

# Proposal for Business Support Facility for Ethiopia

Monika Sopov

## Mission Report



Wageningen UR Centre for Development Innovation (CDI) works on processes of innovation and change in the areas of secure and healthy food, adaptive agriculture, sustainable markets and ecosystem governance. It is an interdisciplinary and internationally focused unit of Wageningen University & Research centre within the Social Sciences Group.

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# Proposal for Business Support Facility

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## **Proposal for Business Support Facility**

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This report, requested by the Royal Dutch Embassy in Ethiopia, outlines the modalities of setting up a Business Support Facility in the country with the objectives of:

1. Supporting sector coordination and business partnerships;
2. Brokering business relations between Ethiopia and the Netherlands;
3. Strengthening innovation capacity to ensure technical, business and entrepreneurial know how.

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## Executive summary

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This report outlines the modalities of setting up a Business Support Facility in Ethiopia with the objectives of:

1. Supporting sector coordination and business partnerships
2. Brokering business relations between Ethiopia and the Netherlands
3. Strengthening innovation capacity to ensure technical, business and entrepreneurial know how

The Business Support Facility stems from the advice provided by the Food Security Support Initiative embedded in the MASP that calls for a coherent Implementation Framework on Agro-Sector Development, and in specific for the horticulture, oilseeds, dairy and seeds sector.

The objectives of the Agro-Sector Strategy are six-fold:

1. Creating an enabling policy and regulatory environment
2. Supporting sector coordination and business partnerships
3. Brokering business relations between Ethiopia and the Netherlands
4. Creating efficient market and logistical linkages
5. Enhancing production capacity and efficiency
6. Strengthening innovation capacity to ensure technical, business and entrepreneurial know-how

It has been perceived that a number of these cross-cutting issues are best established in a separate Business Support Facility clustering a number of activities earlier partly handled by: small projects (BOCI, POF), Embassy staff (hands on support), attached to existing (PPP) programmes (Oilseeds), or were not undertaken at all (entrepreneurship). The fast-track on Food Security and EKN's MASP concluded that it is necessary to explore the establishment of a Business Support Facility.:

The proposed Business Support Faculty builds, on one hand, on the **opportunities** available for Dutch and Ethiopian entrepreneurs:

- Prevailing Dutch policy agenda, which is eager to utilize the expertise of the Dutch private sector to enhance the effectiveness of international cooperation
- Supporting high –level policy agenda of the Ethiopian government in which ambitious goals are set in the Growth and Transformation Plan building very much on private sector involvement and investment, especially in agriculture and processing.
- Enormous market opportunity in Ethiopia in terms of
  - Population and population growth
  - Increasing purchasing power
  - Potential for import substitution
  - New opportunities for exports due to comparative and competitive advantages of Ethiopia: natural endowment, low wages, export incentives

On the other hand, the Business Support Facility tries to contribute to solving some of the **challenges** the Dutch and Ethiopian entrepreneurs are facing in Ethiopia:

- Start-up stage: high administrative burden, business registration, land acquisition, access to credit and access to utilities.
- Maturation stage: unpredictable new directives and regulations, lack of client orientation at government offices, increasing corruption, inadequate access to qualified local work force, import issues, logistics and access to utilities
- Individual, organizational and institutional weaknesses at government level
- Weak sector organizations, which cannot provide the very much needed services for entrepreneurs
- Entrepreneurship is in infancy
- There has been massive investment in education, but pay-off time is long

Lastly, as business interest in Ethiopia and EKNs portfolio in terms of sectors and subsectors has expanded significantly, a need is felt to professionalize and partly outsource EKN's support activities. At the same time this can create more room for focusing on core activities such as strategic lobby and advocacy to improve the business climate. In addition, it is likely that the Embassy's capacity in the field of agriculture and economic affairs will be reduced over the next years, which requires creative solutions to keep its services at the same level.

However, the Business Support Facility, in form of one organization or unit, cannot reach efficiently the different target audiences for EKN: new foreign investors, incumbent Dutch and Ethiopian investors in the different sectors, and cannot offer different levels of services entrepreneurs and sector associations require in the different sectors. Therefore, the proposal is to reach the target audiences via implementation of 3 modalities:

1. Set up a Secretariat for the Netherlands Business Community
2. Link to the ECCSA or ACCSA, set up an information/service hub and provide additional activities entrepreneurs are requesting (BSF office)
3. Offer specific services through EHPEA

Based on the presented opportunities and challenges an integrated approach is needed in which the proposed BSF will support sector coordination and business partnerships, contribute to brokering business relations between Ethiopia and the Netherland and strengthen innovation capacity to ensure technical, business and entrepreneurial know how.

## List of abbreviations and acronyms

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ABET	Agri Business Entrepreneurial Transformation Facility
AACCSA	Addis Ababa Chamber of Commerce and Sectoral Associations
BSF	Business Support Facility
CC	Chamber of Commerce
CIDA	Canadian International Development Agency
DFID	Department for International Development
DBC	Dutch Business Community (in Ethiopia)
ECCSA	Ethiopian Chamber of Commerce and Sectoral Associations
ECCSA	Ethiopia-Canada Cooperation Office
EHDA:	Ethiopian Horticulture Development Agency
EHPEA:	Ethiopian Horticulture Production and Export Association
EPOSPEA	Ethiopian Pulses Oil seed Spices Processors and Exporters Associations
EIA:	Ethiopian Investment Agency
EKN:	Embassy of the Kingdom of the Netherlands
GoE:	Government of Ethiopia
GTP	Growth and Transformation Plan
MASP	Multi-Annual Strategic Plan
MoA:	Ministry of Agriculture
NABC	Netherlands African Business Council
PPP	Public Private Partnership
SIDA	Swedish International Development Cooperation Agency



# 1 Rationale for the Business Support Facility

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The Business Support Facility stems from the advice provided by the Food Security Support Initiative embedded in the MASP that calls for a coherent Implementation Framework on Agro-Sector Development, and in specific for the horticulture, oilseeds, dairy and seeds sector.

The objectives of the Agro-Sector Strategy are six-fold:

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The Business Support Facility can largely combine three of the crosscutting objectives as presented in the Agro-Sector Implementation Framework:

1. Supporting sector coordination and business partnerships
2. Brokering business relations between Ethiopia and the Netherlands
3. Strengthening innovation capacity to ensure technical, business and entrepreneurial know how

The proposed Business Support Faculty builds, on one hand, on the **opportunities** available for Dutch and Ethiopian entrepreneurs:

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advocacy to improve the business climate. In addition, it is likely that the Embassy's capacity in the field of agriculture and economic affairs will be reduced over the next years, which requires creative solutions to keep its services at the same level.

Based on the presented opportunities and challenges an integrated approach is needed in which the proposed BSF will support sector coordination and business partnerships, contribute to brokering business relations between Ethiopia and the Netherland and strengthen innovation capacity to ensure technical, business and entrepreneurial know how.

## 1.1 Dutch Policy Agenda

**Private sector involvement:** The Netherlands Government has made fundamental change in its policy direction of International Cooperation in which it strives for increasing its effectiveness. Some of the key elements are private sector development, trade/investment; and one of the priority areas of the Netherlands' economy being **agriculture**;

- The aim is to move from aid to investment that promotes development partners' autonomy through economic development and trade, while maintaining a linkage with the contribution towards achieving the Millennium Development Goals.
- The Netherlands' International Cooperation will focus on areas in which it has much expertise, and an international record such as agriculture, water management and organization of civil society.

In this framework, Ethiopia has been identified as one of the 15 **partner countries** where international cooperation efforts will focus on.

The work of EKN clearly shows that the facilitating efforts of EKN can have enormous **impact** in relation to food security in Ethiopia:

- In horticulture about 100 000 direct and indirect jobs have been created as result of Dutch investments indirectly contributing to food security.
- Within the ISSD program there is huge progress in four areas: policy development, private sector development, local seed business development and partnerships, all contributing to ensuring food security.

**Sector development:** in addition to horticulture, seed, oilseed and dairy, EKN has the aim of contributing to strengthening the poultry, aquaculture, potato, honey and meat sectors as well, where Dutch private sector has enormous opportunity for knowledge and technology transfer thereby contributing to sustainable economic of development in Ethiopia and to its food security.

## 1.2 The Ethiopian opportunities

**Supportive high-level policy environment:** There is a strong push for economic growth in the Growth and Transformation Plan (GTP) of Ethiopia in the ambitious five-year growth plan, with projected Gross Domestic Product (GDP) growth of 11-15% per year from 2010 through 2015, and with vast investment opportunities primarily in the agricultural and industrial sectors (including agro processing). According to GTP, 3 million hectares of land will be available to commercial farming investors; expansion will open up opportunities for advanced farming technology, high value crops, progressive irrigation techniques, improved seeds, increased fertilizer use, and strategies to yield multiple harvests each year, livestock.

