

# Facilitating an Inclusive and Long-term COVID-19 Recovery in Ethiopia with a Local Economic Development Approach



Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized



# Contents

<b>Abbreviations and Acronyms</b> .....	<b>iii</b>
<b>Acknowledgments</b> .....	<b>iv</b>
<b>Executive Summary</b> .....	<b>v</b>
<b>1 Introduction</b> .....	<b>1</b>
A Transformational Approach .....	1
Operationalizing a Transformational LED Approach Under DRDIP .....	3
Methodology and Limitations .....	4
Structure of the Report .....	5
<b>2 What is the LED Approach to Development Planning?</b> .....	<b>6</b>
What is Local Economic Development? .....	6
Moving Toward a Transformational LED Approach .....	7
Creating an LED Platform at the Local Government Level .....	9
<b>3 The Need for a Transformative LED Approach in Ethiopia</b> .....	<b>11</b>
<b>4 The LED Landscape in Ethiopia</b> .....	<b>14</b>
Key Actors .....	14
Examples of Existing Approaches for LED Engagement .....	16
<b>5 Operationalizing a Transformational Approach to LED</b> .....	<b>22</b>
Principles for Operationalizing an Inclusive and Transformative Approach .....	22
The LED Platform at the Woreda Level .....	23
Identification of Woredas for the Pilot Approach .....	24
Description and Objectives of the Proposed Pilot .....	26
<b>6 Conclusion</b> .....	<b>27</b>
<b>References</b> .....	<b>28</b>
<b>Appendix A. LED Stakeholder Mapping in Ethiopia</b> .....	<b>29</b>
<b>Appendix B. List of People and Organizations Consulted</b> .....	<b>43</b>



**Box**

Box 1.1. What is Local Economic Development? . . . . . 2

**Figure**

ES.1 Moving from Traditional to a Transformational LED Framework . . . . . vi

ES.2 Local Economic Development Stakeholders in Ethiopia . . . . . vii

ES.3 Principles for operationalizing an inclusive and transformative LED . . . . . ix

ES.4 Functions of Proposed LED Platform . . . . . x

2.1 Spectrum of Existing LED Project Approaches at the World Bank . . . . . 8

2.2 Moving from Traditional to Transformative LED Processes . . . . . 8

2.3 Steps Needed to Move from Project-Based Approaches to Establishing Local and Regional Platforms  
for Inclusive Economic Development . . . . . 10

4.1 Local Economic Development Stakeholders in Ethiopia . . . . . 14

5.1 Key Principles for Operationalizing a Transformational Approach to Local Economic Development . . . . . 22

5.2 Functions of Proposed LED Platform . . . . . 23

5.3 Steps Involved for Proposed Pilot. . . . . 26

**Map**

1.1 Ethiopia’s Primary Refugee-Hosting Regions . . . . . 3

**Tables**

2.1 Synthesis of Stakeholder Input During Consultations, December 2020–March 2021 . . . . . 10

5.1 Opportunities, Barriers, Actors, and Suggested Activities to Promote Local Economic Development  
in Selected Woredas in Ethiopia . . . . . 25



## Abbreviations and Acronyms

BoFED	Bureaus of Finance and Economic Development	PROSPECTS	Partnership for Improving Prospects for Forcibly Displaced Persons and Host Communities
CDD	community-driven development		
COVID-19	Coronavirus Disease 2019	PSNP	Productive Safety Net Program
DRDIP	Development Response to Displacement Impacts Project	RRS	Refugees and Returnees Services
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH	SME	small and medium-sized enterprises
ICT	information and communications technology	SNNPR	Southern Nations, Nationalities, and Peoples' Region
IFC	International Finance Corporation	TVET	technical and vocational education and training
JCC	Jobs Creation Commission	UN	United Nations
LED	local economic development	UNHCR	United Nations High Commissioner for Refugees
MoFED	Federal Ministry of Finance and Economic Development	USAID	United States Agency for International Development
NGO	nongovernmental organization	WoFED	Woreda-level Bureaus of Finance and Economic Development
PRIME	Pastoralist Areas Resilience Improvement and Market Expansion		



# Acknowledgments

This study was undertaken by a World Bank team led by Ashutosh Raina, Social Development Specialist, and comprising Matthew Stephens, Senior Social Development Specialist; Esayas Nigatu Gebremeskel, Senior Livestock Specialist; Awena Lebesch, Senior Consultant, International Finance Corporation; Erina Iwami, Operations Officer, Fragility, Conflict and Violence Group; and Aditya Sarkar, Consultant, Social Sustainability and Inclusion Global Practice. The strategic guidance for the report came from Parmesh Shah, Lead Rural Development Specialist. Samuel Hall conducted the field assessment used in the preparation of the final report. The team would like to acknowledge the particular contributions of Herve Nicolle, Eleonore Thenot, and Lisa Pfister, without whom the assessment could not have been completed. Laura Johnson was responsible for copy editing and design of the paper. The team would like to thank all the organizations who participated in consultations and provided inputs, particularly the Jobs Creation Commission, Ministry of Agriculture, Digital Green, Intellectap,

Social Enterprise Ethiopia, xHub Addis, BRAC, CARE International, Mercy Corps, Norwegian Refugee Council, SNV, World Vision, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), International Labour Organization, United Nations Development Programme, United Nations High Commissioner for Refugees, Gates Foundation, and the IKEA Foundation. The team is grateful for thoughtful inputs from peer reviewers Elaine Tinsley, Private Sector Specialist, Alfredo Bohm, ET Consultant, and Rediet Abiy Kassaye, Program Manager, IKEA Foundation. The team would like to thank Helene Carlsson Rex, Practice Manager SSI, and Holger Kray, Practice Manager AGF for their guidance and for co-chairing the peer review meeting of this paper.

We acknowledge funding provided by the Multi Donor Trust Fund for Forced Displacement as part of the Prospects Program, which made this report possible.



# Executive Summary

Multiple ad hoc programs and initiatives are being conducted in refugee-hosting woredas (districts) in Ethiopia to link members of poor communities, including women and youth entrepreneurs, to economic opportunities. Implemented by a combination of government, nongovernment, development, and humanitarian actors, most projects operate in isolation. Therefore, despite the heavy investment in livelihood and employment generation programs, results have not been achieved at the necessary scale or impact to move beyond subsistence levels. Information is limited regarding the activities of relevant actors, what can be learned from other projects and experiences, and how the projects' strengths and weaknesses could be leveraged to amplify their impact and scale. A platform is needed to convene key stakeholders working on woreda-level local economic development (LED). In addition, the COVID-19 crisis requires novel approaches for moving from a project-based approach to an ecosystem approach to accelerate an inclusive, sustainable, and resilient recovery.

This report examines the role of the LED approach in facilitating inclusive and long-term recovery from the COVID-19 pandemic and its associated impacts in selected refugee-hosting woredas (districts) of Ethiopia. Despite a record of strong economic growth over the past decade, averaging 9.4 percent per year from fiscal 2010/11 to 2019/20, and with significant improvements in human development outcomes such as education and health, Ethiopia's economy still faces significant challenges to poverty elimination and has been significantly affected by the pandemic and public health measures taken to curb its spread, as well as by recent conflicts and political turbulence. In this context, LED—the process by which public, business, and nongovernment partners work collectively to create better conditions for economic growth and employment generation—can drive job creation and economic activity with a social impact and can be a powerful tool for accelerating

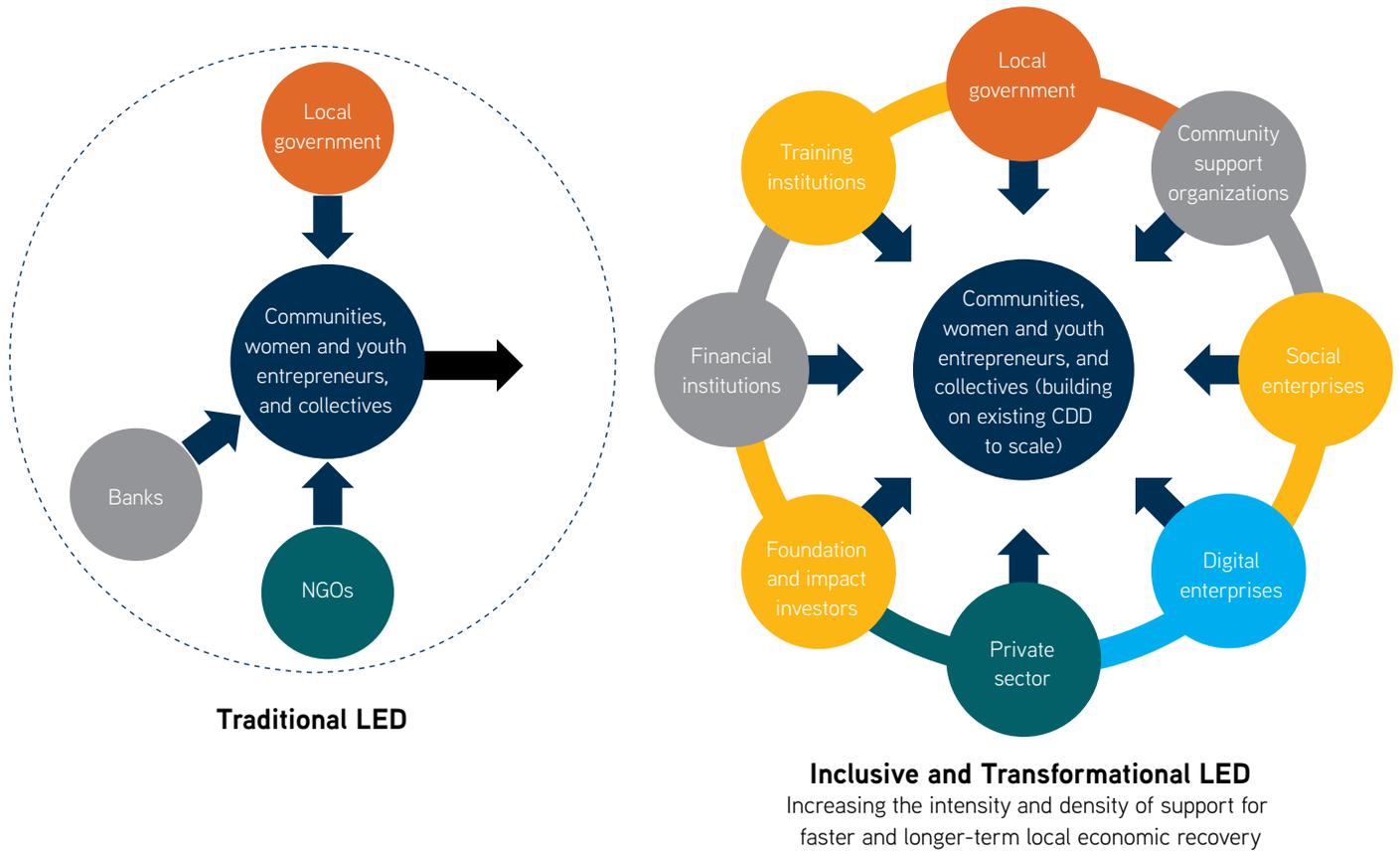
local development. LED approaches focus on maximizing the comparative advantages of localities by improving the local business environment; building local skills; clustering development in specific geographies or territories; and encouraging trust and partnerships between the private sector, public institutions, and civil society.

The findings in this report are relevant to both the residents of the selected woredas and to development efforts more generally, including those of the World Bank, as well to those applying LED approaches in other parts of the world. More concretely, the report contributes to a proposed pilot to be conducted under the World Bank-financed Development Response to Displacement Impacts Project (DRDIP), which would apply the LED approach to a refugee-hosting woreda in Ethiopia's Somali Region.

## **Toward a Transformational LED Approach and Platform**

Although many current interventions in Ethiopia support LED, their impact is limited by the fact that projects are implemented in an ad hoc manner and organizations often work in silos even if they share similar objectives. A new way of working is needed to scale up the impact of the interventions by moving away from a project-based approach toward a platform-based one that creates synergies and leverages the potential of community support organizations, social enterprises, digital enterprises, and the private sector. Further, in the aftermath of COVID-19, moving to a transformative LED approach will require development actors such as the World Bank to work with a far broader array of stakeholders than for traditional LED interventions, for example, digital enterprises, which expand access to finance and create new economic opportunities; private sector actors, through public-private partnerships and investments; social enterprises, which make last-mile

**Figure ES.1. Moving from Traditional to a Transformational LED Framework**



service delivery more efficient; and financial institutions, which help channel finance for development. It will also be crucial to engage with foundations and impact investors to mobilize additional resources and technical expertise.

In the Ethiopian context, local governments will remain on the front lines of the long-term local economic recovery; however, they are not well equipped to respond to the emerging context, particularly in a more digitized era when partnerships with communities, the private sector, and others have proven essential to building long term-resilience. Building LED platforms at the local government level to converge digital enterprises, social enterprises, community support organizations, and the private sector can develop an intense and dense ecosystem to support communities and accelerate LED and longer-term COVID-19 recovery.

### Mapping the LED Landscape and Identifying Promising LED Approaches

Drawing on a series of desk reviews and consultations, this report maps the key stakeholders involved in LED in Ethiopia. Although the mapping is not comprehensive, the following key groups of actors are identified:

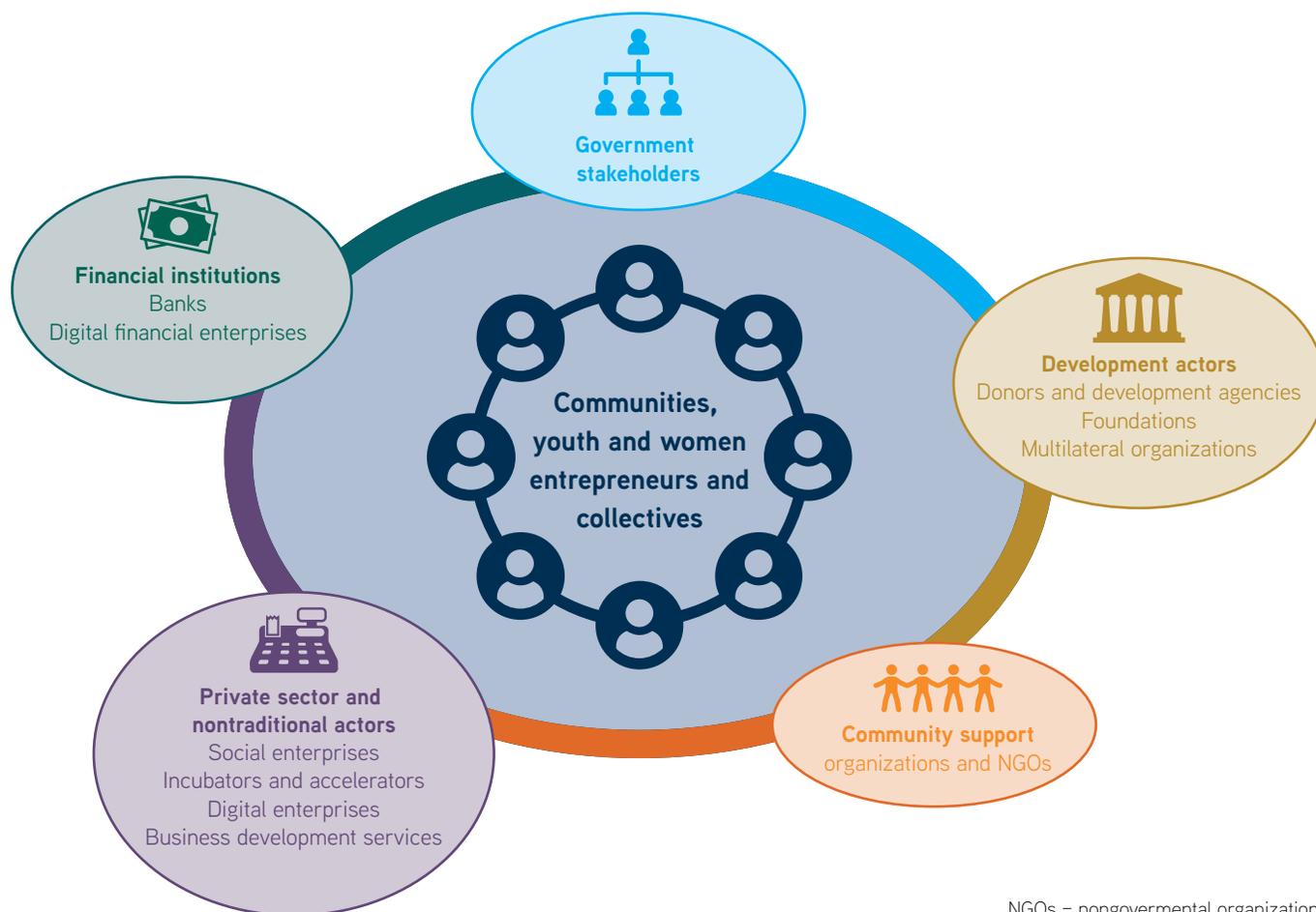
- ◆ **Private sector and nontraditional actors.** An extremely heterogenous and diverse group of stakeholders, this category includes:
  - A wide variety of social enterprises, including ones that support women entrepreneurs and tackle development challenges by creating innovative market-based solutions to serve marginalized, under-served, and hard-to-reach populations;

- Digital financial enterprises, which offer customers and enterprises the ability to deposit, receive, transfer, and spend money; conduct cashless transactions; and receive international remittances;
- Digital enterprises and business development actors, who provide a different form of technical support for entrepreneurs by, for example, acting as online talent recruitment platforms for freelance workers in technology start-ups, providing online training modules,

and offering sector-specific services in areas such as agriculture; and

- Start-up accelerators and incubators supporting micro-, small, and medium-sized enterprise development, including those specifically focused on women and youth entrepreneurs and those with a specific sectoral focus.

