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ProAgro

► Agri-entrepreneurship Ecosystem Assessment Sidama Region Ethiopia



Agri-entrepreneurship Ecosystem Assessment Sidama Region, Ethiopia

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Enterprise department



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List of Abbreviations

ADLI	Agricultural Development Led Industrialization
ATI	Agricultural Transformation Institute
BDS	Business Development Services
DOT	Digital Opportunity Trust
EDI	Entrepreneurship Development Institute
EDP	Entrepreneurship Development Programme
EIC	Ethiopian Investment Commission
FY	Fiscal Year
GTP	Growth and Transformation Plan
ICT	Information and Communication Technology
ILO	International Labour Organization
IVS	Input Voucher System
JSEB	Jobs, skills, and Enterprise Development Bureau
MSME	Micro, Small and Medium-sized Enterprises
MFI	Microfinance institutions
NES	National Entrepreneurship Strategy
PPP	Public-private partnerships
R&D	Research and development
RTC	Rural Transformation Centers
SME	Small and Medium-sized Enterprises
SNV	Stichting Nederlandse Vrijwilligers (“Foundation of Netherlands Volunteers”)
TVET	Technical and Vocational Education and Training
UNIDO	United Nations Industrial Development Organization
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNSDCF	United Nations Sustainable Development Cooperation Framework
USAID	United States Agency for International Development
WEDP	Women Entrepreneurship Development Project
WISE	Organization for Women in Self-Employment
YIAIP	Yirgalem Integrated Agro-Industrial Park
YRF	Youth Revolving Fund

1 Introduction

Sidama is one of Ethiopia's most dynamic agribusiness regions, with a strong agricultural base, a proud coffee heritage, and growing opportunities in subsectors such as fruits, vegetables, dairy, and poultry. The region benefits from committed local institutions, a young workforce, and landmark investments such as the Yirgalem Integrated Agro-Industrial Park, which connects thousands of smallholder farmers to processing and export markets. Recent shifts in attitudes also highlight a cultural opening: entrepreneurship is increasingly embraced by youth and women as a viable path for income and self-employment.

At the same time, systemic gaps hinder inclusive and sustainable growth. Farmers and MSMEs face structural inefficiencies in domestic markets, difficulties accessing affordable finance, and limited value addition. Weak coordination, infrastructure constraints, and gender barriers also reduce the resilience and inclusiveness of businesses. The convergence of demographic pressure, intensifying climate-related shocks, persistent food and nutrition insecurity, and a volatile regional and global economic and political landscape highlights the need for transformative and inclusive development pathways.

To respond to challenges in the agri-entrepreneurship ecosystem of Sidama, the International Labour Organization (ILO), in partnership with the Entrepreneurship Development Institute (EDI) and Digital Opportunity Trust (DOT), is supporting the Ethiopian government through the "ProAgro" project. This initiative offers an integrated strategy that combines policy support, social dialogue, skills development, value chain strengthening, and entrepreneurship development. Accelerating agricultural productivity, fostering value-added agribusiness, and promoting livelihood diversification, especially for youth and women are critical to driving inclusive economic growth, social stability, and climate-resilient development, in alignment with Ethiopia's national priorities and the goals of the United Nations Sustainable Development Cooperation Framework (UNSDCF) and the 2030 Agenda for Sustainable

Development¹. Ultimately, the project's goal is to create decent job opportunities for women and youth in the agribusiness sector while improving working conditions.

To achieve this, an in-depth entrepreneurship ecosystem assessment was conducted in the region's agribusiness sector, with recommendations on supporting and enhancing the ecosystem through a network of agribusiness actors. This assessment, conducted through literature review, interviews, and focus group discussions, identifies positive developments and challenges across six ecosystem pillars. It highlights priority areas where targeted interventions can unlock Sidama's full potential: strengthening access to finance, deepening market integration, and supporting inclusive opportunities for women and youth. The recommendations aim to promote employment sustainably, create market access for smallholder farmers to sell their produce, increase income levels and create economic opportunities for micro, small, and medium-sized enterprises (MSMEs), ultimately contributing to poverty reduction and economic growth.

¹ United Nations Sustainable Development Cooperation Framework (UNSDCF). (2020-2025). *United Nations Sustainable Development Cooperation Framework: Ethiopia 2020-2025*.

2 Context and Economic Analysis

▶ 2.1 Country context

2.1.1 The Economic Context and the Centrality of Agriculture

With a population of about 126.5 million (2023), Ethiopia is Africa's second most populous country and one of the region's fastest-growing economies.² Ethiopia's economy has grown nearly 10% per year over the past 15 years, driven by capital investments, particularly in public infrastructure.³ The incidence of poverty declined from 58% in 1999 to 27% in 2015, the equivalent of lifting 10 million people out of poverty in fifteen years.⁴ Growth slowed after the fiscal year (FY) 2019/20 due to shocks, including internal conflicts, the COVID-19 pandemic, droughts, and crop pests like the locust manifestations, among others, culminating in a growth rate of 7.3% in 2024.⁵ While industry and services saw reduced growth in recent years, agriculture remained resilient and improved its contribution to GDP from 31.2% in 2018 to 35.8% in 2023.⁶

Ethiopia's agricultural sector is a key driver of the country's economy, employing over 70% of the labour force and generating close to 80% of the nation's export revenue⁷. In addition, the agricultural sector has been the largest contributor to poverty reduction in Ethiopia, with two-thirds of the reduction in poverty between 2011 and 2016 explained by

² World Bank. (n.d.). *Ethiopia overview: Development news, research, data*. Retrieved from <https://www.worldbank.org/en/country/ethiopia/overview>

³ Ibid

⁴ World Bank. (n.d.). *Ethiopia country profile*. Poverty and Inequality Platform. <https://pip.worldbank.org/country-profiles/ETH>

⁵ World Bank. (n.d.). *World Development Indicators: Ethiopia*. Available at: <https://data.worldbank.org/country/ethiopia>

⁶ Ibid

⁷ World Trade Organization. (2022). *Trade Profile: Ethiopia*. Available at: https://www.wto.org/english/res_e/statistics_e/daily_update_e/trade_profiles/ET_e.pdf

agriculture.⁸ Coffee generates the highest foreign exchange earnings in Ethiopia (close to 35%)⁹, and other agricultural products contributing to foreign exchange include oilseeds, dried pulses, hides and skins, and live animals. The emerging flower industry is also becoming a significant source of foreign revenue. Despite the centrality of agriculture in Ethiopia's economy, the country is still a net importer of agricultural goods. In 2022, Ethiopia imported approximately USD 3.6 billion worth of agricultural and food products, while its agricultural exports were valued at around USD 3.3 billion, hence registering a net trade deficit of USD 300 million¹⁰. This trend reveals significant productivity gaps in the sector.