**Market size and growth:** the population of Ethiopia is currently 84 million people and with the projected growth of 3.192% there will be 110 million inhabitants by 2025 creating a huge market for, among others, food products.

**Purchasing power** of the population has been increasing. The table below shows GDP on a purchasing power parity basis divided by population as of 1 July for the same year.<sup>1</sup>

Table 1		GDP - per capita (PPP) (US\$)									
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US \$	600	700	750	700	800	900	1000	700	800	900	1000

Source: <http://www.indexmundi.com>

In addition there are **new opportunities for import substitution and export** due to comparative and competitive advantages of Ethiopia: natural endowment, low wages, and export incentives.

Currently, the interest from the Dutch businesses regarding investing in Ethiopia is limited to 4-5 companies / year, the but potential growth in number of Dutch companies to invest is very promising based on the opportunities in Ethiopia and on the sectors of interest to EKN and to the Dutch companies.

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<sup>1</sup> The argument for using GDP as a standard-of-living proxy is not that it is a good indicator of the absolute level of standard of living, but that living standards tend to move with per-capita GDP, so that changes in living standards are readily detected through changes in GDP.



## 2 Challenges of the Netherlands Business Community

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During the interviews with Dutch companies, the main challenges when doing business in Ethiopia were discussed. These challenges were differentiated between start-up and maturation stages of business.

### 2.1 Start-up stage

During business inception and start-up, entrepreneurs mainly face challenges concerned with retrieving reliable and up-to-date information and the creation of the conditions to operate their business: e.g. business registration, land acquisition, loan application and access to utilities.

#### 2.1.1 High administrative burden due to confusing, often contradictory and fragmented nature of information

During start-up stages, most Dutch companies find it difficult to obtain information on setting up the business and finding their ways in the Ethiopian bureaucracy. They usually run into mixed, uncoordinated, and ambiguous information and requirements from the Government of Ethiopia and related institutions. The needed information and requirements are often not clear, change regularly, and are not well documented. The Dutch companies point at examples in the processes of acquiring land, applying for a loan from the DBE, and getting a power connection from EEPCo.

At the start of the processes, most steps and requirements are clear and seem unambiguous. But when actually proceeding with the processes to create these conditions, mixed information is provided by different GoE institutions and requirements and information needs can vary greatly. One possible reason for this is that the efforts of different GoE institutions are not managed in a coordinated way. This results in unpredictable and unclear expectations about the length and costs of setting-up the business.

#### 2.1.2 Business registration

Legally setting up a business in Ethiopia is a relatively straightforward and fast procedure, according to the interviewees. The requirements for and actually obtaining an investment and business license are not a big burden. The bureaucracy gets difficult when entrepreneurs would like to receive information on taxation, permits (work, export, etc.), loan application, etc. Most entrepreneurs think it's hard to find the right institution and the right person within that institution for giving general information and answering questions. When information is provided, it is often unclear and written guidelines are usually not available.

#### 2.1.3 Land acquisition

When acquiring land, the issue of process unpredictability becomes clear. Most interviewees indicate that the task and responsibility division between involved government institutions is unclear. The Ethiopian Horticulture Development Agency (EHDA), Ministry of Agriculture (MoA), and regional investment offices all play a role in identifying and assigning land. After suitable land is identified, additional requirements, difficulties, and vague instructions from regional investment offices produce delays in actually acquiring the land and signing the land lease agreement. Some companies have been struggling in this process for years. Some more experienced investors indicate that this process has become more difficult in recent years.

#### **2.1.4 Access to credit**

Some interviewed investors applied for, are still in the process of applying for a loan of the Development Bank of Ethiopia. Similar issues as with the land acquisition arise here. At the beginning of the process, the conditions, requirements, and process steps are clearly spelled out. But during the process, the DBE usually requires a lot of additional information and explanation, delaying the loan process and putting an administrative burden on the applicant. Some more experienced interviewees understand this attitude, since there have been abuse of the attractive DBE loans in the past. But most interviewees indicate that more sector specific knowledge at the DBE would help greatly in avoiding abuse *and* would smoothen the loan process at the same time.

Partly to due to the fact that GoE institutions are little coordinated, some interviewees indicate that they found themselves in a 'catch 22' situation. A loan application at the DBE will not be appraised unless the investor secured land. On the other hand, if an investor bases his business plan on an Ethiopian loan, it would be very unlikely that he would sign a land lease agreement before he is sure of getting the loan.

#### **2.1.5 Utilities**

During the start-up stages, investors also run into challenges concerning utilities. The process of obtaining an electricity connection and compatible transformer is lengthy and expensive. Clients have to wait for a long time before they get a transformer. And usually EEPCo supplies second-hand revised transformers, while clients paid for new ones.

### **2.2 Maturation stage**

Most of the Dutch companies in Ethiopia are in their 'maturation-stages'. This means that their operation is established and they deliver their products or services to the market since some years. During business maturity, Dutch companies mainly experience difficulties in:

- Coping with the Ethiopian bureaucracy
- High administrative burdens while trying to run the business effectively and efficiently

These, and other characteristics of the Ethiopian business climate, hamper the companies' ability to run their business smoothly. The companies usually put the blame at. Unclear information provision, inaccessible, and not client-oriented government offices are other challenges the businesses run into. Furthermore, mature businesses face difficulties concerning the Ethiopian work force (levels), import, export, logistics, and quality of Ethiopian suppliers.

#### **2.2.1 Unpredictable new directives and regulations**

Most experienced entrepreneurs indicate that important challenges lie in coping with newly introduced directives and regulations. They tend to criticize the number of, method of implementation, and the rigidity in applying new and existing rules and regulations. They indicate that new regulations, directives, and rules are introduced in an erratic and unpredictable way, making the business climate less stable and transparent. Many interviewees also doubt whether the consequences of new directives and regulations have been thoroughly thought through and matched with the available human resource capabilities at implementing offices. Over the last year, many new directives and regulations have been introduced in areas like import, export, logistics, and taxation.

### **2.2.2 Lack of client orientation at government offices**

Most interviewed entrepreneurs also indicate difficulties when working with GoE institutions and offices. They criticize the accessibility of many GoE offices and the difficulty in getting a clear and unambiguous answer to questions. Usually, different GoE officials answer questions and explain rules and regulations in different ways. The organization that should facilitate the sector, the EHDA, is by most interviewees considered to be more of a regulator than a facilitator.

In addition, investors have a general feeling that the GoE distrusts their intentions. When being approached by GoE officials, the entrepreneurs often have the impression that these officials consider them as only caring for their own gain. Some investors indicate that this distrust decreases after a company is profitably present in the country for more than four or five years.

### **2.2.3 Increasing corruption**

The last issue, which makes working with the Ethiopian bureaucracy difficult, is the increasing corruption. The interviewed entrepreneurs have the impression that corruption increases mainly at 'lower' government bodies. They also state that the requested bribes are usually relatively small and requested 'indirectly' or 'under the surface'.

### **2.2.4 Inadequate access to qualified loyal workforce**

Mature businesses experience challenges in working with the standards of the local labor force. Attracting experienced, practical staff for higher positions is difficult. Once these people are attracted and trained, they often show little loyalty to the investors' company. The competencies of both GoE and commercial organizations (suppliers and accountants) are considered relatively low by the interviewed companies.

### **2.2.5 Import**

Importing items is especially relevant when businesses are in full operation. The issue here is mainly concerned with the lack of clarity on importing duty free items. The ambiguous duty free items list used by the Ethiopian Revenue and Customs Authority (ERCA) and the mandatory but often not satisfactory 'duty free support letter' from the EHDA, are the main reasons for this.

### **2.2.6 Logistics**

The logistics chain in Ethiopia is another source of challenges for most interviewed companies. The transport of goods to Ethiopia from Djibouti is handled preferably by Ethiopian Shipping Lines (ESL), which has insufficient capacity to transport all supplied containers. This results in delays and hampered daily operations for the interviewed investors. The low capacity of the cold chain in Ethiopia regularly causes products to arrive at clients at lower quality levels than expected. Since Ethiopian Airlines was assigned as the only export forwarding company in Ethiopia, reactions have been mixed. Some interviewees use this example to show that the GoE and affiliated organizations want to control the business environment more and more. Others have plain complaints about Ethiopian Airlines' services, while again other interviewees do not consider the change to be as bad as expected.

### **2.2.7 Utilities**

Running smooth daily operations is for many existing investors dependent on a consistent and high-quality inflow of base material and utility services. Recent voltage fluctuations in the national grid have been the

source of costly damage to equipment of interviewed companies. Telephone and internet connections and speeds are experienced to be of low levels and not improving. Interviewees indicate that sourcing the right quality and quantity of equipment and hardware in Ethiopia is usually difficult and tiresome.