**Figure ES2. Local Economic Development Stakeholders in Ethiopia**



- ◆ **Government actors.** Government actors at various levels are essential to the operationalization of LED strategies. Of obvious critical importance are the local government authorities responsible for the design and implementation of LED strategies. Among the most significant actors are the Ministry of Labour and Skills, absorbing the former Jobs Creation Commission, which had been focused on the job creation agenda in Ethiopia; the Ministry of Agriculture; the Ministry of Women and Social Affairs, the Federal TVET Institute, and the Refugee and Returnee Services.
- ◆ **Community support organizations and nongovernmental organizations.** These organizations serve as important LED players by directly focusing on the economic and social empowerment of various vulnerable groups, including youth and women. Specific measures taken by surveyed organizations include expanding access to finance and financial services and supporting the creation of self-help groups and cooperatives.
- ◆ **Development actors.** This extraordinarily broad array of organizations with disparate goals comprises bilateral donors and many relatively new development actors, including foundations, which play both funding and operational roles; large international nongovernmental organizations; multilateral organizations, including the United Nations and its specialized organizations, the International Finance Corporation (IFC), and the World Bank; and the development agencies of multiple donor countries, such as the Foreign, Commonwealth and Development Office, the United States Agency for International Development (USAID), and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ).

## Operationalizing the LED Approach in Ethiopia

To operationalize a transformational LED approach in Ethiopia, the World Bank plans to pilot the LED approach in one of two refugee-hosting woredas (districts)<sup>1</sup> to develop a proof of concept. Operationalizing the transformative LED approach will require adhering to and implementing several key principles, including:

- ◆ Applying a spatial approach, i.e., working on economic clusters that can span several villages;
- ◆ Investing in aggregation, which will require building on existing community institutions to scale up existing investments in community-driven development and make them attractive to market and financial institutions;
- ◆ Developing a public-private partnership platform, in collaboration with digital social enterprises, financial institutions, other private sector actors, foundations, and impact investors among others;
- ◆ Leveraging digital technologies and platforms to radically expand access to finance and new economic opportunities;
- ◆ Establishing ecosystems for innovation, entrepreneurship, and incubation;
- ◆ Finding market opportunities in both the agricultural and nonfarm sector;
- ◆ Investing in complementary productive infrastructure; and
- ◆ Measuring the economic and business performance of different LED initiatives and scaling up approaches that work.

---

1. The woreda to be selected would be one of those currently covered by the World Bank-financed Development Response to Displacement Impacts project (P152822), which supports woredas in five refugee-hosting regions.

**Figure ES.3. Principles for operationalizing an inclusive and transformative LED**



Use spatial approach



Invest in aggregation to take existing CDD to scale



Develop a public-private partnership platform



Leverage digital technologies



Establish ecosystems for innovation, entrepreneurship, and incubation



Maximize finance for local economic development



Invest in complementary productive infrastructure



Measure economic and business performance of LED initiatives

CDD = community-driven development.

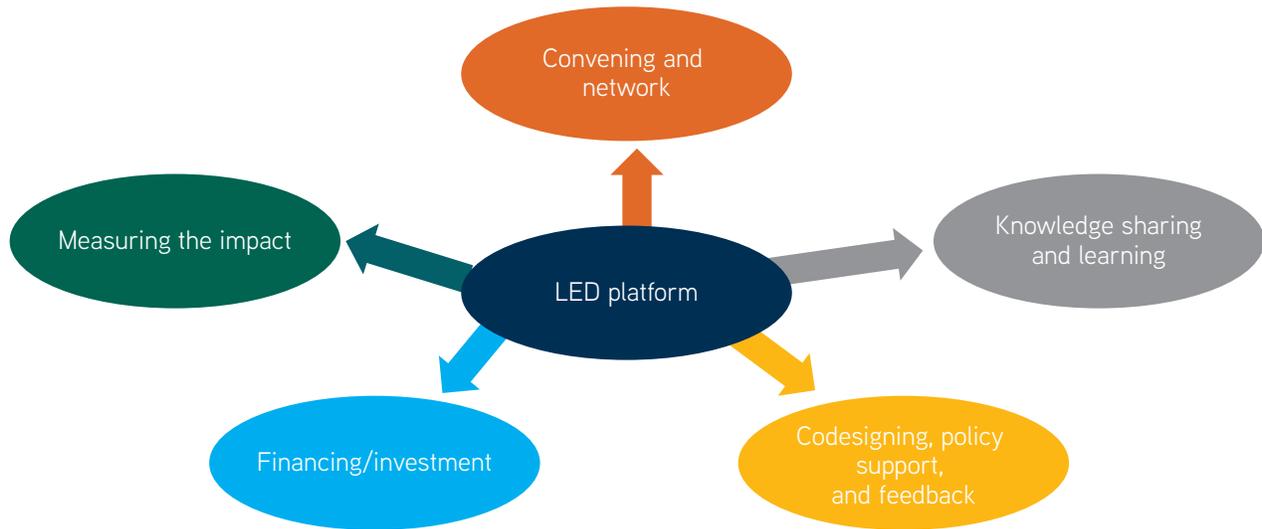
The proposed LED platform, which will be operationalized in partnership with local and regional government authorities and development partners, may perform some combination of the following functions:

- ◆ Convene digital enterprises, social enterprises, community support organizations, and the private sector to develop an intense and dense ecosystem to support LED at the woreda level;
- ◆ Facilitate systematic knowledge sharing and learning among key stakeholders;
- ◆ Convene stakeholders to co-design the LED strategy;
- ◆ Strengthen coordination between LED platform partners and use the platform to collectively monitor the implementation of the strategy; and

- ◆ Increase the use of digital solutions and data to assess the impact of LED initiatives on the local economies.

The creation of an LED platform would enable operationalization of LED principles in a more systematic manner to spur inclusive local economic development in target areas in Ethiopia. This would include investing in existing farmer-producer groups to scale up and create aggregations of existing groups; working on economic clusters spread over specific areas, such as several villages in one woreda; leveraging digital platforms to expand access to finance; establishing ecosystems to encourage entrepreneurial activity; increasing investments in complementary productive infrastructure while finding market opportunities in agriculture and the nonfarm sector; and identifying and supporting local business approaches that have already proven successful.

**Figure ES.4. Functions of Proposed LED Platform**



### Identification of potential pilot woredas

Since the new regional government came into power in 2018, the Somali Region has made significant efforts toward designing and implementing durable solutions, working together with humanitarian and development actors. This momentum and the presence of the numerous development actors operating in the region are conducive to the implementation of the LED platforms. Two woredas have recently attracted a great deal of investment:

- ◆ **Kebribeyah.** Located 50 kilometers southeast of Jijiga, Kebribeyah is the oldest remaining refugee settlement in the Somali Region. It offers unique LED opportunities as it benefits from the presence of infrastructure and proximity to the region’s dynamic capital.
- ◆ **Dollo Ado.** A remote semiarid area situated along the border with Kenya, Dollo Ado hosts five refugee camps established between 2009 and 2011. Both refugee and host communities rely heavily on aid and cross-border trade; agriculture and livestock are key sectors for the local population.

### The LED Pilot

The LED pilot will involve various steps, including the setting up an LED platform, carrying out a woreda LED diagnostic, and developing and operationalizing the woreda-level LED strategy. Moreover, operational learning and processes throughout the pilot will be documented, and an LED operational toolkit will be made available to replicate and scale-up the approach in other woredas.

Expected deliverables from the pilot include: woreda LED diagnostics; a public-private LED platform; development and operationalization of the woreda LED strategy; LED impact report highlighting the measurement of the intermediary LED outcomes and impacts; and an LED operational toolkit to support the replication and scaling up of this approach in other woredas. The anticipated impact after the pilot will be an increase in jobs; an increase or improvements in enterprises; enhanced participation of women and youth in economic activities; better access to finance; and improvements to the LED ecosystem at the woreda level.



# 1. Introduction

## A Transformational Approach

This report attempts to answer the following question: *How can a local economic development (LED) approach facilitate inclusive and long-term recovery from the COVID-19 pandemic and its associated impacts in selected refugee-hosting woredas (districts) in Ethiopia?* The answer to this question is important not only for those living in the select woredas, but also for development efforts more generally, including those of the World Bank. The findings of this paper may also have implications for those engaged in applying LED approaches in other parts of the world.

Despite rapid economic growth over the last decade, Ethiopia remains one of the poorest countries in Africa, with an average per capita income of US\$850 per year (IMF 2021). The country's economy experienced strong, broad-based growth, averaging 9.4 percent per year, from fiscal 2010/11 to 2019/20, with significant improvements in human development outcomes in terms of education, health, and other factors. However, Ethiopia's real gross domestic product growth slowed to 6.1 percent in fiscal 2019/20 due to the COVID-19<sup>1</sup> pandemic and the public health measures taken to curb its spread. Employment rates plunged in the early days of the pandemic, particularly in urban areas where the rate dropped from 80 percent prior to the pandemic to 65 percent in April 2020, with more prominent changes noted in women-headed households.

The pandemic, coupled with slow agricultural growth, is expected to lead to a rise in poverty. Projections based on results of a high-frequency phone survey (World Bank 2021b) suggest that there were 2 million more poor in December 2020 than there were in 2019. While employment levels have been recovering, vulnerability is expected

to increase due to the transition of many Ethiopians to more precarious forms of employment, such as self-employment, casual employment, and family work (World Bank 2021c). COVID-19 also resulted in the closure of 40 percent of Ethiopian businesses; and 32 percent of businesses reported zero revenue in the first month of the pandemic March 2020, and one-third of nonfarm household enterprises closed (World Bank 2021b). Ethiopia's overall upward economic trajectory has also been impacted by significant political turmoil, conflict, and internal displacement (discussed briefly in the methodology and limitations section later in this chapter). In sum, addressing the multifaceted challenges facing Ethiopia is beyond the capacity of any single entity. It will require a coherent response by multiple stakeholders spanning government, the private sector, civil society, and development organizations—especially at the local level.

One of the most critical—and broad—development challenges in Ethiopia remains the diversification of rural nonfarm livelihoods. This predates and underpins the broader challenge of creating productive employment for the estimated 2 million new entrants into the labor market each year (Ronnas and Sarkar 2019). Agriculture continues to remain a key contributor to livelihoods in Ethiopia, accounting for 65 percent of employment, and economic growth has not been associated with a commensurate productive and structural transformation of the economy and the labor market. In fact, economic diversification outside the major cities has progressed at a particularly slow pace. Development programs and initiatives intended to address this challenge abound in Ethiopia—especially those focused on facilitating livelihoods for youth and women through self-employment. However, these initiatives have not always been well coordinated or synchronized. As a result—albeit with notable exceptions—such efforts have

1. Coronavirus Disease 2019.



neither been carried out at the scale required nor achieved the needed impact. Information is limited regarding who is working on the initiative and what exactly they are doing, lessons learned from existing development interventions, and how respective strengths and weaknesses might be leveraged to amplify their impact.

Within the World Bank, the COVID-19 pandemic has reaffirmed the need to adopt a more dynamic approach to local development. Most of the World Bank's community-driven development projects follow a traditional LED model, incorporating a limited number of stakeholders in the process. A transformational LED agenda would expand the network of stakeholders to include not only government, civil society, and beneficiaries, but also community support organizations, social enterprises, and digital enterprises or platforms, while collaborating with foundations, impact investors, technology companies, incubators and accelerators, and the private sector. Such engagement with a

broader ecosystem of stakeholders and the creation of a platform for their engagement knowledge exchange is likely to encourage faster recovery from the effects of the COVID-19 crisis and catalyze greater impact.

As a first step toward engaging this broader ecosystem of stakeholders, the World Bank commissioned this report under its existing Development Response to Displacement Impacts Project (DRDIP) to assess the LED landscape in Ethiopia. This review, which includes a map of and consultations with the country's key LED stakeholders, is also expected to contribute to a pilot project, to be conducted under DRDIP that will apply the LED approach in a single refugee-hosting woreda in the Somali Region of Ethiopia. As global interest in LED approaches continues to increase, this assessment can also help DRDIP deepen synergies with the World Bank's existing portfolio in Ethiopia and contribute to World Bank collaborations with other development partners working on LED in Ethiopia and elsewhere.

### **Box 1.1. What is Local Economic Development?**

Local economic development (LED) is a place-based approach to development planning. Although the concept of LED can be traced back to the 1970s (even earlier according to some), it has become increasingly significant as development agencies and governments seek an alternative or a complement to traditional development strategies. LED refers to the process by which public, business, and nongovernment partners work collectively to create better conditions for economic growth and employment generation. LED is a driver of job creation and economic activity and can be a powerful tool for inclusive local development. It differs from traditional ways of working, which have tended to focus on community-based approaches, by including a broader spectrum of stakeholders, including the private sector, to promote market-driven,

innovative solutions. In its current form, LED represents an evolution from past approaches, such as community-based livelihoods (market-based and subsistence-oriented) and more traditional community-driven development approaches, by applying a spatial approach, linking with the productive infrastructure, investing in aggregation to scale up existing investments in community-driven development to make them attractive to market and financial institutions, leveraging digital technologies to expand access to finance and new economic opportunities, and developing LED platforms in collaboration with social enterprises, digital enterprises, financial institutions, other private sector actors, foundations, and impact investors among others.

*Sources: Rogerson 2014; Akudugu and Laube 2013; World Bank 2006.*

## Operationalizing a Transformational LED Approach Under DRDIP

DRDIP is a World Bank-supported regional program in the Horn of Africa implemented in Ethiopia, Uganda, Djibouti, and Kenya. The project, which aims to improve access to social services, expand economic opportunities, and enhance environmental management for host and forcibly displaced communities. The program, initiated in 2016 for a five-year period with total funding for Ethiopia of US\$100 million, is implemented by the government of Ethiopia and the World Bank. During the Phase II, DRDIP seeks to improve and strengthen livelihood interventions, with a particular focus on women and youth. This makes it a particularly good fit for piloting the new LED approach.

DRDIP has been implemented in 15 woredas (districts) across the five main refugee-hosting regions of Ethiopia: Afar, Benishangul-Gumuz, Gambella, Somali, and Tigray. The project primarily targets host communities—a host community is defined as one that is situated within a 20-kilometer radius of a refugee camp. DRDIP interventions are also expected to indirectly benefit refugee communities

by improving infrastructure, service delivery, natural resource management, and economic opportunities. One of the project’s markers is its attention to the poorest and most vulnerable members of the community, a priority reflected in the selection of beneficiaries for livelihood interventions. The project has four components: (1) social and economic services and infrastructure; (2) sustainable environment management; (3) livelihoods; and (4) project management, monitoring, and evaluation. The proposed pilot would be implemented under DRDIP’s livelihoods component.

Ethiopia’s Ministry of Agriculture is the lead agency responsible for the coordination and overall management of DRDIP implementation. The governance structure for the project includes steering committees at the national, regional, and woreda levels, which convene the relevant line ministries. The project has been implemented using a community-driven development (CDD) approach, including robust grassroots participation of host communities. The planning process for the implementation of activities under the project is usually conducted at the kebele (ward) level through consultations with the community to ensure inclusiveness, accountability, and learning.

**Map 1.1. Ethiopia’s Primary Refugee-Hosting Regions**





The pilot project is expected help create an LED platform for public-private engagement, assist in the development and operationalization of an LED strategy for the woreda, and result in an LED impact report that highlights the measurement of the intermediary LED outcomes and impacts as well as an LED operational toolkit to support the replication and scaling up of this approach in other woredas.

## Methodology and Limitations

The background research for this operationally focused report was conducted using primary and secondary data. A desk review resulted in the preparation of a stakeholder map, which identified the key stakeholders involved in non-farm livelihoods in Ethiopia. This served as the basis for the first set of consultations with key actors held in December 2020. Another series of consultations was organized in March 2021 on nonfarm livelihoods interventions in Ethiopia and lessons learned to gather input on the methodology used for fieldwork. The consultations involved World Bank LED project task team leaders, nongovernmental organizations (NGOs), social enterprises,<sup>2</sup> digital enterprises, incubators, and accelerators, as well as donors, foundations, and impact investors. Subsequently, the research team conducted fieldwork in the woredas where DRDIP has been implemented, except in Tigray,<sup>3</sup> using the following qualitative methods: local consultations, in-depth interviews, focus group discussions, and case studies.

To inform the sampling strategy, data were collected about the local context from woredas through a series of rapid interviews with local actors, including representatives of local government, private enterprises, and NGOs, about the

main characteristics of the local economy and existing interventions. Consultations with regional DRDIP livelihood specialists and implementation support teams were followed by woreda-level consultations with relevant government offices, private sector actors, community actors, and NGOs. Interviews and focus group discussions revolved around DRDIP and other interventions on nonfarm livelihoods; they included questions on the local business environment and local economic actors. Validation meetings were organized at the end of the data collection process.