The agricultural sector in Ethiopia is dominated by smallholder farmers, with approximately 12 million smallholder farming households contributing to 95% of the country's agricultural output.¹¹ Agriculture is not only the main source of employment across Ethiopia, but it is particularly crucial for the livelihoods of the poor. While around 70% of household heads rely primarily on agriculture or livestock for their livelihood, this percentage rises significantly among poorer households, with 84.3% for those classified as poor and 86.9% for the ultra-poor.¹²

Despite agriculture's central role in the country's economy, agricultural production and productivity remain low. This is attributed to various factors, such as poor land management, underdeveloped market systems, and limited access to modern technology. The subsistence nature of the sector further hampers progress, contributing to persistent food insecurity in many regions. Given this context, increasing productivity in this sector is essential for reducing poverty and fostering sustainable economic growth.

2.1.2 Structural Challenges in Ethiopia

2.1.2.1 Demographic characteristics

Ethiopia faces significant structural challenges. The first key challenge is related to demographic trends, presenting multiple facets: the country presents a rapid population growth and is on the verge of a demographic transition that offers the potential for a demographic dividend.¹³ However, this is accompanied by a youth expansion, with over 70% of the population under the age of 30 and an estimated 3 million young people entering the labour force annually, complicating efforts to create enough jobs, improve human capital and increase labour productivity.¹⁴ Additionally, rapid urbanization, starting from a low base, has been expected to double the urban population between 2013 and 2035, which will have significant implications for growth potential and sustainability.¹⁵

⁸ World Bank. (2020). *Ethiopia: Poverty Assessment - Harnessing Continued Growth for Accelerated Poverty Reduction*. Available at: <https://documents1.worldbank.org/curated/en/992661585805283077/pdf/Ethiopia-Poverty-Assessment-Harnessing-Continued-Growth-for-Accelerated-Poverty-Reduction.pdf>

⁹ Ethiopian Coffee and Tea Authority (2024). National Action Plan for the Implementation of Compliance Measures on EUDR.

¹⁰ U.S. International Trade Administration – Country Commercial Guide: Ethiopia Agricultural Sectors 2021.

¹¹ Food and Agriculture Organization of the United Nations. (n.d.). *Ethiopia at a glance*. Retrieved from <https://www.fao.org/ethiopia/fao-in-ethiopia/ethiopia-at-a-glance/en/>

¹² World Bank. (2020). *Ethiopia: Poverty Assessment - Harnessing Continued Growth for Accelerated Poverty Reduction*. Available at: <https://documents1.worldbank.org/curated/en/992661585805283077/pdf/Ethiopia-Poverty-Assessment-Harnessing-Continued-Growth-for-Accelerated-Poverty-Reduction.pdf>

¹³ Central Statistical Agency. (2013). *Population Projections of Ethiopia*, unpublished.

¹⁴ United Nations Development Programme (UNDP). (2020). *Ethiopia UNDP Country Programme Document 2020-2025*.

¹⁵ Ibid.



2.1.2.2 Gender dynamics

A second structural challenge relates to gender inequality. Despite notable progress in reducing maternal mortality¹⁶, narrowing the gender gap in primary education¹⁷, and increasing women's participation in the national parliament and Federal cabinet, the country still ranks low on global gender indices, with a score of 0.846 on the Gender Development Index, one of the lowest globally. Also, it is ranked 117th out of 129 countries on the SDG Gender Index. Women face significant barriers in accessing essential resources: only 51% of women farmers benefit from agricultural extension services compared to 62% of men¹⁸, a mere 8% have access to credit compared to 36% of men¹⁹, and 40% of married women own land, with only 19.5% of women hold a land title²⁰. These challenges are exacerbated by entrenched social norms that limit women's voices and participation in public life, alongside harmful traditional practices, such as child marriage and female genital mutilation.

2.1.2.3 Private sector development challenges

A third structural challenge arises from Ethiopia's previous state-led development model. While it has produced significant advancements in human development and infrastructure, it has hindered the growth of a dynamic private sector that could drive job creation, productivity, and economic diversification. One key indicator of this is the "missing middle", referring to the lack of a robust base of small and medium-sized enterprises (SMEs) in the country.²¹ Private sector development is further constrained by several factors, including macroeconomic imbalances, partly due to debt service obligations, which restrict access to crucial foreign exchange; the underdeveloped capital markets and banking sector; low skill levels in the labour force; the absence of a strong innovation ecosystem; and limited energy access.²²

2.1.2.4 Governance balance between the centre and regions

A fourth structural challenge stems from the current governance model and the nature of the country's federal system, which creates tensions between central and regional authorities. While the federal structure was intended to promote local autonomy and better reflect the country's diverse ethnic composition, in practice it has led to overlapping mandates, unclear divisions of responsibility, and frequent jurisdictional disputes. As regions begin to assume a more prominent role in governance, their institutional capacities in areas such as service delivery, fiscal management, and local economic development remain limited. This can create gaps in public service provision and limit the effectiveness of development outcomes. At the same time, the federal arrangement has, at times, reinforced identity-based politics, which may increase grievances among different ethnic groups. These dynamics have been associated with underlying tensions, including instances of ethnic conflicts and displacement, with implications for social cohesion and stability.

2.1.2.5 The impact of climate change

The fifth structural challenge is linked to far-reaching impacts of climate change, which present a growing threat to poverty reduction and sustainable development in Ethiopia, particularly given the country's reliance on rain-fed agriculture and forest resources for food security, livelihoods, and energy access. Climate-related losses could reach as high as 10% of GDP annually, driven by an increase in

¹⁶ Central Statistical Agency. (2016). *Ethiopia Demographic and Health Survey*.

¹⁷ Ministry of Education. (2017). *Education Statistics Annual Abstract*, 2016.

¹⁸ Food and Agricultural Organization. (2019). *Ethiopia National Gender Profile of Agriculture and Rural Livelihoods*.

¹⁹ UN-Women and Central Statistical Agency. (2017). *Ethiopia Gender Statistics Report*.

²⁰ United Nations Development Programme (UNDP). (2020). *Ethiopia UNDP Country Programme Document 2020-2025*.

²¹ Ibid.

²² Ibid.

natural disasters, diminishing water resources, deforestation, biodiversity loss, and the displacement of populations from ecologically fragile lowland areas. These environmental challenges are likely to strain social cohesion and peace, with significant repercussions for stability and resilience in vulnerable communities.

2.1.2.6 Business formalization

The sixth structural challenge is related to formalization of businesses. The size of Ethiopia's informal economy was estimated at 29% of the country's GDP in 2023 – 3.2 percentage points above the African average.²³ This is hindered by several interrelated structural challenges. Lengthy and complex registration procedures, coupled with high compliance costs deter small-scale and family-run enterprises from entering the formal sector. Moreover, weak infrastructure and limited institutional capacity restrict access to reliable financial services, business support, and clear land tenure, factors that are critical for establishing formal operations.

► 2.2 Agri-entrepreneurship for Women and Youth in Sidama

2.2.1 The Agriculture Sector in Sidama

The Sidama region, home to about 4% of Ethiopia's population, is predominantly agrarian, with most residents engaged in subsistence farming. Situated northeast of Lake Abaya and southeast of Lake Hawassa – both tourist-attracting water bodies – the region is divided into four zones plus the capital (Central Sidama, Eastern Sidama, Northern Sidama, Southern Sidama, and Hawassa city), which in turn are subdivided into city administrations. The region has diverse land uses: 48.7% of its land is cultivated, 2.3% is forested, 5% comprises shrub and bushland, 17.5% is grazing land, 18% remains uncultivated, 6.4% is unproductive, and 2.1% is used for other purposes²⁴. Some of the cultivated land lies on undulating escarpments, creating challenges for farmers in terms of productivity and accessibility.

