of those facing 'Crisis' or worse levels of acute food insecurity by 2 million.<sup>14</sup> Although the full impact of COVID-19, particularly the macroeconomic outcomes, remains to be seen, one effect of the pandemic and its mitigation measures in Ethiopia were disrupted value chains. This reduced urban access to and consumption of fresh fruits and

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<sup>5</sup> <https://www.worldbank.org/en/country/ethiopia/overview>

<sup>6</sup> <https://theconversation.com/conflict-between-tigray-and-eritrea-the-long-standing-faultline-in-ethiopian-politics-151042>

<sup>7</sup> <https://www.worldbank.org/en/country/ethiopia/publication/ethiopia-poverty-assessment-poverty-rate-declines-despite-challenges>

<sup>8</sup> <https://www.usaid.gov/sites/default/files/documents/1860/AGP-LMD%20Value%20Chain%20Analysis.pdf>

<sup>9</sup> <http://documents1.worldbank.org/curated/en/202771504883944180/pdf/119576-revised-Ethiopia-Country-Partnership-Web.pdf>

<sup>10</sup> <https://www.worldbank.org/en/country/ethiopia/publication/ethiopia-poverty-assessment-poverty-rate-declines-despite-challenges>

<sup>11</sup> <https://www.worldbank.org/en/country/ethiopia/publication/ethiopia-poverty-assessment-poverty-rate-declines-despite-challenges>

<sup>12</sup> <https://docs.wfp.org/api/documents/WFP-0000106754/download/>

<sup>13</sup> <https://issafrica.org/research/east-africa-report/what-is-driving-ethiopias-ethnic-conflicts>

<sup>14</sup> <http://www.fao.org/3/ca8606en/CA8606EN.pdf>



vegetables and reduced farmer access to critical inputs, like fertilizers and seeds.<sup>15</sup> Additional impacts on the private sector are detailed below in [section 2.3.1](#).

In Ethiopia, the points regarding household vulnerability and food insecurity outlined above are further exacerbated by the following main factors:

1. **Weather shocks.** With 85 percent of farmers using rain-fed inputs,<sup>16</sup> erratic rainfall causes poor crop production in agricultural areas and reduced access to pasture and water for animals in pastoral regions. The eastern part of the country is particularly prone to rainfall distribution issues and often faces consecutive seasons of drought-like conditions. In 2017, insufficient rainfall in the southern part of Ethiopia led to severe water shortages, catastrophic livestock losses, and failed harvests. This came as the country's north and central highland communities struggled to recover from a severe drought in 2016 triggered by multiple consecutive seasons of below-average rainfall and the effects of the 2015-2016 El Niño. The El Niño event was Ethiopia's worst drought in more than 50 years, causing more than 10 million people to depend on humanitarian food assistance and negatively affecting household and community resilience. Approximately 10 percent of the population is food insecure and this statistic increases to 15 percent in drought years.<sup>17</sup> Most recently, erratic and below average rains in the central, eastern, and northern areas resulted in substantial shortfalls in cereal production despite above-average projections for 2019.<sup>18</sup>
2. **Conflict and related population displacements.** These displacements continue to weigh heavily on humanitarian response and agricultural production and disrupt the movement of food from surplus producing areas to deficit areas. In Ethiopia, this displacement is a result of ethnic and intercommunal violence as well as clashes between state and non-state actors, which is particularly acute within western and southern Oromia. These conflicts have led to displacement of households, who in turn have difficulty accessing stable wages, food, and humanitarian assistance.<sup>19</sup> In 2019, approximately 3 million conflict-related internally displaced people needed emergency food assistance.<sup>20</sup>
3. **Market access.** Due to the devaluation of local currency, staple grain prices increased by 18 to 69 percent in many areas of the country in March 2020 as compared to the same time last year.<sup>21</sup> These high prices limit poor household food access, particularly in urban areas as well as food-deficit areas in the eastern part of the country. In addition, rural households who live far from market towns are less likely to access farm inputs and to benefit from agricultural growth and more likely to be food insecure.

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<sup>15</sup> <https://www.ifpri.org/blog/impacts-covid-19-crisis-vegetable-value-chains-ethiopia>

<sup>16</sup> <https://www.climatelinks.org/countries/ethiopia>

<sup>17</sup> [https://www.usaid.gov/sites/default/files/documents/1866/Crop\\_Availability\\_and\\_Market\\_Analysis\\_in\\_Ethiopia\\_05.09.18\\_508\\_Compliant\\_1.pdf](https://www.usaid.gov/sites/default/files/documents/1866/Crop_Availability_and_Market_Analysis_in_Ethiopia_05.09.18_508_Compliant_1.pdf)

<sup>18</sup> <http://www.fao.org/3/ca8606en/CA8606EN.pdf>

<sup>19</sup> <https://fews.net/east-africa/ethiopia/food-security-outlook/february-2020>

<sup>20</sup> [https://www.usaid.gov/sites/default/files/documents/1866/Ethiopia\\_FY20\\_DFSA\\_RFA\\_Word\\_Final\\_508-compliant-2.pdf](https://www.usaid.gov/sites/default/files/documents/1866/Ethiopia_FY20_DFSA_RFA_Word_Final_508-compliant-2.pdf)

<sup>21</sup> <http://www.fao.org/3/ca8606en/CA8606EN.pdf>

4. **Locust and Pest outbreaks.** Current desert locust infestation is the worst in over 25 years and affected agricultural production in eastern and southern regions of Ethiopia, resulting in crop losses.<sup>22</sup> Ethiopia also suffers from plant diseases, such as wheat rust which causes stunting in plants and pre-harvest losses between 50 and 100 percent, in the most severe cases.<sup>23</sup> Wheat is the third most important crop for food security in Ethiopia and is critical to smallholder incomes.

## **Context: State of the private sector**

The changing humanitarian landscape and the complex needs of people in crises requires integrated interventions to address immediate humanitarian needs and development investments. With the humanitarian and development community beginning to engage the private sector more effectively—recognizing that the skills, networks, and expertise of companies can build stronger resilience to disasters, avail more efficient responses, and develop sustainable market-oriented solutions—businesses have increasingly become integrated with humanitarian operations. In addition, business leaders are seeking systematic and predictable ways to channel their capabilities and resources toward humanitarian causes, given a cultural mission of giving back to those in need.

In addition to its relevance for USAID/BHA, this assessment coincides with broader interest in PSE at USAID and within the USAID Ethiopia Mission. At the agency level, USAID released its Private Sector Engagement Policy in early 2019 highlighting private-sector engagement as fundamental to USAID’s Journey to Self-Reliance (J2SR) and its goal of ending the need for foreign assistance. Additionally, the USAID Ethiopia Mission has made its own commitments to PSE via participation in the USAID/Practical Innovative On-the-job Training (PIVOT) program, which brings together representatives from across the Mission around PSE. The PSLA team engaged with the Ethiopia PIVOT cohort during a PSE workshop in October to share learnings and insight from private sector interviews held to-date.

### **1.2 Purpose of the PSLA**

In line with the context above, the aim of this PSLA is to identify areas of aligned interest between USAID/BHA priorities and private sector operating in Ethiopia to create more resilient, sustainable, and inclusive humanitarian assistance programs that lead to self-sufficiency. The PSLA will also help validate (or disprove) anecdotal assumptions about the private sector in Ethiopia and identify barriers and partnership challenges for the private sector. This PSLA specifically focuses on companies in the agriculture/agribusiness sector and those that provide financial, technology, and logistics services, as USAID/BHA identified these sectors as those that offer the greatest opportunities for alignment with USAID/BHA priority areas.

Ultimately, this PSLA a) recommends types of companies and business units that offer the greatest opportunity for alignment and joint value; b) recommends entry points for USAID/BHA to engage the private sector to enhance priority areas; and c) identifies specific short- and medium-term partnership opportunities for USAID/BHA and USAID/Ethiopia to jointly pursue.

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<sup>22</sup> <http://www.fao.org/3/ca8606en/CA8606EN.pdf>

<sup>23</sup> <http://www.fao.org/resilience/news-events/detail/en/c/451063/>

## I.3 Methodology

The PSLA team used a phased approach to identify PSE priorities and opportunities for USAID/BHA. The PSLA team worked towards the objectives of the PSLA by identifying the experience (or lack thereof), strengths, challenges, and interests of the private sector in preparing for and responding to humanitarian crises. In particular, the PSLA team identified private sector interests and capabilities to find areas of shared value as a basis for possible collaboration and partnership.

### I.3.1 PSLA design and scope of work development

During May and June 2020, the PSLA team worked with USAID/BHA to identify the focus and objectives of the Ethiopia PSLA. This involved an introductory kick-off meeting (conducted on May 6, 2020), an initial desk review of relevant strategy and programming documents from USAID/BHA, as well as a review of the Ethiopian context. After further discussions and refinement, a targeted scope of work was approved, which outlined the USAID/BHA Ethiopia PSLA context, objectives, implementation plan, deliverables, team composition, and timeline. In particular, the PSLA team identified potential alignment in four business sectors within USAID/BHA’s existing priority areas as detailed in the table below.

<b>BHA Ethiopia priority areas</b>	Working with vulnerable populations to help prepare for disasters	Responding to acute disasters when they arise	Building household resilience by ensuring that chronic shocks <sup>24</sup> do not become acute disasters
<b>PSLA sectors of focus for each priority area</b>	Finance (i.e., companies that can provide greater access to financial services for poor and vulnerable populations)	Transportation and logistics (i.e., Ethiopia-headquartered firms that can provide services to track and transport commodities and non-food items during disaster response)	Agribusiness (i.e., companies that utilize rural labor, provide inclusive business opportunities, and/or have a diversified supplier base, including input providers, micro franchises, and aggregators)
<b>Cross-cutting PSLA sector of focus</b>	Technology (i.e., mobile financing technology, electronic logistics tracking, etc.)		

<sup>24</sup> “Chronic shocks” refer to recurring stresses or emergencies that households experience regularly, making them vulnerable to loss of livelihood.

### 1.3.2 Stakeholder identification

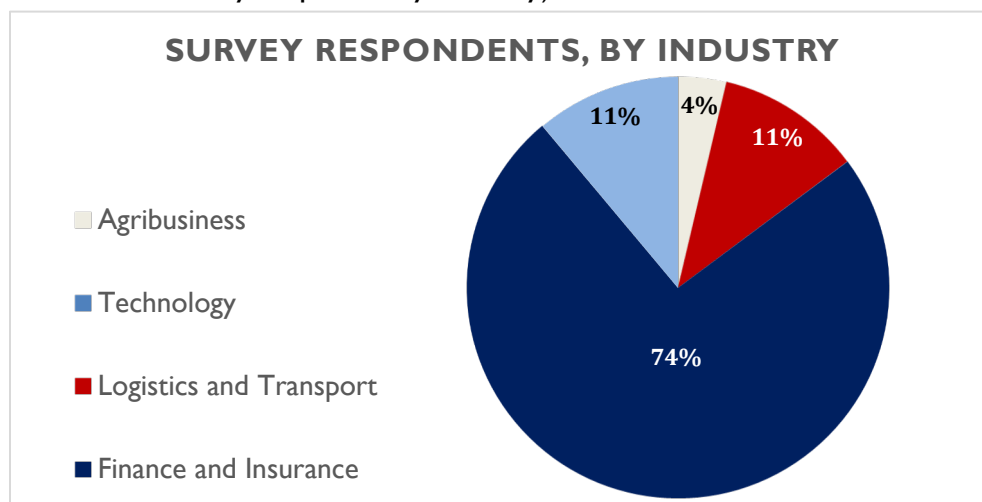
After selecting the sectors and focus areas, the PSLA team identified over 115 leading companies across sector and priority areas with which to conduct remote in-depth interviews, relevant stakeholders with which to conduct Key Informant Interviews (KIIs). The team identified private and non-private sector stakeholders through a combination of recommendations provided by USAID/BHA, the USAID/Ethiopia team, contacts from the PSLA team’s network, and desk research efforts.

### 1.3.3 Desk-research and remote public and social sector interviews

In addition to the resources provided by USAID/BHA, the PSLA team conducted an additional desk review of documents to gain baseline information on PSE within humanitarian assistance in Ethiopia as well as USAID/BHA private sector engagement as it relates to its priority focus areas. This also included research on the four target business sectors and Ethiopia’s political economy and private sector environment. In conjunction with this desk research, and to better understand the humanitarian context as well as ongoing PSE initiatives, the team conducted nine initial remote interviews with stakeholders from USAID/BHA, USAID, and implementing partners. These interviewees were identified during the stakeholder identification phase as priority interviewees based on USAID/BHA’s experience and the needs of the PSLA.