**Caveats.** A stakeholder mapping of this nature is necessarily static, reflecting those who were active at the time of the research. The stakeholder maps will need updating when and if programmatic interventions are conducted. Further, a stakeholder mapping of this nature could never be comprehensive: instead, this report represents a preliminary effort to identify a typology of actors who are engaged in or who could be engaged in LED in Ethiopia. Finally, the political situation in Ethiopia remains in flux. Conflict broke out in Tigray in November 2020, which then spilled over into the neighboring regions of Afar and Amhara, resulting in widespread displacement, food insecurity, and increased humanitarian need. The conflict also contributed to the deterioration of the country's broader macroeconomic context, with the United States suspending Ethiopia from the African Growth and Opportunities Act in November 2021, which had ensured duty-free access of Ethiopian goods to U.S. markets (see The White House 2021). Perhaps most importantly, the conflict caused LED to slip off the list of government priorities—as well as the priorities of some donors—while government reorganization led to the restructuring of some of the principal stakeholders identified in this report, including through changed mandates or by being absorbed into other ministries. Programmatic intervention will therefore require a reassessment of actors engaged in LED.

---

2. Social Enterprises – “any private activity conducted in the public interest, organised with an entrepreneurial strategy, but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has the capacity for bringing innovative solutions to the problems of social exclusion and unemployment” (OECD, 1999)

3. The military confrontation between the Ethiopian National Defence Force and the Tigray Peoples Liberation Front/Tigray Defence Forces did not allow the research team to conduct fieldwork in Tigray. This study therefore covers 15 out of the 16 woredas where the program has been implemented.

## Structure of the Report

This report is organized in six chapters. Following this introduction, chapter 2 briefly discusses the LED approach, including how it differs from other livelihood programming approaches, how the World Bank defines it, and its key strengths, and critiques. This chapter also outlines the rationale for creating an LED platform at local government

level in Ethiopia. Chapter 3 outlines the economic context in Ethiopia as it relates to the LED approach; chapter 4 investigates the major players in the Ethiopian LED ecosystem and elaborates on operationalizing the LED approach in Ethiopia; and chapter 5 explores the issues involved in operationalizing a transformational LED approach in Ethiopia. Following a concluding chapter, appendix A presents the results of the stakeholder mapping.





## 2. What is the LED Approach to Development Planning?

### What is Local Economic Development?

Local economic development (LED) is a territorial approach to development planning. It refers to the “process by which public, business and nongovernment sector partners work collectively to create better conditions for economic growth and employment generation” (World Bank 2006: 1). It focuses on maximizing the comparative advantages of localities, including improving the local business environment; building local skills; promoting cluster development, which often involves micro-, small, and medium-sized enterprises; and encouraging trust and partnerships between the private sector, public institutions, and civil society (Ruecker and Trah 2007).

Some scholars date the evolution of the LED concept to the 1930s, when local communities explored options for creating job opportunities in response to the closure of factories or the reduction of workforces during the Great Depression in the United States (Leigh and Blakely 2016). Others, including the World Bank, argue that the concept emerged out of efforts by municipal authorities to attract investment in a context marked by rapidly moving capital and to respond to the persistence of locality-specific development problems (Rodríguez-Pose and Tijnstra 2005; World Bank 2006; Nel 2001). Notwithstanding such debate over LED’s origins,<sup>4</sup> LED planning has gained prominence over the past two to three decades, particularly in the developing world because “the prospects for and promises of LED seem to be huge” (Akudugu and Laube 2013: 3). Leading international development agencies, including the World Bank, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and the United Nations Development Programme, have

---

4. The disagreements over the origins of LED mask more fundamental disagreements over the precise meaning of the concept and its goals.

embraced and sought to apply the concept (Marais 2010; Rogerson 2010). Acceptance levels have also increased among developing countries as traditional top-down development strategies have proven ineffective in generating the required momentum for local development (Rogerson 2014). Among the more frequently identified benefits of LED are that it marks a shift from nationally or internationally owned top-down development programs to participatory bottom-up development processes that are locally owned. LED is also intended to be propelled by local resources and actors who identify, design, and implement LED strategies (Akudugu and Laube 2013). The study of the localized nature of economic growth has broader roots, of course—drawing on various strands of scholarship on economic agglomeration; most studies examine the reasons why economic growth can be localized in certain circumstances.<sup>5</sup> While the focus of this report is more operational, it is worth noting that scholars continue to disagree over LED drivers and that these disagreements—and the extent to which they are reflected in the design of development projects—can significantly impact the success or failure of projects seeking to operationalize LED.

LED measures encompass more than support from local government authorities for agriculture and micro- and small-scale enterprises. International development agencies and western scholars distinguish between traditional and current LED approaches. Traditional approaches, which are still employed by many local government authorities in developing countries, consist of efforts by local authorities or municipalities to attract firms to a specific locality through subsidies, infrastructure, and reduction of taxes, and by supporting existing enterprises. More recently, LED has been seen as a process by which multiple actors

---

5. See Helmsing 2001 for an overview.



working in concert devise and implement initiatives to stimulate or revamp local economies and create local prosperity. Current LED planning efforts focus on the multistakeholder approach.<sup>6</sup>

In other words, the contemporary definition of LED does not merely comprise economic output or outcomes; it is also, more importantly, a process wherein the building of partnerships and joint promotion of economic activity by multiple actors is key. Thus, the success of LED is not measured solely in terms of enhanced economic activities and job creation in a given territory, but instead in the generation of a strong stakeholder partnership arrangement that allows government agencies, local businesses, and civil society actors to negotiate the best ways to promote LED.

The concept of LED has been critiqued by some scholars who continue to argue that the expression is “slippery” and “imprecise, ill-defined and open to multiple interpretations” (Akudugu and Laube 2013: 4). According to such critics, LED essentially represents a technocratic response to the failures of the conventional development approaches applied after World War II; in other words, LED does not actually represent a move toward a more inclusive, bottom-up form of development (Rogerson 2014). This position, they argue, is borne out by the fact that, notwithstanding official government rhetoric around the adoption of LED approaches, LED projects depend almost entirely on the funding and initiative of donors. Most LED projects, they argue, become dormant when donor funding ends (Akudugu and Laube 2013: 16). A more fundamental critique relates to the fact that “economic governance techniques”—which often depend upon local political economies, play a fundamental role in the success—or failure—of LED efforts, and mainstream LED planning processes rarely take them into account. Critically, a final group of scholars criticize traditional LED approaches

---

6. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), which has been particularly active in LED promotion in Africa, views the concept as “an on-going process by which key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society, work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses, and strengthen the competitiveness of local firms” (Rueker and Trah, 2007: 15). The Organization for Economic Co-operation and Development has also adopted a similar definition (OECD 2014).

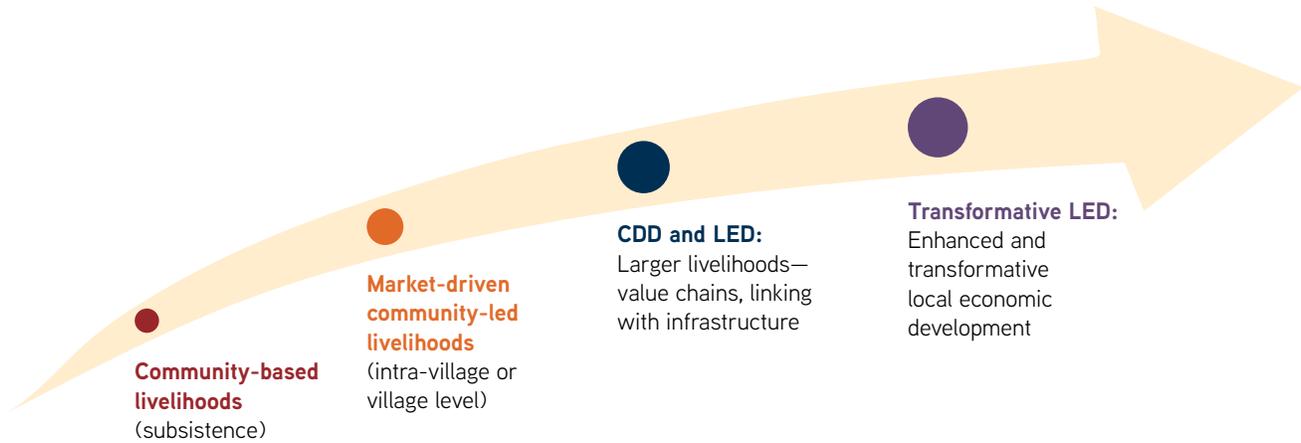
for not drawing a distinction between economic growth (a simple increase in economic output) and development (an increase in output as well as the technical and institutional arrangements by which such output is produced and distributed) (Wolman and Spitzley 1996). Such scholars argue that LED approaches are in fact only concerned with economic growth rather than more holistic forms of economic development. Even in the narrower sense, it is crucial to define what is meant by economic growth—for example, whether policy makers are using the term to refer to an increase in income, employment, or both (Wolman and Spitzley 1996). Each policy goal requires a slightly different combination and orientation of LED policies.

## Moving Toward a Transformational LED Approach

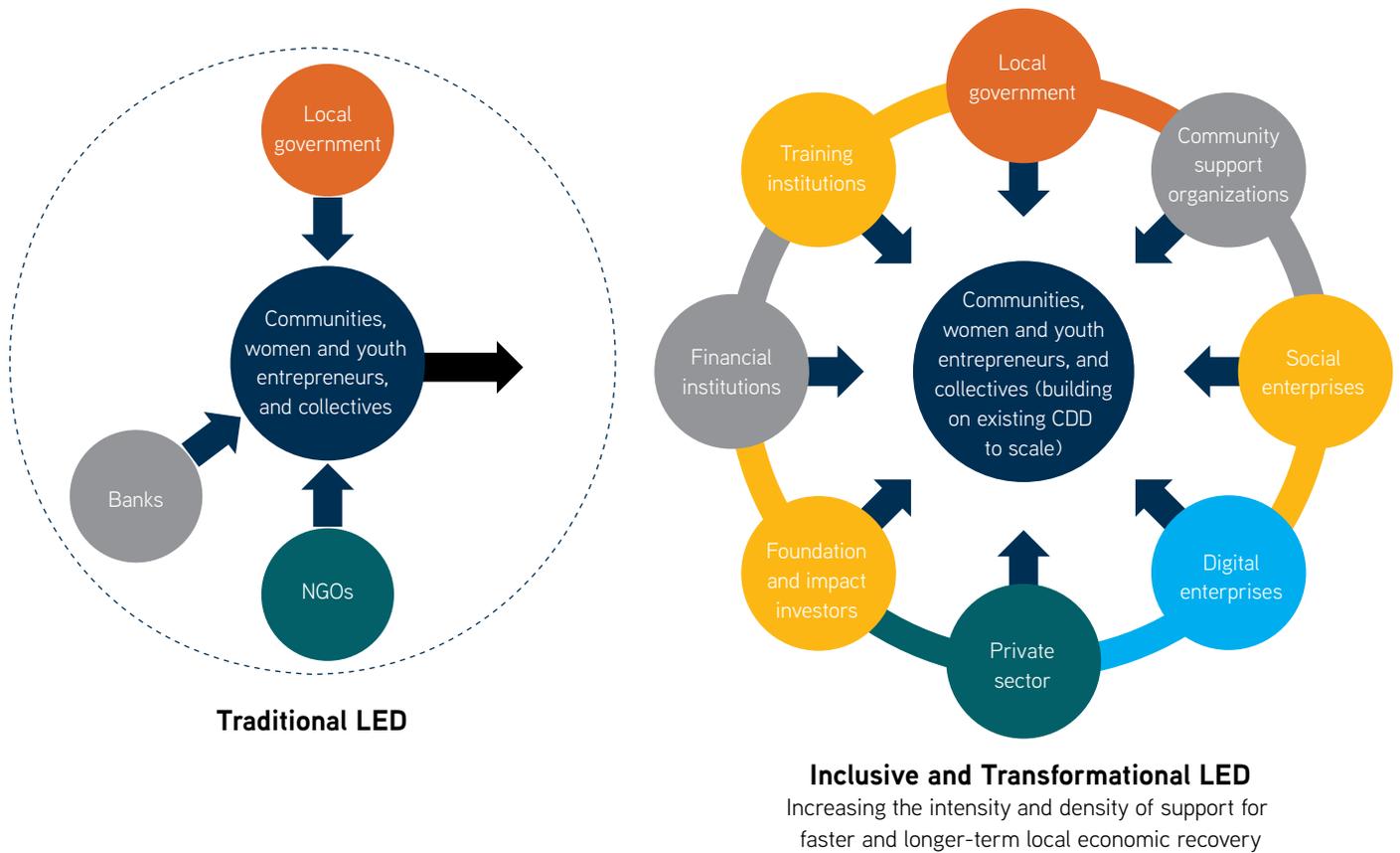
The valid critiques of traditional approaches to LED and the impacts of the COVID-19 pandemic reaffirm the need for a different approach to LED. Further, a review of existing World Bank CDD operations points to the fact that, for the most part, even the World Bank has taken a traditional approach to operationalizing LED by engaging with a relatively limited number of stakeholders—communities, local governments, and nongovernmental organizations (NGOs), with projects arrayed on a spectrum ranging from traditional CDD-based livelihood projects focusing on subsistence livelihoods to highly advanced projects providing comprehensive livelihoods support (figure 2.1).

As previously noted, moving toward a transformative approach to LED will require working with a far broader array of stakeholders than has been done in traditional LED interventions (figure 2.2). This expanded set of stakeholders include digital enterprises, which expand access to finance and create new economic opportunities; private sector actors participating in public-private partnerships and investments; social enterprises, which make last-mile service delivery more efficient; and financial institutions, which help channel finance for development. Engaging with foundations and impact investors can also mobilize additional resources and technical expertise.

**Figure 2.1. Spectrum of Existing CDD and LED Project Approaches at the World Bank**



**Figure 2.2. Moving from Traditional to Transformative LED Processes**





## Creating an LED Platform at the Local Government Level

While conducting research for this report, it became clear that there was a need to enhance partnerships among various LED stakeholders and coordinate the approach to local development. Interviews with national and local stakeholders highlight the fact that, although multiple interventions supporting LED exist, and despite the growing interest in supporting women and youth entrepreneurs, the impact of existing development interventions is being undermined by a fragmented LED ecosystem. Projects are being implemented ad hoc, and organizations often work in silos even if their objectives are similar. Actors operating in the area have limited information about who the relevant local actors are and what they are doing, which has led to a lack of coordination among stakeholders and prevented them from creating synergies. LED programs therefore do not have the expected scale and impact. While there has been a proliferation of interventions, information on existing interventions is limited and fragmented, making it difficult to identify organizational strengths and weaknesses and lessons learned. Even many of the World Bank's existing LED projects focus on urban areas—where the concept of LED was first pioneered. Less has been done in rural and peri-urban areas, although there has been a great deal of investment in community-driven development projects, including support to community institutions such as cooperatives producer organizations and self-help groups. The outbreak of the COVID-19 pandemic has strongly affected local economies and these institutions, and most stakeholders agree that post-COVID-19 interventions will need to involve emerging actors who have played key roles in reducing the impact of the pandemic in many countries, such as digital and social enterprises.

It follows that a new way of working is needed to scale up the impact of existing development interventions, by moving from a project-based approach to development to one focused on the ecosystem to create synergies and leverage the potential of community support organizations, social enterprises, and digital enterprises. Local governments will remain on the front lines of the long-term local economic recovery; however, they are ill equipped to respond to the emerging context, particularly in a more digitized era when partnerships with communities, the private sector, and others have proven essential to building long term-resilience. Building LED platforms at the local government level to converge digital enterprises, social enterprises, community support organizations, and the private sector can develop an intense and dense ecosystem to support communities and accelerate LED and longer-term COVID-19 recovery.

These ideas were presented to a group of stakeholders during a series of consultation meetings organized in December 2020 and March 2021. Stakeholders involved included staff from the World Bank and International Finance Corporation (IFC), NGOs and private sector representatives focused on digital and social enterprises and incubators, donors, and impact investors. Table 2.1 provides a synthesis of the inputs collected from stakeholders participating in the consultations.

A transformative approach to LED—moving from project-based approaches to establishing local and regional platforms for inclusive economic development—would therefore need to build on the findings presented here and require a series of systematic steps (figure 2.3). The rest of this report outlines the findings of analysis undertaken in furtherance of the first two steps: the mapping of the LED ecosystem and the identification of pilot counties.