Many interviewees have the impression that many of the newly introduced regulations and directives are the result of the GoE intention to increase its revenue inflow. Most investors understand this need but experience difficulties in the implementation. The VAT refund process is still considered to be lengthy and difficult to comply with. ERCA does receive positive feedback when it comes to its Large Tax Payers Office and (the audit process for) the Authorized Economic Operator (AEO) facility.

## 3 Challenges of the Agribusiness Entrepreneurship in Ethiopia

Expansion of the private sector in Ethiopia is hampered by the lack of adequate competence in important fields like accounting, auditing, business- and project evaluation, and commercial law. The legal institutions for handling commercial relations and disputes are weak and lead to uncertainties for business people in their decision-making and business operations. There are challenges of trust between the Ethiopian Government and the private sector, as well as between domestic and foreign financial institutions.

GoE struggles with institutional weaknesses. Education is being expanded massively at all levels, but it takes time to impact on the quality of governance. Systematic institution building takes place in Ministries and other state organs, e.g. through the DIP. Government is dominated by top-down planning, target-setting and upward accountability. This permeates public administration, leading to inefficiencies and dubious reporting. The difficulty to coordinate between government spearheads and to retain holistic views is often a constraint. In past years a large body of improved legislation has been passed; rapid changes in the regulatory framework at times cause hiccups which could lead to abuse and decrease legitimacy of governance.

From the challenges mentioned above, this document is focusing on contributing to solving issues related to the following:

- Weak private sector associations
- Entrepreneurship is in infancy
- There has been much investment in education, but pay off time is long

### 3.1 Weak private sector organizations

Cooperation between government and business associations contributes to better policy making and improved economic performance. Therefore, the establishment of strong, representative private sector organizations, which on one hand, can protect the interests of small business sector, and on the other hand, have competence to facilitate policy making process through cooperation with government is of a special importance in Ethiopian economy that seeks to develop along market lines.

Private sector organization can fulfil three types of tasks: economic activities, interest representation and delegation.

Table 2 - Activity areas of private sector organizations	
1. <b>Economic activities:</b> activities of associations, which result in direct increase of competitiveness and performance of its members. They comprise services of association offered directly to the members	<ul style="list-style-type: none"> <li>- collection and furtherance of information on different aspects related to the business community</li> <li>- vocational training courses</li> <li>- technical and commercial consultancy,</li> <li>- promotion of business contacts</li> <li>- organization of trade fairs</li> <li>- exhibitions</li> <li>- seminars</li> <li>- conferences</li> <li>- workshops</li> </ul>
2. <b>Interest representation:</b> activities by which the association acts in the name of their members.	<ul style="list-style-type: none"> <li>- negotiation with business partners of the members. An example is tariff negotiations.</li> <li>- representation activity in political sphere by which the association looks for influence on economic environment in favour of its members.</li> </ul>

<p>3. <b>Delegation;</b> all activities, which are delegated by the state to the association.</p>	<ul style="list-style-type: none"> <li>- registration of new enterprises, issuing of</li> <li>- certificate of origin or quality</li> <li>- settling business disputes</li> <li>- specifying the skills and knowledge to be acquired by the apprentices,</li> <li>- establishing examinations etc.</li> </ul>
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The major bottlenecks of the sector organizations in Ethiopia, in the sectors that are of interest for EKN, are generally weak internal structures, lack of long-term vision shared among members, because of that lack of strategy, poor decision making processes and low interest from members in actively participating in the association's activities.

Currently, sector organizations are still in infancy, and such, are not always able to represent and support the interest of entrepreneurs let they be Dutch or Ethiopian. There is a great variety in the development phase of the aforementioned sector organizations, and as a result, in their capacities. The strongest ones are the Addis Chamber of Commerce, the Ethiopian Horticulture Production and Export Association and the Ethiopian Pulses Oil seed Spices Processors and Exporters Associations. The achievements of sector organization in interest representation are limited. When asking representative of the Addis Chamber of Commerce what he considers to be the major achievement for the chamber when it comes to lobbying, he answered: "The fact that we started a dialogue", and he referred to the recently set up Public Private Consultative Forum (PPCF). Associations hardly have any voice in policy making process.

The associations are working normally independently (without much coordination) depending strongly on informal personal relationship.

The services of most associations are very weakly developed. The main services offered by the associations are in such fields as information, training and mediation of business contacts. During the interviews Dutch entrepreneurs it was made clear that many of them are not able to get access to the right business intelligence and support facilities in their respective fields of operations. When asked whether they would use the services of the chambers of commerce, they replied with a definite "no", explaining that the chamber staff would not even know how to provide relevant and trustworthy data. In the training field the chambers of commerce offer training courses, workshops or seminar to their members. But there is no association, which can offer its own regular courses. Most of them have to base on assistance and cooperation with other organisations mainly with public bodies or on supports of international programs. The role of association is mostly limited to be just a mediator of such courses. Many of the associations lack financial and personal resources. For this reason their activities are limited and cannot offer much for the state neither for their members.

The Business Support Facility will have to find the balance between providing the very much needed economic services for both Dutch and Ethiopian entrepreneurs and supporting the associations in strengthening their capacities in service provisions.

### 3.2 Entrepreneurship is in infancy

Twenty years after embarking on market reforms, the role of the productive private sector remains restricted to several exceptional sectors (leather, flowers) and is limited otherwise. Progress with developing manufacturing in particular has stagnated. Subsequently, the share of the state sector in industrial output has been around 50 percent since 2000, after a decline from 80 percent in the mid-1990s. The majority of SMEs are private and very small firms.

Woody and Rooyen (ABET-report, May 2012) suggest that the support to entrepreneurs is based on facilitation to overcome the essential issues in the development of the business or value chain or cluster: the tipping points. These tipping points differ per sub-sector, for example producers of beans have other needs than vegetables or flower growers. The tipping points are related to the national transition policy: from agriculture towards agri business. The key to development of the sector is identification of the tipping points and development of innovative solutions for the tipping points.

They also suggest that in terms of capacity building and providing services for entrepreneurs, segmentation is essential. There are 3 target groups:

1. Graduates to become an agri business manager and later as a next career step entrepreneur: starter
2. Different types of starters:
  - a. Experienced business people to start an agri-business
  - b. International experienced agri business entrepreneurs (without Ethiopian context experience how to grow and how to run business in Ethiopia)
  - c. National non- agri businesspeople without any agri knowledge.
3. Existing agri business people who want to expand (winners).

At a higher level of observation the different sectors may have similar tipping points or cluster needs but the (operational) solutions at sub-sector level are different and specific.

In addition, Woody and Rooyen have identified the following areas as key to lifting entrepreneurship out of infancy:

**Agri business services development:** Due to growth, specialization and professionalization the winners are in need of professional agri-business services. Most of the interviewed business people mentioned the need for agri logistical services, seed multiplication, input supply, price/market information, quality auditing and laboratory services. When the business services will be developed, it will create a more mature cluster.

**Access to capital:** In Ethiopia it is difficult to get access to capital. Banks are not interested in investing in the agri business. Some potential business people have cash and they could be attracted to invest in the agri business. They have no experience or access to agri business intelligence to make the right decisions. Based on good business plans and facilitation of the potential investors it must be possible to attract investors. This means creative new investments concepts are needed. One of the suggestions was to create a kind of financial revolving leverage fund to lower the risk for investors from outside the agri business.

**Quality assurance:** To meet the (inter)national standards an independent professional quality assurance structure is needed.

**Competence development:** Understanding how to grow / produce the best quality for the lowest price. This is a combination of green more technical focused training for the different sectors and more general agri business competences like cost calculation, buying & selling, organizing logistics, human resource management, book keeping etc. The third level is to stimulate entrepreneurial proactive behavior; market oriented planning, product development, partnership development, business plan / expansion development etc. The investors / owners from outside the agri business are in need of sub sector linked agri business training to understand better the specific features/characteristics of the agribusiness. For example: the owner of a dairy farm was not willing to buy more feed to get more milk. He did not understand the relation between feed and milk output and hence minimized the feed to save on costs. Other examples are: investments in professional (more expensive) well experienced farm managers, why? At what costs and what is the ROI (return on investment).

Ethiopians are keen to develop themselves. They have a great interest for learning and diploma's, it is a gateway for a prosperous career. On the other hand the owners and employers don't like it when the employees leave the company to go to college or the university. New on farm / company learning concepts are wanted.

**Business ethics:** To meet the international standards of doing business, it is important to develop a new set of norms and business values. These business ethics are directly linked to the commercial agri business. The business ethics are different after the transition from the agriculture / traditional production and trade cultures towards modern international linked agri business. Nice example is the value of a contract. In the traditional trade culture a contract is an intention to sell or buy. This is not the right attitude for modern international oriented agri business. Many interviewed people recommended to support the new coming youngsters to adapt the international accepted business ethics. Coaching in an early career stage is important to build the new set of business norms and values.