### 1.3.4 Remote private sector interviews and survey collection

The PSLA team conducted remote interviews with 27 Ethiopia-based private sector actors to determine their ability and willingness to engage with USAID/BHA and identify areas of alignment. The interview questions were centered around company reach within Ethiopia, disaster preparedness, humanitarian activities internal to the company, and interest in partnering with humanitarian actors. Interviews were supplemented by a survey which collected responses from 20 companies and focused on company operations, how companies prepare for emergencies, experience in humanitarian and development assistance, cross-sector partnership experience, alignment with USAID priority focus areas, and expected roles for future partnerships. Survey participants self-selected from a list of 55 invited private sector companies. The survey received 29 respondents in total, with 20 completing all questions (please see the graphic below for representation of the survey responses by industry).



### **I.3.5 Analysis and recommendation development**

The PSLA team conducted an in-brief presentation and mid-point findings presentation with USAID/Ethiopia and USAID/BHA to share observations from interviews and compare interview highlights with desk review findings. Upon completion of the private sector interviews and survey data collection, the PSLA team reviewed and analyzed interview notes and survey data to collect and code key information, paying attention to the key themes identified during interview debrief meetings and the mid-point findings presentation. The team utilized data triangulation through interview coding to validate results from the interviews with public and private sector actors, desk review, and survey. This analysis was then used to recommend a) types of companies that offer the greatest opportunity for alignment and joint value; b) entry points for USAID/BHA to engage the private sector to enhance priority areas; and c) specific short- and medium-term partnership opportunities for USAID/BHA and USAID/Ethiopia to jointly pursue.

### **I.4 Limitations**

Due to the COVID-19 pandemic and inability to travel, the PSLA team had to conduct its interviews entirely remotely. Given the connectivity issues and frequent blackouts in Ethiopia, company responsiveness to interview invitations and poor internet connection during online interviews posed challenges to the PSLA team's interviews. It is also important to note that the PSLA team recorded the perceptions of the targeted sector representatives and this report represents the aggregated opinions of the interviewees. Their insights and suggestions informed the PSE recommendations but do not represent a complete stocktaking of the private sector in Ethiopia. Furthermore, the PSLA is designed to offer opportunities and recommendations for USAID/BHA to choose from and pursue but does not represent a list of planned programming for USAID/BHA to implement. It is at USAID/BHA's discretion to determine which of the recommendations are best suited to fit its needs and goals in Ethiopia and which will be most effective to implement according to the resources available. Further, it will be necessary for USAID/BHA to hold additional and/or follow-up conversations with potential stakeholders to determine whether the opportunities are viable for both parties.

The goal of this report is to surface initial high-level recommendations for strategic engagement. The PSLA does not further develop relationships with potential partners or implement PSE opportunities identified under the assessment. Additionally, while this PSLA broadly identifies targeted approaches it does not provide in-depth market analysis around a targeted sector opportunity. A deeper market analysis, due diligence analysis, and risk assessment is necessary to provide comparisons between potential partner firms in the same sector or trade-offs with other engagement opportunities.

Finally, this PSLA was conducted entirely remotely due to travel restrictions resulting from the ongoing COVID-19 pandemic. This involved using online platforms such as Zoom, WhatsApp, and Google Meet to schedule and hold interviews with stakeholders remotely. Connectivity problems in Ethiopia resulted in a few instances of interviews with stakeholders being cancelled or rescheduled. The PSLA team exceeded its target number of KIIs despite this challenge.

## 2. Ethiopian Private Sector Landscape

The Government of Ethiopia is in the process of privatizing many of the state-owned businesses and moving towards a market economy. However, the public sector still holds a predominant role in the economy, with sectors such as telecommunications (plans are underway to partially privatize the Ethiopian Telecom and invite additional companies to operate in the sector), financial services, air and land transportation, and retail considered as strategic and thus expected to remain out of the privatization process in the foreseeable future. In the agriculture sector, despite recent growth in the number of private agro-dealers, the private sector directly competes with government-supported enterprises and cooperatives that receive inherent commercial advantages. Overall, businesses face deterring challenges related to licensing, permits, and land registration regulations and procedures.

In Ethiopia, the major constraints to sustaining positive economic growth and accelerating poverty reduction include limited competitiveness, an underdeveloped private sector, and political disruption. Limited competitiveness constrains job creation and export increases while an underdeveloped private sector limits Ethiopia's trade competitiveness and resilience to shocks. Political disruption and social unrest could further inhibit economic growth by decreasing foreign direct investment (FDI), tourism, and exports.<sup>25</sup>

### 2.1 Business Sector Overviews

This section includes a brief overview of the four business sectors in Ethiopia that were the target of this PSLA: 1) agribusiness, 2) finance, 3) logistics and transportation, and 4) technology. Through interviews and desk research, the team uncovered intersection of interests with USAID/BHA and challenges faced by sector, which are highlighted below.

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<sup>25</sup> <https://www.worldbank.org/en/country/ethiopia/overview>

Business Sector	Intersection of Interest	Challenges
<b>Agribusiness</b>	Access to water and irrigation infrastructure to increase resilience of farming communities to weather-related shocks	Expansive geographic reach of the agricultural sector Weather-related shocks Social and political unrest
<b>Finance</b>	Microinsurance products to help vulnerable populations prepare for disasters	High cost of operating in rural areas Social and political unrest Nuances of culture and language in different regions
<b>Logistics &amp; Transportation</b>	Standardization of trucking and warehousing to improve transportation to- and from rural areas	Low availability and poor quality of trucks and road infrastructure Social and political unrest Weather-related shocks
<b>Technology</b>	Development of platforms or software related to disaster preparedness and response	Dependence on a single telecom provider <sup>26</sup> Lack of co-creation with humanitarian and development actors

## Agribusiness

Agriculture is still considered the foundation of the country's economy, accounting for roughly 80 percent of employment and 75 percent of export earnings.<sup>27</sup> The agriculture sector is comprised of 12 million smallholder farming households which account for an estimated 85 percent of all employment and 95 percent of agricultural production, the remaining five percent consists of large commercial farms.<sup>28</sup> The main agricultural products include cereals, coffee, oilseed, cotton, sugarcane, vegetables, khat, cut flowers, hides, cattle, sheep, and goats. The sector, however, is plagued by weather shocks, soil degradation, and deforestation. Furthermore, the agricultural sector is impeded by high taxation<sup>29</sup> and poor infrastructure, which makes it difficult and expensive for businesses to deliver their goods to market.<sup>30</sup>

**Challenges.** During private sector interviews, agribusiness companies noted that the geographic reach of the agriculture landscape in Ethiopia is expansive and has resulted in long, disjointed value chains. Agribusinesses also stated that agro-logistics are complicated and that there is a lack of quality infrastructure to transport products outside of specific areas. In particular, temperature-controlled containers are not readily available in Ethiopia, though when they are available, they are not efficiently used, which drives up cost for farmers who are often expected

<sup>26</sup> As of January 2021, plans are underway to partially privatize the Ethiopian Telecom and invite additional companies to operate in the telecommunications sector.

<sup>27</sup> <https://www.businesslive.co.za/bd/world/africa/2019-10-16-ethiopia-takes-hi-tech-route-to-agribusiness/>

<sup>28</sup> <http://www.fao.org/ethiopia/fao-in-ethiopia/ethiopia-at-a-glance/en/>

<sup>29</sup> The agricultural income tax is imposed by regional states and ranges from 5%-40%.

<sup>30</sup> <https://www.nordeatrade.com/no/explore-new-market/ethiopia/economical-context>

to pay for roundtrip shipping of the containers. Without quality infrastructure and appropriate containers for transportation, transporting perishable goods such as fruits and vegetables to markets is challenging ([see opportunity 3.2.5 on strengthening the trucking sector](#)).

Agribusinesses also cited weather-related shocks and regional unrest as having the greatest effects on their businesses. As noted above, lack of predictable rainfall patterns negatively affects agricultural production and sales. Alternatively, too much rain can affect the ability of agribusinesses to transport goods to markets due to flooding and road deterioration as well as affects post-harvest handling activities such as being able to dry coffee and tea. These weather-related shocks ultimately lead to supply disruptions and price fluctuations. The unstable political climate in Ethiopia has discouraged further investment into the agriculture and affects agribusinesses' ability to distribute goods as well as obtain agricultural inputs due to road closures and transportation disruptions. One company described a scenario in which, due to unrest in the city, one factory was not able to source spices because the Government limited the number of people who could enter the city. The interviewee noted that "things can change so quickly. At any point, they can get cut off from any region."

**Intersection of Interests.** Interviews revealed that agribusiness companies have deep familiarity with rural farming communities and their needs and are highly interested in supporting their farmers and ensuring they have sustainable incomes. Agribusiness companies that produce coffee and other food crops such as cereals, corn, pulses, and oil crops, also noted that they are highly vulnerable to weather-related shocks, which significantly affects production and sales, and thus the livelihoods of farmers. All the agribusiness companies interviewed/surveyed have their own farms and work with smallholder farmers to some extent to increase their businesses. However, their level of outsourcing and/or contract farming is limited due to perceived and/or actual risks in the contractual relationships between them due to these weather-related shocks. Agribusinesses noted the need for a clear legal framework for contract farming and enforcement of those policies. In effect, although the interest is there and the rationale for working together is valid, the actual business that takes place between them remains small.

One agribusiness company remarked, "rain cycles are the main disaster that affects business and profits." Specifically, agribusiness companies expressed interest in working with USAID to expand irrigation on their farms to mitigate periods of drought, as well as to provide surrounding communities with access to water to reduce their overall household vulnerability. This expressed interest by firms for irrigation support overlaps with USAID/BHA's interest in building household resilience to ensure chronic shocks do not become acute disasters. With increased technical knowledge and irrigation infrastructure, agribusiness companies would be able to produce a consistent supply of quality crops, allowing them to increase their sales and keep their farmers employed. Working with agribusiness companies to address on-farm and off-farm water access issues would help to build the resilience of rural farming communities ([see opportunity 3.2.1 on water access](#)).

## **Finance**

In 2019, Ethiopia took steps toward liberalizing its financial sector, although the state-owned Commercial Bank of Ethiopia (CBE) still dominates the market and holds more than 60 percent



of total bank deposits, loans, and foreign exchange in the country.<sup>31</sup> Challenges related to foreign currency shortages have become particularly acute since 2017, due to low export revenues and tight government control of the exchange rate, making it expensive for Ethiopian businesses to import goods.<sup>32</sup> According to the World Bank's Enterprise Surveys, access to finance is perceived as the main business environment constraint for micro (41 percent), small (36 percent) and medium (29 percent) enterprises in Ethiopia, compared to a Sub-Saharan average of 24 percent, 20 percent and 16 percent respectively.<sup>33</sup> Lending is still largely asset-based and micro-, small-, and medium-sized enterprises (MSMEs) struggle to start and grow due to a lack of financing opportunities driven by government restrictions on bank capital and lending.<sup>34</sup>

**Challenges.** In the formal sector, most banks and insurance companies center their operations in Addis Ababa. Some banks and insurance companies the PSLA team spoke with also operated in regional cities, though few had geographic reach to rural areas. One bank's representative stated, "It is not convenient for rural clients to regularly visit our branches. Besides, we have a limited number of branches to serve rural clients. [Though] innovative technology solutions such as mobile and agent banking services would facilitate our business in rural areas." Financial institutions cited many challenges to expanding their rural operations including social or political unrest, nuances of culture and language in different regions, lower financial acumen among potential customers, high labor costs, and low margins. Microfinance and community savings organizations are prevalent in rural areas though mostly offer services to individuals and microenterprises. As a result of the nascency of the industry, a gap in offerings and reach exists between the large banks and insurance companies and the community-based organizations, which includes low penetration of microinsurance, reinsurance, and loans for MSMEs.