The region's growing agro-processing sector is encouraging smallholder farmers to expand into agribusiness, supplying local industries with fruits, vegetables, edible oils, poultry, and coffee. This shift is fostering the formation of agribusiness cooperatives, especially among women and youth in both rural and urban areas, driven by the sector's job creation and income potential; there are 12 cooperative unions and 253 primary cooperatives, with a total membership of 777,134 farmers, 13,842 of whom are women and 763,292 are men members²⁵. Agricultural extension services play a pivotal role in promoting the adoption of modern farming in Sidama. Methods such as on-farm demonstrations, field days, and training programs are found to significantly improve farmers' productivity and market access. However, gaps remain in the reach and effectiveness of these services, especially for women farmers.²⁶

Sidama is Ethiopia's leading coffee-producing region, significantly contributing to the nation's foreign exchange earnings. In 2005, the Central Statistical Agency (CSA) reported that Sidama and the Gedeo

²³ African Futures and Innovation Programme: Geographic Futures (2025).

²⁴ The Federal Democratic Republic of Ethiopia, Environment Protection Authority. (2024). *Fact Sheet of Machisho Forest Ecosystem in Sidama Region*. Prepared by State of Environment Data Study and Report Preparation Desk. Available at: [https://www.epa.gov.et/images/PDF/compiled%20Machisho%20forest%20ecosystem\(Sidama\).pdf](https://www.epa.gov.et/images/PDF/compiled%20Machisho%20forest%20ecosystem(Sidama).pdf)

²⁵ International Labour Organization (ILO). (2021). *Assessment of the potential for cooperative development in selected agriculture sectors in Ethiopia (Amhara and Sidama Regions): ProAgro Ethiopia "Promotion of Decent Work in Agribusiness" project*. Final report.

²⁶ Worku, W. A. and Seyoum, Y. M. (2023). Extension Events Used by Farmers in the Process of Improved Agricultural Technology Transfer: The Case of Sidama Region, Ethiopia. *Cross Current Int J Econ Manag Media Stud*, 5(5), 93-97.

zone together produced 63,562 tons of coffee, representing 28% of Ethiopia's total coffee production. Other major crops by coverage in Sidama are maize, haricot bean, horticultural crops, and teff.²⁷

Although the region has abundant water resources, they remain largely underutilized. Health challenges are often linked to limited access to clean drinking water, inadequate sanitation, and low public awareness of environmental health and hygiene, which contribute to high morbidity and mortality rates. Expanding irrigation systems could unlock the potential of these water resources, increase productivity and reduce the region's dependence on unpredictable rainfall.²⁸

2.2.2 The profile of the target group: women and youth in Sidama

Women constitute roughly half of the population in Sidama (about 2.3 million of the total 4.6 million)²⁹. The region is overwhelmingly rural – on the order of 85–90% of residents live in rural areas, with only a small minority in urban centers like the regional capital Hawassa³⁰. Sidama's population is also very young, mirroring national demographics, where over 70% of the population is under the age 30³¹. This youth prevalence means a large cohort enters the labor force each year, underscoring the need for robust education, job creation, and entrepreneurship support.

Educational attainment in Sidama has improved but still lags in higher grades, especially for females. Literacy among youth is relatively modest – nationally about 71% of young men and 68% of young women (aging 15–24 years old) are literate³². Adult literacy is lower (only approximately 41% of adult women nationally)³³, reflecting older generations with limited schooling.

Sidama has achieved high primary school enrollment. Net enrollment in primary school has approached 85–90% in recent years (comparable to the national rate), thanks to expanded access. However, completion rates remain a concern. Only about 61% of students successfully complete Grade 8 (end of primary)³⁴, indicating that roughly one-third drop out before finishing primary school. Early dropouts are often due to economic pressures or family responsibilities, which disproportionately affect girls. Indeed, 23% of students in the broader southern region were reported to drop out in a single year (2016/17)³⁵, suggesting many children leave school before completion.

Participation drops sharply at secondary level. Far fewer youth make the transition into secondary school, and those who do often do not complete Grade 12. Access to high school is more limited in rural districts, and many girls marry or start work before completing their secondary education. As a result, the pool of secondary graduates (especially young women) is relatively small. Opportunities for higher education are even more limited. Nationally, the gross enrollment rate in tertiary education is only about 13% for men and 8% for women³⁶. Sidama's tertiary enrollment is likely in this low range – while Hawassa University

²⁷ CSA (2007). Survey Report on National Labour Force of Ethiopia.

²⁸ Legesse, T. et al. (2024). Can high-value markets ensure households food security? Evidence from avocado producers in Sidama Region of Ethiopia, *Cogent Social Sciences*, 10:1, 2297758, DOI: 10.1080/23311886.2023.2297758

²⁹ Sidama Region (Ethiopia) Population Statistics, Charts, Map and Location. Available at : https://www.citypopulation.de/en/ethiopia/admin/ET08_sidama/

³⁰ Ibid.

³¹ United Nations Development Programme (UNDP). (2020). Ethiopia UNDP Country Programme Document 2020-2025.

³² Country Meters. Ethiopia population. 2023. Available: <https://countrymeters.info/en/Ethiopia>

³³ Ibid.

³⁴ Federal Ministry of Education. Education Statistics Annual Abstract 2022/2023. Available at: <https://moe.gov.et/storage/Books/ESAA%202022-23%20Final.pdf>

³⁵ UNICEF. 2022. SNNPR - Regional Brief. Available at: <https://www.unicef.org/ethiopia/media/6516/file/SNNPR%20regional%20brief.pdf>

³⁶ UNESCO. 2024. Ethiopia: Education Country Brief. Available at : <https://www.iicba.unesco.org/en/ethiopia>

and a few colleges are located in the region, the vast majority of rural youth do not advance to college. In summary, most youth (and particularly young women) attain some primary education, but few proceed to advanced schooling, which in turn impacts their skills and opportunities in the labor market.

Youth and women in Sidama have lower labor force participation compared to adult males, reflecting both rural dynamics and socio-cultural factors. In urban areas of Sidama, only about 52% of youth (15–29) were active in the labor force as of 2022³⁷. Overall women's participation is even lower – roughly 38% of women in urban areas of Sidama are economically active, versus approximately 65% of men³⁸. This gap is linked to women often remaining outside formal work, due to child-care, domestic responsibilities, or limited job opportunities considered acceptable for women. In rural Sidama, most youth (male and female) do engage in subsistence farming on family plots, but this work is often informal and seasonal (and many young women's farm work may not be counted in official labor surveys).

Urban youth unemployment in Sidama was about 22.3% in 2022³⁹. Notably, young women face higher unemployment than young men: the female youth unemployment rate in Sidama cities was around 31%, compared to 13.6% for young men⁴⁰. This indicates that even when young women seek work, they have more difficulty finding jobs. High urban youth unemployment reflects the mismatch between the rapid growth of the youth population and the limited expansion of wage jobs. In rural areas, unemployment is less reported (since most engage in farming), but underemployment and disguised unemployment are common, as many youths and women are engaged in low-productivity smallholder farming work or day labor.