**Table 2.1. Synthesis of Stakeholder Input During Consultations, December 2020–March 2021**

Opportunities	<ul style="list-style-type: none"> <li>◆ Address fragmentation of action by providing a forum for knowledge sharing and discussions on lessons learned and best practices.</li> <li>◆ Increase impact by enhancing coordination, avoiding redundancies, and assessing areas of possible collaboration and synergy.</li> <li>◆ Complement the existing refugee policy structures, especially in refugee-hosting woredas, which is not fully operational in most places.</li> <li>◆ Provide a platform to discuss new ways of working to support the needed post-COVID-19 scaling up of efforts.</li> <li>◆ Inform woreda-level LED strategies.</li> <li>◆ Leverage community support organizations and social enterprises and ensure collaboration with foundations, impact investors, technology companies, incubators and accelerators, and private sector actors.</li> <li>◆ Share data such as recent local assessments.</li> </ul>
Risks and Challenges	<ul style="list-style-type: none"> <li>◆ Lack of accountability and leadership.</li> <li>◆ Difficulty coordinating with actors with different timeframes.</li> <li>◆ Competition among members and tendency for members to praise the importance of their contributions and results.</li> <li>◆ Lack of sectoral focus; livelihoods and/or development are broad concepts, increasing risk of confusion/lack of clarity about implemented.</li> <li>◆ Interface-related problems include a lack of clarity on what needs to be done in practical terms and unclear roles, benefits, and expectations</li> <li>◆ Challenges to funding levels and the long-term sustainability of stakeholders.</li> <li>◆ Implementation capacity of woreda government offices is low.</li> <li>◆ Tendency to become “talking shop,” lack of direction and orientation toward real action and change.</li> <li>◆ Duplication of platforms and coordination structures.</li> </ul>
Recommendations	<ul style="list-style-type: none"> <li>◆ Clarify platform benefits to all stakeholders early on to ensure their buy-in.</li> <li>◆ To avoid duplication, liaise with organizations involved in similar platform-type of initiatives at the national level and existing coordination structures at the local level, and/or use the platform to consolidate strategic-level outcomes for existing platforms.</li> <li>◆ Include both public and private actors and build on public-private dialogues with the support of trade and investment bureaus—key players in the mobilization of private actors and investors.</li> <li>◆ Engage in advocacy to create a business-enabling environment by modifying government policies in some areas.</li> <li>◆ Provide mechanisms that will ensure that interventions are self-sustainable, such as financing and capacity-building support.</li> </ul>

**Figure 2.3. Steps Needed to Move from Project-Based Approaches to Establishing Local and Regional Platforms for Inclusive Economic Development**





### 3. The Need for a Transformative LED Approach in Ethiopia

This chapter outlines the need for a transformational approach to local economic development (LED) in Ethiopia. The country experienced rapid growth over the last decade, at an average of 9.4 percent per year from fiscal 2010/11 to 2019/20, with improving human development outcomes in terms of education, health, and other measures—largely attributable to growth in the agricultural sector and public investment-led growth in urban areas (Ronnas and Sarkar 2019). This rapid economic expansion led to a reduction in poverty levels from about 30 percent in 2011 to 24 percent in 2016 and an increase of per capita income. Poverty reduction has been particularly pronounced in urban areas but has occurred across the country (World Bank 2020).

Despite such progress, Ethiopia continues to be home to an extremely large population of very poor and vulnerable people. With an estimated per capita annual income of US\$790 in 2019, Ethiopia remains one of the poorest countries in the world and, more crucially, despite decreasing levels of overall poverty, the poorest have not equally benefitted from growth—consumption levels among the poorest rural groups have remained nearly unchanged, and shock-induced vulnerability is high.

Although the number of productive jobs that allow people to sustain themselves above the poverty line increased from 20 to 33 million between 2005 and 2015, the labor market remains challenging—especially for youth and women (Ronnas and Sarkar 2019). With nearly 2 million new entrants into the Ethiopian labor market every year, job creation remains a key challenge, made even more difficult by the limited size of the private sector and the lack of diversification of the Ethiopian economy, which continues to predominantly rely on agriculture. In fact, if Ethiopia’s ambitious Sustainable Development Goal of achieving productive employment and decent work for all by 2030 is to be achieved, job creation needs to increase rapidly—for a total

estimated 2.8 million jobs per year, twice as many as were achieved annually over period 2005–15. Approximately 2 million such jobs would have to be in the form of new jobs for the unemployed and new entrants into the labor market, while some 820,000 working poor would need to be able to access productive employment every year to eliminate poverty and working poverty (Ronnas and Sarkar 2019: n3). Both unemployment and—more crucially for a low-income country—levels of underemployment and vulnerable employment are high, while the cost of living has risen in an exponential manner over the past few years. The Ethiopian lowlands, characterized by arid and semiarid climates, limited resources, and infrastructure, and often located in remote areas, have also been faced with repeated natural hazards over the past few years, endangering livelihoods and triggering displacement.

Although the services and manufacturing sectors have shown signs of development in recent years, agriculture remains a key contributor to livelihoods in Ethiopia, accounting for 65 percent of employment. In fact, economic growth does not appear to have been associated with a commensurate productive and structural transformation of the economy and labor market. Despite very rapid agricultural growth, economic diversification outside the large cities has progressed slowly. The growth of nonagricultural enterprises, at least in rural areas, has so far been disappointing. The development of small and medium-sized enterprises has been lackluster, hindering vertical economic integration. This “missing middle” reinforces Ethiopia’s dual economy, with a large-scale, capital-intensive, and often foreign-funded and export-oriented modern sector on one hand and a traditional sector of very small enterprises on the other. This divide has a distinct geographic dimension, with the large-scale modern sector confined to large cities and some large commercial farms (Ronnas and Sarkar 2019: n3).



In sum, the Ethiopian economy is still characterized by its lack of diversification and an underdeveloped private sector. This is partly due to the predominant role of the public sector in some subsectors, such as telecommunications, financial and insurance services, transportation, and retail, as well as to national regulations protecting specific economic sectors from foreign investment. Enterprises suffer from foreign exchange shortages, lack of access to finance capital, difficult access to inputs, bureaucratic delays, lack of energy, and low skill levels in the workforce. And economic growth has been concentrated in Ethiopian highlands and in urban areas, but the diversification of livelihoods remains particularly low in the lowlands.

Although the industrial sector still makes a modest contribution to the country's gross domestic product, it is expected to grow in the future. It currently relies mostly on food processing, beverages, textiles and garments, leather,

chemicals, metal processing, and cement production. The tertiary sector is of strategic importance because it brings in foreign exchange earnings, mainly through the successful state-owned company Ethiopian Airlines. Tourism and telecommunications are developing at a rapid rate. However, while the COVID-19 pandemic has had a limited impact on agriculture, it has strongly affected the tourism, hospitality, air transport, and manufacturing sectors.

Successive Growth and Transformation Plans outline a strategy for Ethiopia to become a middle-income country by 2025, and a 10-year development plan has been prepared for 2021–30 (GoE n.d.). One government priority has been to develop the private sector through foreign investment and industrial parks, with the objective of improving the productivity of the agriculture and manufacturing sectors. Nonfarm activities, together with entrepreneurial promotion and micro- and small-scale enterprises manufacturing



development are identified as key areas to address in the structural transformation of Ethiopia's economy. It is relatively well accepted that nonfarm livelihoods can positively affect welfare and are associated with higher per capita household expenditures (Adjognon et al. 2017). Nonfarm livelihoods are also very important to refugees and other displaced people who may have no or very limited access to land. Further, nonfarm livelihood development in rural areas is shown to have a positive effect on economic development and resilience due to improving factors such as household income diversification, rural employment, poverty reduction, and a more spatially balanced population distribution. For the vast majority of rural households, however, off-farm economic activities still provide only a minor source of employment and income. While there is some evidence of an opportunity-driven shift of labor from agriculture to more productive economic pursuits in the nonagricultural sectors, there is also evidence of a parallel distress-driven shift of labor out of agriculture as rural households are forced to turn to casual agricultural wage work or self-employment in low productivity services (Ronnas and Sarkar, supra n3). The Ethiopian government is aware of these challenges and established the Jobs Creation Commission to spearhead the agenda of employment creation in the country.

This context, and Ethiopia's ability to achieve its development targets has been further complicated by the COVID-19 pandemic and by social and political unrest and associated internal displacement. The pandemic has led to

a deterioration of the overall macroeconomic environment and has exacerbated existing inequalities in the labor market as job losses have been concentrated among the disadvantaged—that is, the self-employed and casual laborers. Gender inequalities have also intensified: more women than men lost their jobs. Firm revenues and household incomes are depressed, pointing to weakening domestic demand, and high inflation has added to the affordability challenges faced by households (World Bank 2021c). The economic challenges have been compounded by widespread insecurity, conflict, and high levels of internal displacement in some parts of the country.

For Ethiopia to address its development challenges in this context, LED strategies will likely be critically important because the scale and number of challenges is much greater than the government of Ethiopia can address on its own. Nowhere are these challenges starker than in the Ethiopia's refugee-hosting areas, most of which are situated at the county's periphery in historically lagging regions. The local economy in these areas is hindered by limited access to markets and inputs, low education levels, and lack of access to finance. In these regions, the economy is dominated by informality and agricultural activities.

The next section turns to a schematic description of the LED landscape in Ethiopia and current approaches to LED being undertaken by various stakeholders.



## 4. The LED Landscape in Ethiopia

### Key Actors

The local economic development (LED) ecosystem in Ethiopia is dynamic, with new actors and stakeholders emerging over the past few years, although the current conflict and insecurity and COVID-19 impacts threaten the continued development of some of them. Below is a description

of identified actors (represented schematically in figure 4.1). These categories are not absolute—some actors play multiple roles or belong to more than one group. Furthermore, the mapping is not comprehensive; it is merely intended to establish a typology of stakeholders that may be relevant to LED. See appendix A for a complete list of organizations identified during this research.

**Figure 4.1. Local Economic Development Stakeholders in Ethiopia**



NGOs = nongovernmental organizations.



## Private sector and nontraditional actors

Private sector actors comprise an extremely heterogeneous and diverse group of stakeholders, which can be subclassified as:

- ◆ **Social enterprises.** This category encompasses a wide variety of enterprises, ranging from those supporting women entrepreneurs in apiculture to entrepreneurs through mentoring, coaching, and training. Social enterprise activity in Ethiopia is growing. There were 55,000 social enterprises in Ethiopia in 2019. Nearly 75 percent of social enterprises were established since 2010 and half of social enterprise leaders are aged under 35. Women lead over a quarter (28 percent) of social enterprises, compared to leading just 4.5 percent of mainstream Ethiopian businesses. (British Council 2019).
- ◆ **Digital enterprises.** Despite relatively low internet penetration, digital enterprises particularly the digital financial service providers have mushroomed in Ethiopia, offering customers and enterprises the ability to deposit, receive, transfer, and spend money; conduct cashless transactions; and receive international remittances. In addition to digital financial service providers, there are several digital enterprises that provide business development support to entrepreneurs. These actors provide different forms of technical support for entrepreneurs, for example, by acting as online talent recruitment platforms for freelance workers in technology start-ups, providing online training modules, and offering sector-specific services in areas such as agriculture and conservation.
- ◆ **Start-up accelerators and incubators.** These organizations support entrepreneurs; many are aimed at micro-, small, and medium-sized enterprises, including some with a specific focus on women and youth entrepreneurs. They support entrepreneurs through a variety of measures: offering access to affordable capital, mentoring and coaching, providing strategic consulting support, and offering practical training programs. Some have a specific sectoral focus, such as agribusiness.

## Financial Institutions

Ethiopia's financial services sector is growing fast and consists of 19 commercial banks, around 18,000 savings and credit cooperative groups (typically referred to as SACCOs), and more than 12 mobile money services. In 2021, Ethio Telecom, the country's only mobile operator, launched its mobile money service, TeleBirr. TeleBirr's mobile money service enables users to send, receive and store money on their phones for paying for goods and services and receiving money from abroad. The TeleBirr wallet can also link bank accounts and reportedly offer savings and loans services as well. Ethio Telecom intends to secure 21 million users within the first year and target 33 million in 5 years, with 40 to 50 percent of the country's annual economic output transacted on the platform in five years. (Mondato 2021).

## Community Support Organizations and NGOs

Community support organizations and nongovernmental organizations (NGOs) play important roles in LED by directly focusing on the economic and social empowerment of various vulnerable groups, including youth and women. Specific measures taken by surveyed organizations include expanding access to finance and financial services and supporting the creation of self-help groups and cooperatives.

## Development financial institutions and new age foundations

Like private sector actors, development actors represent an extraordinarily broad collection of organizations and disparate goals, including bilateral donors, a broad array of relatively new development actors such as foundations that play funding and operational roles; large international NGOs; multilateral organizations, including the United Nations and its specialized organizations, the International Finance Corporation (IFC), and the World Bank; and the development agencies of multiple donor countries, such as the Foreign, Commonwealth and Development Office;<sup>7</sup> the United States Agency for International Development (USAID); and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH

---

7. The Foreign, Commonwealth and Development Office's mandate is clearly much broader than international development.



(GIZ). The new age foundations such as Gates Foundation, Mastercard Foundation, Ikea Foundation are playing an important role in promoting LED focused on women, youth, refugees, and vulnerable communities.

### Government actors

Government actors at multiple levels play critical roles in the operationalization of LED strategies. Of critical importance, of course, are local government authorities, who are responsible for the implementation design for LED strategies. Other important government stakeholders include:

- ◆ **Jobs Creation Commission (JCC).** Before being absorbed into the newly created Ministry of Labour and Skills after the ministerial reorganization of 2021, the JCC was the leading government actor driving the job creation agenda in Ethiopia through the promotion and support of innovation, entrepreneurship programs, and private sector engagement around job creation.
- ◆ **Ministry of Agriculture.** The ministry is focused on poverty reduction through the modernization of the agricultural sector, the enhancement of a market-orientated agriculture system, and the conservation of natural resources.
- ◆ **Ministry of Women and Social Affairs.** This ministry handles social matters previously managed by the Ministry of Labour and Social Affairs as well as those previously managed by the former Ministry of Women and Children Affairs.
- ◆ **Federal TVET Institute.** The institute's mandate is to provide quality short- and long-term training, demand-based research, technology, and consultancy services in support of micro- and small-scale enterprises.
- ◆ **Federal Micro and Small Enterprise Development Agency.** This agency leads the revision of the micro-, small, and medium-sized enterprises development strategy, which is likely to be of critical importance to LED planning over next few years.

- ◆ **Refugees and Returnees Services (RRS).** The RRS plays a critical role in refugee-hosting areas, especially through provision of services, and more recently through the provision of livelihood support; it has also taken the lead in implementing the Comprehensive Refugee Response Framework for more predictable and equitable responsibility sharing. This framework is incorporated into the Global Compact for Refugees in recognition that solutions to refugee situations require international cooperation.

### Examples of Existing Approaches for LED Engagement

To illustrate how the proposed LED platform could spur cooperation among diverse groups, the remainder of this chapter builds on the typologies of the identified actors and outlines some of the ways they have engaged with LED.

#### Building resilience with livelihood diversification

Following a US\$70 million project—Pastoralist Areas Resilience Improvement and Market Expansion (PRIME), implemented during 2012 and 2019—USAID is implementing the Resilience in Pastoral Areas program, aimed at addressing the resilience capacities of households, markets, and governance institutions. The project plans to contribute to enhanced food security and inclusive economic growth for over 129,129 households. It covers 38 woredas across four regions: Afar; Oromia; Somali; and Southern Nations, Nationalities, and Peoples' Region. The five implementing partners are CARE, Mercy Corps, International Development Enterprises, Goal, and Project Concern International. The project, which began in 2020, runs until 2025. While the implementation was delayed in 2020 because of COVID-19, the project has provided a support package worth 8,000 Birr to 225 enterprises in Oromia and Somali regions and 94 enterprises in Afar that were affected by flooding. In terms of government partners, USAID's main counterpart is the federal Ministry of Peace, which is in charge of coordinating development and humanitarian initiatives in the lowland areas.



The project includes a livelihood diversification component that supports pastoralist communities with natural resource management, animal health, access to markets, and nutrition messaging, while providing alternative livelihood options for those who are unsuccessful with live-stock production. Partnering with local training institutions, the project provides access to soft and hard skills training opportunities, links with the private sector for on-the-job training, and offers subsistence allowances for interns. In parallel, to address the finance issue, USAID plans to partner with the JCC to support local microfinance institutions in creating mentorship programs for youth.

In addition to the agriculture sector, USAID considers sub-sectors critical to the broader development of the value chain, especially transport, energy, digitalization, and mobile banking—especially in the Somali Region. Finally, beyond the Resilience in Pastoral Areas program, USAID has tried to improve the business enabling environment through advocacy to liberalize the market and remove barriers hindering the development of small and medium-sized enterprises (SMEs).

### Supporting entrepreneurship

There has been a notable push to support entrepreneurship in Ethiopia, which has been receiving increasing attention and support. Among the notable initiatives that have emerged is the Entrepreneurship Development Programme of the United Nations Development Programme (UNDP), implemented by the Ministry of Urban Development and Housing. Implemented in two phases (2013–17 and 2017–20), the aim of the program was to improve the productivity, competitiveness, and job creation potential of the SME sector by providing support for entrepreneurship competency development, including training and business development services. It focused on:

- ◆ Training over 55,000 entrepreneurs (37 percent of whom were women);

- ◆ Providing business development services support to over 8,500 entrepreneurs; and
- ◆ Training 212 entrepreneurship trainers and 403 business development advisors to conduct entrepreneurship training.