**R&D and testing / lab facility:** The agri business wants to develop more different added value products, such as product like cheese, yoghurt, butter etc. in dairy, but also valorization of waste products (poor quality not for export). Fruits can be dried, processed to make juices, oilseeds processing etc., new products and new packaging to create more added value. Most agri business companies lack facilities for testing and R&D.

### 3.3 Education - long pay off

The Ethiopian government has put agriculture as a main priority sector in its current and future Plan for Accelerated and Sustainable Development to End Poverty: PASDEP 1 (2006-2010) and PASDEP 2 (2010-2015).

Although the implementation of the policies is well underway, the universities' capacity and graduates' capabilities still show a mismatch with the requirements expressed by the labour market. The shortcomings are serious to the extent that private companies hire (expensive) foreign labour or have to implement extensive on the job training programmes for new recruits.

Two initiatives to assist the implementation of the PASDEP are noteworthy: the Agriculture Growth Programme (AGP World Bank) and the Netherlands supported Public Private Partnerships (in horticulture, oilseeds and seed supply). These programs have in common the development of the agricultural commercial (market) sector.

NICHE (Supporting the development of Commercial Agriculture Programmes at four Ethiopian universities, 2011-2014) has been making a significant contribution by supporting universities to align with these programs and it also very clearly complements the activities of EKN of strengthening agribusiness support in Ethiopia with its main objective: to contribute to a vibrant and sustainable commercial agriculture sector in Ethiopia. Its specific project objectives are to strengthen the universities' capacity to serve the commercial agricultural sector, by delivering graduates with the needed competencies, effectively implementing jointly formulated research agenda's, and actively involving the sector in both education and research.

The main target group of the project consists of professional staff involved in agricultural and agribusiness education at the four requesting universities. The capacity of this staff in student-centred teaching and value chain and agro-business management will be developed through short term staff training in value

chain and agribusiness management, MSc and PhD training, and training and guidance in student-centred education and gender mainstreaming.

In addition, 12 new universities have been established recently and another ten are planned for the coming years.

Within the commercial agriculture sector, different subsectors operate at different levels of harmony. The horticulture sector has a strong institutional linkage, both through the Ethio-Netherlands Partnership and the Ethiopian Horticulture Development Agency (EHDA). In other subsectors (especially coffee, dairy and beekeeping) such linkages are less mature and need to be strengthened and developed. In the oilseeds and intensive livestock sectors the relationships are improving through the Public Private Partnership on Oilseeds (PPPO) and the Livestock and Meat Institute.

There has been much investment, but it will take time to have graduates that can meet the requirements of the labour market and to bring up capacities and institutions to the same level across the different sectors.

The role of the proposed Business Support Facility will be, among others, to ensure further linkages between the formal education and the private sector.



## 4 Potential Support Activities

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Dutch and Ethiopian entrepreneurs have been invited to reflect on what services they would appreciate the most.

### 4.1 Netherlands Business Community

Considering the challenges, the interviewed Dutch companies see the usefulness and feasibility of a BSF. In this regard, BSF could be a 'support center' that structurally solves challenges and helps to smoothen business practices. However, some potential services provided by the BSF are valued more than others. The following services are considered to be highly valuable and viable to be provided by a BSF.

#### 4.1.1 New and potential investors

**Ethiopian business hand book:** especially during start-up stages, a business hand book could be helpful to support investors. It should cover standard processes for starting and operating a business within the Ethiopian systems, regulations, and requirements. Most of the Dutch companies prefer a step-by-step set-up that starts with the business start-up, goes through business maturation, and ends in business expansion. In addition to the hand book, a pool of 'support consultants' could be also useful.

#### 4.1.2 Incumbent and new investors

**Economic lobby:** for both starting-up and mature businesses, a professional, coherent, and focused economic lobby would be very useful. Many interviewed companies point at the successful efforts of the Dutch Business Community (DBC), currently lobbying at the Ethiopian Revenue and Customs Authority (ERCA). They state that the DBC activities could be extended from tax and customs to other areas (e.g. labor law, legal procedures, and logistics). Its activities could be professionalized as well. This means structurally assessing, combining, and addressing issues which hinder most Dutch investors.

**Experience sharing / networking:** the interviewees indicate the value of structural experience sharing and networking possibilities with colleague-investors. A BSF could assist in organizing (informal) gatherings to exchange experiences. Preferably, these meetings are organized close to the business location of the Dutch companies and held after normal working hours. The interviewees consider this service to be valuable for both new and existing companies.

**Information hub:** the main challenge of lack of information could be tackled by an information hub. This hub could provide macro and referral information. The latter implies information on reliable professionals, credible and high-quality suppliers, government institutions, and a database of Dutch entrepreneurs. It would be good for both accessibility and updating convenience, if the portal would be online and (partly) open-source.

### 4.2 Ethiopian entrepreneurs

The main expectations of entrepreneurs are representation, services and information provision, mediation of business contacts and offering promotion programs are among the most important tasks enterprises wish that business associations fulfil. Ethiopian entrepreneur are very much interested in trade missions to The Netherlands, exchanging their knowledge on meeting regulatory demands of the EU market, acquiring

technology to upgrade their processing operations and strengthening their marketing and promotional skills

**Business Intelligence hub:** As Woody and Rooyen reported (ABET report, May 2012) several sources made it clear that the access to business intelligence is an essential tool for starters but it is currently not organized well. It is difficult for starters to find out what type of facilities is available in Ethiopia. Getting access to the agri business networks is difficult. Starters/investors from outside the agri business (both national and international) have limited access to the network and it is time consuming to find the right persons with the right information. A specialized agri business information hub combined with specific (sub) sector agri business intelligence is helpful to attract more investors and entrepreneurs.

### 4.3 Private sector organizations

For Ethiopian entrepreneurs, having strong private sector organization is key; therefore BSF will focus on strengthening the sector organizations.

Success of private sector associations depends on three principles. The activities of associations must be suitable to

1. Attract entrepreneurs to be members of the organizations.
2. Motivate leaders to take responsibility for the operations of the association.
3. Persuade the state to cooperate with the association.

Sector organizations for the key sectors of EKN are in different phases of development: horticultural sector organization is strong, while the aquaculture sector organization is non-existent. Below, there are general guidelines in relation to development of sector organizations, what they need at which stage of their life-cycle. However, it is essential that BSF carries out a quick assessment of the different private sector organizations to be able to identify intervention points with the most impact.

#### Evolution of service provisions

After start-up, the organization of associations are normally weak, they need to grow organically. The active engagement of members is vital for the existence of associations. Therefore, it is necessary, that interests of all members could be taken into account. Business associations should concentrate their activities according to the expectations of the members. It is also necessary for association to conduct survey with not only members, but also with potential members, in order to make orientation for their operations.

Service provision for members in most of the associations is weakly developed due to the lack of expertise as well as resources. Therefore assistance for associations in providing services for the private sector should be a focus point of promotion activities. Enhancing services to members will increase membership fee income on sustainable basis. The services may first focus on narrow aspects, which have potential of clear gains and direct effect on operation of the members such as promoting business contacts for members, marketing of products, participation in trade fair or joint buying of raw materials, etc.

Further assistance can be through supporting activities of information, consultancy, or vocational training. In the field of information, building a database system can effectively facilitate association activities in different area, not only in information provision, but also in consultancy, legal matters, etc. Assistance in publishing regular association publications even in a very simple form such as newsletters or bulletins can also be very helpful to advertise and improve image of the associations. Another activity is to promote

business contacts. The associations need support in organizing trade fairs or exhibitions, as most of them lack experience in such activities. Also very important aspect is vocational training courses, in which assistance can be through training materials, personnel, facilities, etc.

The field of representation needs a flexible approach. The activities in this field should be combined with other field of activities. On the one hand this can bring direct support to the members; on the other hand it can also help to draw the government's attention. Such activities can be in form of forums or seminars on economic issues with the participation of government authorities. It is also recommended that the supports are divided into different stages in order to be sure that every stage is effectively implemented, if so the next will take place. Such an approach can make the associations be more active and have more responsibility for their work.

Another important aspect that the associations need also to maintain awareness of is that if possible they should cover operational costs or amass funds to initiate new activities. Support can be provided to associations in attracting e.g. donor funding, setting up income generating activities.

All this require an organization with strong internal structure, effective decision making process, shared vision and strategic thinking.