**Intersection of Interests.** An alignment of interests between USAID/BHA and the finance sector exists with regards to working with vulnerable populations to help prepare for disasters. Most finance sector interviewees spoke of their interest in pursuing rural populations as customers of micro-banking, finance, and insurance products as a growth opportunity, given the saturation of the market in Addis Ababa where most companies operated. One financial services company stated, "if increasing access to financial services is in place then our business can have the opportunity to expand its business and this, in turn, will result in the growth of our company." Increasing the prevalence of micro-insurance, such as health and life insurance, in rural areas would support disaster preparation and would allow the insured to resume livelihoods more quickly after a disaster. Though an interest exists among insurance and banking institutions to offer micro-insurance to rural populations, the product and geographic reach is currently seen as too risky to pursue given high upfront cost to enter this new market due to the need for awareness raising, education campaigns, more staff, and new technology expenditures. To decrease risk and increase micro-insurance offerings for rural populations, a strengthened re-insurance industry was seen by some interviewees as a catalytic solution ([see opportunity 3.2.4 on micro-insurance](#)).

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<sup>31</sup> <https://www.privacyshield.gov/article?id=Ethiopia-Banking-Systems>

<sup>32</sup> <https://www.ft.com/content/cca86246-b9dd-11e9-8a88-aa6628ac896c>

<sup>33</sup> <http://documents1.worldbank.org/curated/en/805371468247458154/pdf/943650WP0Box380nt0Feb01002015040Web.pdf>

<sup>34</sup> <https://www.usaid.gov/sites/default/files/documents/1867/GFSS-Country-Plan-Ethiopia-FINAL-April-2019.pdf>

## Logistics and Transportation

Ethiopia ranked 126 out of 160 in the World Bank Logistics Performance Index in 2016<sup>35</sup> and imports take an average of 20-30 days to reach Ethiopian buyers from the port in Djibouti. The Government of Ethiopia is prioritizing logistics and transportation infrastructure by investing in railways and expressways to connect the capital with the port in Djibouti and industrial parks within the country. Jointly owned by the Government of Djibouti, the 750km railway project launched in 2018 will connect Addis Ababa with the port in Djibouti and should cut a three-day journey down to 12 hours. This project is being constructed by Chinese based construction companies China Railway Group and China Civil Engineering Cooperation (CCECC).<sup>36</sup> In late 2018, China extended the debt repayment period from 10 to 30 years, suggesting Ethiopia has already struggled to begin paying back the construction loans.<sup>37</sup> Flagship road projects include a 200km expressway connecting Hawassa, where the largest industrial park sits, with Addis Ababa.<sup>38</sup>

**Challenges.** Despite the Government of Ethiopia's recent advancements in infrastructure, most goods are still transported by trucks, both outside of and within the country. Poor infrastructure, limited access to diesel, and lack of town/city planning lead to consistent delays in shipments. One logistics company stated that the "availability of trucks is a major issue" while another mentioned that, when it comes to trucks, "there is a lack of supply, fewer trucks than needed, and [the trucks] are over 15 years old." Both companies and donors cited the availability of trucks as a major issue and noted that while there are not enough trucks to meet demand, the actual number of trucks available for transportation at any time is unknown. Companies were quick to point out that even the available trucks were old and getting new trucks into the country was extremely difficult, primarily due to customs. Additionally, while the Government has increased support of some sectors, according to one logistics company, the Government "[has] not been investing enough to meet the demands in transport." Other challenges included wear and tear on trucks due to poor infrastructure, the lack of diesel on many routes outside of the city, and the safety of trucks and drivers due to political instability, poor driving skills, weather, and environmental disasters.

**Intersection of Interests.** There is alignment between USAID/BHA priorities and the transportation and logistics sector regarding responding to acute disasters when they arise. Remote and rural populations are especially vulnerable to environmental disasters and political instability, and many companies mentioned the difficulties of reaching remote and rural populations even without these added stressors due to flooding, lack of organized warehousing, or political unrest. A company representative stated, "one bottleneck of reaching far flung rural communities is either inadequate or not affordable transportation services. Emergence of strong transportation networks will encourage competition among transportation companies which will lead to reasonable cost of transportation and open up new market outlets for products of rural communities."

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<sup>35</sup> <https://lpi.worldbank.org/international/global/2016>

<sup>36</sup> <https://www.railway-technology.com/projects/ethiopia-djibouti-railway-line-modernisation/>

<sup>37</sup> <https://www.theafricareport.com/10463/ethiopia-opens-up-budding-logistics-sector/>

<sup>38</sup> <https://www.theafricareport.com/10463/ethiopia-opens-up-budding-logistics-sector/>

Logistics companies interviewed for the PSLA are interested in instituting more efficient processes though did not have the resources to invest in sufficient trainings and process improvement given the industries low margins. Considering the critical nature of transport to and through rural areas to the trucking and logistics sector, most companies interviewed are eager to improve in this area. Standardization of trucking and warehousing would lead to improved distribution and the ability to reach rural and remote communities more frequently ([see opportunity 3.2.5 on Strengthen the trucking sector](#)).

## Technology

The Ethiopian Government, represented by the Minister of Innovation & Technology, is committed to creating an enabling environment for innovation and digital access. This includes the liberalization of the mobile industry to establish competition, supporting the growth of mobile money for e-payments, introducing customer driven solutions, and increasing accessibility and affordability to digital solutions.<sup>39</sup> Banks and microfinance in Ethiopia have rolled out a total of 18 mobile money services via partnerships with financial-technology (fintech) companies or directly acquiring the technology and rolling it out on their own. These services are currently focused on sending money and payments for rent, mortgage, imports/exports, and bills, but are also expanding to international investments, employee payrolls, pension transfers, and mobile wallets. A new directive allows Ethio Telecom, the government-owned telecommunications provider, to move into mobile money.<sup>40</sup> In addition, private innovation hubs are supporting business growth across sectors, including mobile money, agriculture, manufacturing, and others.<sup>41</sup>

**Challenges.** While the Government of Ethiopia has made strides in creating a more enabling environment for the technology sector, interviewees still cited major constraints in establishing or expanding their products due to licensing. Interviewees spoke of the administrative hurdle of applying for licenses from the Ministry of Innovation & Technology and an agreement with Ethio Telecom to be able to operate. Receiving licenses can last up to two years, creating significant delays for companies attempting to launch new products or platforms.

Another challenge cited by technology companies is related to a lack of co-creation with humanitarian and development actors, who partner with tech companies frequently in Ethiopia to develop and procure fintech or other platforms. Specifically, interviewees spoke of technology and fintech programs that were initially funded by donors but did not include a long-term business model that would ensure its sustainability with beneficiaries once the program was over. The representative from Nyala Insurance S.C. told the PSLA team: “the problem with all these pilot projects is that once the donor pulls out, the project will cease because the private partner cannot financially sustain it themselves.” They explained that if they had played a bigger part in the project co-creation process with the humanitarian actor, they could have built a model that would be more self-sustaining. An example named by the technology company BelCash was their donor funded platform HelloDoctor, a platform meant to connect Ethiopians to affordable healthcare, but was unsuccessful due to a lack of business model that would ensure it received sufficient revenue to continue once donor funding ran out ([see opportunity 3.2.3 on Good Partnership Development](#) and [opportunity 3.2.9 on Case Studies](#)).

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<sup>39</sup> <https://www.gsma.com/mobilefordevelopment/blog/the-ethiopia-tech-ecosystem-a-sleeping-giant-is-waking-up/>

<sup>40</sup> <https://allafrica.com/stories/202004140612.html>

<sup>41</sup> <https://www.gsma.com/mobilefordevelopment/blog/the-ethiopia-tech-ecosystem-a-sleeping-giant-is-waking-up/>

**Intersection of Interests.** Private Sector interviewees revealed that Ethiopian technology companies offer a wide array of flexible services and platforms which can be tailored to humanitarian needs. When asked about the potential to partner with USAID and other donors, representatives from this sector indicated they would be willing and able to develop platforms or software specific to their client’s needs. They also stressed the importance of developing these initiatives through a co-creation process with the donor or client, to best ensure that the final product suited the needs of the user. Thus, the sector has potential to support USAID/BHA by facilitating the attainment of each focus area related to disaster preparedness and response.

## 2.2 Cross-Cutting Themes

Engaging the private sector for humanitarian assistance in Ethiopia involves taking into consideration local context of the business environment and private sector perceptions of the humanitarian sector. It also requires consideration of the barriers that companies face in working with humanitarian actors. While each sector included in this PSLA revealed its own unique challenges, several themes stood out as being relevant across sectors and therefore represent the Ethiopian private sector more generally. Through interviews, the following cross-cutting themes emerged:

### 2.2.1 Context for engaging the private sector in humanitarian assistance

#### CSR and the culture of giving back is ingrained throughout the private sector

Interviewees across sectors spoke of the importance of humanitarian assistance and serving communities in need through their corporate giving and Corporate Social Responsibility (CSR) work. Overall, company leaders recognize the humanitarian challenges vulnerable populations face in Ethiopia and value their ability to contribute by providing donations and other forms of aid. In fact, many see it as their duty to contribute to humanitarian assistance through their CSR departments. One agribusiness company said that their main goal through the company’s CSR activities was “to support Ethiopia’s society, because to make the business sustainable, you need a developed society.”

“Our business case for engaging in CSR activities is to make our business sustainable; in order to have a sustainable private sector, you need to develop and support society.”  
- *Ethio-Agriceft*

At company and personal levels, interviewees especially focus on helping displaced communities and refugees. Several companies spoke primarily of helping displaced people when mentioning their CSR activities. These efforts range from donating household goods, building schools and clinics, to responding to populations affected by conflict. One agribusiness company spoke of its efforts to help relocate displaced people in the Amhara region to safer areas, after conflict there in 2018 forced them to flee their homes. The company representative said these efforts had nothing to do with CSR efforts, but because of the “need to help people and give back.”

The Government of Ethiopia relies on private sector support for humanitarian or development assistance, though the private sector would like to receive more Government support in return. When speaking of their engagement with the Ethiopian government, companies most frequently spoke of their own assistance to the government rather than the other way around. For example, several companies mentioned responding to government calls for assistance in cases of

emergencies or humanitarian needs. One agribusiness company said: “in Ethiopia, the government doesn’t give to companies – companies give to the government.” The Ethiopian government is therefore not seen as a consistent partner to the private sector for humanitarian purposes.

At the same time, the private sector is strongly affected by government policies and companies spoke often of the importance of building strong ties with the government. Several interviewees mentioned that they are actively advocating for government policy change to improve the Ethiopian business environment, such as policies on trade, land rights, and contract farming.

### **The Telecom market is currently dominated by a single company**

While Ethiopia will soon undergo telecommunications deregulation, which will open the market to other competitors, several interviewees brought up the external affect that the government-owned Ethio-Telecom has on their business. With Ethio-Telecom currently the only telecommunications provider to the country, companies do not feel the need to have plans in place to prepare for connectivity issues, as they do not have other telecommunications options to turn to in case of shutdowns. One technology company called connectivity cuts a “universally accepted issue” for which it did not have a contingency plan or see the need for one. Since every other company will also face connectivity shutdowns at the same time, getting back online sooner would pose a huge competitive advantage though companies see this as an impossibility. Further, because the telecom market is government-owned, there is no competition for alternative providers, which hinders growth in the telecommunications space and leaves no alternatives for companies to pursue to ensure more reliable connectivity. From a disaster preparedness perspective, the monopoly of Ethio-Telecom prevents companies from having an incentive to plan for connectivity outages and thus hinders innovative solutions for countrywide outages.

### **Companies do not immediately see the need for disaster preparedness**

“Our company does not have a disaster contingency plan in place, and we do not see the need for one. Our biggest challenge is connectivity outages, but we see this as outside of our control and a universally-accepted challenge that does not affect us any less than other businesses in the country.” – *Malam Engineering PLC*

The Ethiopian private sector faces operational or supply chain risks due to conflict, financial crises, or environmental disasters; however, few interviewees cited business preparedness plans to prepare for such emergencies. This is even though several companies have operations outside of Addis Ababa in rural or remote areas of Ethiopia, where financial disasters or conflicts pose serious risks to business continuity. According to interviewees, many Ethiopian companies do not see the business case for disaster preparedness, but instead see emergencies such as flooding, drought, conflict, or power

cuts as "business as usual." As a result, very few companies have disaster preparedness or mitigation plans in place for their business operations or their employees.<sup>42</sup>

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<sup>42</sup> When asked whether their company had a business continuity plan, only 85% of survey respondents confirmed that they did.