The Entrepreneurship Development Programme created offices in Amhara; Oromia; Tigray; and the Southern Nations, Nationalities and Peoples Regional States; and it formed partnerships with five public universities in Addis Ababa, Adama, Bahir Dar, Hawasa, and Mekele. This allowed students to benefit from the entrepreneurship program by accessing training, business development services, and incubation space for start-ups before entering Ethiopia's workforce upon graduation. In 2018, Social Enterprise Ethiopia (SEE), a membership organization for social enterprises, was created, allowing members to connect with other social entrepreneurs, government, donors, investors, and partner organizations. The organization also offers training programs, mentoring, coaching, advisory support, and other business development services. One of its main partners is the Swedish NGO Reach for Change, which has supported social entrepreneurs in Ethiopia since 2015. Reach for Change runs development programs to help social entrepreneurs scale their innovations through capacity building, network connections, and funding, including:

- ◆ **Innovation lab.** Selected entrepreneurs receive coaching in business development, leadership, and expansion strategy, along with a start-up grant of ETB 30,000.
- ◆ **Student training.** Selected students are trained in product design and financial management and are coached to develop an entrepreneurial mindset. They also learn practical steps to starting a small business. At the end of the program, students receive certificates of participation and have a better chance of being selected for the Reach for Change Innovation Lab Programme.

- ◆ **Business readiness.** Selected entrepreneurs are given access to business experts who help them build their business model, become financially sustainable, attract investors, and become profitable. The highest performing businesses in the program also receive financial support to help them grow.

### Using market-based approaches in refugee-hosting areas

The Strengthening Host and Refugee Populations (SHARPE) project, funded by the Foreign, Commonwealth and Development Office is aimed at strengthening the economies of host and refugee populations in Gambella and Somali regions (Jijiga and Dollo Ado) using a market-based approach. Implemented by DAI, the three-year program (2019–22) is expected to benefit 200,000 people by helping refugee and host beneficiaries improve their livelihoods, increase their incomes, and achieve savings. SHARPE focuses on financial and business development services; regional market development for horticulture, livestock, and poultry; and aid reform, including aligning the humanitarian and market-based interventions to support the growth of local businesses and local markets and facilitating investment and innovation in commercial clean energy solutions. The types of intervention vary greatly from one region to another based on the local opportunities and the presence of viable products and partners. To include the private sector, SHARPE on a co-investment approach so that larger firms based in Addis Ababa would begin operating in refugee-hosting areas with financial support from SHARPE for start-up costs. For example, SHARPE supported the expansion of Hello Solar, a company that imports home solar systems, in Jijiga and Dollo Ado. The main difficulty faced by SHARPE is the lack of viable private sector actors in some refugee-hosting areas, which has increasingly led the project to work with SMEs along value chains. For example, one crop-sector activity was the identification of the seed production potential in Gambella, Jijiga, and Dollo Ado as a way to solve the problem of poor access to quality inputs.

Another example of a market-based approach is the work conducted by the NGO Mercy Corps. For the last

15 years, Mercy Corps has used market systems development approaches across multiple sectors and geographies in Ethiopia. According to a Mercy Corps brief on market systems development, between 2015 and 2020, the NGO partnered with over 2,400 private sector businesses in Afar; Amhara; Oromia; Somali; and Southern Nations, Nationalities, and Peoples' regions, ranging from large agroprocessing factories to microenterprises serving poor communities at the village level. Through these partnerships, over US\$16 million in private sector investment has been leveraged, the lives of 5.2 million people have been improved (Mercy Corps 2020).

Currently, Mercy Corps and CARE are also implementing the USAID-funded Resilience in Pastoral Areas program in Afar, Somali, and Oromia regions, as well as in South Omo. One of that project's components is to support diversified and sustainable economic opportunities for pastoral and agropastoral women and youth. It specifically supports people who are transitioning out of pastoralism by providing labor market and financial services, using a market systems development approach and with significant private sector involvement. Mercy Corps helps link job seekers with SMEs and large manufacturing firms with the potential to create wage employment opportunities. The NGO promotes self-employment with various cost-sharing modalities, engaging the private sector along the different value chains. It also assesses areas where women can potentially engage and be able to generate income.

### Providing training and job placement for host and refugee youth

GI Z has been working with the Ethiopian technical and vocational education and training (TVET) sector for 25 years, notably through the Sustainable Training and Education Programme, originally implemented 2015–18 and since extended. The program's objective is to support key actors in strengthening the institutional framework of the TVET and higher education sector. During the first phase, more than 15,000 university graduates obtained qualifications in the course of the program, and around 750,000 students have benefited from improved conditions in the higher education sector.



In refugee-hosting areas, GIZ has implemented the Qualifications and Employment Perspectives program for refugees and host communities (2017–23). Funded by the German Federal Ministry for Economic Cooperation and Development and NORAD, the Norwegian Agency for Development Cooperation, the program is being implemented in Addis Ababa; Jijiga, Aw Barre, and Shedder in the Somali Region; Asosa and Bambasi in the Benishangul-Gumuz Region; Gambella town, Nguenyiel, and Jor in the Gambella Region; and Shire and Mai Tsebri in the Tigray Region. Program partners are the Ministry of Science and Higher Education, TVET bureaus, the RRS, and the United Nations High Commissioner for Refugees (UNHCR).

The program creates inclusive vocational training and employment opportunities for refugees and Ethiopians across the country by improving the quality of the TVET centers and supporting internship programs.

GIZ also implements a sustainable inclusive employment program targeting university graduates. Selected participants are offered six-month apprenticeships and receive coaching from both their employers and the TVET. At the end of the first round of this six-month program, about 50 percent of the beneficiaries obtained permanent employment. Refugees were included among the beneficiaries, and the program has so far facilitated about 70 work permits for refugees, working closely with the RRS in Addis Ababa and Asosa.

In addition, GIZ now supports entrepreneurs under a new initiative being implemented in Addis Ababa, Benishangul Gumuz, and Gambella. Partnering with local government offices, GIZ supports self-employment by coaching youths wanting to start a business. A pilot was conducted in Addis Ababa with the inclusive vocational college, where applicants took part in a business plan competition after receiving training. Selected beneficiaries then received in-kind support (the program did not provide seed money).

GIZ supports employment in the manufacturing sector in all regions, especially woodworking, metalwork, and

construction. In Gambella and Somali regions, there is a particular focus on agriculture.

### **Promoting women's economic empowerment**

The Bill and Melinda Gates Foundation is working on the initiatives related to agriculture, health, and nutrition, partnering with the Ministry of Agriculture and CARE to narrow the gap between women and men in the agricultural sector. The goal is to strengthen the work of the Ministry of Agriculture on mainstreaming gender into its programs and conducting gender-transformative interventions that link women smallholders to markets

### **Offering livelihood opportunities to refugees and hosts**

Over the period 2012–18, the IKEA Foundation invested in Dollo Ado, working closely with UNHCR and the Ethiopian government. The program initially focused on building basic infrastructure and providing services essential to the community but since 2015 has focused on the economic integration of refugees while at the same time supporting host community members, including by establishing cooperatives that involve an equal number of members from refugee and host communities. Established cooperatives received vocational training and basic inputs, covering sectors such as agriculture, livestock, energy, and microfinance. To support the growth of the agriculture cooperatives, the foundation has funded the irrigation construction. Notably, evaluations conducted by the University of Oxford's Refugee Studies Centre find that the program resulted in increased income for 87 percent of refugee participants (RSC 2020).

The IKEA Foundation has also worked on livestock value chains by supporting the development of infrastructure and creation of cooperatives at multiple stages of the value chain, including wholesale, retail (milk and meat selling), and support services (animal slaughter and health). This intervention has taken advantage of the opportunities offered by cross-border trade—the cooperatives do not rely solely on the local market but also on exports to Somalia and Kenya. However, not all measures have been effective. For example, despite an attempt to address the challenges



around refugees' access to energy, women-led cooperatives established to produce charcoal briquettes that could replace firewood have not succeeded (RSC 2020).

In some regions, such as Benishangul-Gumuz, Somali, and Tigray, in addition to Addis Ababa, UNHCR actively participates in public-private dialogues during which private sector representatives and government actors can discuss options for improving economic opportunities for refugees. The dialogues are organized in collaboration with the regional Bureaus of Trade and Investment who help mobilize private sector actors working in different value chains. UNHCR stresses that most private sector representatives are willing to work with refugees but need relevant government policies in place. UNHCR also supports the RRS's unit dedicated to livelihoods and job creation through technical support and capacity building at the regional and the federal level.<sup>8</sup>

Barriers cited by UNHCR to its livelihood interventions include a lack of basic infrastructure; a limited presence of private sector actors and investments; a weak enabling environment; a limited number of development actors on the ground to move interventions to scale; restrained access to markets; and challenges around access to finance, especially formal sources. Two distinct shocks—the desert locust invasion and the COVID-19 pandemic—have also negatively impact implementation.<sup>9</sup>

---

8. Where there is no strategic partner on the ground, UNHCR is directly in charge of implementation, such as in the Somali Region where it supports value chain development in agriculture, livestock, energy, and environment. For its interventions, UNHCR uses an ecosystem approach, relying on formalized cooperatives (48 in total). The primary focus in terms of livelihoods is irrigation infrastructure (with nine irrigation schemes covering an estimated 1,000 hectares), while the project also supports storage through granaries construction, the establishment of vegetable nurseries, livestock fattening (goats and sheep), awareness raising, mass vaccination of animals, and linkages with community animal health workers' networks and marketing associations. According to UNHCR, agricultural and livestock interventions have now reached scale. Regarding energy and environment, UNHCR is supporting the production of solar mini-grids, briquettes, and solutions against invasive species. Regarding green energy solutions, the program is exploring scaling up solar solutions for productive use, irrigation, and cooperatives, in line with government policies. It also supports business development through basic training and support for the legal registration process, as well as capacity development. Finally, it seeks to strengthen access to formal financial services, working with formal microfinance institutions to ensure sustainability.

9. Presumably, insecurity has also impacted implementation.

### **Providing digital financial services**

Digital financial services are an emerging sector in Ethiopia, offering opportunities to address gaps that hinder LED. For example, the SHARPE project, funded by the Foreign, Commonwealth and Development Office, includes a component on access to finance by supporting digital finance. Partnering with the Somali Micro Finance Institution and HelloCash, SHARPE is building a network of mobile money agents to develop soft loan packages. The activities have not yet started in the Gambella Region, but SHARPE is in contact with Wegagen Bank. USAID has started working on financial inclusion through digital technology as part of the Feed the Future initiative and has already begun to incorporate digital financial services into its cash assistance programs, such as through USAID-funded PRIME project, where Mercy Corps partnered with Hello Cash to process relief payments allocated by the Somali Micro Finance Institution.

### **Supporting job creation initiatives by government actors**

Government stakeholders are important players in LED and job creation efforts. For example, LED stakeholders include Ethiopia's Federal Ministry of Finance and Economic Development (MoFED);<sup>10</sup> the Bureaus of Finance and Economic Development (BoFED)—the subnational counterparts; and WoFEDs—their woreda-level counterparts. MoFED, BoFED, and WoFEDs have a presence at all administrative levels and play key roles in the coordination of development programs.

The following activities of MoFED, BoFED, and WoFEDs are especially relevant to LED:

- ◆ MoFED is the co-chair of the Comprehensive Refugee Response Framework platform with the RRS and therefore a key stakeholder of refugee integration programs. An example of MoFED's work in support of refugee integration is the recent Urban Productive Safety Nets and Jobs Project, funded by the World Bank, which targets both host communities and refugees.

---

10. MoFED's mandate is to oversee the planning and implementation of development programs, including those that address climate change.



JCC, whose operations are based in Addis Ababa, is the agency primarily responsible for job creation in Ethiopia. Its mandate is to lead the job creation agenda by promoting and supporting innovation, entrepreneurship programs, skills development, and private sector engagement. JCC partners with multiple donors and national and international enterprises to create jobs, particularly for youth, and to develop the information and communications technology (ICT) sector (JCC 2020). The most relevant activities of the JCC to the LED ecosystem include:

- ◆ **Coordinating partnerships of federal and regional public institutions, private sector actors, and development partners; and mobilizing resources and innovative investments to promote businesses, start-ups, and job creation programs.** As of December 2020, many of JCC's clients were investors situated in industrial parks.<sup>11</sup>
- ◆ **Focusing on unemployed youth.** Youths are recruited at the woreda level in coordination with the Women, Children and Youth Affairs offices. After job seekers are screened, the positions are allocated, and trainings are provided. As of December 2020, the JCC had recruited and trained over 5,000 youths.<sup>12</sup>
- ◆ **Developing skills.** The JCC seeks to improve the services provided by the training and education sector to match the labor supply with market demand.

---

11. Note, however, that some investors have reportedly suspended manufacturing activities in Ethiopia, citing political volatility and the United States suspending Ethiopia from the African Growth and Opportunity Act—which means that Ethiopia no longer has duty-free access to U.S. markets (Reuters 2021; The White House 2021).

12. This is according to interviews with the project officer at the JCC.

- ◆ **Supporting innovation and the ICT sector.** To fulfill its mandate of driving the job creation agenda, JCC is increasingly focusing on innovation and the ICT sector by partnering with private sector operators to improve the country's ICT ecosystem. The partnership will provide students and professionals with training and international certifications in the ICT sector. It targets new graduates, students, and entrepreneurs to tap into the opportunities of the ICT sector and digital economy. The program will be implemented through universities and TVET institutions across Ethiopia, beginning with the certification of 800 professionals at 40 institutions, and then scaling up to 100 institutions over the next three years, ultimately providing training to 3,200 people.
- ◆ **Promoting data analytics and system development.** The JCC is dedicated to data analytics and system development to fulfill its mandate of monitoring and evaluating performance; and to generate a labor market information system that effectively links labor demand to supply. (JCC 2021).

These examples of the many existing LED approaches that are being operationalized in Ethiopia suggest an increasing tendency toward building LED ecosystems—or at least a wide range of partnerships—which the World Bank's proposed LED stakeholder platform could facilitate.



## 5. Operationalizing a Transformational Approach to LED

To operationalize a transformational approach to local economic development (LED) in Ethiopia, the World Bank intends to pilot the creation of LED platforms in the country's refugee-hosting Woredas (districts)—an approach that emerged from the research conducted for this report and from interest expressed by stakeholders who are active in the livelihood space in such areas. The pilot will identify potential partners and areas for collaboration, which will then inform the expansion of the platform into other areas. This chapter outlines the principles for operationalizing the inclusive and transformative LED approach, contours of the LED platform, the two woredas shortlisted for implementation, and the reasoning behind the selections.

### Principles for Operationalizing an Inclusive and Transformative Approach

Operationalizing a transformative approach to LED requires adhering to and implementing several key principles, including: applying a spatial approach, that is, working with economic clusters that can span several villages; investing in aggregation, which requires building on existing community institutions to scale up existing community-driven development investments and make them attractive to the market and financial institutions; developing a public-private partnership platform in collaboration with digital social enterprises, financial institutions, other private sector actors, foundations, and impact investors, among others;

**Figure 5.1. Key Principles for Operationalizing a Transformational Approach to Local Economic Development**



Use spatial approach



Invest in aggregation to take existing CDD to scale



Develop a public-private partnership platform



Leverage digital technologies



Establish ecosystems for innovation, entrepreneurship, and incubation



Maximize finance for local economic development



Invest in complementary productive infrastructure



Measure economic and business performance of LED initiatives

CDD = community-driven development; LED = local economic development.

leveraging digital technologies and platforms to radically expand access to finance and new economic opportunities; establishing ecosystems for innovation, entrepreneurship, and incubation; finding market opportunities in agriculture and the nonfarm sector; investing in complementary productive infrastructure through village funds; and measuring the economic and business performance of various LED interventions and then scaling up the approaches that work (see figure 5.1).

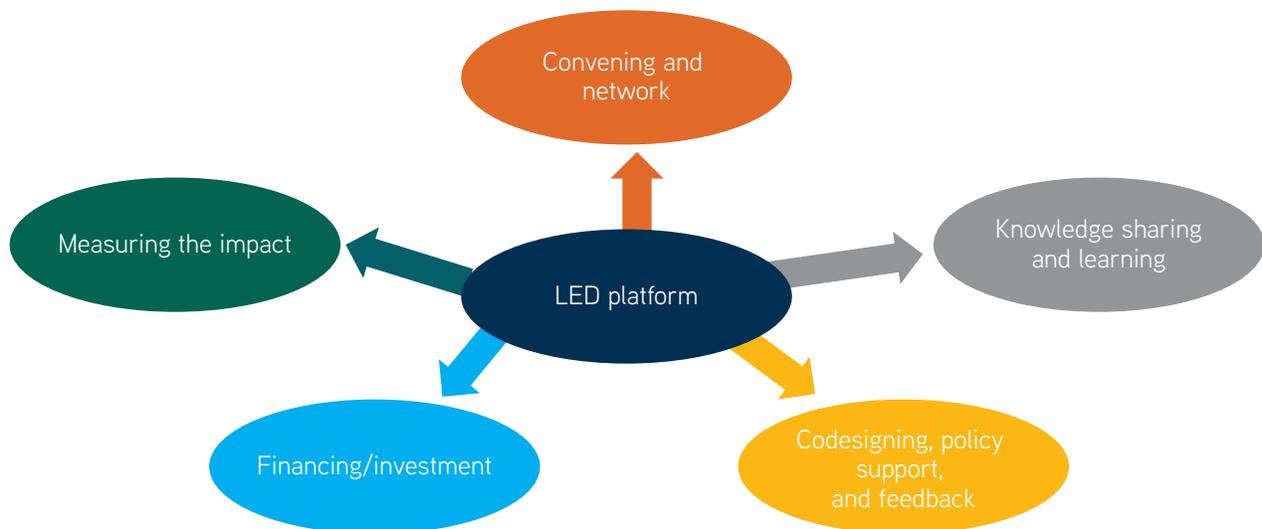
### The LED Platform at the Woreda Level

The creation of an LED platform that would convene select public and private actors, including digital social enterprises, foundations, impact investors, and financial institutions, is one of many possible approaches to spurring local development in Ethiopia. Other ideas that could be piloted in the future include investing in existing farmer-producer groups to scale and aggregate them; working with economic clusters spread over specific areas, such as several villages within a woreda; leveraging digital platforms to expand access to finance; establishing ecosystems to encourage entrepreneurial activity; increasing investments in complementary productive infrastructure while finding market opportunities in agriculture and the nonfarm sector; and identifying and supporting local business approaches that have already worked.