## 5 Proposal for three modalities

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The Business Support Facility is envisaged to cluster a number of activities currently hands-on supported by Embassy staff or incorporated in individual projects in the PPP Oilseeds and Horticulture, as well as emerging sectors like poultry, soybean and dairy:

- Provide hands-on support to Dutch (and linked Ethiopian) entrepreneurs both in the investment preparation and implementation phases;
- Support to Private Sector Associations to provide better services to their members and improve their lobbying and advocacy capacity;
- Support to increase the technical, business and entrepreneurial capacity of Ethiopian entrepreneurs;
- Specific hands-on sector support activities in terms of business-to-business linkage and business opportunities and market information;
- Support to Ethiopian entrepreneurs and sector associations in accessing Dutch, EU markets.

However, the Business Support Facility, in form of one organization or unit, cannot reach efficiently the different target audiences: new foreign investors, incumbent Dutch and Ethiopian investors in the different sectors and cannot offer different levels of services entrepreneurs and sector associations require in the different sectors. Therefore, the proposal is to reach the target audiences via implementation of 3 modalities:

1. Set up a Secretariat for the Netherlands Business Community
2. Link to the ECCSA or ACCSA, set up an information/service hub and provide additional activities entrepreneurs are requesting (BSF office)
3. Offer specific services through EHPEA

### 5.1 Guiding principles for setting up the modalities

Based on the interviews with the Dutch entrepreneurs and discussions within the Dutch Embassy, the following principles for business support service have been identified:

- The selection of its services should be based on ease of starting them. The services should preferably be linked to already appreciated initiatives and be kept simple.
- Setup should be flexible enough to be able to expand services at later stage.
- BSF should cater both to Ethiopian as well as Dutch investors.
- It should meet the needs of start-ups and “mature” companies.
- It should service incoming and outgoing mission, and support entrepreneurs active within Ethiopia.
- It should ensure linkages to:
  - sector organization active in the sectors that are of interest to EKN;
  - capacity building programs supported by EKN (e.g. NICHE);
  - formal educational system of Ethiopia;
  - Dutch Business Community.
- It should balance giving quality service to Dutch entrepreneurs approaching the BSF while strengthening sector organizations and / or chamber(s) of commerce, e.g.:
  - BSF offering service itself;
  - Coordinate offering of services;
  - Building capacity of chamber(s) of commerce to provide needed services.
- It should help to solve the most critical business challenges, related to the Ethiopian bureaucracy and legislation: getting bureaucratic hurdles solved and in some cases getting explanation on

ambiguities of laws and procedures. The only institution that can play important role in policy advocacy is the Ethiopian Chamber of Commerce through the formal PPD Forum. BSF, BDA should not interfere with that, rather feed the PPD process through the official channels such as chambers of commerce.

- It should contribute to ensuring its own financial viability.
- It should be properly embedded into the Ethiopian / Dutch Business Community context.

## 5.2 Secretariat for the Dutch Business Association

Currently the Dutch entrepreneurs in Ethiopia belong to the Dutch Business Community, which is not formally registered or recognized in Ethiopia. While the members do not feel it essential to change the informal setting to a more formal structure, for the purpose of enhancing its negotiating power it is highly recommended that the organization gets a formal status as Dutch Business Association. As such, it could have bigger impact when dealing with various Ethiopian governmental and private sector organizations.

The Dutch Business Association is deliberately kept apart from BSF as a ‘safe haven’ to discuss business challenges for Dutch entrepreneurs. Also, by keeping it only Dutch, the number of members can be kept as a level that ensures informality in communication.

The main task of the DBA would be to

- provide a platform for Dutch entrepreneurs to meet and discussing burning issues;
- act as first contact point for new Dutch entrepreneurs to get in touch with other Dutch entrepreneurs;
- feed the lobbying efforts of EKN with issues raised by the members;
- link members to BSF for service provisions;
- recommend BSF on upgrading its activities.

The DBA is to be headed by the secretariat (0.25 fte), a Dutch expat employee with good analytical and diplomatic skills. The person should also bring in thorough business sense. DBA would be organized from within the Dutch Embassy.

The Dutch Embassy will obviously support and use its diplomatic status for the lobbying activity for the issues posed by the DBA. The secretariat however, will function as an interface between the DBA and the Dutch Embassy. This means the secretariat would mainly feed in relevant information *from* the DBA and provide lobbying outcomes and results *to* the DBA. Activities would include hands-on support in gathering and combining information from the Dutch Business Community. The secretariat would also prepare letters, agendas, and minutes for the DBA and Dutch Embassy. Furthermore, it could gather and analyse background information on common business issues.

A secretariat would help to address issues in a more professional and focused way, while relieving the burden for DBC board members.

Many interviewed companies expressed their willingness to financially contribute to DBA. This would ensure quality services which are appreciated by the business community. It would also stimulate ‘ownership’ of the DBA by the members.

<b>Table 3</b>	<b>DBA</b>
Services:	Lobbying: like the DBC is currently doing; more professional approach and extended reach (other topics).
Supported by:	Secretariat: 0.25 expat FTE
Approx. finance requirements:	€ 18,000 per year
Financing sources:	50% by Dutch business community (e.g. 75 members x €120.- per year) 50% by Dutch Embassy

### 5.3 Business Support Facility linked to ECCSA or AACCSA

The proposed BSF will be linked in to, and carry out its activities in close cooperation either with the Ethiopian Chamber of Commerce or with the Addis Ababa Chamber of Commerce.

#### Linking to ECCSA

Advantages:

- ECCSA has the mandate to promote Ethiopia's products to the world, develop international trade and promote investment in Ethiopia;
- National level umbrella organization; covers whole Ethiopia (12 city and regional chambers and 6 sectoral associations);
- The six major sector associations (6) are members of ECCSA, including processing;
- Ethiopia Chamber of Commerce already provides direct capacity building towards Chamber staff and members;
- ECCSA has direct access to Public Private Consultative Forum where lobbying takes place.

Disadvantages:

- As umbrella organization, ECCSA is far from business actors;
- Addis Chamber of Commerce is a much stronger organization (however it does not have all the key industries for EKN under their umbrella);
- Neutral / negative image of ECCSA from Dutch entrepreneurs' side;
- Dutch entrepreneurs will not delegate lobby efforts to ECCSA.

#### Linking to AACCSA

Advantages:

- Strongest chamber of commerce in Ethiopia;
- It has direct access to large number of businesses;
- It offers direct capacity building towards chamber staff and its members;
- Quite large staff: 60 employees + 40 external consultants.

Disadvantages

- Several sector associations, key to EKN, are not members of AACCSA;
- Dutch entrepreneurs will not delegate lobby efforts to AACCSA;
- Quality of staff and services can be an issue;
- Neutral / negative image from Dutch entrepreneurs' side.

AACCSA, being a strong organization, could evolve more easily into a professional chamber of commerce that can support both national and international activities. It would act as first contact point for

international companies and investors who are interested in setting up businesses in Ethiopia, and would offer general guidance and connection to ECCSA.

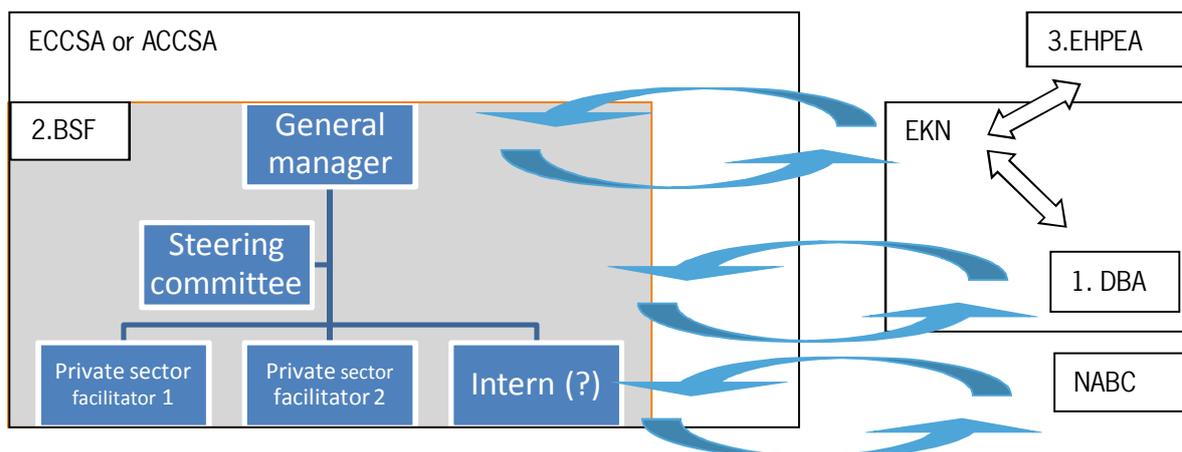
As the ECCSA is linked to the chambers of commerce in the regions, it is in strategic position to focus more on national activities and on mobilizing and supporting investors in the regions.

As such, ECCSA would be the perfect partner to connect international companies and investors to the regions through the chambers that could offer support in terms of finding business partners, approaching government agencies, etc.