## **Implications of COVID-19 include economic hardship but also a pivot towards better preparedness and opportunity for innovation**

Interviewees revealed several instances of how the COVID-19 pandemic has affected their business operations and decision-making process. Most Ethiopians are working from home because of the pandemic, leading to increased costs for communication, logistics, and service delivery. One key finding from the PSLA's conversations with interviewees is that companies in Ethiopia have been largely reactive to the pandemic. As stated above, few companies detailed contingency plans or systems in place before the pandemic. However, implications from the pandemic have shown companies the value of putting preparedness measures in place for the future. One technology company called the pandemic a "wake-up call" for the business community to be more prepared for this type of event. Some companies have begun developing disaster plans to prepare for similar scenarios, and interest has grown in disaster management trainings conducted by the Addis Ababa Chamber of Commerce and Sectoral Association as well as by sectoral associations ([see opportunity 3.2.8 on associations](#)).

"We did not have detailed disaster plans in place before COVID. The pandemic was a wake-up call for us and many other companies to be ready for this kind of thing in the future." – *M-Birr*

At the same time, the pandemic revealed opportunities for private sector innovations to better operate under the new environment. For example, some companies mentioned that new social distancing guidelines increased a need for digitization to replace face-to-face interactions with customers and employees for business transactions. A technology relayed that their stakeholders were moving away from cash payments and increasingly using online platforms for financial transactions due to social distancing rules. Another company mentioned a Bluetooth device and platform being developed to help enforce distancing rules by alerting employees when they were closer than two meters apart. The pandemic therefore showed opportunities for businesses to pivot their business services as a response to COVID-19.

### **2.2.2 Barriers to successful partnerships**

#### **Lack of co-creation between donors and companies**

Although several companies cited examples of having partnered with USAID and implementing partners, a common barrier was a lack of co-creation processes with humanitarian counterparts in designing the project or initiative. The private sector is typically approached by a humanitarian partner with a specific procurement or solution in mind; however, companies argue that due to their technical expertise and familiarity with beneficiary communities, they are well-placed to provide design inputs to solutions to maximize effectiveness. They maintain that by being part of the co-creation process, they can provide key insights and prevent future issues or pitfalls. Companies are interested in forging long-term relationships with humanitarian partners that can help open their products and services to new markets and sustain a new business model. However, companies need closer coordination with humanitarian partners to achieve this ([see opportunity 3.2.3 on good partnership development](#)).

## Perception of an opaque partnership engagement process

“The challenge is that the private sector and humanitarian sector are not in-sync. There is no common vision, and the priorities of each sector are very disconnected. It’s difficult to manage the expectations of the NGOs.”- *BelCash*

Interviewees cited issues around communication and timelines as a barrier to working effectively with donors and humanitarian actors. When describing previous experience working with donors on a technology platform, one interviewee mentioned donor reporting requirements and misunderstandings of end-product needs as major roadblocks in the partnership. They stated that the “expectations of the NGO were difficult to manage because the deliverables were not clearly-defined,” which led to confusion and delays in project deliverables. Furthermore, Ethiopian companies do

not perceive all NGOs and donors as “business-oriented” due to their humanitarian-focused priorities and mandate and see it as a challenge that humanitarian actors and companies are not “in-sync.” It is therefore important for USAID/BHA to approach target partners with a compelling demonstration that USAID “speaks the language” of the business sector ([see opportunity 3.2.3 on good partnership development](#)).

## Layers of complexity of relationships and culture creates a language barrier

The PSLA team noted differences in the way companies distinguish between defining the private and public sectors. Specifically, interviewees had different interpretations of what constitutes a private sector actor as opposed to an NGO. For example, NGOs are seen by many actors to be for-profit organizations because they collect funding to pay for expenses, and so would fall into the category of private sector. This can lead to confusion when speaking to companies about public-private partnerships; it is helpful to determine their interpretations of different actors up front to avoid language barriers.

Access to finance and working capital was mentioned by several interviewees across sectors as a major challenge for Ethiopian private sector growth broadly, but one that also affects the ability to effectively engage in private sector partnership. Specifically, sufficient and timely access to finance is key for companies to invest in new platforms or technologies that may be components of humanitarian partnerships. For example, if USAID/BHA were to partner with an agribusiness to adopt or scale new irrigation technologies, the company would first require access to finance to invest in these technologies for the partnership to be successful. However, interviewees cited major hurdles in receiving necessary investment funds and loans to develop new technologies. As a result, companies interested in or considering partnering with humanitarian actors seek projects with a long-term sustainability plan to ensure a reliable revenue source.

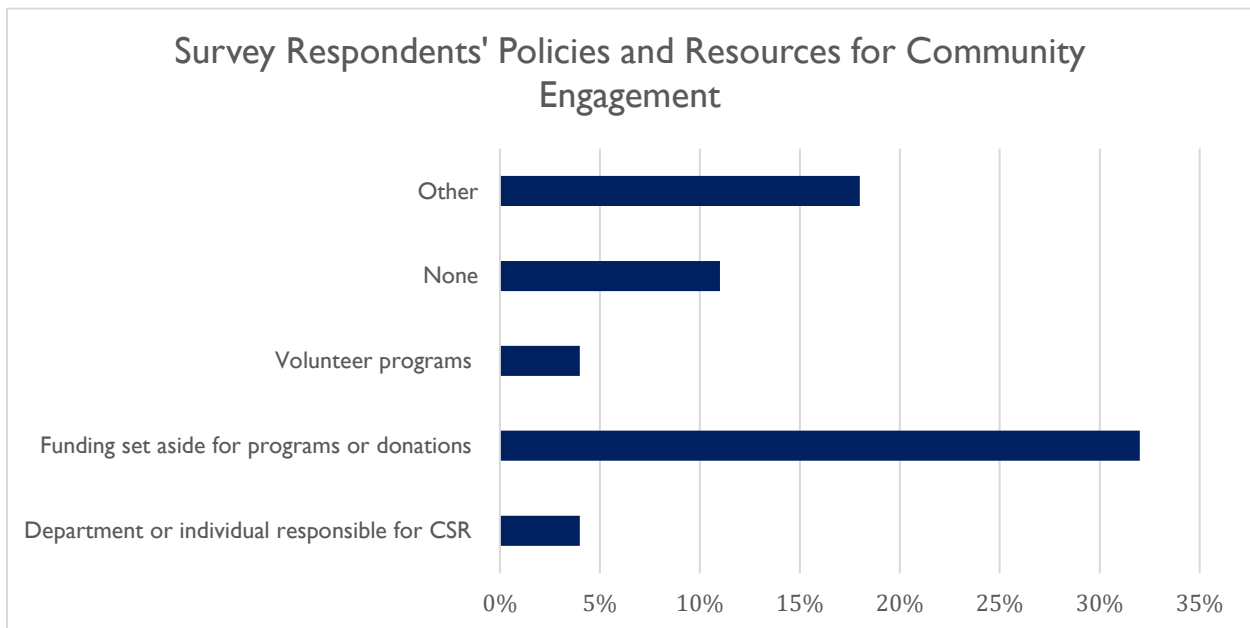
## 2.3 Existing Private Sector Engagement in Humanitarian Assistance

The PSLA team found through interviews that the Ethiopian private sector generally thinks of the phrase ‘humanitarian assistance’ or ‘humanitarian engagement’ as charity and donations. While humanitarian assistance is culturally very important and Ethiopian companies want to do good, their priorities align primarily with business motivations, which they see as inherently separate from humanitarian work. Many company representatives described a clear distinction between what they do as business managers or executives compared with the priorities and focus areas of NGOs and donors working in Ethiopia. Further, they tend to compartmentalize humanitarian

assistance strictly within a company’s CSR or foundation work, likely because humanitarian work is seen as being conducted entirely separately from business operations and therefore requiring a separate team and set of skills within the company.

At the same time, companies showed interest in partnering with USAID/BHA and humanitarian actors, having either had positive experiences with similar partnerships or simply through having a positive perception of USAID in Ethiopia. One logistics company said they had a “good working relationship with USAID over the past three years” and that the USAID logistics team was “well-informed” of the governmental and operational requirements of importing goods into Ethiopia. Companies generally recognize the deep importance of humanitarian assistance work in Ethiopia as well as the prevalence of humanitarian players. Additionally, companies see the high potential to work with these partners to further their business priorities by receiving funding for new projects or expanding into new markets.

As shown in the graphic below, while many survey respondents reported having a CSR policy in place and funding dedicated for CSR programs, very few have a department or volunteer program responsible for implementing CSR or philanthropic activities. This indicates that the private sector recognizes the importance of setting aside resources for CSR and philanthropy but does not tend to operationalize it as part of day-to-day business models.



### 2.3.1 Private sector expectations, roles, and responsibilities

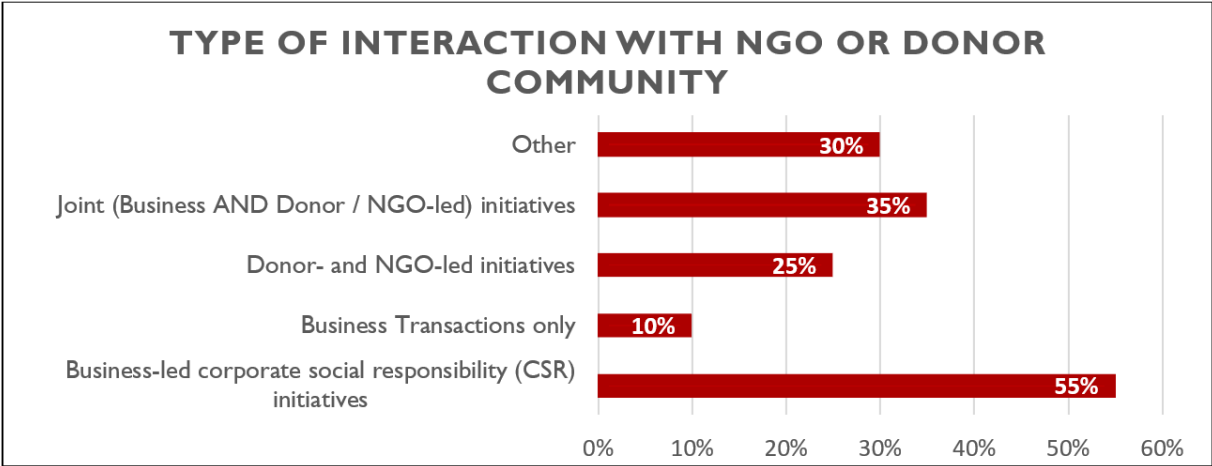
Private sector interviews revealed that private sector actors have distinct perceptions of the roles that different actors play within humanitarian assistance. The following table summarizes the perceptions the Ethiopian private sector holds of different actors within humanitarian assistance, as well as the private sector’s perception of its own role.



Actor	Private sector perception of their role within humanitarian assistance
<b>Donor</b>	Provides funding and grants; procures services.
<b>Humanitarian Community (NGOs, implementers)</b>	Works with private sector through transactional procurement; has humanitarian technical expertise / knowledge, but little local context of remote communities; not all NGOs are “good,” some are only seeking profit.
<b>Government</b>	Requests emergency funding from private sector when disasters arise; policy maker.
<b>Private Sector</b>	Provides products and services; has local context and access to certain markets; knows remote regions best.

Additionally, the PSLA survey provided valuable information about private sector actions and perceptions of humanitarian assistance. Of the respondents who reported having worked with an NGO or donor in the past five years, the majority characterized their interactions as providing a service or expertise. Other activities that occurred at nearly equal frequency included innovating products or services, sharing knowledge or information, receiving funding or a grant, and making an investment or donation (please see [Annex III: PSLA Survey Responses](#) for detailed survey data).

The data in the graph below suggests that when these private sector companies engage in the humanitarian and development community it is most often through their own programs, not directed by or partnering with humanitarian actors. It is unclear if or how the humanitarian sector was involved in a cross-sector partnership for the business’s CSR and “Other” activities. Otherwise, private sector actors are engaging in Joint and Donor/NGO led initiatives relatively frequently.



When asked about their experience in cross-sector partnerships, survey respondents described access to information and opportunities as their greatest challenge, with maintaining timelines associating with decision-making as the second-greatest challenge. Most respondents found selecting the market segments and populations they would work with as less challenging (please see [Annex III: PSLA Survey Responses](#) for detailed survey data). Businesses also found building shared value into the partnership and understanding the needs of vulnerable communities were not as challenging for them, nor was creating working relationships.

Lastly, the PSLA survey explored four areas of interest to USAID/BHA for possible future programing and/or partnership with private sector actors.<sup>43</sup> These included:

- A. Increasing access to financial services.
- B. Strengthening transportation networks.
- C. Facilitating employment opportunities in rural areas.
- D. Creating innovative technology solutions to build resilience to shocks.