Given the scarcity of formal jobs, Sidama youth and women commonly pursue entrepreneurship, often out of necessity. In rural areas, virtually all working women are unpaid family workers or own-account farmers (selling produce at local markets). In urban areas, micro and small enterprises (MSEs) run by youth are common, from one-person street vending to small shops and services. Precise rates are hard to measure due to informality, but labor force surveys show a high proportion of employed youth are in own-account work or contributing to family businesses rather than wage employment: among employed urban youth nationwide, approximately 39 % are own-account workers and another 8 % are unpaid family workers, while only about 23 % are employed by government and 17 % by private organizations⁴¹. As the economy in Sidama is dominated by agriculture and trade, youth-led businesses are often tied to agriculture value chains – for example, trading coffee or vegetables, running grain mills or raising livestock for market.

Sidama's business landscape is also characterized by widespread informality. Even in urban Sidama, close to 22% of employed people work in the informal sector (excluding subsistence farming)⁴², and this share is higher for women (about 24% of employed women, vs 20% of men)⁴³. If one includes rural subsistence farming, virtually all women's economic activity is informal.

³⁷ Ethiopian Statistics Service. 2022. Urban Employment & Unemployment Survey (UEUS). Available at: https://ess.gov.et/wp-content/uploads/2024/09/2022_1st-Round-UEUS-Key-Findings.pdf

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.



3 Methodology

The methodology employed for this assessment is based on the ILO's Inclusive Entrepreneurship Ecosystem Development approach (IEED).⁴⁴ ILO's IEED provides a holistic approach to understanding the factors that enable or constrain entrepreneurial activities by vulnerable groups within a specific region. Developed with a focus on inclusivity and sustainability, the methodology examines six interconnected pillars: Policy, Human Capital, Finance, Support, Market, and Culture. It aims to identify systemic challenges and opportunities, informing recommendations that foster an environment where all entrepreneurs can thrive and contribute to decent work creation and economic growth.

This assessment employed a three-step approach to analyze the entrepreneurship ecosystem in the Sidama region. The first step involved a comprehensive review of existing literature, reports, and datasets related to Ethiopia's entrepreneurship ecosystem and agribusiness sector, with a specific focus on the Sidama region. The secondary research provided a general overview of the country and region's socioeconomic context, agribusiness dynamics, and agri-entrepreneurship ecosystem pillars. The findings from the desk review phase informed the design of the subsequent fieldwork and stakeholder engagement strategies.

In the second step, consultations and semi-structured interviews were conducted with 21 key stakeholders, including representatives from government bodies, financial institutions, agribusinesses, cooperatives, and business development service (BDS) providers. A comprehensive list of actors consulted during the pillar selection phase is provided in Annex 1. These consultations were critical in:

Mapping the ecosystem and identifying key actors and services.

Characterizing each ecosystem pillar (Policy, Human Capital, Finance, Support, Market, and Culture) and evaluating them against pre-defined criteria in line with the IEED approach.

Determining priority pillars for in-depth analysis.

⁴⁴ International Labour Organization (2024). A Rough Guide to Inclusive Entrepreneurship Ecosystem Development. Available at: https://www.ilo.org/sites/default/files/wcmsp5/groups/public/%40ed_emp/%40emp_ent/%40ifp_seed/documents/publication/wcms_914720.pdf

After gathering insights that informed the scoring and prioritization of the ecosystem pillars, the third step focused on an in-depth examination of the two prioritized pillars: Finance and Market. This phase included detailed interviews with 26 actors linked to the Finance pillar and 28 actors linked to the Market pillar. Annex 2 includes the list of stakeholders interviewed during this phase. These interviews uncovered the priority pillars' challenges, exploring the underlying constraints behind them.

All data collected during the fieldwork were systematized and analyzed to identify key underlying constraints, opportunities, and propose actionable recommendations for strengthening the agri-entrepreneurship ecosystem inclusively. Finally, the findings and recommendations were validated through follow-up discussions with selected stakeholders to ensure accuracy and alignment with local realities.

4 Entrepreneurship Ecosystem Analysis

▶ 4.1 Ecosystem Map and Characteristics

4.1.1 Policy

Positive developments

Major national policies in Ethiopia provide an enabling environment for entrepreneurship. The National Entrepreneurship Strategy (NES) 2020–2025 was launched (with support from the United Nations Industrial Development Organization – UNIDO – and United Nations Conference on Trade and Development –UNCTAD) to create a unified framework for entrepreneurship promotion⁴⁵. Before that, Ethiopia’s Micro and Small Enterprise (MSE) Development Strategy (2011) had already positioned MSMEs as engines of job creation and industrial growth⁴⁶. The country’s Growth and Transformation Plan II (GTP II) (2015–2020) also emphasized domestic private-sector development and rapid expansion of MSMEs to sustain economic growth, create employment, modernize agriculture and increase productivity⁴⁷. More recently, in 2024, the government has drafted a Startup Ecosystem Development Policy aimed at energizing the startup scene by proposing incentives such as removal of minimum capital requirements for foreign startups, specialized startup work permits, and streamlined business

⁴⁵ Government of Ethiopia. (2020). *National Entrepreneurship Strategy (NES) 2020–2025*. Addis Ababa: Ministry of Trade and Industry. Available at: <https://policyvault.africa/wp-content/uploads/policy/ETH71.pdf>

⁴⁶ FMSEDA. (2011). *Micro and small enterprise development strategy, provision framework and methods of implementation*.

⁴⁷ National Planning Commission. (2016). *Growth and Transformation Plan II (GTP II) (2015/16–2019/20)*: Addis Ababa: Federal Democratic Republic of Ethiopia. Available at: [GTPII English Translation Final June 21 2016.pdf](https://www.gtpii.gov.et/GTPII%20English%20Translation%20Final%20June%2021%202016.pdf)

registration to attract overseas talent⁴⁸. In parallel, investment laws and regulations have been updated to welcome private investment – notably by removing the 30% capital gains tax on share transfers and new share issuance and allowing businesses to retain all foreign-currency earnings from service exports. Furthermore, programs like the Entrepreneurship Development Programme (EDP) – a joint initiative of the Ministry of Urban Development and Housing and the United Nations Development Programme (UNDP) – have been implemented to unlock the growth of micro and small enterprises through training, business development services, and access to finance.

Various SME support policies indirectly aid agribusiness startups and enterprises. For example, new investors (including in agro-processing) are eligible for income tax exemptions for up to nine years depending on the investment location⁴⁹. Business registration procedures have been simplified in recent years, with one-stop service centers (such as in industrial parks) helping entrepreneurs formalize businesses faster. Export-oriented agribusinesses receive additional support through export incentives and facilitation by agencies like the Ethiopian Investment Commission (EIC) and chambers of commerce, including credit guarantees and promotion of market linkages⁵⁰. These policy tools (tax breaks, easier licensing, access to premises, export facilitation, etc.) help lower barriers to entry for agri-entrepreneurs in Sidama.