### 5.3.1 Organization

The BSF is foreseen to be housed either in the facility of the ECCSA or ACCSA depending on the decision above. This will ensure maximum opportunity for close every day contact with staff of both chambers. The BSF will be headed by the general manager. To ensure proper embedding in the EKN and in the Ethiopian context, a steering committee will be set up consisting of representative of the EKN and of representatives of the key sector organizations for EKN. The work of the general manager will be supported by 2 private sector facilitators. The option of hiring intern(s) is open for BSF. By hiring interns from business / entrepreneurship programs of agricultural universities for specific period of time even more linkages to universities can be ensured, in addition to promotion of BSF within the formal educational system.

The BSF will have also close link to the Netherlands African Business Council, which is the main platform for the Dutch private sector active in Africa, and its mandate is to strengthen economic relations between Africa and the Netherlands. ). NABC's focus countries are: Ghana, Nigeria, South-Africa, Kenya and Ethiopia. In Ghana, Nigeria and South-Africa bilateral Chambers of Commerce have been established. In Kenya discussions are underway of setting up an NABC office in conjunction with several Dutch knowledge institutes. It can be foreseen that either in form or partnership or shared staff closer linkages could be built between BSF and NABC.



Embedding of BSF into the Ethiopia context will be further ensured by creating linkages to the Ethiopian government, to the Addis Chamber of Commerce, other chambers and to the sector organizations according to the activities of BSF described in the table below.

Table 4	Embedding of BSF
	Activity
<b>Link to ECCSA or ACCSA</b> (and through that to other chambers)	Upgrading skills and capacities of chamber(s) in services mentioned in by providing backstopping (soundboard) support during key activities of the chambers Developing network of business service providers
<b>Link to sector organizations (key EKN sectors)</b>	Support sector organizations in providing economic services and in their representation services by enhancing capacities of staff. Developing network of business service providers
<b>Link to Dutch Business Association</b>	Offer general economic services to DBA What to do in Ethiopia if you want to invest Information exchange and sharing of experiences Offer specialized services towards DBC: for investors and for operating companies, e.g. market scan (fee based)
<b>Link to NABC</b>	Link to Dutch companies interested in investing in Ethiopia Link Ethiopian companies interested in doing business with Dutch companies Support NABC in organizing incoming and outgoing missions Link Ethiopian and Dutch companies to NABC wider network in Africa (regional trade and investment)
<b>Link to EKN</b>	Representative of EKN is member of the steering committee of BSF Feed information to EKN for its lobbying activity EKN feedback result of lobbying activity in addition to policy direction and progress of programs related to sector and entrepreneurship development Link to programmatic areas: e.g. ISSD, Dairy development

### 5.3.2 Objectives and strategy

The objectives of the proposed BSF are threefold:

1. Support sector coordination and business partnerships;
2. Broker business relations between Ethiopia and the Netherlands;
3. Strengthen innovation capacity to ensure technical, business and entrepreneurial know how.

#### Short-term strategy (Phase 1: first 2-3 years)

BSF will follow the light strategy: focusing on coordination when offering basic services, linking to other (private sector) organizations, to the Dutch business community, and building capacities of Chamber(s) of Commerce.

#### Long-term strategy (Phase 2)

Several options are available for the long-term strategy of BSF depending on the Dutch policy context, level of ambition of EKN and available budget:

- **Phase out:** Staying with the light strategy, focusing on coordination, offering basic services, focusing on capacity building of Chamber of Commerce and sector organizations, so that BSF can phase out, ECCSA can take ownership over activities after a couple of years.
- **Continue with the light strategy** closely linked to the Ethiopian Chamber of Commerce.
- **Expand activities** (and budget) leading to offering services similar to those of the Business Innovation Facility of DIFD and to the services mentioned in the ABET facility report such as business incubation, offering pre-commercial financing options, organizing business competitions, etc.

One of the key lessons learnt from the NBSO evaluation (2007) is that more promotional activities should have been carried out to reach the users of the services offered by NBSO offices. Therefore, in light of the long-term strategic objective of EKN in relation to BSF, whether to phase it out and hand over its activities to sectoral organizations and the chamber of commerce, or whether to strengthen its activities and move into business incubation and possibly entrepreneurial financial brokering, the appropriate promotional strategy has to be defined.

### 5.3.3 Services

The envisaged activities centre on the main roles of BSF in the key sectors of EKN: coordination, creating linkages and supporting capacity building activities of the different sector organizations. The table below summarizes the potential engagement areas of BSF in the key sectors of EKN based on the opportunities, challenges and most valued services described in previous chapters.

The BSF can offer the different packages depending on the needs and available budget:

1. Basic package: information hub (website, business and referral information).
  - a. Description of rules and procedures for all company-government engagements: tax, investment license, land, import/export, logistics, banking, electricity, internet, etc.
  - b. Dynamic information hub in place for up-to-date information and Q&A, general market info etc.
  - c. Referral information.
2. Basic package and tailor made services: hands on support / services for feasibility studies - business plans, support in implementation, finance, and legal issues.
3. Basic package, tailor made services and extra activities such as business plan competition; development of new business opportunities reports for emerging sectors; and facilitation of trade missions.
4. Basic package, tailor-made services, extra activities and a fund for private sector associations for sector-wide activities / project proposals.

Table 5	Activities of BSF	
1. Basic package	<p><b>Detailed description of rules and procedures</b> for all company-government engagements: tax, investment license, land, import/export, logistics, banking, electricity, internet, etc. Digital handbook for start-ups, CD-ROM of Chamber of Commerce on the changes in regulations</p> <p><b>Agri Business Intelligence Hub targeting needs of starters as well as mature companies</b> Dynamic information hub in for up-to-date information and General economic information General market or company information General market size, characteristics, developments, growth and forecasts Q&amp;A</p> <p><b>Referral information</b> Addresses of companies in the Netherlands Addresses of companies in Ethiopia Contact details for business service providers: lawyers, accountants, tax specialists, business consultant</p> <p>Database</p>	Free of charge

2. Tailor made services	Reliable, trustworthy, relevant, (industry / company specific) business / market intelligence Market / industry survey Profiles of users and consumers Existing suppliers/competitors Domestic production; import / export Product developments and technology Price developments Promotion techniques, trade fairs, magazines Import requirements, import duties, technical standards, rules on packaging, labeling and marking Company background check Bench-marking, upgrading, reengineering, marketing, processing (value addition) <sup>2)</sup>	Fee paid according to service provided
3. Extra services	Business plan competition: from idea - feasibility study- business plan with yearly award. The core issue is the facilitation process. The network structure of mentors and jury is supportive to the learning process and leading to a good business plan ready for the stakeholders: clients, partners, suppliers, banks, investors Development of new business opportunities reports for emerging sectors; Facilitation of incoming and outgoing trade missions Export / import issues Conferences, matchmaking, trade fairs: Organize conferences, trade fairs Assist business in finding potential partners, and develop promotional activities	Membership + contribution based on activity
4. Funds for associations for sector wide approaches	<b>Financial support to association to enhance their representation services</b> Develop promotion to attract new members Sharing and information exchange among entrepreneurs Attract donor funding Collect problems and suggestions from members and channel them to the relevant government agencies for appropriate action e.g. to the lobbying process of Ethiopian Chambers of Commerce, Public Private Consultative Forum, Developing strategy on membership structure and benefits Publishing newsletters, monthly bulletins, etc. on current events, issues	

### 5.3.4 Financial requirements

The recommended BSF will require:

- A general manager
- Two private sector facilitators (local staff)
- Office to be provided by the Ethiopian Chamber of Commerce
- Operational expenses: computers, telephone, travel budget, car

The total costs will amount to approximately 120.000,- euro per year. This amount can be financed mainly by financial support of EKN. Contribution can be ensured by offering and expanding services of BSF offered for a fee.

Financial independence could be achieved by

- Raising additional funding from public and private sources
- Increased demand for the services of BSF offered for fee
- Including donor representations from other (European) countries

## 5.4 Supporting entrepreneurs through EHPEA

During the time this report was prepared, a separate mission was in progress on exploring the possibilities of implementing some of the recommendations from the Woody and Rooyen (ABET-report, May 2012) through the Ethiopian Horticulture Production and Export Association such as implementing a number of entrepreneurship recommendations / activities with specific emphasis on the mentoring and coaching activities of ‘the starters’ and possible grant / fund modality for experienced farm managers with good business plans. Based on the experience in the horticultural sector with this kind of support, outscaling to other sectors can take place. Currently the seed sectors best positioned to benefit from a similar approach.