Survey respondents were first requested to envision and respond to how a company like theirs might be impacted by work in these four areas and then respond to how interested a company like theirs might be in contributing to that activity area.<sup>44</sup> The respondents were then asked to envision the roles a company like theirs and donors might play in addressing these opportunity areas.

**Heat Map of Business interest in PSE activities, by Role, related to USAID’s areas of Interest.**

**What role(s) do you envision a company like yours playing in working toward the following areas?**

	Thought Leader, Co-Creator	Convener, Broker, Advocate	Implementer	Funder / Investor	None	% of Respondents
A. Increasing access to financial services	25%	10%	90%	15%	5%	50+
B. Strengthening transportation networks	15%	15%	10%	15%	50%	25-49
C. Facilitating employment opportunities in rural areas	30%	10%	55%	20%	10%	10-24
D. Creating innovative technology solutions to build resilience to shocks	15%	15%	50%	25%	20%	0-9

In this heat map, private sector companies were asked to select the role they envision a company like theirs playing in the four USAID driven interest areas. Unsurprisingly, the number of survey respondents offering their services as “implementer” to increase access to financial services corresponds to the predominant sector reflected in responses, in finance. Most respondents across the four interest areas examined in this survey envisioned their companies in a traditional sense by offering services as implementors and thought leaders. Surprisingly, half of the respondents, including the sole freight company, believe a company like theirs has no role in strengthening transport networks. This did not, however, correlate with the impact and interest they envisioned for a company like theirs if this sector was addressed. One respondent explained “my company[’s] founding objective is to engage in Transportation service. Having a feasible/ marketable business plan is the starting point to benefit out of the industry. Lack of Transport company leadership and market knowledge on the side of the Board of Directors discourage our

<sup>43</sup> Aligned to the preliminary opportunity areas highlighted in the in-briefing and mid-point assessment presentations.

<sup>44</sup> This hypothetical framing of the question was utilized for cultural reasons, to reduce the influence of the question on the answers and thereby reduce the implication of a high ranking on necessary action.

engagement in this area. If this gives an interest...my company will provide necessary information.”

**Heat Map of Businesses’ preference on Donor/NGO roles in USAID Interest area.**

**What role(s) do you envision the Donor / NGO community playing in working towards the following areas?**

	Thought Leader, Co-Creator	Convener, Broker, Advocate	Risk-mitigator, Investment Catalyst	Funder / Investor	None	% of Respondents
A. Increasing access to financial services	45%	15%	35%	70%	5%	50+
B. Strengthening transportation networks	20%	35%	35%	55%	25%	25-49
C. Facilitating employment opportunities in rural areas	40%	60%	35%	45%	5%	10-24
D. Creating innovative technology solutions to build resilience to shocks	30%	35%	30%	70%	10%	0-9

Similarly, survey respondents envisioned donors largely in a traditional sense, as funders and investors, with some agreement across possible roles outlined in USAID’s PSE policy. While not statistically meaningful, the juxtaposition of this question together in the survey may elicit comparisons. In general, more respondents envisioned a role for the donor community over a role for a business like theirs, which is sensible given the broad options presented across the donor community and limited view of a single company or company like the respondents’ own.

Of the four opportunity areas, financial services (option A) and rural employment (option C) had the highest impact on businesses and interest from businesses in engaging in these areas. When asked to provide details about their business interest, many wrote of increased access to financial services as a pathway for expanding their customer base and spoke of its alignment to their business plans. Others simply saw increased access to financial services as a good idea, offering insights from their experience. This is not surprising given most respondents were financial institutions. One bank wrote, “Increasing access to financial services to individuals means increasing the customer base of the bank. When the customer base increases, the demand for financial services increases, which will positively affect the business of the bank.”

For rural employment, these same businesses cited their current services as well as financing entrepreneurs as mechanisms for job growth and expanding stable alternative livelihoods. Others simply wrote of how expanding livelihoods aligned to their company’s mission and others had business interest in seeing job and employment growth. One respondent wrote “Because our organization avails loans and savings services to villages (kebele's), it is of strategic importance to us to support job opportunities in in the hinterlands of the country.” Another wrote of their company, “It has inherent interest in increasing productivity, creating job opportunities, improving livelihoods/reducing poverty, increasing financial literacy, and enhancing the application of credit and saving.”

The innovative technology opportunity area also had high impact and interest, with a variety of business cases that demonstrated direct use for their business transactions and an increased customer base that technology might offer. One wrote, “First of all, the innovative technology can increase efficiency & productivity which in turn reduces vulnerability. This ultimately increases

our business opportunity & impact on our target market.” Respondents also offered several examples of the type of technology they were interested in, with no surprise that mobile banking services was the top response, while others included agriculture technology. The sole logistics company wrote of their lack of capacity to offer innovative technology that might build resilience to shocks in rural and vulnerable communities, but it is unclear if they considered how technology might be used to facilitate their logistical role in food supply chains.

## 3. Opportunities and Recommendations

### 3.1 Opportunities for Alignment and Ways of Working with Private Sector

The PSLA team identified several areas of alignment between the Ethiopian private sector and USAID/BHA’s priorities, as well as insights into the private sector’s preferred “ways of working.” The following provides opportunities for engagement and suggestions for how to approach potential private sector partners:

#### **Work differently with business units than with CSR departments.**

As stated previously, companies have distinct priorities between their business operating units and their CSR departments or foundations. Business units develop products and services to sell to humanitarian actors, while CSR departments provide aid to communities in need and have strong local knowledge and expertise of the communities they serve. When engaging the private sector, USAID/BHA should approach company business units early within partnership engagements for co-designing of projects to maximize the business insights and offerings of the partner company. On the other hand, CSR departments and company foundations can be leveraged for their existing presence and expertise with target beneficiaries and approached to plug into existing initiatives that align with USAID/BHA’s priorities where possible.

“Humanitarian assistance is a full-time job. NGOs and donors work all over the world to help vulnerable people. We support this, but it is not our objective; our primary objective is business.” – *Etiho-Agriceft*

#### **Maintain open communication and transparency around expectations.**

Open communication throughout all stages of partner engagement, as well as clear expectation-setting of expected timelines and deliverables, is key to a successful partnership with Ethiopian private sector. This includes setting clear expectations and requirements around the final product or deliverable the private sector is being engaged to produce. It is also important to establish a collaborative engagement process through check-in meetings or mid-point briefings to review the partner’s progress and next steps. This will ensure that the final deliverable is in line with USAID/BHA’s expectations, but also that the private sector partner has a clear understanding of the project’s direction and can raise issues or challenges with implementation as they arise.

#### **Leverage focus on displaced communities.**

When asked about humanitarian priorities or focus areas, displaced communities were mentioned most often by interviewees as a key population to engage. Several companies already focus their

CSR efforts on displaced and refugee populations, including displaced communities in the Somali and Amhara regions. This CSR assistance ranges from building housing and schools to corporate donations to these communities. When approaching companies for potential humanitarian partnership opportunities, especially CSR departments, a focus on displaced communities will be well-aligned with existing private sector priorities and therefore more likely to peak company interests and values.

### 3.2 Short- and Medium-Term Partnership Opportunities

Based on our private sector interviews and survey responses, USAID interviews, and desk research, the PSLA team identified several private sector engagement opportunities and recommendations that USAID/BHA could pursue. Ethiopia’s private sector has a host of capabilities and a high level of interest in working within the humanitarian assistance space and is eager to engage with USAID. That said, opportunities exist for USAID/BHA to work more closely with the private sector such that these companies’ skills, knowledge, and resources can be leveraged to maximize impact for vulnerable communities.

The PSLA team has categorized each opportunity as either high priority or medium priority, and as either short-term or medium-term. High- and medium- priority recommendations are defined based on the perceived need for the intervention according to the PSLA team’s discussions with the public and private sector in Ethiopia. Short- and medium-term recommendations were determined based on the expected resource intensity and complexity to execute. USAID/BHA may choose to prioritize the opportunities, recommendations, and next steps differently or based on different factors. Please see the PSE opportunities and recommendations along with proposed next steps below in priority order:

Opportunity	Priority	Timeline
3.2.1 Scale on-farm and off-farm water access	High	Short-Term
3.2.2 Strengthen the business case for companies to expand to remote/rural areas	High	Short-Term
3.2.3 Co-create business opportunities in refugee communities	High	Short-Term
3.2.4 Provide capacity building on good partnership development	High	Short-Term
3.2.5 Micro-insurance and financial instruments for the poor	High	Medium-Term
3.2.6 Strengthen Ethiopia’s trucking sector to increase livelihood opportunities and strengthen disaster response	High	Medium-Term
3.2.7 Support standardization of warehousing to ensure sufficient stocks of commodities during disasters	High	Medium-Term
3.2.8 Strengthen linkages among agriculture supply chain actors	High	Medium-Term
3.2.9 Associations as catalyst for strengthening companies and operations in rural areas	Medium	Short-Term
3.2.10 Produce and share case studies of existing partnerships	Medium	Short-Term
3.2.11 Increase opportunities for refugees and other displaced populations	Medium	Medium-Term

### **3.2.1 High Priority/Short-Term Opportunity #1: Scale on-farm and off-farm water access**

**OPPORTUNITY:** As noted above, the PSLA team discovered that several agribusinesses are highly affected by weather-related shocks. One agribusiness company stated, “shortage of rain, untimely rain, and floods, can all affect production.” As a result, many agriculture companies expressed that they are starting to set up and pilot irrigation activities on their farms to mitigate drought-related production issues. These initiatives were found to be in line with USAID/BHA’s priorities in Ethiopia, as access to irrigation in Ethiopia is critical for maintaining food security. With most Ethiopians dependent on rain-fed agriculture, scaling up irrigation has significant potential to improve livelihoods, as agribusinesses and farmers with access to irrigation technologies, like drip irrigation or solar pumps, can produce and sell crops despite limited rain during the dry seasons or periods of drought. This brings in additional income and builds resilience against weather variability. Further, some USAID/BHA implementing partners already have some experience conducting irrigation activities in Ethiopia with farmers as well as with external entities such as Water Charity to introduce water sensors that can monitor water utilization.

Interviews also revealed that agribusiness companies are highly interested in supporting their farmers and ensuring that their surrounding communities are supported (as demonstrated above in 2.2.1 on CSR and the culture of giving back). Several companies noted that developing strong relationships with local communities where they operate results in strengthened business outcomes. Through their CSR work, several agribusiness companies provide surrounding communities with access to water by drilling boreholes or shallow well pumps. Access to clean water allows households to practice safe hygiene practices which is critical to maintaining food security and nutrition gains.

**RECOMMENDATION:** In drought-prone areas and where agriculture companies are piloting irrigation schemes, USAID/BHA and its implementers can play an expert role in advising large agribusinesses and their farmers, as employees, on how to set up and scale locally appropriate irrigation schemes, link agribusinesses with companies that provide irrigation materials/products, and/or provide advice on financing strategies to purchase these products or materials. This should be accompanied by technical assistance in water management techniques to improve agriculture production and quality. For agribusinesses that buy products or services from smallholder farmers, USAID/BHA can play an expert role in advising them to build the capacity of smallholders to implement low-cost water management strategies and equipment for improved yields. Strategies could include encouraging the use of equipment such as buckets, watering cans, and treadle pumps, as well as promoting the collection of more water to apply to the root zone, or conserving water through reduced drainage loss. For companies that sell irrigation materials/products, USAID/BHA could provide advice on marketing strategies and market opportunities. USAID brings skills in data analysis and mapping, and access to demographic information to support identification of water sources and use of early warning systems in drought-prone areas for emergency response and to visually depict results and stories.

In areas where agriculture companies are interested or are already providing communities with increased access to safe water, USAID/BHA can work with these companies to set up water user associations that bring farmers together for the purpose of planning and maintaining a shared irrigation system. USAID/BHA can also work with these companies to increase household and community knowledge of proper water, sanitation, and hygiene practices as well as low-cost

water management strategies for agriculture and increase knowledge of applicable financing options.

**POTENTIAL PARTNERS:** Agribusinesses (examples include Ethio-Agriceft, Ahadu PLC, and MIDROC Ethiopia PLC); FinTech companies such as BelCash which sells solar pumps with financing options; Resilience Food Security Activity (RFSA) implementers (such as Food for the Hungry, Relief Society of Tigray).