Additionally, as agriculture is central to the economy and livelihoods, the Ethiopian government has long prioritized agriculture as a driver of economic growth. For instance, this is reflected in strategies like Agricultural Development–Led Industrialization (ADLI) and GTP II. ADLI, adopted in the 1990s, defined agriculture as the cornerstone of development and the starting point for industrialization⁵¹. In recent years, recognizing the job-creation and food security potential of agricultural value chains, the government has taken targeted measures. Under the Homegrown Economic Reform Agenda launched in 2019/2020, agriculture was explicitly identified as the country’s largest employment sector and “economic backbone”, with a mandate to boost smallholder productivity and expand commercial farming⁵². One tangible outcome is the development of Integrated Agro-Industrial Parks to attract investment into agro-processing. Yirgalem Integrated Agro-Industrial Park (YIAIP) in Sidama region, for example, was established with state-of-the-art infrastructure and amenities to facilitate agro-industrial growth. The park hosts 24 agro-processing investors engaged in processing coffee, avocado, dairy, honey, animal feed and other products⁵³. By linking 130,000 local farmers to processing facilities and creating an estimated 17,000 jobs, the park exemplifies how policy-supported infrastructure can catalyze Sidama’s agribusiness ecosystem⁵⁴.

Sidama region also benefits from Ethiopia’s decentralized governance, which allows more localized decision-making in implementing agricultural and entrepreneurship policies. Since attaining regional status in 2021, Sidama has its own regional council and institutions per Ethiopia’s federal system⁵⁵. This means policies can be tailored and executed closer to the community, potentially

⁴⁸ Federal Democratic Republic of Ethiopia. (2024). *Startup Ecosystem Development Policy (Draft, October 2024)*. Addis Ababa: Ministry of Innovation and Technology. Available at: https://www.askwala.com/Upload/STARTUP_ECOSYSTEM_DEVELOPMENT_POLICY.pdf

⁴⁹ Ethiopian Investment Commission (EIC). (2018). *An Investment Guide to Ethiopia: Opportunities and Conditions*. Geneva/ Addis Ababa: United Nations Conference on Trade and Development & Ethiopian Investment Commission. Available at: <https://www.unido.org/sites/default/files/files/2018-05/1.%20AN%20INVESTMENT%20GUIDE%20TO%20ETHIOPIA.pdf>

⁵⁰ Ibid.

⁵¹ Dube, A. K., Fawole, W. O., Govindasamy, R., & Ozkan, B. (2019). Agricultural development-led industrialization in Ethiopia: Structural break analysis. *International Journal of Agriculture, Forestry and Life Sciences*, 3(1), 193–201.

⁵² Ministry of Finance. (2020). *A Homegrown Economic Reform Agenda: A Pathway to Prosperity*. Addis Ababa: Federal Democratic Republic of Ethiopia. Available at: https://www.mofed.gov.et/media/filer_public/38/78/3878265a-1565-4be4-8ac9-dee9ea1f4f1a/a_homegrown_economic_reform_agenda-a_pathway_to_prosperity-public_version-march_2020-.pdf

⁵³ [Yirgalem Integrated-Agro Industrial Park Creates 17,000 Jobs, 130,000 Market Linkages - ENA English](#)

⁵⁴ Ibid.

⁵⁵ Bertelsmann Stiftung, BTI 2024 Country Report – Ethiopia. Gütersloh: Bertelsmann Stiftung, 2024

increasing responsiveness to local agribusiness needs. The region further enjoys a strong human capital base in agriculture – each year, a growing number of graduates in agriculture and related fields enter the workforce, including alumni from nearby universities and Technical and Vocational Education and Training (TVET) colleges. Sidama’s regional bureaus are staffed with qualified policymakers and extension officers, providing a solid administrative structure to implement development programs.

The overall stable governance and security situation in Sidama provides a conducive environment for policy implementation. Unlike regions that faced instability in recent years, Sidama has remained largely peaceful, allowing government and development partners to roll out rural development and agricultural transformation programs without major disruption. Indeed, Sidama has been a focus area for national rural development initiatives and internationally-funded projects. Several programs supported by the World Bank, African Development Bank (AfDB), and others are active in the region. The presence of NGOs, civil society groups, and cooperative unions in the region further strengthens the region’s network for policy development and implementation, including through community-level training, extension services, and advocacy.

Challenges

Despite these positive developments, Sidama has limited policies tailored to agri-entrepreneurship. Existing national policies tend to be generic, with limited focus on addressing the unique needs of agricultural startups and SMEs in the region. Additionally, Sidama entrepreneurs and MSME owners commonly have limited awareness of the policies and programs that do exist, indicating communication gaps. It is common to hear from agribusiness owners that they were never consulted during policy formulation and feel excluded from the process. This top-down approach can lead to misalignment between policy measures and the realities on the ground.

Even where supportive policies are in place, implementation often falls short of policy intent. A key issue is weak accountability and follow-up. For instance, regulations may promise certain services or benefits to agri-entrepreneurs, but enforcement mechanisms are limited – resulting in a disconnect between what the policy envisions and what actually happens. Additionally, some local offices lack the resources or clarity to enforce directives, leaving many small farmers and agri-entrepreneurs without the support or guidance that policies on paper would entitle them to.

Sidama’s agri-entrepreneurs also report difficulties in their interactions with policymakers and government institutions. One recurring complaint is the high turnover of officials and frequent shifts in government priorities. When key officials change, ongoing initiatives can lose momentum or direction. A study of the Yirgalem Agro-Industrial Park noted that changes in government leadership led to policy discontinuities and reduced government support, undermining some of the park’s plans⁵⁶.

Additionally, there is often poor alignment between different departments of the government, and poor inter-agency coordination. For example, an agribusiness trying to export might receive contradictory instructions from an agricultural extension office versus the customs authority. Indeed, policy incoherence and bureaucratic hurdles (like customs procedures not syncing with industrial policy incentives) have been observed to significantly impede agribusiness operations⁵⁷. All these factors contribute to a policy environment where implementation gaps persist, with good policies on paper not always translating into tangible benefits for agri-entrepreneurs.

⁵⁶ International Food Policy Research Institute (IFPRI) and Consultative Group on International Agricultural Research (CGIAR). (2020). *Integrated Agro-Industrial Parks (IAIPs) in Ethiopia: Catalysts for Industrialization and Economic Transformation*. Available at: <https://cgspace.cgiar.org/bitstreams/82d3af09-39f4-42d8-a31a-0b25daaf361e/download>

⁵⁷ Ibid.

Key Actors

Government bodies play a central role in the policy pillar, including national institutions, such as the Ministry of Agriculture, the Ministry of Trade and Industry, and the Ethiopian Investment Commission, regional administrative agencies, local councils, and legislative bodies, which set the regional policy agenda and oversee its implementation. Alongside these governmental organizations, various NGOs, civil society groups and community-based organizations contribute to policy development, particularly in awareness raising and advocacy efforts.