Table 6	Extra support given to EHPEA
Funds for EHPEA	<p>Bring about <b>system innovation</b> and change through “tipping points” (key issues): Focus on knowledge and innovation processes to identify strategically selected business motivated tipping points” and energy centres.</p> <p><b>Create new knowledge systems:</b> Design responsive support systems and business intelligence especially to support entrepreneurial activity in the value chain and create awareness of such systems to support learning and decision making in the chain. Fund winning project proposals</p> <p><b>Financial support system</b>            Creating innovative pre-commercial financing mechanisms e.g. revolving fund to lower the risk for investors from outside the agri business.            Offer co-financing options for private sector investors</p> <p><b>Link to formal educational system</b>            Stimulate interaction between students and companies in form of arranging for internships, supporting development of case study (Harvard Business School type), supporting company visits, identifying speakers for educational purposes</p> <p>Support development of agri business mini enterprise facility: (Jimma University) Entrepreneurship &amp; agri business management incubator managed by students            Most agri – related universities and colleges have farms that can provide an opportunity to develop a real agri-business setting.</p> <p>The farm allows the students to develop entrepreneurship and the necessary professional competencies related to primary production, management and entrepreneurial behavior.</p>

# Appendix 1 – Needs of Dutch/Ethiopian entrepreneurs and sector associations

<b>Table 7 - Needs of Dutch Entrepreneurs</b>
<b>1. Activities related to running the day-to-day business</b>
Market access
Market information / intelligence
Business opportunity
Partnership search
Trade missions to Ethiopia
Information on red tape (doing business in Ethiopia)
Trouble shooting
Access to qualified staff
Access to professional services (finance, legal, etc0
Supplier
Government institutes
Contact information for other Entrepreneurs
<b>2. Lobbying</b>
<b>3. Capacity building</b>
Dutch entrepreneurs (experience sharing)
<b>Needs of Ethiopian entrepreneurs</b>
<b>1. Activities related to running the day-to-day business</b>
Market Access (NL, EU, others)
Market information / intelligence
Business opportunity
Partnership search (NL)
Trade missions to NL, incoming missions
<b>2. Lobbying</b>
<b>3. Capacity building</b>
Entrepreneurs
Aspiring entrepreneurs
Students
<b>Needs of sector organizations</b>
<b>1. Access to information</b>
Market intelligence
Business opportunity
Market Access
(International) business partners, export markets
<b>2. Trouble shooting</b>
<b>3. Lobbying</b>
<b>4. Capacity building</b> (technical know-how, entrepreneurial skills and competencies)



## Appendix 2 – Modalities<sup>2</sup>

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The envisaged activities of BSF (chapter 1.3) can be implemented by a number of modalities. When identifying the best option the main challenge is to find a balance between strong and regular collaboration/guidance of the Netherlands Embassy's Economic Team; while at the same time having enough management and implementation capacity to take away day-to-day management from the Embassy.

### 1. The BSF directly linked or embedded in the Government of Ethiopia

Advantage:

- Close to the fire; if relationship is good with government and there is qualified staff, progress can be achieved

Disadvantage:

- Turnover of staff and often the right qualification can hamper progress
- High risk of not being able to operate efficiently because of the above

Recommendation: NO GO

### 2. The BSF directly linked and/or embedded in the Ethiopian Chamber of Commerce

Advantages:

- ECCSA has the mandate to promote Ethiopia's products to the world, develop international trade and promote investment in Ethiopia
- National level umbrella organization, covers whole Ethiopia (12 city and regional chambers and 6 sectoral associations)
- Main sector associations (6) are members of ECCSA
- Direct capacity building towards Chamber staff and members
- Direct Access to Public Private Consultative Forum where lobbying takes place
- All sectors preferred by EKN can benefit from linking BSF to ECCSA
- Agricultural programs of EKN is not limited to Addis

Disadvantages:

- As umbrella organization, ECCSA is far from business actors
- Dutch entrepreneurs will not delegate lobby efforts to ECCSA
- Neutral / negative image from Dutch entrepreneurs' side
- Could lead to tension based on SIDA experience: salary of staff of BSF is higher than salary of that of ECCSA; when working together closely, this could be an issue.

Recommendation: GO

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<sup>2</sup> Multi-Annual Strategic Plan 2012 – 2015; Embassy of the Kingdom of the Netherlands in Addis Ababa and Permanent Representation to the African Union, September 2011.

### **3. The BSF directly linked and/or embedded in the Addis Chamber of Commerce**

Advantages:

- Strongest chamber of commerce in Ethiopia
- It has direct Access to large number of businesses
- It offers direct capacity building towards chamber staff and its members
- Quite large staff: 60 employees + 40 external consultants

Disadvantages:

- Several sector associations, key to EKN, are not members of AACCSA
- Dutch entrepreneurs will not delegate lobby efforts to CC
- Quality of staff and services can be an issue
- Neutral / negative image from Dutch entrepreneurs' side

Recommendation: GO

### **4. The BSF directly linked and/or embedded in the Netherlands Embassy**

(the Embassy's Private Sector Support Office, e.g. ECCSAO of CIDA).

Advantages:

- High credibility from Dutch investors
- Diplomatic influence on government of Ethiopia
- Providing not only content support but secretarial support (Dutch entrepreneurs and Wageningen UR could be interested in this kind of activity) / currently ECCSAO activities in this respect are offered only in relation to their own program support

Disadvantage:

- Weak link to private sector
- Loss of flexibility as being part of the embassy
- No focus on agriculture in case of ECCSAO; entrepreneurship intervention is still in infancy, they are currently identifying possible entry points.
- Increased overhead / management if embassy has to oversee activities of BSF (vs. decrease management capacity at embassy)

Recommendation: NO GO

### **5. The BSF organized through an NGO**

But facilitating the day-to-day activities in close collaboration with the Embassy

Advantages:

- Familiarity with Ethiopian context

Disadvantages:

- Weak link to private sector
- NGOs and private sector do not speak the same language
- Not credible representative for private sector
- No vested interest in private sector
- No clear linkage to formal capacity building initiatives in Ethiopia

Recommendation: NO GO

## **6. The BSF organized through a consultancy**

but facilitating the day-to-day activities in close collaboration with the Embassy

Advantages:

- Familiarity with Ethiopian context
- More entrepreneurial approach as part of business

Disadvantages:

- Weak or no link to NL
- Lack of long term commitment; as long as pay is there, activities are implemented
- No vested interest in Dutch private sector
- Possibly lack of credibility from Dutch investor
- Less checks and balances when it comes to sensitivity issues in the Ethiopian political arena (conflict of interest)
- No clear linkage formal capacity building initiatives

Recommendation: NO GO

## **7. The BSF organized with the support of NABC and/or the Chamber of Commerce, The Hague**

NABC

Advantages:

- Clear alignment with Dutch private sector interests; strategically positioned for lobbying and troubleshooting
- Experienced in organizing relevant activities and in activating the Dutch private sector
- Experience with various sectors; strong lobbying profile
- Can be a long term partner for Ethiopian private sector organization;
- Has linkages to other possible partners in Africa

Disadvantages:

- Strengthening general Ethiopian entrepreneurship capacities is not a core activity;
- Currently no office in Ethiopia

Chamber of Commerce, The Hague

Advantages:

- Strong focus on Dutch horticultural sector (Westland)
- Experience in capacity building and coaching of Dutch entrepreneurs
- Strong links to Dutch (local) government

Disadvantages:

- Limited experience in Africa in terms of track record and staff
- Capacity building limited to two projects in Eastern Europe
- Weak links with Dutch business community active in Africa (including knowledge institutes, NGO's)

Recommendation:

NABC: Link to BSF to NABC or General Manager of BSF is staff of NABC

Chamber of Commerce: as add on to BSF as capacity development option for Chamber of Commerce

## Appendix 3 – Job profiles for staff of BSF

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### ***General Manager***

#### Background

MSc in Agriculture, Development Economics, Development Studies, Business Economics, MBA or related field

#### Requirements:

- 5-years work-experience in private sector to understand how companies operate and to be able to speak the language of private sector
- Strategic thinker related to development agenda
- Pro-active in identifying opportunities and responding to challenges (political, business as well as capacity building related to entrepreneurship)
- Able to work under pressure and manage crisis situations regarding the implementation of the ever-changing Ethiopian legislation in private sector operations
- Experience in Africa / Ethiopia (having relevant network in Ethiopia, possibly access to key government people)
- Experience in management position
- Excellent networker to link to private sector / organizations, educational sector and government
- Able to manage limited number of local staff members
- Political sensitivity and diplomatic skill to deal with the challenges on governmental level
- Independent, persistent and persuasive in negotiations
- Able to multi-task
- Organize events, missions, workshops
- Manage PR activities with support of local staff

### ***Private sector facilitator 1***

#### Background

Ethiopian National

Minimum BSc in Agriculture, Economics, Business Economics or related field

#### Requirements:

- 2-3-years work-experience in private sector to understand how companies operate and to be able to speak the language of private sector
- Able to work under pressure
- Having relevant network in Ethiopia, possibly access to key government people
- Excellent networker to link to private sector / organizations, educational sector and government
- Team player
- Political sensitivity and diplomatic skill to deal with the key stakeholders
- Able to make decisions and work independently
- Relevant experience in organize events, missions, workshops, conferences
- Manage PR activities

### ***Private sector facilitator 2***

#### Background

Ethiopian National

Minimum BSc in Agriculture, Economics, Business Economics and/or Education (adult)

#### Requirements:

- 2-3 years of work experience in private sector
- 2-3 years' experience in developing, implementing, evaluating capacity building programs meeting the needs of private sector
- Experience in developing training materials
- Able to work under pressure
- Excellent networker to link to private sector / organizations, educational sector and government
- Political sensitivity and diplomatic skill to deal with the key stakeholders
- Team player
- Able to make decisions and work independently

# Appendix 4 – Types of memberships

(for sector organizations<sup>3</sup>)

**Patron Members** are companies that are committed to giving a certain sector organization maximum support and have a keen interest in strengthening its voice and its ability to fulfill its mission.