#### Next Steps for USAID/BHA

- Identify RFSA implementers/BHA activities in drought-prone areas and map existing agribusinesses working in those areas.
- Contact identified agribusinesses to further determine key gaps in irrigation knowledge, use, and adoption. Identify smallholder farmers that supply products to these agribusinesses.
- Develop a roster of experts in low-cost irrigation schemes and provide training and capacity building support to interested agribusinesses and communities in which they work to design locally appropriate irrigation schemes.
- Assist companies with developing financing strategies for the irrigation schemes and connecting them with companies that sell irrigation products/materials.
- Assist companies that sell irrigation products/materials in updating their marketing strategies.
- Work with agribusinesses to deliver Water, Sanitation and Hygiene (WASH) messaging and information on low-cost water management strategies in communities when setting up community water systems.
- Build the capacity of local implementers and companies that sell irrigation products to increase community awareness of the benefits of basic water management tools and strategies and provide ongoing capacity building to agribusinesses and farmers to enable successful and sustainable application and adoption of irrigation schemes.

### 3.2.2 High Priority/Short-Term #2: Strengthen the business case for companies to expand to remote / rural areas

**OPPORTUNITY:** As stated above, many companies focus their CSR or foundation efforts on providing humanitarian support to Ethiopia’s remote and rural regions. However, most have not expanded their business operations to these areas or have only done so with donor funding for development projects. Interviewees indicated that this was because these areas are either difficult to reach and expensive to serve, or because the market in these regions is too small, so there is little incentive to expand operations to these areas. This is especially true in the case of Ethiopia’s finance and insurance sector, in which some companies have partnered with USAID and other donors to establish financial services to remote regions but said they would not have done so without donor funding. For example, Nyala Insurance S.C. has engaged in several microinsurance programs in farming communities through partnerships with WFP and other donors but told the PSLA team that in past instances “once the funding runs out, the project ends, and the company pulls out.”

USAID/BHA can help provide the business case for companies to expand to rural areas by funding feasibility studies to expand business operations to these regions. Feasibility studies could be the first step to a company initiating business operations in rural areas to determine whether the expansion would be a viable option and identify what would be needed to enter this market.

Having a feasibility study in-hand would help strengthen the business case for companies considering expanding to rural areas as it could offset some of the initial concerns the company may have. USAID/BHA could either fund or co-fund a feasibility study to help lesson to company's barrier to entry and make the entry to rural areas more attractive.

Alternatively, USAID/BHA could divert funding from existing projects for business modeling or feasibility studies in support of potential private sector partners. This could help companies that USAID/BHA is interested in working with see the business case for expanding to the project's target areas.

**POTENTIAL PARTNERS:** Finance and Insurance companies (Nyala Insurance S.C.); implementing partners (WFP).

Next Steps for USAID/BHA
<ul style="list-style-type: none"><li>• Fund or collaborate on feasibility studies or business modeling for companies to expand operations to rural areas.</li><li>• Divert funding on existing projects in rural and remote areas for business modeling and/or feasibility studies to help make the business case for potential private sector partners.</li></ul>

### 3.2.3 High Priority/Short-Term #3: Co-create business opportunities in refugee communities

Several companies the PSLA team spoke with have managed to expand their operations outside of urban areas through serving refugee populations. Many of them entered these markets through partnerships with donors and NGOs, who frequently approach technology and finance companies to develop platforms to support their programs targeted to refugees. Payment distribution for refugees offers an especially promising opportunity for collaboration. One example is the tech company BelCash, which has received USAID funding and partnered with implementing partners like Mercy Corps to provide microfinance solutions to Ethiopia's Somali communities. The representative from BelCash told the PSLA team that had they not been approached by Mercy Corps, they would likely not have expanded their services to these areas and would therefore have "missed out on the market opportunity" it provided: "looking back, it would have been a mistake had we denied that partnership." He also said that the revenue from this initiative is now a majority of BelCash's business.

Case Study: PSE Partnership in Ethiopia's Somali Region
<p>Starting in 2016, the tech company BelCash partnered with Mercy Corps to develop microfinance solutions to Ethiopia's northern Somali Region. The program, implemented by Mercy Corps and funded by USAID, was designed to meet the immediate needs of pastoralist households through cash transfers. Under this engagement, Mercy Corps delivered cash transfers to the target pastoralist households through BelCash's Hello Cash platform. The 6-month program reached 5,000 recipients, who each received three transfers of 45 USD.</p> <p>Source: <a href="https://www.mercycorps.org/sites/default/files/2020-01/ETTransfersFinInclusionCaseStudyEthiopia2017.pdf">https://www.mercycorps.org/sites/default/files/2020-01/ETTransfersFinInclusionCaseStudyEthiopia2017.pdf</a></p>

**RECOMMENDATION:** Using success stories from technology companies like BelCash, USAID/BHA can work with other companies to help them



recognize the business case for expanding their operations to Ethiopia’s refugee communities. USAID/BHA can achieve this by organizing co-creation sessions on business modeling with companies who have successfully expanded their operations to refugee communities, and those that are interested in doing so but may have reservations about the risks. These co-creation sessions can be aimed at identifying and addressing private sector concerns early in a partnership process, as well as helping these companies see the potential benefits to expanding their operations to serving refugees.

**POTENTIAL PARTNERS:** Companies and implementing partners with experience working in refugee communities: technology companies (Belcash, MKYTY); implementing partners (Mercy Corps).

#### Next Steps for USAID/BHA

- Organize and hold co-creation sessions on business modeling for working with refugee communities. The co-creation sessions should:
  - Include companies that have successfully expanded to refugee communities (e.g., BelCash) to outline details regarding their process, including considerations, challenges, and lessons learned.
  - Invite companies that USAID/BHA is interested in working with but who have not expanded to serving refugee communities and may have expressed hesitance in doing so or have had negative experiences doing so in the past (e.g., finance and insurance companies).
  - Focus the discussion on how USAID/BHA and the private sector partner can collaboratively design interventions in refugee communities that take the company’s business priorities into consideration.

### 3.2.4 High Priority/Short-Term #4: Provide capacity building on good partnership development

**OPPORTUNITY:** Interviewees saw a clear distinction between the expertise, priority, roles, and timelines of the private and humanitarian sectors. “Humanitarian activity is a full-time job. USAID is working all over the world to support vulnerable people. We are willing to support, but our job is the business,” said a representative from an agribusiness company. From interviews, the private sector is eager to partner with humanitarian assistance organizations on opportunities where an alignment of interests exist, though a common frustration stems from the difference in expertise between the two sectors. Private sector actors with previous partnership experience perceive a mismatch in expectations and knowledge between private sector and humanitarian sector counterparts. Interviews revealed various suboptimal results due to this knowledge gap including misunderstandings over the timeline needed for implementation, the technicalities of the private sector product or intervention, and the activities and requirements needed to produce a desired result. For example, one financial technology company’s representative stated, “it is not just the beneficiaries that would benefit from [educational] resources to help them adapt to digital payments, these would also be helpful for the implementing NGOs. Education is needed to ensure full buy-in and [to] build win-win trust [in the partnership].”

**RECOMMENDATION:** Private sector entities have the interest in and expertise necessary for shared value partnership with USAID/BHA and implementers to enable the humanitarian sector

to drive further impact and sustainability of interventions. However, both humanitarian and private sector actors require training and capacity building to facilitate successful partnerships. In addition to any capacity building that USAID/BHA already provides to private sector partners during the partnership process, USAID/BHA should also consider providing capacity building and training to humanitarian assistance NGOs and implementers on business topics to strengthen private sector engagement. Such trainings can be integrated into the procurement and co-creation process with the purpose of ensuring that implementers understand business motivations and technical aspects of business solutions to help align on priorities with potential private sector partners. These trainings can focus on general business topics (e.g., stakeholders, timeline, roles, strategy, and decision-making), or on specific solutions by sector (e.g., financial instruments, agribusiness supply chain) depending on the need or gap determined for the NGO or implementer.

**POTENTIAL PARTNERS:** Illustrative examples of interested partners based on expertise by sector: agribusiness (Ethio-Agriceft, Ahadu PLC, METAD PLC); finance (BelCash, M-BIRR, Dashen Bank SC, AIC, RENEW LLC); logistics (Akakas Logistics, MACCF), technology (MKTY IT Services P.L.C., Highlight Trading, BelCash, M-BIRR); national and sector-specific associations.

#### Next Steps for BHA

- Determine key gaps in business knowledge among NGOs and implementers including general business knowledge and motivations as well as specific technical areas; identify barriers faced in translating private sector engagement proposals into development outcomes.
- Develop a ‘bullpen’ of experts in the needed business and technical areas that can provide such training and capacity building support by identifying trusted companies, associations, and individuals.
- Promote the need for ongoing capacity building for NGOs and implementers on business topics to enable successful and sustainable partnership development.
- Provide practical assistance and training to implementation partners in head offices and decentralized offices in the development of private sector partnerships, including determining private sector motivations, identifying, and managing risks, and monitoring outcomes and impact.
- Building off the work of the PIVOT Program, establish ongoing private sector engagement trainings to drive continued learning on business motivations and technical products for Mission staff.

### 3.2.5 High Priority/Medium-Term #1: Micro-insurance and financial instruments for the poor

**OPPORTUNITY:** An alignment of interests between USAID/BHA and the finance sector exists in offering microinsurance products, such as agriculture loss insurance or health and life insurance, to vulnerable populations. For USAID/BHA, the existence of these products supports resiliency of vulnerable populations. For the formal sector finance and insurance companies, entry into this nascent market will give a company first mover advantage, name recognition among different populations in the country, and opportunity for customer and revenue growth. Every financial company, and many of the technology companies interviewed, were interested in breaking into this market but were worried about high upfront costs and high risk. For example, one insurance company representative stated, “microinsurance is not very attractive currently because

processing claims are very difficult. We are interested in a partnership to launch the microinsurance business, but the NGO would need to cover some part of the claim.” Given the nascency of the product type among the more traditional finance and insurance companies, due diligence had only just begun for claims-based insurance. The traditional finance and insurance companies we spoke with did not mention parametric insurance, though this product type has been shown to be promising in some humanitarian and pilots.

We found that with past USAID support, insurance and financial technology companies have had success providing microinsurance to farmer and remote communities, but many do not see the business case without donor funding. Barriers to sustainability varied by company and include high cost of technology deployment and awareness building campaigns, difficulty reaching clients, and low risk-appetite.

**RECOMMENDATION:** Taking on the role of market shaper for the microinsurance market will be catalytic in Ethiopia and will help unlock key country risk mitigation and development objectives, including DO 1: Disaster risk management strengthened, and DO 2: Resilience of vulnerable populations to key shocks increased, in USAID’s current Ethiopia CDCS. Interviewees were most interested in exploring bundled microinsurance offerings (e.g., offering multiple types of insurance such as health and life insurance with a monthly payment), which bundles various types of risk. Other microinsurance product types of interest included health, life, and crop insurance. USAID/BHA can encourage market entry and product creation of microinsurance products for vulnerable populations by mitigating market failures including baring most of the initial risk, subsidizing reinsurance, and funding education and training campaigns around the launch of new products. Since each finance and insurance company discussed different barriers to market entry based on their business models and reach, a solution will need to be defined together with the financial partner(s) that considers the current policy environment and is ultimately chosen to ensure that USAID/BHA is successfully offering a solution to the specific problem that the partner had uncovered during their feasibility study.

**POTENTIAL PARTNERS:** DFC; established banking and insurance companies (examples include Nayala Insurance, AIC, Dashen Bank SC); international reinsurance companies (examples include Swiss Re, Munich Re, Berkshire Hathaway); financial technology companies (examples include M-BIRR, BelCash, Highlight Trading).

#### Next Steps for BHA

- Consult with DFC and other experienced partners such as Swiss Re, and other programs such as the Feed the Future Innovation Lab for Markets, Risk, and Resilience, to tap into development finance and microinsurance expertise when building a microinsurance strategy to capture lessons learned, success stories, and recommendations from past initiatives.
- Conduct a policy scan to determine current political constraints that will be faced or would need to be mitigated to offer such products.
- Based on the determined microinsurance strategy and the policy landscape, develop an outline of viable product categories, the progress in Ethiopia to date in instituting those product types, and partners and/or mechanisms that would need to be involved in expanding these offerings.
- Identify a short-list of viable finance, development finance, and insurance partners based on company reach, reputation, and interest in microinsurance and/or reinsurance market entry.