► **Table 4.1.2: Key Policy Pillar Actors**

► Actor	► Actor type	► Current functions	► Geographic scope
Ministry of Agriculture	Government	Policy formulation and implementation	National
Ministry of Trade and Industry	Government	Policy formulation and implementation	National
Ethiopian Investment Commission (EIC)	Governmental Organization	Advise the government on policy measures needed to create an attractive investment climate for investors	National
Ministry of Women and Social Affairs	Government	Policy formulation and implementation	National
Federal Ministry of Labour and Skills	Government	Policy formulation and implementation	National
Agricultural Transformation Institute (ATI)	Government	Policy formulation and implementation	National
Jobs, Skills, and Enterprise Development Bureau (JSEB)	Governmental Organization	Engage in policy formulation and implementation	Regional
Cooperative Bureau	Government	Engage in policy formulation and implementation	Regional
Bureau of Agriculture	Government	Engage in policy formulation and implementation	Regional
Hawassa City Administration	Government	Engage in policy formulation and implementation	Local

4.1.2 Human Capital

Positive developments

Sidama Region benefits from a predominantly young population, providing a large workforce eager to engage in entrepreneurial activities, particularly in agribusiness ventures, given the region's strong agricultural base.

Local educational institutions are key players in building agribusiness human capital in Sidama. Hawassa University (the major university in Sidama's capital) and regional TVET colleges (such as Hawassa Polytechnic and Kebado TVET College) offer both foundational education and practical skills training tailored to the sector. These institutions run programs in agriculture, business management, food processing, and related fields, aiming to produce graduates with market-relevant skills. For

instance, Hawassa University hosts an Agricultural Business Incubation Center that supports students in developing viable agribusiness startups.

Numerous NGOs and development partners also contribute to skill-building. Organizations like Digital Opportunity Trust (DOT) and TechnoServe implement projects in Sidama to enhance farmers' technical knowledge and business acumen. The Agricultural Transformation Institute (ATI, formerly Agricultural Transformation Agency) has programmes in the region focusing on modern farming practices and value chain improvements. Donor-funded initiatives, such as USAID's Feed the Future agribusiness training, have introduced specialized courses on topics such as food preparation and hygiene, post-harvest handling, and quality standards compliance, thus creating a more skilled workforce aligned with agribusiness needs.

Various institutions, from government initiatives to NGOs, run targeted training workshops for women agri-entrepreneurs in Sidama. Notably, Ethiopia's Entrepreneurship Development Institute (EDI) and the Sidama Jobs, Skills and Enterprise Development Bureau (JSEB) contribute programs focusing on business management and job matching to create sustainable employment pathways for women.

Loan and credit services exist specific for human capital development, often targeting women. For example, a recent program partnered with Sidama Bank to offer loans through a Women's Guarantee Fund, enabling young women's business groups to access finance⁵⁸. Such financial services help aspiring entrepreneurs and small farmers secure the resources needed for skills training and agribusiness startup.

Sidama's agribusiness sector benefits from initiatives to enhance product quality and marketability, including certification and specialized training. There are opportunities for farmers and processors to obtain certifications such as organic or fair-trade labels, which add value to local products. For example, organic production training has been promoted in the region's coffee and avocado value chains. A flagship private investment, Sunvado PLC – an avocado oil processing company established in the Sidama/Yirgalem agro-industrial park – collaborated with nearly 60,000 small farmers to attain organic certification and set up women-operated seedling nurseries, training over 60 women in the process⁵⁹. This kind of training in organic standards, food safety, and quality control helps agribusinesses meet export requirements and fetch higher prices.

Sidama's MSME usually adopt flexible hiring of skilled labor on an as-needed basis. Small agribusinesses in production, processing, or services often bring in skilled workers for specific tasks – for example, hiring an experienced agronomist during planting season or a food technologist to improve a product recipe. This approach allows businesses to maintain high standards and efficiency without bearing year-round staffing costs. It helps bridge skill gaps for MSMEs: rather than each firm employing full-time experts in every domain, they tap into a pool of trained individuals when needed. As a result, even smaller enterprises can adapt quickly to new market demands or technical challenges by leveraging external expertise.

Challenges

A major human capital challenge is the limited financial capacity of individuals to pursue advanced training or education and low awareness of capacity-building programmes and financing options. Many rural youth and farmers cannot afford vocational courses or skill certification programs. Even though micro-loans and youth funds exist, coverage is insufficient relative to demand. Low-income households often prioritize immediate livelihood needs over paying for training, which means

⁵⁸ Young Women's Leadership and Economic Empowerment Program (LEEP), implemented by the Elsa & Peter Soderberg Charitable Foundation.

⁵⁹ Virgin, I. et al., 2024. The State of Bioeconomy in Eastern Africa: 2024. Stockholm Environment Institute, The East African Science and Technology Commission and Bioinnovate Africa.



talent remains underdeveloped. Moreover, information about training opportunities, entrepreneurship workshops, or subsidized credit often does not reach the remote or rural communities. A 2023 study in a Sidama district suggested that improving outreach is critical – policies should enhance training access, rural education, and extension services so that more people know about and utilize these programs⁶⁰. Currently, a gap in communication leaves many potential entrepreneurs (particularly women and youth outside the main towns) unaware of the support they could receive.

Urban-rural disparities are evident in human capital development. While institutions like Hawassa University and city-based TVET colleges provide quality training in Sidama’s urban centers, rural areas have limited access to such facilities. Villages often lack nearby vocational centers or instructors, forcing young people to travel or relocate to get skills – something not everyone can manage. Consequently, rural youth may only acquire basic agricultural know-how (often passed down informally) but miss out on newer techniques or business skills. This contributes to a skill gap: general farming experience is common, but specific technical skills and business management abilities are lacking among much of the workforce. For instance, many smallholder farmers are adept at traditional crop production, yet they might not know advanced practices in irrigation, value addition, or quality certification.

Limited comprehensive labor market information in the region limits informed decision-making. Prospective job seekers and entrepreneurs do not have easy access to data on which skills are in high demand, which agricultural products have market gaps, or wage and price trends. According to a recent labor profile, even educated youth across Ethiopia face hurdles partly due to insufficient information on job openings and training opportunities⁶¹. In Sidama this means a young person might not know, for example, that there is growing demand for fruit processing skills or trained dairy technicians, and thus they might not pursue those paths. Hence, informational asymmetries prevent efficient alignment of the workforce with agribusiness needs, stifling both career development and MSMEs growth.

Finally, it’s worth noting that while there are many actors providing training or support, coordination among these initiatives is sometimes weak. Overlaps or gaps can occur – for instance, multiple NGOs might offer similar entrepreneurship courses in one town, while another area gets none. Rural communities often see ad-hoc trainings that aren’t followed by ongoing support. Additionally, there are currently no TVET courses specifically focused on greening SMEs or sustainable business practices, leaving an important gap in preparing entrepreneurs for climate-resilient and environmentally sustainable agribusiness.

Key Actors

Human capital development in Sidama is driven by a range of institutions providing essential skills and capacity building. Universities and TVET centers deliver foundational and specialized training, helping to equip potential entrepreneurs and workers with the skills needed in agriculture and agri-business. Local training institutions and NGOs also play a significant role, offering targeted capacity-building programs that enhance the technical and business acumen of smallholder farmers and aspiring agri-entrepreneurs.