All Sustaining and Ordinary membership benefits **plus**

- Top profile for organization
- Acknowledgement as ‘Patron Member’ on all communications of the organization
- Free fix logo display on the website homepage
- Free Newsletter advertisement
- Free Event sponsorships
- Unlimited free attendees at all events.
- Participation in all Chamber activities by all company employees.
- A text describing products and services on Website and Directory of organization
- Logo posted in the Directory.
- Priority for sponsorship of events.
- Invitations to exclusive V.I.P. receptions & events at Turkish & British Embassies
- Invitations to exclusive events and with Turkish and British policy makers and international CEOs

## **SUSTAINING MEMBERSHIP BENEFITS**

Sustaining Members are entitled to:

- All Ordinary membership benefits **plus**
- Free website advertisement
- 50% discount on newsletter advertisement
- 50% discount on event sponsorships
- Priority with Newsletter Interview
- Priority to take part in high profile business seminars

## **ORDINARY MEMBERSHIP BENEFITS**

Members are entitled to free and discounted services:

### **Free Services**

- Business Partner and Business Contacts Search
- Business Matching and Referrals
- Reply to Enquiries with priority
- Members Directory and Mailing Lists
- 6 months free advertising on website of organization
- Taking part in high profile business seminars
- Member presentations uploaded to the website
- Newsletter
- Newsletter Interview uploaded to the website
- News about the member company in the Newsletter
- Members only web site assistance,
- Online Recruitment assistance
- Special networking events
- Network Support, Events and Lobbying

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<sup>3</sup> Based on the experience of the Indonesian Netherlands Association.

**Discounted Services**

- Document Certification, Legalization and Translation
- Daily Consulate Courier Service
- Registration fees for organized and partnered Conferences, Seminars and Workshops
- Basic Company and Credit Reports
- Comprehensive Company (Credit) Reports
- Website Advertising
- Newsletter Advertising
- Event Sponsorship
- Join Trade missions

**Members only web site assistance**

On Members Zone pages exclusive to the organization membership, members can:

- Review and manage their details and portfolios
- Publish company details
- View members by name, company type or business sector
- View Trade opportunities
- Search for a Business Partner
- Advertise and view job vacancies
- View key forthcoming events, full events diary
- Web site Referrals and Company Recommendations
- Suggest an event
- View agenda or organization and reminders

## Appendix 5 – Proposal NABC for support of BSF

With over 300 paid up members, NABC is the Dutch network of “Africa business pioneers”. Given the similarity of activities of the Ethiopian (Addis) Chamber of commerce to be expanded and those of NABC, NABC is interested in setting up a business support facility in Ethiopia.

<b>Table 8</b>	<b>Areas to be expanded</b>
<b>Ethiopian (Addis) Chamber of Commerce</b>	<b>NABC</b>
<ol style="list-style-type: none"> <li>1. Market information</li> <li>2. Business missions (outgoing and incoming)</li> <li>3. Attract foreign investment</li> <li>4. Market access</li> </ol>	<ol style="list-style-type: none"> <li>1. Market information</li> <li>2. Joint business development with sector-based consortia</li> <li>3. Potential clients and – partners</li> <li>4. Local support of Dutch start-ups in Ethiopia</li> </ol>

NABC is especially interested in countries with both a strong local market potential as well as export potential (either intercontinental or within the region). NABC’s focus countries in this respect are: Ghana, Nigeria, South-Africa, Kenya and Ethiopia.

In Ghana, Nigeria and South-Africa bilateral Chambers of Commerce have been established. In Kenya discussions are underway of setting up an NABC office in conjunction with several Dutch knowledge institutes.

The wish of the Dutch embassy to reinforce the business support mechanisms (especially for Dutch investors and potential investors) could be a good starting point of setting up a bilateral structure in Ethiopia as well.

In 2010 and 2011 NABC has executed several activities in collaboration with the Addis Chamber of Commerce. This includes two missions to Ethiopia and several workshops.

In the Netherlands, NABC is actively lobbying with the Dutch government and Dutch politics to get Africa’s business opportunities on the agenda.

Service to Dutch companies can be greatly improved by setting up small support offices in Africa, which can both assist start-ups as well as established investors.

Services to be provided by the aforementioned office:

- Provide market information, including procedures, etc.
- Act as secretary of the Dutch Business Community
- Provide input for the Public Private Consultative Forum via the Ethiopian Chamber
- Provide assistance to the international activities of the Ethiopia Chamber / Addis Chamber
- Facilitate business missions (outgoing and incoming)
- Attract foreign investment by presenting opportunities, including keeping track of available funds
- Giving practical support to start ups in Ethiopia
- Assist Ethiopian exporters with market access in the Netherlands
- Assist Dutch exporters with market access in Ethiopia
- Providing practical assistance to sector-based consortia (e.g. Poultry 2g@there)

The office can be based at the Addis Chamber / Ethiopia Chamber. One afternoon per week, the manager of the centre will be at the Dutch Embassy to hold private talks with Dutch companies active in Ethiopia ("*spreekuur*"). At least once a week, the manager will have a coordination meeting with the economic and agricultural attaches of the Dutch Embassy.

The business support office will report primarily to the Dutch Embassy. Operationally the office can fall under the responsibility of NABC, including the administrative aspects. The office will have a functional relationship with the Addis Chamber and the Ethiopia Chamber, which will take shape in executing the abovementioned activities. As the secretary of the DBC, the office manager will ensure that an agreed amount of time will be spent on troubleshooting activities for the established Dutch investors. Last but not least, the office will manage extensive relations with the relevant sector associations, amongst others within the framework of the various programmes (poultry, dairy, horticulture, seeds, etc.).

The minimum setup will be:

- an office to be provided (free of charge) by the Addis Chamber
- one Dutch expatriate staff (manager)
- two high level local staff
- minimum logistics: car, computers, telephone, travel budget

The total costs will amount to approximately 150.000,- euro per year. Of this amount, the DBC could contribute 25.000,- euro per year. The centre can be expected to raise another 25.000 euro per year with paid services. This means that the contribution of the Dutch embassy would amount to approximately 100.000,- euro per year. Since most activities will have a very strong link with the development goals of the Dutch government, this investment is justified. With respect to the sustainability, it is advisable to guarantee this amount for at least four years.

Financial independence could be achieved by

- Raising additional funding from public and private sources
- Increased investments with associated demand for the centre's services.
- Including representations from other (European) countries

Besides strengthening lobbying activities, troubleshooting, chamber capacity and investment promotion, there will be other spin-off effects:

- The centre can act as a pilot for similar offices in Africa.
- The centre will act as a catalyst of regional trade, by linking up with other Dutch embassies and NABC contacts/offices.
- The centre will allow for a managed reduction of staff at the Dutch embassy (which is already scheduled).
- Given the long term commitment of NABC (established 1946 and looking for many more years of continuous efforts in promoting business with Africa), the centre will have a strong basis with NABC and continuity will be probable given the steady growth of NABC in the past years that is expected to continue.
- NABC is part of a strong European network of similar organisations (EBCAM) which also has strong links with the counterparts in the USA and Canada. The Eastern Africa Association is also a partner of NABC. These links will make it quite possible to widen the basis with other business networks entering into the centre.

## References and resources

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This report, requested by the Royal Dutch Embassy in Ethiopia, outlines the modalities of setting up a Business Support Facility in the country with the objectives of:

1. Supporting sector coordination and business partnerships;
2. Brokering business relations between Ethiopia and the Netherlands;
3. Strengthening innovation capacity to ensure technical, business and entrepreneurial know how.

**More information:** [www.cdi.wur.nl](http://www.cdi.wur.nl)