- Collaboratively design microinsurance products with a finance or insurance partner to ensure that the product meets the needs of the community and the company, which will enable sustainability of the product and initiative.
- Conduct a root cause analysis with the private sector partner to ensure that BHA and implementers can solve for the company’s specific sustainability issues, given that each financial partner will have different barriers to market entry.
- From the outset of product design and partnership development, co-create sustainability plans with agreed upon graduation and handover to the partner.
- Convene and initiate conversations with donors and partners (USAID/BFS, WFP, World Bank, others) to learn more about existing and previous microinsurance and reinsurance support initiatives.

### **3.2.6 High Priority/Medium-Term #2: Strengthen Ethiopia’s trucking sector to increase livelihood opportunities and strengthen disaster response**

**OPPORTUNITY:** Due to its geographic makeup, many populations in Ethiopia depend on the transportation sector and specifically trucking to obtain goods and services especially during disasters. Unfortunately, the transportation sector is heavily affected by political instability, floods, and poor infrastructure. Interviews revealed that during environmental disasters such as flooding, when goods are most needed at their destination, delays are rampant to the distribution of goods throughout the country. One company stated, “trucks get off the road during rainy season and some goods do not reach their destination in remote areas,” and that there was no way of knowing when a bridge was taken out or a road was impassable. While it is common in the trucking industry in other countries to have Global Positioning Systems (GPS) locators, the satellite technology that monitors roads is too expensive for most of Ethiopia’s trucking industry. Thus, truck drivers are unable to reroute themselves in case of road closures. The addition of GPS tracking is beneficial to USAID/BHA and donors as well, considering real time updates would be possible and USAID/BHA could identify bottlenecks and recover lost or missing items.

Furthermore, truck drivers in Ethiopia tend to drive over the speed limit, which unfortunately leads to a high number of accidents oftentimes resulting in fatalities. Because of an already low number of drivers, this exacerbates delays to shipments even further. While there are programs working with the government to increase safety and decrease speed, truck drivers do not see the business case for safety. Other challenges drivers face includes hijacking of trucks and the inability to find diesel while on the road, the latter of which could be solved by access to GPS and satellite technologies. One company stated that they were looking into GPS trackers to monitor the trucks, however “there was no incentive for this since contracts do not require it.” Considering the humanitarian sector procures large transportation agreements in Ethiopia, standardizing the humanitarian sector’s expectations when it comes to safety and technology could affect the adoption of these measures. Truck drivers in Ethiopia are organized in groups, or associations, which provide a pool of trucks for hire and a range of drivers with varying expertise. However, logistics companies noted the trucking associations did not offer benefits outside of connecting drivers and companies. While multiple interviewees were members of the trucking associations, they are not formally organized like other (business, export) associations in the country.

**RECOMMENDATIONS:** Because USAID/BHA has a specific interest in DRM and increased resilience of vulnerable populations, strengthening the Ethiopian trucking sector will allow them to address food insecurity, disasters, and other immediate humanitarian needs more quickly by ensuring quick, safe, and accurate transportation of goods. By strengthening the trucking sector through new requirements and greater standardization, USAID/BHA will not only improve their ability to provide goods and services, but also increase connectivity among communities in Ethiopia, allowing for greater economic growth and access to markets.

In order to positively impact the industry, USAID/BHA can update the requirements in implementer and direct procurement contracts to encourage trucking associations and companies to strengthen their operations in the following ways, an opportunity that would be best done in coordination with other donors:

- Require disaster preparedness plans of drivers and trucking companies/associations
- Use of technology: GPS, satellite (if funding or co-funding is available from USAID/BHA)
- Driver minimum requirements, including a license, and possibly other trainings or driving record

Additionally, while interviews revealed that trucking associations exist primarily to provide drivers for hire, these existing bodies could be formalized, and thus used as a vector for USAID/BHA and other donors to improve the trucking industry by providing training and workshops. USAID/BHA can lend its expertise in disaster management to the trucking sector and help prepare Disaster Management Plans for individual drivers, trucking associations, and companies to be better prepared for disasters and ultimately enable on time delivery of goods to vulnerable populations. USAID/BHA can partner with other donors to invest in training and capacity building for truckers through the existing trucking associations, specifically around technology use and GPS devices if they gain prevalence, as well as de-escalation and conflict mediation techniques in case of political instability.

USAID/BHA can partner with donors and trucking associations to create a national database of drivers including if they have their license, their specific skillsets, languages spoken, and any workshops they have attended through the trucking associations. This will allow truck drivers to market themselves beyond the associations and realize the business case of building their skills and driving safely.

**POTENTIAL PARTNERS:** Logistics and trucking companies (MACCFA, Ahadu PLC, SMAYAZ Transact International PLC, Segon-Marill Movers Plc.); trucking associations;<sup>45</sup> donors and implementers (WFP, Relief Society of Tigray).

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<sup>45</sup> The PSLA team did not interview any trucking associations as part of this assessment; any information gathered regarding trucking associations was from references from interviewees in the logistics and transportation sector. Through interviews, the PSLA team learned that ‘trucking association’ is an informal term which general refers to a group of truckers. These do not appear to be formally structured organizations.

### Next Steps for USAID/BHA

- Develop and organize a database of drivers and available trucks with the private sector and other donors.
- Assess current contracts and prepare a standard contract that includes disaster preparedness plans, technology usage, and driver safety requirements.
- Partner with Trucking Associations to provide training around technology use, de-escalation, disaster management, and driver safety.
- Broker/Coordinate a partnership between technology companies/platforms and trucking associations.
- Fund the adoption and training of technology (GPS, satellite tech).

### 3.2.7 High Priority/Medium-Term #3: Support standardization of warehousing to ensure sufficient stocks of commodities during disasters

**OPPORTUNITY:** As noted above, communities in Ethiopia are highly dependent on the logistics sector for the delivery of goods and services. Currently, the lack of automation and poor disaster management has led to the inefficient distribution of goods in Ethiopia, specifically to rural and remote populations. Warehouses in Ethiopia use a paper-based system, and while there have been attempts at adopting Radio-Frequency Identification (RFID) in certain industries like coffee export, RFIDs are not widely used, and the adoption has stagnated. One company noted that while automation and technology would be beneficial for the warehousing sector, there was a more basic need of systemization and standardization of existing processes in warehouses. Many companies reiterated this need for standardization, pointing out that with a standard system across all warehouses, “distribution should be easier.” Companies mentioned that warehouses are owned by both the private sector and the government, but rented and used by both interchangeably, and warehouses are often missing unloading and loading equipment. One logistics company told the PSLA team, “Ethiopia has no clear standard of warehouse but needs one, because a standard system should make distribution easier.”

**RECOMMENDATIONS:** There are several steps USAID/BHA can take to help strengthen Ethiopia’s warehousing sector, and in turn ensure sufficient stocks of lifesaving commodities are available during disasters. First, USAID/BHA can work with other donors and implementing partners to standardize the requirements of warehousing contracts used by these other humanitarian actors. These standardizations should include use of the necessary equipment, technology expectations, and staffing requirements.

USAID/BHA can also partner with logistics companies and other private sector actors to create a prototype warehouse with which to share best practices. According to the interviewee from Akakas Logistics, an Ethiopian logistics company, Akakas Logistics is eager to partner with an organization to build a prototype warehouse that could set the standard for warehousing in the country. This warehouse could be used to share best practices with other companies and to set the minimum requirements for contracts with USAID/BHA and other donors. USAID/BHA can also partner with a technology firm and/or other donors to implement Quick Response (QR) tracking on packages and use the prototype warehouse to provide trainings for warehouse staff from other locations.

Finally, USAID/BHA can connect logistics companies with finance institutions to help fund cold chain storage. Many agribusinesses mentioned the lack of cold chain storage as a transportation challenge for the sector, citing the financial burden of obtaining cold warehousing systems. USAID/BHA can connect logistics companies with finance institutions, while proving the business case by utilizing cold warehousing in the prototype warehouse.

**POTENTIAL PARTNERS:** Logistics companies (Akakas Logistics, MACCFA, Ahadu PLC, Segon-Marill Movers Plc.); Agribusiness companies (Kidame Mart, Ethio-Agriceft); technology companies (BelCash); Associations (EHPEA); other donors (UNICEF).

#### Next Steps for USAID/BHA

- Meet with logistics companies and associations to show the business case for improved/standardized warehousing (i.e., greater competitiveness, improved operationalization, and efficiency, etc.).
- Standardize the requirements of warehousing contracts used by donors/humanitarian actors to include necessary equipment, technology expectations, and staffing requirements.
- Develop a partnership with Akakas Logistics, other logistics companies, and a technology company/platform to co-fund and develop a prototype warehouse.
- Broker/coordinate partnerships between logistics companies and finance institutions to improve warehousing technology and equipment.
- Fund the adoption and training of technology platforms (RFID/QR) in existing warehouses used by USAID/BHA.

### 3.2.8 High Priority/Medium-Term #4: Strengthen linkages among agriculture supply chain actors

**OPPORTUNITY:** As noted above, the PSLA team confirmed that the geographic reach of the agriculture landscape in Ethiopia is expansive and has resulted in long, disjointed value chains. One exporter remarked that “the longest value chain for coffee is in Ethiopia.” Public sector interviewees also noted that there are huge opportunities, but a disconnect in the marketplace exists between supply and demand in almost every sector. Agribusinesses commented that it makes agro-logistics complicated and creates challenges for farmers and companies to get products to market. One agribusiness observed, “Logistics is another huge issue in Ethiopia. Without having the means to get product outside of specific areas, it’s difficult to be able to think bigger.” These challenges lead to high prices for commodities and continues to limit food access to poor households, in urban areas as well as food-deficit areas in the eastern part of the country. In addition, rural households who live far from markets are less likely to access farm inputs and to benefit from agricultural growth and are more likely to be food insecure.

Despite these setbacks, there are opportunities to address these issues through better linkages between producers and buyers, processors, exporters, and larger agribusinesses through contract farming, buy-back guarantees, aggregation models, distribution networks for last mile delivery, etc. to improve farmer livelihoods as well as increase household access to agriculture and nutritional products. One USAID implementer is already exploring opportunities to connect suppliers to industrial parks. Several agribusinesses also expressed their interest in expanding their production capacity, one noted “We are working to expand production of farms. We want to get engaged in contract farming, where it is appropriate, with farmers.” One interviewee noted

that government regulations are now allowing vertical integration, where suppliers can sign agreements directly with exporters. This opens opportunities for exporters to come to the farm to collect the products, provide training (if applicable), and directly export the goods, which shortens the value chain and provides direct benefits to farmers by cutting out the brokers. Opportunities also exist to connect producers and suppliers with companies that have extensive distribution networks and demand for products, such as Kidame Mart. They noted that they are always looking for suppliers to distribute impactful products (i.e., iodized salt, fortified cooking oils, nutritional porridge for breastfeeding mothers and children, fortified pasta, etc.) to rural markets and they assist with the logistics and distribution through their agent network. Challenges in formally linking producers with buyers, aggregators, and distribution networks include their limited capacity to supply the needed quantity and quality of products, working capital to increase production, and their capacity to manage contracts.

**RECOMMENDATIONS:** To strengthen supply chain linkages between producers and other value chain actors, USAID/BHA can play a broker role in facilitating relationships among supply chain actors. In addition to facilitating and fostering relationships, USAID/BHA can work with agriculture associations, such as the Ethiopian Horticulture Producers & Exporters Association (EHPEA), to advocate for a clear legal framework for smallholder contract farming to protect both producers and buyers. USAID/BHA can also leverage existing programs, such as the Government of Ethiopia-led PSNP, to advocate for the expansion of agricultural commercialization clusters. Lastly, USAID/BHA can work with aggregators and other agriculture buyers to build the capacity of producers to understand and manage contract mechanisms, connect them with financing/insurance providers to increase production, and provide training on good agriculture practices to increase quality and quantity of their supply.

**POTENTIAL PARTNERS:** Agribusinesses (examples include Ethio-Agriceft, Ahadu PLC, and MIDROC Ethiopia PLC); companies with distribution networks such as Kidame Mart; other agriculture value chain actors; Resilience Food Security Activity (RFSA) implementers (such as Food for the Hungry, Relief Society of Tigray); Associations such as EHPEA.