Key governmental bodies involved in the human capital component of the ecosystem include the EDI and JSEB, which focus on skills development and job-matching initiatives to support sustainable employment pathways in agribusiness. Additionally, private sector players such as larger businesses contribute to ecosystem development by actively training its supply chain participants. A prime example is Sunvado PLC, the organic avocado oil producer in Yirgalem, which provided farmer training on organic cultivation

⁶⁰ Hilo, M. and Obsu, B., 2022. Livelihood Diversification in the Boricha District of Sidama Region, Ethiopia: Strategies and Determinants. *ETHIOINQUIRY Journal of Humanities and Social Sciences*, 2(1). Available at : <https://journals.hu.edu.et/hu-journals/index.php/erjssh/article/view/1368>

⁶¹ Ethiopia Labour Market Profile – 2024/2025. Ulandssekretariatet – Danish Trade Union Development Agency (DTDA). Available at: <https://www.ulandssekretariatet.dk/wp-content/uploads/2024/04/Ethiopia-LMP-2024-final.pdf>

and harvesting techniques (e.g. safe tree climbing and fruit handling), and facilitated organic certification for tens of thousands of small farmers.

► **Table 4.1.1: Key Human Capital Pillar Actors**

► Actor	► Actor type	► Current functions	► Geographic scope
Ministry of Agriculture	Government	Policy formulation and implementation	National
Federal Ministry of Labour and Skills	Government	Policy formulation and implementation	National
Hawassa University	Educational Institution	Deliver foundational and specialized training: business management, business plan preparation, record keeping	Regional and local
Hawassa Polytechnic College (TVET)	Educational Institution	Deliver foundational and specialized training: technical skill training, business management, business plan preparation, record keeping	Regional and local
Kebado and other Sidama TVET Colleges	Educational Institution	Deliver hands-on vocational training, especially in agricultural trades (crop production, animal health, food processing) to rural youth; offer business basics and cooperative management training	Local (specific Sidama woredas)
Entrepreneurship Development Institute (EDI)	Governmental Organization	Job-matching and skills development and initiatives, including business management, business plan preparation, record keeping	National (federal) with regional outreach (including Sidama)
Jobs, Skills, and Enterprise Development Bureau (JSEB)	Governmental Organization	Skills development and job-matching initiatives	Regional
Digital Opportunity Trust (DOT)	NGO	Offer capacity-building programs that enhance the technical and business acumen of smallholder farmers and aspiring agri-entrepreneurs	National and Regional (projects in Sidama and other regions)
TechnoServe	NGO	Offer capacity-building programs that enhance the technical and business acumen of smallholder farmers and aspiring agri-entrepreneurs	National and Regional (projects in Sidama and other regions)
Agricultural Transformation Institute (ATI)	Governmental Organization	Offer capacity-building programs that enhance the technical and business acumen of smallholder farmers and aspiring agri-entrepreneurs	National and Regional (supporting Sidama through clusters and programs)
Sidama Regional Education Bureau	Governmental Organization	Shape and organize curriculum along with school facility attainment	Regional
Large agribusiness firms in region (e.g. Sunvado)	Private Sector	Provide technical training for suppliers in their value chain (for instance, organic farming techniques, harvesting methods to smallholder farmers); facilitate certifications and run demonstration plots; offer internships, on-the-job training and technical jobs to youth.	Regional (Sidama) with national/export market impact
Cooperative Unions (e.g. Sidama Coffee Farmers Union)	Cooperative	Offer training and capacity building to members on agronomic best practices, quality standards (often in partnership with NGOs or certifiers).	Regional

4.1.3 Finance

Positive developments

The financial pillar in Sidama has seen the introduction of various products and services tailored to agribusiness needs, including agricultural credit lines, microfinance loans, and micro-insurance schemes designed for farmers and agri-entrepreneurs⁶². Government-sponsored financing mechanisms aim to extend capital to underserved groups (especially women and youth), help de-risk lending and encourage banks to serve higher-risk groups. For example, the federal government established a Youth Revolving Fund (YRF) in 2017 to provide affordable loans to young entrepreneurs, with the aim of stimulating rural job creation.

Specific initiatives also target women entrepreneurs. The Women Entrepreneurship Development Project (WEDP) – an initiative originally launched by the World Bank in 2012 – created Ethiopia's first women-focused line of credit⁶³. WEDP channels wholesale funds to local banks and microfinance institutions, which then lend to women-owned MSMEs. As of March 2025, WEDP had facilitated loans to about 30,000 women and provided business training to over 40,000, in partnership with institutions like the federal Entrepreneurship Development Institute (EDI) and regional lenders.

Several Sidama-based financial institutions and programmes explicitly focus on underserved demographics. For instance, the MSME Recovery and Resilience (MESMER) program, launched by the Mastercard Foundation and First Consult, and supported by the government, aims to support over 72,000 enterprises nationwide with credit and business support. MESMER has set ambitious inclusion targets: 80% of its loan beneficiaries are intended to be women-owned businesses, and 70% youth-owned. By working through commercial banks and providing technical assistance (via First Consult and others), MESMER is improving the flow of credit to women and young entrepreneurs who historically lacked access. In Sidama, regional banks such as OMO Microfinance and the new Sidama Bank have been expanding their loan portfolios to smallholder farmers and agri-entrepreneurs, often backed by government credit guarantees or donor-funded liquidity programs. There are also initiatives to introduce or scale up agricultural insurance, such as weather-index crop insurance through local insurers (like Oromia Insurance) to protect farmers against climate and price risks, though these are still nascent.

In addition, the government's mandate that banks dedicate at least 5% of their lending to MSMEs (including agribusinesses) has created a policy framework for more inclusive lending. While enforcement of this 5% rule has been uneven (see Challenges below), it signals an official commitment to boost MSME financing. Meanwhile, international NGOs and development programs (e.g. SNV, Mercy Corps) working in Sidama provide complementary support – from financial literacy training to matching grants – which further strengthen the financial ecosystem for MSMEs and agri-entrepreneurs.

Early results show an increase in account ownership and credit uptake among previously excluded groups. For instance, thanks to initiatives like WEDP and MESMER, many women became first-time borrowers and joined the formal financial system⁶⁴, laying a foundation for a more dynamic agribusiness sector in Sidama.

⁶² Gutierrez, L. and Kirsch, K, 2023. BIC Ethiopia. Agri-Finance Navigator. A Snapshot of the Ethiopian Agri-SME Financing Ecosystem. Berlin, Germany. Available at: <https://bic-africa.eu/wp-content/uploads/2023/10/BIC-Ethiopia-Agri-Finance-Navigator-2023.pdf>

⁶³ <https://www.worldbank.org/en/results/2016/07/21/financing-women-entrepreneurs-in-ethiopia-the-women-entrepreneurship-development-project-wedp>

⁶⁴ [Mastercard Foundation and First Consult Announce Program to Support 72,000 Micro, Small, and Medium Enterprises | Mastercard Foundation](#)

Challenges

Despite the above initiatives, access to finance remains one of the most significant constraints for youth and women entrepreneurs in Sidama (as in Ethiopia overall). According to the World Bank's Global Findex, only about 37% of rural adults and 38% of women nationwide have an account at a formal financial institution⁶⁵. In Sidama, most rural youth and women do not use banks, relying instead on informal savings groups like *Equb*, borrowing from friends/family, or keeping cash at home. While mobile money services are expanding, the cultural preference for cash and the limited financial literacy in rural communities mean formal services have yet to win broad acceptance.