The LED platforms are being envisaged as providing support to relevant woreda-level governments to accelerate LED and long-term COVID-19 recovery, with a particularly strong focus on supporting women and youth entrepreneurs. The platform could be started with a few partners who are already Investing in LED interventions in the selected woreda (see mapping in appendix A). The proposed platform could perform some combination of the following functions:

- ◆ Help convene digital enterprises, social enterprises, community support organizations, and the private sector to develop an intense and dense ecosystem for supporting LED at the woreda level;
- ◆ Facilitate systematic knowledge sharing and learning among key stakeholders;
- ◆ Help convene stakeholders to co-design the LED strategy;
- ◆ Strengthen coordination between LED platform partners, and use the platform to collectively monitor the implementation of the strategy; and
- ◆ Increase the use of digital solutions and data to assess impact on the LED initiatives on local economies.

**Figure 5.2. Functions of Proposed LED Platform**





The piloting of the LED platforms would be conducted through a partnership after extensive consultations with government authorities at the federal, regional, and woreda levels and with the various stakeholders.

### Identification of Woredas for the Pilot Approach

This research concludes that the LED approach be piloted in one woreda in the Ethiopian regional state of Somali to develop a proof of concept. This area was selected for several reasons. First, since the new regional government came to power in 2018, the Somali Region, working in cooperation with humanitarian and development actors, has made significant efforts to design and implement durable solutions. This momentum, as well as the presence of many development actors in the area, is conducive to the implementation of an LED platform. Second, the region has made the most progress in terms of implementing the Comprehensive Refugee Response Framework, with cross-government framework coordination structures established and functioning at regional and woreda level for the refugees based around Jijiga (Nigusie and Carver 2019: 7). Finally, the Somali Region is one of the oldest refugee-hosting areas in Ethiopia, operating ever since the 1977–78 border war between Ethiopia and Somalia over the Ogaden Region (Vemuru, Sarkar, and Woodhouse 2020).

Within the region, this research found the following potential woredas<sup>13</sup> suitable for the pilot:

- ◆ **Kebribeyah.** Located 50 kilometers southeast of Jijiga, the regional capital, Kebribeyah is the oldest operating refugee settlement in the Somali Region, offering unique opportunities for promoting LED as it benefits from the presence of infrastructure and its proximity to Jijiga’s dynamic economy.
- ◆ **Dollo Ado.** A remote semiarid area situated along the border with Kenya, Dollo Ado hosts five refugee camps that were established between 2009 and 2011. Both refugee and host communities rely heavily on aid and cross-border trade, while agriculture and livestock are key sectors for locals.

Table 5.1 summarizes LED-related opportunities/advantages, barriers, and actors in each woreda, and provides preliminary recommendations for activities, which will require refinement and finalization following consultations with relevant stakeholders.

13. One of these two woredas will be selected for the pilot following regional-level consultations. Dollo Ado has had a lot of investments in the past, and the pilot could build on what has been done to promote inclusive LED at scale.

**Table 5.1. Opportunities, Barriers, Actors, and Suggested Activities to Promote Local Economic Development in Selected Woredas in Ethiopia**

Woreda	Opportunities/Advantages	Barriers	Actors	Suggested Activities
Kebribeyah	<ul style="list-style-type: none"> <li>◆ Regional connectivity—proximity to Jijiga and Somalia border</li> <li>◆ High level of integration among refugees and hosts</li> <li>◆ Presence of digital financial service providers</li> </ul>	<ul style="list-style-type: none"> <li>◆ Low level of large-scale private sector activity</li> <li>◆ Recurrent drought and locust invasion</li> <li>◆ Limited training opportunities</li> <li>◆ High population growth rate and associated pressure on basic services provision and natural resources</li> <li>◆ Lack of access to water and energy</li> <li>◆ Limited road infrastructure</li> <li>◆ Insecurity—intercommunal clashes</li> <li>◆ Lack of access to financial services, especially in rural areas</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>Development Financial Institutions:</b> World Bank, IFC, International Labour Organization, UNHCR, Dutch government, USAID, and GIZ</li> <li>◆ <b>NGOs:</b> Mercy Corps, Lutheran World Foundation, International Rescue Committee, Danish Refugee Council, Norwegian Refugee Council, Organization for Welfare and Development in Action, and Save the Children</li> <li>◆ <b>Government:</b> Woreda Office of Finance and Economic Development, Office of Labour and Social Affairs, Office of Trade and Investment, RRS, Small and Micro Enterprise Development Bureau, Cooperative Agency, and Bureau of Agriculture and Natural Resource Development</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>Agriculture:</b> Flour and milk processing, honey production, and vegetable production</li> <li>◆ <b>Services and trade:</b> Bakeries, garages, and veterinary services</li> <li>◆ <b>Manufacturing:</b> Construction materials production, textiles, furniture, and glasswork</li> </ul>
Dollo Ado	<ul style="list-style-type: none"> <li>◆ Presence of many humanitarian and development actors</li> <li>◆ Importance of cross-border dynamics (although dominated by contraband)</li> <li>◆ Presence of digital financial services providers</li> </ul>	<ul style="list-style-type: none"> <li>◆ Limited private sector actors</li> <li>◆ Limited road infrastructure, absence of electricity in most kebeles</li> <li>◆ High dependency on humanitarian relief</li> <li>◆ Limited training opportunities</li> <li>◆ High population growth rate and associated pressure in terms of basic services provision and natural resources</li> <li>◆ Lack of access to financial services, especially in rural areas</li> <li>◆ Volatile security situation</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>Development Financial Institutions:</b> World Bank, IFC, IKEA Foundation, European Union, UNHCR, IGAD, United Nations Environment Programme, UNDP, USAID, SHARPE, GIZ</li> <li>◆ <b>NGOs:</b> Mercy Corps, DICAC, Farm-Africa, International Rescue Committee, FAO, IMC, ZOA, WFP, DAI</li> <li>◆ <b>Government:</b> Woreda Office of Finance and Economic Development, Office of Labour and Social Affairs, Office of Trade and Investment, RRS, Small and Micro Enterprise Development Bureau, Cooperative Agency, Bureau of Agriculture and Natural Resource Development</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>Agriculture:</b> Milk and leather processing</li> <li>◆ <b>Services:</b> Transportation, garages, energy distribution, and financial services provision</li> <li>◆ <b>Manufacturing:</b> Parts for water irrigation, textile production, and production of construction materials</li> </ul>

IFC = International Finance Corporation; GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH; NGO = nongovernmental organization; RRS = Refugees and Returnees Services; SHARPE = Strengthening Host and Refugee Populations (SHARPE) UNDP = Entrepreneurship Development Programme; UNHCR = United Nations High Commissioner for Refugees; USAID = United States Agency for International Development.

In order to select the one Woreda (out of two proposed), the following should be considered: a) proximity of woreda from the regional capital (Jijiga) to ensure close monitoring and support; the number of LED initiatives/projects currently active in the woreda, presence of active donors, foundations and multilateral organizations; the presence of private or business sectors; the presence of digital service providers/financial enterprises; the presence of social enterprises, presence of cooperatives; and Interest and willing of woreda government to take the lead role to coordinate the LED platform and support the woreda level local economic development initiatives.

### Description and Objectives of the Proposed Pilot

The objective of implementing a transformative LED approach pilot in a refugee-hosting woreda in the Somali Region of Ethiopia is to accelerate local economic growth and inclusive recovery over the long term, which involves

setting up an LED platform, carrying out a woreda LED diagnostic, and developing and operationalizing an LED strategy for the woreda. Moreover, operational learning and processes throughout the pilot will be documented, and an LED operational toolkit will be made available to replicate and scale the approach to other woredas.

Expected results from the pilot include the development of woreda-level LED diagnostics; creation of a public-private LED platform; development and operationalization of an LED strategy for the woreda; production of an LED impact report that highlights the intermediary LED outcomes and impacts; and the production of an LED operational toolkit to support replication and scaling of the approach in other woredas. The anticipated impact after the pilot includes an increase in jobs; an increase in the number and improvements to existing enterprises, enhanced participation of women and youth in economic activities, improved access to finance; and improved LED ecosystem at the woreda level.

**Figure 5.3. Steps Involved for Proposed Pilot**





## 6. Conclusion

This report outlines some of the findings from an assessment undertaken about the potential for applying local economic development (LED) approaches in Ethiopia. Many existing interventions—both those of the World Bank and those of other development partners and the government—take a traditional approach to LED—involving a relatively limited number of stakeholders and operating in a fragmented manner, even though many have rightly been focused on the needs of youth and women. The assessment presented here outlines a new way to approach LED—by involving a much broader array of stakeholders,

including digital enterprises, private sector actors, social enterprises, foundations, and impact investors along with traditional community support organizations, development agencies—multilateral organizations and nongovernmental organizations, donors, and government. Based on a mapping of existing stakeholders (see appendix A), a rationale and summary of practical concerns are offered to inform the piloting of an inclusive and transformational LED approach in a woreda participating in the Development Response to Displacement Impacts Project in Ethiopia.





# References

- Adjognon, Guignonan Serge, Lenis Saweda O. Liverpool-Tasie, Rui Benfica, and Alejandro de la Fuente. 2017. "Rural Non-farm Employment and Household Welfare: Evidence from Malawi." World Bank Policy Research Working Paper 8096. Washington DC: World Bank Group.
- Akudugu, Jonas Ayaribilla, and Wolfram Laube. 2013. "Implementing Local Economic Development in Ghana: Multiple Actors and Rationalities." ZEF Working Paper Series 113. Bonn: University of Bonn, Center for Development Research (ZEF). <https://www.econstor.eu/handle/10419/88371>.
- British Council. 2019. *The State of Social Enterprise in Ethiopia*. British Council. [https://www.britishcouncil.org/sites/default/files/state\\_of\\_social\\_enterprise\\_in\\_ethiopia\\_british\\_council\\_final.pdf](https://www.britishcouncil.org/sites/default/files/state_of_social_enterprise_in_ethiopia_british_council_final.pdf).
- GoE (Federal Government of the Republic of Ethiopia). n.d. "Ethiopia 2030: The Pathway to Prosperity—Ten Years Perspective Development Plan (2021–2030)." GoE, Addis Ababa.
- HCP (Human Capital Project). 2020. "Ethiopia: Human Capital Index 2020." World Bank, Washington, DC. [https://databank.worldbank.org/data/download/hci/HCI\\_2pager\\_ETH.pdf?cid=GGH\\_e\\_hcpxternal\\_en\\_ext](https://databank.worldbank.org/data/download/hci/HCI_2pager_ETH.pdf?cid=GGH_e_hcpxternal_en_ext).
- Helmsing, Bert. 2001. "Externalities, Learning and Governance: New Perspectives on Local Economic Development." *Development and Change* 32 (2): 277–308.
- IMF (International Monetary Fund). 2021. *Regional Economic Outlook*. <https://www.imf.org/en/Publications/REO/SSA/Issues/2021/10/21/regional-economic-outlook-for-sub-saharan-africa-october-2021>.
- JCC (Jobs Creation Commission). 2020. *Plan of Action for Job Creation 2020–2025*. Jobs Creation Commission Ethiopia. <https://jobscommission.gov.et/wp-content/uploads/2019/11/National-Plan-for-Job-Creation-Brief.pdf>.
- . 2021. "What We Do." Jobs Creation Commission Ethiopia. <https://jobscommission.gov.et/>.
- Leigh, Nancey Green, and Edward J. Blakely. 2016. *Planning Local Economic Development: Theory and Practice*. SAGE Publications.
- Marais, Lochner. 2010. "Donor-Driven Local Economic Development in Peripheral Areas of KwaZulu-Natal: The Gijima Programme." *Development Southern Africa* 27 (4): 517–30.
- Mondato. 2021. "Has Ethiopia's Digital Finance Moment Finally Come?" (blog). <https://blog.mondato.com/ethiopia-digital-finance-2021/>
- Mercy Corps. 2020. "Market Systems Development in Ethiopia." Mercy Corp Brief. [https://www.mercycorps.org/sites/default/files/2020-01/Impact\\_Brief\\_MSD\\_Mercy\\_Corps\\_Ethiopia.pdf](https://www.mercycorps.org/sites/default/files/2020-01/Impact_Brief_MSD_Mercy_Corps_Ethiopia.pdf).
- Nel, Etienne. 2001. "Local Economic Development: A Review and Assessment of Its Current Status in South Africa." *Urban Studies* 38 (7): 1,003–24.
- Nigusie, Alemu Asfaw, and Freddie Carver. 2019. *The Comprehensive Refugee Response Framework: Progress in Ethiopia*. London: Overseas Development Institute. <https://cdn.odi.org/media/documents/12941.pdf>.
- OECD (Organization for Economic Co-operation and Development). 2014. *Job Creation and Local Economic Development*. Paris: OECD Publishing.
- Reuters. 2021. "Fashion Giant PVH to Close Factory; Ethiopia Blames U.S. Sanctions." *Reuters*, November 19. <https://www.reuters.com/article/ethiopia-conflict-trade-idUSKBN2I420Y>
- Rodríguez-Pose, Andrés, and Sylvia Tijnstra. 2005. *Local Economic Development as an Alternative Approach to Economic Development in Sub-Saharan Africa: A Report for the World Bank*. Washington DC: World Bank. [http://knowledge.uclga.org/IMG/pdf/ledn\\_sub-saharan\\_africa.pdf](http://knowledge.uclga.org/IMG/pdf/ledn_sub-saharan_africa.pdf).
- Rogerson, Christian M. 2010. "Local Economic Development in South Africa: Strategic Challenges." *Development Southern Africa* 27 (4): 481–95.
- . 2014. "Reframing Place-Based Economic Development in South Africa: The Example of Local Economic Development." *Bulletin of Geography. Socio-economic Series* 24: 203–18.
- Ronnas, Per, and Aditya Sarkar. 2019. *An Incomplete Transformation: SDG 8, Structural Change, and Full and Productive Employment in Ethiopia*. Geneva: International Labour Organization.
- RSC (Refugee Studies Centre). 2020. *Building Refugee Economies: An Evaluation of the IKEA Foundation's Programmes in Dollo Ado*. University of Oxford. [https://reliefweb.int/sites/reliefweb.int/files/resources/Building%20Refugee%20Economies\\_WEB\\_100dpi.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/Building%20Refugee%20Economies_WEB_100dpi.pdf).
- Rueker, Anja, and Gabriele Trah. 2007. *Local and Regional Economic Development. Towards a Common Framework for GTZ's LRED Interventions in South Africa*. Eschborn: GTZ. <http://bdsknowledge.org/dyn/bds/docs/600/GTZ%20LED%20SA%20Manual%202007.pdf>.
- The White House. 2021. "A Message to the Congress on the Termination of the Designation of the Federal Democratic Republic of Ethiopia (Ethiopia), the Republic of Guinea (Guinea), and the Republic of Mali (Mali) as beneficiary sub-Saharan African countries under the African Growth and Opportunity Act (AGOA)." Statements and Releases, Briefing Room, Joseph R. Biden Jr., The White House, November 2. <https://agoa.info/images/documents/15924/message-to-congress-on-ethiopia-mali-guinea.pdf>.
- UNDP (United Nations Development Programme) Ethiopia. 2021. *Capacity Development for Effective Coordination and Implementation*. [https://www.et.undp.org/content/ethiopia/en/home/operations/projects/democratic\\_governance/project\\_EffectiveCoordinationandImplementation.html](https://www.et.undp.org/content/ethiopia/en/home/operations/projects/democratic_governance/project_EffectiveCoordinationandImplementation.html).
- Vemuru, Varalakshmi, Aditya Sarkar, and Andrea Fitri Woodhouse. 2020. *Impact of Refugees on Hosting Communities in Ethiopia: A Social Analysis*. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/34267>.
- Wolman, Harold, and David Spitzley. 1996. "The Politics of Local Economic Development." *Economic Development Quarterly* 10 (2): 115–50.
- World Bank. 2006. *Local Economic Development: A Primer—Developing and Implementing Local Economic Development Strategies and Action Plans*. Washington DC: World Bank.
- World Bank. 2020. *Ethiopia Poverty Assessment—Harnessing Continued Growth for Accelerated Poverty Reduction*. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/992661585805283077/ethiopia-poverty-assessment-harnessing-continued-growth-for-accelerated-poverty-reduction>.
- World Bank. 2021a. *COVID-19 High Frequency Monitoring Dashboard*. Washington, DC: World Bank. [www.worldbank.org/en/data/interactive/2020/11/11/covid-19-high-frequency-monitoring-dashboard](http://www.worldbank.org/en/data/interactive/2020/11/11/covid-19-high-frequency-monitoring-dashboard).
- World Bank. 2021b. *COVID-19 High Frequency Phone Survey of Households 2020*. Washington, DC: World Bank. <https://microdata.worldbank.org/index.php/catalog/3716/related-materials>.
- World Bank. 2021c. *Ensuring Resilient Recovery from COVID-19. Ethiopia Economic Update*. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/35550>.