#### Next Steps for USAID/BHA

- Work with associations to advocate for a clear legal framework for smallholder contract farming and increase awareness of producers and buyers of new regulations that allow for direct agreements between exporters and producers as well as other contracting mechanisms available.
- Bring producers and buyers together through various forums such as agriculture/market fairs to foster relationships between producers and buyers.
- Assist producers and buyers in coming to mutually agreed upon contacting terms, which could include direct technical assistance to farmers to improve production quality.
- Work with agribusinesses (through implementing partners) to build the capacity of producers to improve production quality, access financing, if needed, and manage the terms of their contact.



### **3.2.9 Medium Priority/Short-Term #1: Associations as catalyst for strengthening companies and operations in rural areas**

**OPPORTUNITY:** Associations are a catalyst because of their expertise, existing partnerships, database of members, and collective insight into private sector growth in the country. Existing associations in Ethiopia are trusted by and provide valuable services to companies. One such organization that the team recommends partnering with is the Addis Ababa Chamber of Commerce and Sectoral Association, and while their members are primarily based in the city of Addis Ababa, many operate outside of it, in more remote and rural areas. Members of the Chamber noted a primary benefit of membership being crisis management and other critical trainings. One agribusiness company noted they used the Chamber for help around exporting their goods and found they were “profiting from [the Chamber’s] training and marketing.” Currently, the Chamber provides mostly advocacy support: presenting the needs of businesses to the government and holding workshops on the impact of laws to the business community. The Chamber also expressed interest in providing trainings on more topics, including business management, women’s development, employment, entrepreneurship, and skill building. Other associations, like the Ethiopian Coffee Exporters Association (ECEA) and the Ethiopian Horticulture Producers & Exporters Association (EHPEA), are focused primarily on sector-specific advocacy. ECEA focuses primarily on advocacy, supporting issues, promotion, and information provision, while EHPEA focuses on influencing policy, capacity building, trainings, and promoting workers’ rights. Both associations expressed an interest in working with financiers to further expand their services, noting that much of their funding comes from membership fees. While both mentioned an interest in more crisis and disaster management trainings, they noted their associations and members lacked the expertise to provide such a training.

Interest in receiving trainings from the Chamber and other sectoral associations also exists on the company side, as well, with one agribusiness company identifying management as a lacking skill and stating they “would be very glad if the management could have a high level of leadership and management capacity so they can transform the business in particular and the effect on the community in general.” Finance companies stated they needed assistance when it comes to “capacity building and raising awareness” to increase their clientele in remote/rural areas, and how to handle the impact of disasters, which have more significant impacts on the MFI sector.

Associations are already highly involved in building partnerships and working in the humanitarian sector: ECEA has worked with USAID, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Japan International Cooperation Agency (JICA), and other NGOs on projects throughout the coffee supply chain; while EHPEA has worked with the Ethiopian government and ILO.

**RECOMMENDATIONS:** Existing business chambers and sectoral associations, such as the Addis Ababa Chamber of Commerce and Sectoral Association, are already creating successful partnerships among private and public sector actors. However, associations are eager to be more than advocates and hope to support their members in tapping into further training and business strengthening resources. These associations require additional funding and technical support to scale up efforts. USAID/BHA, in conjunction with the Ethiopia Mission, can explore ways to strengthen existing associations so they can provide more frequent and varied trainings to a more expansive and diverse list of companies.

Due to COVID-19, there is increased demand for crisis management trainings, specifically pertaining to disaster preparation, risk mitigation, and contingency planning, and USAID/BHA could lend expertise to support these trainings at the Chamber level. USAID/BHA can collaborate strategically among different Associations both in and out of the country, to support further institutional and capacity building efforts through associations. USAID/BHA could provide additional funding, and/or engage larger private sector actors to leverage their expertise for these associations to hold more workshops to provide meaningful technical support geared toward expanding access to rural and remote populations, in addition to disaster and crisis management. With support from USAID/BHA, Associations can identify best practices of companies already operating, successfully, in rural and remote areas, and connect them with other companies that are eager to expand their footprint through business-to-business (B2B) initiatives, which would lead to the program’s self-sufficiency. Additionally, USAID/BHA can coordinate communication between Ethiopia-based Chambers and Associations and those located in other countries, such as Kenya, and organize Association-to-Association discussions and/or regional workshops.

**POTENTIAL PARTNERS:** Addis Ababa Chamber of Commerce and Sectoral Association, Ethiopian Coffee Exporters Association, EHPEA, Technology Companies (BelCash), Donors (USAID/BHA in Kenya and Uganda).

#### Next Steps for USAID/BHA

- Initiate conversation with the Addis Ababa Chamber of Commerce and Sectoral Association (and other associations) to determine their willingness to partner with USAID/BHA to expand programs focused on training and technical assistance to businesses affected by COVID-19, flooding, and political instability.
- Hold a conversation with individual associations of interest (Ethiopian Coffee Exporters Association and EHPEA) to determine needs and areas of alignment. Provide capacity building and co-create solutions based on interests that overlap with USAID/BHA priorities.
- Connect the Addis Ababa Chamber of Commerce and Sectoral Association, the Ethiopian Coffee Exporters Association, and the EHPEA with like associations in Kenya, Uganda, and other countries in Eastern Africa. Organize Chamber-to-Chamber meetings to discuss best practices, lessons learned, and ways to better serve rural and remote populations.

### 3.2.10 Medium Priority/Short-Term #2: Produce and share case studies of existing partnerships

**OPPORTUNITY:** The PSLA team learned from interviews that several Ethiopian companies have experience partnering with humanitarian actors on a range of humanitarian and development projects throughout the country. These partnerships are more frequently conducted through a company’s business unit, as opposed to its CSR department. The type and length of partnership varied by sector; for example, the finance, technology, and agribusiness sectors tend to enter longer-term partnerships with humanitarian actors to implement technical work, while transport and logistics companies receive short-term procurements to deliver emergency aid. However, companies across all sectors were able to speak to their experiences, including benefits and lessons learned, from working with the humanitarian community. For example, the technology company BelCash spoke of their successful experience partnering with both Mercy Corp and USAID on a variety of mobile money projects.

**RECOMMENDATIONS:** USAID/BHA can work with companies and implementing partners to develop and share case studies and lessons learned from previous public-private partnerships to advocate for and increase visibility of partnerships in the humanitarian space. Through these case studies, USAID/BHA can raise awareness to the realm of possible partnership opportunities and promote what a successful partnership looks like. Companies will be interested in being featured in such case studies as they will provide a positive marketing opportunity for the partner.

USAID/BHA could also share the partnership case studies with social impact organizations in Ethiopia to help connect the private sector with potential investors. Social impact companies the PSLA team spoke with expressed a strong interest in working with companies who are engaged in humanitarian efforts, especially those working in or with supply chain ties to the agriculture sector. The interviewee from RENEW LLC told the PSLA team that the organization was always searching for Ethiopian companies to invest in, especially companies that are involved in humanitarian work, and the partnership case studies would highlight the involvement of certain companies in humanitarian activities. USAID/BHA could reach out to companies like RENEW with the prepared case studies to gauge their interest in working with the featured companies.

**POTENTIAL PARTNERS:** USAID/Ethiopia PIVOT cohort; companies that have partnered with humanitarian actors (BelCash); NGOs and implementing partners that have worked extensively with the private sector (Mercy Corps); social impact companies (RENEW LLC).

#### Next Steps for USAID/BHA

- Leverage PIVOT to identify USAID/Ethiopia offices with experience working with private sector (either directly or through an implementing partner).
- At the same time, leverage contacts from the PSLA Interview Database (Annex I) to reach out and initiate discussions surrounding their experience working with other donors or NGOs.
- Organize joint meetings with USAID and implementing partner teams and private sector partners to discuss successes and lessons learned from past partnerships.
- Develop and publicize existing best practices or success stories in public-private partnerships to support scaling effective partnership solutions.
- Share partnership case studies with social impact companies, like RENEW LLC, to connect the private sector with organizations that will provide investments to help them scale up their business operations.

### 3.2.11 Medium Priority/Medium-Term #1: Increase opportunities for refugees and other displaced populations

**OPPORTUNITY:** In 2018, Ethiopia had the highest number of internally displaced people in the world. These displacements continue to weigh heavily on humanitarian response. In Ethiopia, this includes ethnic and intercommunal violence and clashes between state and non-state actors across the country, leading to displacement of households, which in turn have difficulty accessing stable wages, food, and humanitarian assistance. In 2019, approximately three million conflict-related internally displaced people needed emergency food assistance. One agriculture company noted that regional conflict and instability is “a major disaster that is more serious than COVID-19 and has a very serious impact on business and people’s lives.”

As noted above in Section 3.2.1, many companies have a strong focus on helping displaced communities and refugees. Several companies spoke primarily of helping displaced people when mentioning their CSR activities. One logistics and transport company reflected on opportunities to work with the humanitarian sector and noted, “that is the most we could ask, to be able to deliver goods and services [to displaced communities].” In addition, USAID/BHA already works with implementers to provide relief to refugee communities to deliver food aid and one USAID implementer noted that most of the work with refugee camps is done by the private sector already.

With legislation in Ethiopia that just changed to allow refugees to work and move more freely, it presents an opportunity for USAID/BHA to work with private sector companies to provide refugee and internally displaced populations (IDPs) livelihood opportunities to lift themselves out of poverty and end their need for humanitarian assistance. One specific opportunity would be to work with companies that identify and build the capacity micro-entrepreneurs, such as Kidame Mart, which focuses on building the capacity of rural women to provide last mile distribution of high impact and fast-moving consumer goods. These women act as sales agents for Kidame Mart and earn an average of 17 percent profit on each product they sell, while enhancing their community’s access to high impact consumer goods such as nutritional and hygiene products. Kidame Mart, specifically noted their interest in working with vulnerable populations and in refugee camps to increase access to products that enhance livelihoods while empowering individuals with the skills to earn profitable incomes but were unsure how best to access these populations.

**RECOMMENDATIONS:** With the recent changes in government legislation, and to align with UNHCR’s Global Compact on Refugees,<sup>46</sup> USAID/BHA could provide refugees and displaced populations with stable employment opportunities. USAID/BHA can educate associations and companies on the legislation changes and the opportunities to employ individuals from displaced communities. USAID/BHA can also offer training to companies that hire refugees or other displaced individuals. For companies already interested in reaching refugee and displaced populations to expand opportunities for employment and improved livelihoods, like Kidame Mart, USAID/BHA can work with them to provide access to these communities and refugee camps.

**POTENTIAL PARTNERS:** ICT/Tech, agribusiness, and logistics/transport companies interested in working with refugee and internally displaced populations, such as Kidame Mart, Ahadu PLC, METAD PLC, MACCFA.

#### Next Steps for USAID/BHA

- Educate associates and business that have operations near or plans to expand to areas with refugees or with a high concentration of internally displaced populations on the recent legislation changes; compile information on the administrative process for refugee employment; provide support for employers regarding skills assessments.
- Offer training to companies that hire refugees or other displaced individuals.
- Convene interested companies and organize opportunities (such as informational events) for companies to engage and recruit individuals for jobs in refugee camps and in areas with high internally displaced populations.

<sup>46</sup> <https://www.unhcr.org/en-us/the-global-compact-on-refugees.html>

- Provide training to refugees and internally displaced individuals based on their needs, such as literacy training, language training for workplace needs, or other vocational training.
- Assist refugees in translating their qualifications and other relevant documents into the local language.

## 4. Conclusion

The Ethiopian private sector offers an array of knowledge and capabilities as well as a strong willingness to participate in humanitarian activities. Local context and barriers should be considered when engaging companies for humanitarian assistance in Ethiopia, as the private sector expressed a host of barriers it faces when entering the humanitarian space. Overall, companies showed interest in partnering with USAID/BHA and humanitarian actors and recognize the deep importance of humanitarian assistance work in Ethiopia as well as the prevalence of humanitarian players. Furthermore, companies see the high potential for furthering their business priorities that working with these partners offers.

Additional conversations between USAID/BHA and target Ethiopian companies would be necessary to further develop relationships with potential private sector partners or implement opportunities identified under the PSLA. Companies interviewed for this PSLA indicated a willingness and in some cases a desire to co-design humanitarian activities with BHA, and therefore offer a high potential for future partnership.

# **Annex I: Interview Database**

[Ethiopia PSLA Interview Database](#)

# **Annex II: PSLA Interview Notes**

[Ethiopia PSLA Interview Notes](#)

# **Annex III: PSLA Digital Survey Responses**

[Ethiopia PSLA Digital Survey Responses](#)