# Appendix A. LED Stakeholder Mapping in Ethiopia

## Government actors

Actor/s	Focus area	Relevant interventions	Target groups	Partners
Jobs Creation Commission (JCC) <i>Note: The JCC has been absorbed into the newly formed Ministry of Labour and Skills.</i>	Leading government actor in driving the job creation agenda in Ethiopia by promoting and supporting innovation, entrepreneurship programs, and engagement of the private sector for job creation.	Working in partnerships with a variety of donors and national and international corporations to create jobs, with a focus on youth employment and cultivating the ICT sector.	Youth and unemployed, increasingly focused on innovation and the ICT sector	Large partnerships with and funding from foundations, donors, UN agencies, NGOs, and international corporations
Ministry of Labour and Skills	Oversees several institutions including the Technical and Vocational Training Institute. The former JCC no longer exists and is absorbed into the new ministry.		Employees, vulnerable groups, returnees, and unemployed youth	International Labour Organization
Ministry of Women and Social Affairs	The ministry has taken over the social matters previously under Ministry of Labor and Social Affairs (MoLSA) as well as those under the former Ministry of Women and Children Affairs.		Employees, vulnerable groups, returnees, and unemployed youth	
Ministry of Agriculture	Reduce poverty by modernizing the agricultural sector and enhancing a market-orientated agricultural system.	The ministry leads the federal-level agricultural and rural development policies. Serves as DRDIP's implementing agency. Relevant activities include developing agricultural value chain, training of and job creation for youth in rural areas and encouraging a modern and highly productive agricultural system that utilizes advanced technology.	Farmers and unemployed youth in rural areas with a focus on women	Partnerships with and funding from largely foundations, donors, NGOs, research institutions, and UN agencies. Relevant partners include including USAID, FAO, Bill and Melinda Gates Foundation
Federal TVET Institute	Producing competent, innovative, and resourceful Technical and Vocational Education and Training teachers and leaders through the provisions of quality short- and long-term training, demand-based research, technology, and consultancy services in support of micro and small-scale enterprises.	Provides skills training needed for DRDIP beneficiaries and local labor markets, with a particular focus on strengthening ICT knowledge among youth. Degree programs are offered in ten sectors: automotive, building, road, water, ICT, electrical and control, electronics and communications, manufacturing, rolling stock, and surveying.	Youth	Ethiopian Ministry of Science and Higher Education, donors, research institutions, and UN agencies. Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), the German development agency, is the main international donor partner through the provision of technical and financial support

Actor/s	Focus area	Relevant interventions	Target groups	Partners
Refugees and Returnees Services (RRS)	The RRS is the leading agency in the protection of refugees and overall coordination of refugee assistance interventions in Ethiopia.	The RRS is co-implementing the Comprehensive Refugee Response Framework with the Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (MOFEC), and an essential actor if DRDIP is extended to refugees.	Refugees	Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia (MOFEC), UNHCR
Federal Micro and Small Enterprise Development Agency	As of April 27, 2021, the revision of the micro-, small, and medium-sized enterprise development strategy was undergoing the final consultative session with ministries and government actors. The revision was started in January 2020, led by the JCC, and is enhancing the business enabling and development environment, increasing utilization of technology and innovation, fostering access to finance, improving market linkages, and supporting the informal sector. The roll out of the new strategy will be essential for the LED in the coming years.			
Federal Cooperative Agency	The Federal Cooperative Agency promotes, regulates, and supervises the cooperative sector at the national level. The agency is based in the Ministry of Agriculture and is responsible for developing strategies for cooperative promotion. Some of the main types of cooperatives that are supported include multi-purpose, irrigation, SACCOs, and marketing.			
Woreda Administration	Woredas are third-level administrative divisions in Ethiopia. The Woreda Administration is responsible for the implementation of government programs at the woreda level, including those focusing on livelihoods and employment generation. The Woreda Administration is expected to play a central role in the coordination of the LED platform and leadership in the proposed LED pilot.			
Customary Institutions	Customary institutions are seen as particularly important in the Somali region. The customary institutions in Somalia region include Guurti (communal Decision Authority) and Zakat collection and distribution committees. Guurti is a more general committee that has the authority to make, alter, design, and implement decisions for communal purposes. Guurti deals with grand issues such as disagreements between clans and within clans; relocation; drought (appeal for the government for support); and set committees that deal with that and conflict between tribes. Zakat collection and distribution committees are rare in existence but also very functional in reducing poverty by collecting Zakah and distributing it to poor families among their tribes.			

DRDIP = Development Response to Displacement Impacts Project; ICT = information and communications technology; JCC = Jobs Creation Commission; LED = local economic development; RRS = Refugees and Returnees Services; TVET = technical and vocational education and training; USAID = United States Agency for International Development

## Development Partners, International Organizations and Foundations

Organization	Projects /Initiatives	Duration	Objective/s	Intervention/s	Target Groups	Location/Region
Foreign, Commonwealth and Development Office	SHARPE	2019–22	Increase economic opportunities and support the livelihoods of host and refugee populations in Dolo, Gambella, and Jijiga through the innovative use of an adapted market systems development approach. It expects to benefit 200,000 people in the target populations, helping them realize increases in incomes, employment, or expanded access to assets through private sector-driven changes.	Promoting increased refugee self-reliance and generating economic opportunities for host communities through the piloting and scaling of interventions across seven sectors: crops, livestock, labor, market, aid, renewable energy, and financial services. The program is implemented by DAI.	200,000 hosts and refugees in Dolo, Gambella, and Jijiga	Dolo, Gambella, and Jijiga
USAID	Resilience in Pastoral Areas, with Mercy Corps and CARE	2020–25	Address the resilience capacities of households, markets, and governance institutions across the Somali, Afar, and Oromia regions, collectively contributing to enhanced food security and inclusive economic growth.	Promoting diversification and sustainable economic opportunities focused on pastoral and agropastoral women and youth by catalyzing inclusive and effective labor markets and financial services using a market systems development approach with substantial private sector engagement. The project will work with SMEs and large manufacturing firms with the potential of creating wage employment opportunities.	129,129 households in pastoral areas. The main focus is on people who are transitioning out of pastoralism	Afar, Oromia, and Somali
Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)	Qualifications and Employment Perspectives for Refugees and Host Communities in Ethiopia Programme	2017–22	Improve employment prospects for refugees and the host population.	Improving the quality of vocational training; broadening access to vocational training; expanding advisory services for start-ups and career guidance.	Vocational teachers and trainees	Addis Ababa, Benishangul-Gumuz, Gambella, Somali, and Tigray

Organization	Projects /Initiatives	Duration	Objective/s	Intervention/s	Target Groups	Location/Region
United Nations Development Programme (UNDP)	Entrepreneurship Development Programme	2017–22	Seeks to increase the competitiveness and enhance the employment-creating potential of micro- and small enterprises, particularly for youth and women.	Through this program, new and existing entrepreneurs across the country can access high quality entrepreneurship skills training and individualized business development services.	71,620 new jobs created, 4,294 businesses formalized, and 5,992 businesses expanded	Amhara, Benishangul-Gumuz, Oromia, SNNP, Somali, and Tigray
	Innovation Eco-system Development	2020–25	To strengthen the innovation and entrepreneurship ecosystem in Ethiopia.	Ecosystem building, conducting capacity building of SMEs, start-ups, and government staff, and supporting the creation of an enabling environment for financial inclusion.	SMEs	Somali region is expected to be the focus
European Union	Resilience Building and Creation of Economic Opportunities in Ethiopia (RESET II), with Save the Children, Action Against Hunger, Cordaid, Vida, and Danish Church Aid	2016–20	Strengthening economic opportunities and resilience of the most vulnerable communities through measures that will increase livelihoods and employment, and better access to basic services.	Promote access to productive assets, microcredit and saving services, and local agroprocessing schemes; support rural youth and women’s employment, including returnees, trade, and vocational trainings.	Vulnerable communities	Wag Himra (Amhara), Afar (Afar), Siti and Liben (Somali), Bale and Borena (Oromia), and Wolayta and South Omo (SNNPR).
European Union (cont.)	Regional Development and Protection Programme	2016–20	Focus on integrated solutions targeting both refugees and host communities in four main areas of intervention.	Improving social cohesion through improved access to integrated basic service delivery, and livelihoods for Eritrean and Somali refugees (in and out of camp) and their host communities.	Eritrean and Somali refugees and host communities	Shire area (Tigray), Dollo Ado area (Somali), Jijiga area (Somali), Bahrale and Aysaita areas (Afar)

Organization	Projects /Initiatives	Duration	Objective/s	Intervention/s	Target Groups	Location/Region
United Nations High Commissioner for Refugees (UNHCR)	Stimulating economic opportunities and job creation for refugees and host communities— Comprehensive Refugee Response Framework		Ease pressure on Ethiopia as a major host country for refugees and increase refugee self-reliance by fostering sustainable, integrated, and self-reliant solutions for both refugees and host communities in Ethiopia in response to their development needs and aspirations.	<p>Enhancing the organizational and technical capacity of the Refugees and Returnees Services, and other relevant Ethiopian government institutions to organize and manage the Comprehensive Refugee Response Framework governance structure in Ethiopia and to implement sustainable and development-oriented responses as part of the framework at the federal, regional, and local levels.</p> <p>Strengthening socioeconomic development and improving employment opportunities for refugees and host communities in the Jijiga area of the Somali Region. The intervention will focus on stimulating economic development and increasing economic and job opportunities specifically targeting SMEs in the local host community closest to the refugee camps and in the wider urban area around Jijiga.</p>	Refugees and host communities	Afar, Benishangul-Gumuz, Gambella, Oromia, SNNPR, and Somali.
IKEA Foundation	Livelihoods and self-reliance grants	2011–19	The program initially funded emergency relief (2012–14) but has been increasingly supporting economic development and livelihood opportunities for refugees and the host community. The objective of the livelihoods and self-reliance grants is to ensure refugees have access to diverse livelihood opportunities, resulting in an increase in household income through skills and vocational training, paid employment, agricultural programs, livestock support, and business development.	<p>The main livelihood projects have focused on agriculture, livestock, energy, the environment, and microfinance loans, and have generally functioned through a cooperative model facilitated by national and local implementing partners, such as ReST and Wa-PYDO.</p> <p>Between 2011 and 2018, the IKEA Foundation invested in the five Dollo Ado camps in Ethiopia. The investment represents the largest ever private sector investment in refugee camps. A major focus of its work was on livelihoods, working to support sustainable income-generating opportunities for refugees and the host community.</p>	Refugees and host communities living in and around the five camps of Dollo Ado.	Dollo Ado (Somali Region)

Organization	Projects /Initiatives	Duration	Objective/s	Intervention/s	Target Groups	Location/Region
MasterCard Foundation	Young Africa Works in Ethiopia	2019–30	Goal is to enable 10 million young people to access dignified and fulfilling work by 2030.	Designed in partnership with the government, the private sector, academic institutions, and young people, the Foundation will work to spur economic growth by focusing on sectors that offer a strong potential for the creation of work for youth. The Foundation has made an initial US\$300 million five-year commitment to implement this strategy in Ethiopia.	Young women and men	National
David and Lucile Packard Foundation	Agriculture, Livelihoods and Conservation	2020–24	Strengthen sustainable value chains in Ethiopia for smallholder farmers that align with conservation efforts as a product moves from farm to market.	Agriculture-focused but includes value chains; seeks to improve smallholder farmers’ access to agricultural, financial, family planning, and other resources, especially women and youth. For example, the foundation supports local forest management cooperatives and community and women’s groups that are pooling resources and information to ensure that agricultural development can also incorporate conservation.	Smallholder farmers, especially women and youth	Southwest Ethiopia

DRDIP = Development Response to Displacement Impacts Project; GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH; ICT = information and communications technology; IFC = International Finance Corporation; NGO = nongovernmental organization; PRIME = Pastoralist Areas Resilience Improvement and Market Expansion; PROSPECTS = Partnership for Improving Prospects for Forcibly Displaced Persons and Host Communities PSNP = Productive Safety Net Program; SHARPE = Strengthening Host and Refugee Populations; SME = small and medium-sized enterprise; SNNPR = Southern Nations, Nationalities, and Peoples’ Region; TVET = technical and vocational education and training; UN = United Nations; UNDP = United Nations Development Programme; UNHCR = United Nations High Commissioner for Refugees; USAID = United States Agency for International Development.

## Private sector and nontraditional actors (incubators, accelerators, social enterprises, and digital enterprises)

Actor/s	Sector/s	Activity/ies	Target group/s	Partners	Relevant Funding	Year Established	Geographic Coverage
<b>Incubators and accelerators</b>							
African Entrepreneur Collective	Start-up incubator and accelerator focused on micro-, small, and medium-sized enterprises	<p>Supports entrepreneurs with micro-, small, and medium-sized enterprises, including refugee entrepreneurs across East Africa.</p> <p>Offers access to affordable and timely capital to ensure that businesses can grow. Largest lender to refugee entrepreneurs in Africa.</p> <p>Provides strategic consulting and practical training to equip entrepreneurs with the skills needed for growth.</p>	Youth, refugees, and host communities	Argidius, U.S. Department of State, Mastercard Foundation, IKEA Foundation, UN Women, UNHCR, David Weekley Family Foundation, Vitol Foundation, 1-to-4 Foundation, Bank of Kigali, Bridgespan Group, Development Bank of Rwanda, Equity Bank, GIZ Rwanda, Global Development Initiative, Instiglio, International Trade Centre, Kate Spade, onPurpose Fund, MTN Rwanda, Missionary Sisters of the Sacred Heart, Peery Foundation, Segal Family Foundation, L & R Uechtritz Foundation, United Nations Capital Development Fund, University of Global, Health Equity, and Upwork Foundation.		2016	Rwanda and Kenya  Opening an office in Addis Ababa with regional presence
Organization for Women in Self Employment	Civil society organization and NGO	<p>Directly focused on the economic and social empowerment of women microenterprise operators; however, the interventions are equally appropriate for farmers of any gender and for other vulnerable groups.</p> <p>Assists women and girls to initiate or expand their preferred lines of microenterprise operations by organizing saving and credit cooperatives and accessing various financial and nonfinancial services. A union/umbrella institution of cooperatives has been established to ensure the sustainability of services when the organization ceases its direct support.</p>	Women and girls	ActionAid Ethiopia; Leger Foundation; Mennonite Economic Development Association; International Labour Organization; Union of Ethiopian Women Charitable Association; Swedish International Development Cooperation Agency through the Network of Ethiopian Women Association; Institute of International Education; Embassies of Denmark, Canada, and the United States; Partners in the Horn of Africa; United Nations Population Fund; The Coca-Cola Company; Engage; UN Women; and the European Union.		1998	Ethiopia

Actor/s	Sector/s	Activity/ies	Target group/s	Partners	Relevant Funding	Year Established	Geographic Coverage
blueMoon	Start-up incubator and accelerator focused on agribusiness ideas and youth	blueMoon Incubator to discover, nurture, and fund agribusiness ideas among youth that are innovative, scalable, and have transformational potential. blueMoon Ventures works closely with blueMoon Incubator on identifying start-ups that have potential to be funded by blueMoon's Seed Fund and later by other investors.	Youth innovators, agribusinesses	Government: Federal Micro and Small Enterprise Development Agency, TVETs, universities, and Entrepreneurship Development Centre  Development actors: Save the Children, SNV, ENTAG, United Nations Industrial Development Association, and Mowgli Foundation  Social enterprises and investors: R & D Groups, iceAddis, xHub Addis, DOT Ethiopia, GrowthAfrica, Aavishkaar Group—Intellectap, and Novastar Ventures	MasterCard Foundation	2016	Addis Ababa
Iceaddis	Innovation hub and co-creation space  Tech start-up incubator	Supports youth-driven private sector initiatives through training and facilitate a network of youth, entrepreneurs, investors, and the creative and tech industry to share ideas, knowledge, and resources.	Youth, start-ups, creative industry	Educational institutes; government agencies; NGOs; foundations; and private actors, including Venture Capital for Africa, icehubs, AfriLabs, Open Society Foundation, The Indigo Trust, and Forward Foundation		2011	Addis Ababa
xHub Addis	Social enterprise Incubator and coworking space for start-ups addressing local social problems	An initiative of Center for African Leadership Studies Incubation program supports local solutions to local problems Offers global entrepreneur exchange program for Ethiopian start-ups and mentor development program for entrepreneurs	Supports innovative, affordable, and scalable solutions that solve existing social problems.	IceAddis, JCC, British Council, Social Enterprise Ethiopia, Seed for Growth, MasterCard Foundation, University of Michigan, and Dashen Bank		2014	Addis Ababa

Actor/s	Sector/s	Activity/ies	Target group/s	Partners	Relevant Funding	Year Established	Geographic Coverage
<b>Actor that engages with or support social enterprises</b>							
Social Enterprise Ethiopia	Social enterprise Membership organization to support social enterprises and engage in advocacy	Network of social entrepreneurs operating in Ethiopia that connects with government, donors, investors, and partner organizations to build a strong social enterprise ecosystem for a sustainable and inclusive economy.  Coordinates training programs, mentorship, coaching, advisory support, and other business development services.  Conducts research and advocacy on behalf of the social enterprise movement in Ethiopia.	Social enterprises	Large network of social enterprises operating in Ethiopia	British Council and Reach for Change	-	Ethiopia
Reach for Change	Social enterprise Incubator and innovation lab for social entrepreneurs	International nonprofit founded in Sweden supporting social enterprises that contribute to improving the living conditions of children and youth.	Social enterprises working with youth and children	Large network of social enterprises operating in Ethiopia, Social Enterprise Ethiopia, and IKEA Foundation	Kinnevik Group	2015	Ethiopia
United Nations Development Programme (UNDP)	Entrepreneurship	Entrepreneurship Development Programme supports the growth of micro- and small enterprises by offering entrepreneurial skills training, providing business advisory services, and facilitating access to finance. The first phase of the project (2013–17) included the establishment of the Entrepreneurship Development Centre offices in Addis Ababa, Bahir Dar, Bishoftu, and Mekelle, which are responsible for delivering the entrepreneurship training and business development services.	Entrepreneurs	Ministry of Urban Development	UNDP	2013	Ethiopia

Actor/s	Sector/s	Activity/ies	Target group/s	Partners	Relevant Funding	Year Established	Geographic Coverage
DOT Ethiopia	Nonprofit Networking and support of young social innovators focused on digital solutions	Supports youth in becoming social innovators and developing digital solutions that address local social problems.	Youth and social enterprises	Community partners, private actors, government ministries, and NGOs	Government of Canada	2009	Ethiopia
IKEA Social Entrepreneurship	Social enterprises Accelerator	Five-month accelerator program to strengthen the work of 19 social entrepreneurs across East Africa; combines online learning and coaching support to the social entrepreneurs, with IKEA coworkers (coaches) playing an active role in sharing their knowledge, skills, and experiences.	Social enterprises in East Africa	Acumen	IKEA Foundation and Acumen	2020	East Africa
United States Agency for International Development (USAID)	Social enterprises Accelerator	Provides young entrepreneurs with seed capital and technical skills to run their businesses and serve their communities, in sectors that range from agribusiness and health care to renewable energy and education.	Social enterprises in Africa	-	USAID, U.S. African Development Foundation, and Citi Foundation	2020	Sub-Saharan Africa
<b>Social enterprises</b>							
Kidame Mart	Social enterprise—Last mile distribution	Supports networks of female entrepreneurs who go door-to-door to sell high impact and fast-moving consumer goods.	Rural markets	Florida Africa Foundation and Acumen—IKEA social entrepreneurship	-	2017	Ethiopia
OmniTech	Social enterprise—Education	Seeks to increase the participation of girls to reduce the technology gender gap by imparting digital skill sets and increasing awareness of technology.	Youth and girls	Reach for Change, United Nations Educational, Scientific and Cultural Organization, SAP, IceAddis	-	2016	Addis Ababa

Actor/s	Sector/s	Activity/ies	Target group/s	Partners	Relevant Funding	Year Established	Geographic Coverage
Green Face Trading	Social enterprise— Natural resources management	Produce, process, and market apicultural products for local and export markets in the region. Business model focuses on engaging rural unemployed youth in organic honey production, links to the natural forests conservation model, and includes a village-level learning center with a demonstration site for continual capacity building and access to a sustainable market.	Rural youth	IKEA social entrepreneurship	-	2018	Ethiopia
Green Scene Energy	Social enterprise— Energy	Provides low-income households and small businesses in off-grid areas access to solar energy by using existing telecommunications infrastructure and working with local mobile financial and microfinance institutions.	Low-income households and small businesses in off-grid areas	Ethio Telecom, M-Birr, GIZ, Development Bank of Ethiopia, Peace Microfinance Institution, POWER AFRICA, BioLite, and multiple regional microfinance institutions in Ethiopia	-	2016	Ethiopia
Eshururu Training Center	Social enterprise Life skills and vocational training institution	Offers professional training courses.  Mainly focuses on training for nannies to meet the high demand.  Targets young women ages 18–30, particularly returnees.	Female youth and returnees	Government agencies and private actors to provide job opportunities for trainees	Regional Development and Protection Programme, government of the Netherlands, ZOA, Plan International, ARC-HOPE, International Labour Organization, and International Organization for Migration	2013	Addis Ababa

Actor/s	Sector/s	Activity/ies	Target group/s	Partners	Relevant Funding	Year Established	Geographic Coverage
<b>Digital financial enterprises</b>							
HelloCash	Online payment platform and mobile financial service provider	HelloCash offers Mobile Money services. HelloCash Business Banking offers financial tools and an online payment platform for businesses at more than 1,000 branches from its partner banks.	Individuals and businesses  More than 1.5 million end-users and 20,000 outlets	Lion International Bank and Somali Micro Finance Institution, which established HelloCash in partnership with Belcash; and the Corporative Bank of Oromia and Wegegsan International Bank, which joined later.	-	2015	Ethiopia
CBE Birr	Mobile financial service provider	Mobile banking services streamed by the Commercial Bank of Ethiopia through banking agents. Selects, trains, and authorizes agents to provide banking services on behalf of the bank through a mobile phone.	Individuals				Ethiopia
Telebirr	Mobile financial service provider	Ethio telecom telebirr service allows customers to deposit, receive, transfer, and spend money using a mobile number. Users can conduct cashless transactions and receive international remittances. The app lets users make payments at shops and convenience stores via QR codes, purchase goods and services online or remotely, and withdraw cash at nearby agents.	Individuals and businesses				Ethiopia
JamiiPay	Mobile financial service provider	Digitizes transactions from savings and credit associations. Piloted in Ethiopia in 2020 for hosts; recently extended to refugees in Dollo Ado with support from United Nations Capital Development Fund (with WyPydo/Zoa and Somali Micro Finance Institution).	Individuals and businesses				Ethiopia

Actor/s	Sector/s	Activity/ies	Target group/s	Partners	Relevant Funding	Year Established	Geographic Coverage
E-birr	Mobile financial service provider	Adapts the safarifone mobile financial services technology to the Ethiopian market.	Individuals	safarifone	-	2016	Ethiopia
M-BIRR	Mobile financial service provider	Provides mobile financial services to end users and works with a growing number of e-commerce sites.	More than 1.9 million end-users and 45,000 locations	Amhara Credit and Saving Institution, Addis Credit and Saving Institution, Oromia Credit and Saving S.C., Dedebit Credit and Saving Institution, Omo Micro Finance Institution, Peace Micro Finance	-		Ethiopia
Sahay Pay	Online payment platform and mobile financial service provider	Provides a mobile wallet platform for its customers through its mobile application, which combines customer, agent, and merchant features.	Over 500,000 users served by 2,410 agents and 10,429 merchants	Rays MicroFinance Institution	Rays MicroFinance Institution	2014	Somali Region
<b>Digital enterprises</b>							
Freelance Ethiopia	Online freelance talent marketplace	Connects businesses and individuals to freelancers, independent professionals, and agencies for hiring needs in a telegram chat group.	Individuals and businesses	Individuals and businesses	-	2018	Addis Ababa
<b>Digital business development services</b>							
Digital Green	Digital agricultural advisory services	Develops FarmStack, an agricultural advisory services platform.	3.5 million farmers (40 percent women)	Ministry of Agriculture at the national, regional, woreda, and kebele levels	Digital Green Foundation	2019–24	Ethiopia
Digital Green (cont.)	Advancing Conservation, Agriculture and Livelihoods in Oromia	Upcoming project aimed at environmental conservation through the promotion of sustainable harvesting and nontimber forest products, including honey, spices, and coffee.  Projects to target women in particular by establishing 40 self-help groups for women.	Aims to reach 42,000 smallholder farmers, women, and youths.	Coffee Forest Forum	David and Lucile Packard Foundation	2020–22	Jimma zone, Oromia

GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH; JCC = Jobs Creation Commission; NGO = nongovernmental organization; SME = small and medium-sized enterprises; UNDP = United Nations Development Programme; UNHCR = United Nations High Commissioner for Refugees; USAID = United States Agency for International Development.

## Community Support organizations/nongovernmental organization (NGO) Actors

Organization	Projects / Initiatives	Duration	Objective/s	Intervention/s	Target Groups	Location/Region
CARE International	Livelihoods for Resilience Activity	2016–21	Increase capacity of PSNP households to engage in resilient livelihoods	The project provides technical support to women, men, and youth regarding off-farm livelihoods by building youth entrepreneurship skills, enabling them to manage their own businesses. The project's Hulu Bedej micro franchise initiative supports women in becoming salespeople of fast-moving consumer goods, such as soaps and nutritious foods.	97,900 food-insecure households, part of PSNP's livelihoods component	37 PSNP woredas in Amhara, Sidama, SNNPR, and Tigray
Mercy Corps	Pastoralist Areas Resilience Improvement through Market Expansion (PRIME)	2012–19	Improving productivity and competitiveness of livestock and livestock products; enhancing adaptation to climate change via natural resource management; enhancing innovation, learning, and knowledge management; improving nutritional status of targeted households; and strengthening alternative livelihoods for households transitioning out of pastoralism.	PRIME is a five-year USAID-funded project implemented across three of Ethiopia's pastoral dry land areas—the Afar, Oromia, and Somali regions; it aims to increase the incomes of 250,000 households while enhancing resilience to climate change through market incentives and opportunities.	250,000 households	Afar, Oromia, and Somali
SOS Sahel Ethiopia	Multiple projects	1989–	Improve the living standards of smallholder farmers and marginalized pastoralists through better management of their environment.	Supporting community-based natural resources management, food security, agriculture, policy analysis, value chain analysis and development, and pro-poor value chain development.		Amhara, Oromia, and SNNPR
Norwegian Refugee Council	Multiple projects for refugees and internally displaced peoples	2011–	Provide refugees and internally displaced people emergency relief and help them in rebuilding their lives.	Supporting education, information, counseling, and legal assistance; livelihoods and food security; shelter and settlements; promotion of water, sanitation, and hygiene (WASH); and child protection.	Refugees and internally displaced people	Addis Ababa, Benishangul Gumuz, Gambella, Oromia, SNNPR, Somali, and Tigray
International Rescue Committee	Multiple projects for refugees and internally displaced peoples	2000–	Provide vital support to Ethiopians and refugees who have been affected by a record-breaking drought, as well as by flooding, conflict, and COVID-19.	Providing clean water, shelter, health care, education, and empowerment support to refugees and displaced people.	Refugees and vulnerable Ethiopians	Nationally
Catholic Relief Services	Multiple projects	1980s–	Respond to natural and manmade disasters affecting Ethiopia's most vulnerable communities.	Rebuilding individual and community assets through nonfood aid in the form of agriculture, livestock, health, nutrition, and water and sanitation assistance.		Nationally

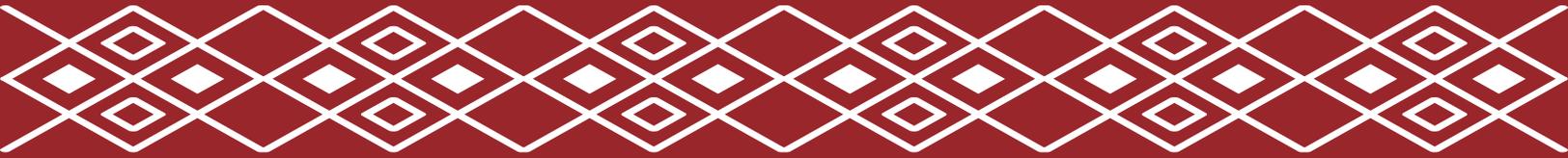


## Appendix B. List of People and Organizations Consulted

Organization	Name	Position
<b>National-level Consultation Meetings</b>		
<b>Government Stakeholders</b>		
Ministry of Agriculture/DRDIP	Nigatu Bogale	Project Coordinator, DRDIP
Ministry of Agriculture/DRDIP	Wondifraw Woldesemayat	Non-farm Livelihoods Specialist, DRDIP
Job Creation Commission	Shishay Bitew	Project Officer
<b>Social Enterprises, Digital Enterprises, Incubators, and Accelerators</b>		
Digital Green	Kebede Ayele	Country Director
Enterprise Partners	Nebil Kellow	Managing Director
Fair and Sustainable	Assegid Gedamu	General Manager
Freelance Ethiopia	Michael Berhanu	Business Development Director
Intellectap	Santosh Singh	Director
Intellectap	Karnika Yadav	Partner
Social enterprise Ethiopia (SEE)	Barkeal Beyene	CEO
xHub Addis	Tewodros Tadesse Araya	CEO
Idylca	Santosh Singh	Director
Intel Cap	Karnika Yadav	Partner
<b>NGOs</b>		
BRAC	Berhanu Tirfe	Programme Manager
Care International	Benedict Irwin	Programme Manager
MCMDO	Fiseha Mezgebu	Programme Director
Mercy Corps	Mahlet Seifu	Team Lead: Diversified Economic Opportunities, RIPA
NRC	Darius Okwang	Livelihoods Specialist
SNV	Yetnayet Girmaw	Sector Lead Agriculture and Program Manager Apiculture
SNV	Zelalem Atnaf	Monitoring, Evaluation, Accountability & Learning Coordinator, BRIDGE Project
World Vision	Abdella Arab	Social Innovation Challenge, Project Manager
<b>International Organizations and Donors</b>		
DFID	Samantha Yates	Head of Livelihoods and Humanitarian Programmes
DFID/SHARPE	Paul Joicey	SHARPE Programme Manager
EU Delegation	Dominique Davoux	Team Leader – Green Deal
GIZ	Tobias Erbert	Programme Coordinator (QEP)
ILO	Jean-Yves Barba	PROSPECTS Programme Manager
UNDP	Aya Shin	Project Manager
UNHCR	Lilian Otieno	UNHCR Livelihood Manager, Melkadida Sub-Office
UNHCR	Robert Nyambaka	Senior Livelihoods Officer
UNHCR	Carolyn Ndawula	UNHCR/World Bank Focal Point
UNICEF	Tillmann Guenther	Generation Unlimited Initiative
USAID	Jennifer Karsner	Agriculture Officer

<b>Foundations</b>		
Bill & Melinda Gates Foundation	Amsale Mengistu	Senior Programme Officer
Bill & Melinda Gates Foundation	Sybil Chidiac	Senior Programme Officer
IKEA Foundation	Annemieke de Jong	Programme Manager
<b>Regional Consultations</b>		
<b>Afar</b>		
CARE Ethiopia	Sintayehu Tadess	Cluster Programme Manager
Dan Church Aid (DCA-E)	Tewodros Sibhat	Field Officer
Ministry of Agriculture/DRDIP	Tahir Ali	Regional Livelihood Specialists
<b>Benishangul-Gumuz</b>		
Assosa Oil Processing Factory	Eshetu Chekole	Manager
Ministry of Agriculture/DRDIP	Edossa Dibissa	Regional Livelihood Specialists
Pharo Foundation	Dawit Tolera	Team Leader
Shalom Coal and Mining PLC	Ifa	Manager
Trade Bureau	Seid Ali	Trade Registration Directorate
<b>Gambella</b>		
BM Fish Export	Berhanu Mebrahtu	Managing Director
Mercy Corps	Okello Luch	Market Systems Development Advisor
Ministry of Agriculture/DRDIP	Oman Agwa	Regional Livelihood Specialists
Trade Bureau	John Chuol Yol	Trade Registration Directorate
<b>Somali</b>		
Cooperative and Promotion Agency	Yusuf Omer	Team Leader, Cooperative Establishment
Ministry of Agriculture/DRDIP	Abdi Osman	Regional Livelihood Specialists
Ministry of Agriculture/DRDIP	Mowlid Qaynun	Director, Agricultural Inputs and Output Marketing
Regional SME Bureau	Abdikadir Ahmed	Director
Trade Bureau	Mohamed Osman	Director, Trade and Promotion Directorate





© 2023 International Bank for Reconstruction and Development/The World Bank  
1818 H Street NW, Washington, DC 20433  
202-473-1000 | [www.worldbank.org](http://www.worldbank.org)

Some rights reserved.

The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. Nothing herein shall constitute or be considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

### **Rights and Permissions**

The material in this work is subject to copyright. Because the World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given. Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, World Bank Group, 1818 H Street, Washington, DC 20433, USA; fax 202-522-2625; email: [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