Formal credit uptake by enterprises is generally low and reflect persistent gender gaps. Nationally, only 15.8% of firms report having a bank loan or line of credit, and most entrepreneurs operate without formal financing⁶⁶. Ethiopia's national policy mandating that at least 5% of bank loans be allocated to MSMEs is rarely enforced in practice. Financial institutions generally view MSMEs as high-risk borrowers. In Sidama's context, where many businesses are smallholder farms or informal micro-enterprises, access to credit is constrained by multiple factors. Lack of collateral is a primary barrier. Most banks and Microfinance institutions (MFIs) in Ethiopia require borrowers to pledge fixed assets (typically land or property titles) as collateral for business loans⁶⁷. Yet women and young people rarely hold formal title to such assets, due to customary inheritance practices that favour older male family members in asset ownership. While MFIs reach low-income clients and have a presence in both urban and rural areas of Sidama, women account for only about 30% of MFI clients in Ethiopia, reflecting a persistent gender gap in access⁶⁸. This mismatch means that even government-backed credit programs often struggle to reach the intended women and youth, because the applicants cannot meet collateral requirements. As a result, those entrepreneurs who do manage to get loans tend to be those with personal assets, rather than smallholder farmers or startup agribusinesses, and many agri-entrepreneurs who cannot qualify for bank loans must rely on personal savings or family funds to start or expand their businesses.

Another issue is that many agri-entrepreneurs and MSMEs in Sidama operate informally (unregistered), which complicates loan eligibility and their ability to borrow. Banks and microfinance institutions typically lend only to registered entities or individuals with legal business status. Entrepreneurs lacking a business license or tax ID are thus shut out of formal credit.

Even those who do qualify for loans face onerous conditions and financial product terms that are not well aligned with agribusiness realities. High collateral thresholds, stringent guarantor requirements, and double-digit interest rates are common complaints. Bank liquidity shortages often lead to long waiting times – sometimes up to six months – for loan approvals, especially for youth entrepreneurs. When loans are finally approved, the amounts are often considered insufficient for the business needs. In a recent regional youth survey, about 75% of young entrepreneurs reported that credit ceilings prevent them from securing enough capital for even preparatory business activities, like buying inputs⁶⁹. Those in the dairy sector also noted that repayment periods are too short to match the production cycle⁷⁰. From the supply side, banks often lack understanding of agriculture-specific business

⁶⁵ World Bank. (2021). Project Information Document – Ethiopia SME Finance Project, World Bank Global Findex Database.

⁶⁶ World Bank. (2025). Breaking Barriers: How Ethiopia's Women Entrepreneurs are Excelling in Male-Dominated Industries and Creating Jobs. Available at : <https://www.worldbank.org/en/news/feature/2025/03/24/breaking-barriers-how-afe-ethiopias-women-entrepreneurs-excelling-male-dominated-industries>

⁶⁷ World Bank. (2024). Making Ethiopia's Financial Sector Work for Women: 10 Evidence Based Ideas. Available at: [Making Ethiopia's Financial Sector Work for Women: 10 Evidence Based Ideas](#)

⁶⁸ Strobbe, F., and Alibhai, S. (2015). Financing Women Entrepreneurs in Ethiopia. World Bank SME Finance Community of Practice. Available at: <https://openknowledge.worldbank.org/server/api/core/bitstreams/46208c90-7aff-57cd-b65f-58dd6cd86e77/content>

⁶⁹ Tukela, A. (2021). Factors Affecting Performance and effectiveness of job opportunities creation, in case of Sidama National Regional State, Ethiopia. *Journal of Research in Business and Management*. 9(7), 9-21.

⁷⁰ Ibid.

models and view the sector as high-risk⁷¹. This results in a reluctance to lend or the application of generic lending policies ill-suited to farming (such as requiring monthly repayments regardless of seasonal cash flows).

Access to finance by businesses and cooperatives is often further complicated by a lack of clear information on available loan amounts and limited financial literacy⁷². Many entrepreneurs – especially in rural Sidama – are simply unaware of the formal financial products and support programs available to them. Limited financial literacy and business skills mean that even when credit is available, potential borrowers may not apply or may be deemed not creditworthy due to poorly prepared business plans. Financial education in Sidama is often ad hoc, embedded in donor projects rather than systematically delivered by MFIs or bureaus, leaving many entrepreneurs without basic record-keeping or savings management skills.

Additionally, there is a lack of on-the-ground coordination among the various institutions tasked with providing financial support in Sidama⁷³. Multiple actors – from the Cooperative Bureau offering cooperative loans, to the JSEB managing youth funds via OMO Bank, to NGOs running grant programs – are active, but their efforts are not well synchronized. Local entrepreneurs often find it confusing to navigate this landscape or to obtain clear information on what financing options (and how much funding) they can actually access.

Geographic access is another challenge, as many rural communities in Sidama are located far from bank branches or MFI offices. Over 37% of districts (*woredas*) in Ethiopia have no bank branch at all⁷⁴. The cost and time of traveling to Hawassa or other towns to reach a bank deter youth and women, especially for small transactions. Even where financial services are physically present, low levels of trust in formal institutions discourage usage. There is a common perception among rural clients that banks are “not for people like us” – due to unfamiliar procedures, language barriers, or fear of debt. This trust deficit means that many youth and women opt to stick with informal finance that they know and trust (like family savings).

Key Actors

Key actors in this pillar include local banks, MFIs, cooperatives, the Cooperative Bureau, NGOs and development programmes, government bodies, and innovation funds. MFIs and local banks such as OMO Bank and the Sidama Bank are instrumental in providing credit to smallholder farmers. Rural saving and credit cooperatives offer an alternative for those unable to access traditional banking services. The Cooperative Bureau offers collateral-free credit to cooperative members, which benefits access to finance by women and youth. Government bodies, including the ATI, play a significant role in promoting finance accessibility and offering funds through mechanisms such as the Agricultural Credit Guarantee and other government-backed financing programs. The Development Bank of Ethiopia and commercial banks like Dashen Bank also offer agribusiness-focused loans, though these often come with stringent collateral requirements.

⁷¹ Gutierrez, L. and Kirsch, K, 2023. BIC Ethiopia. Agri-Finance Navigator. A Snapshot of the Ethiopian Agri-SME Financing Ecosystem. Berlin, Germany. Available at: <https://bic-africa.eu/wp-content/uploads/2023/10/BIC-Ethiopia-Agri-Finance-Navigator-2023.pdf>

⁷² Ibid.

⁷³ Ibid.

⁷⁴ National Bank of Ethiopia, 2021. National Financial Inclusion Strategy-II 2021-2025. Available at: <https://nbe.gov.et/wp-content/uploads/2023/12/National-Financial-Inclusion-Strategy-II-2021-2025.pdf>



► **Table 4.1.3: Key Finance Pillar Actors**

► Actor	► Actor type	► Current functions	► Geographic scope
Ministry of Agriculture	Government	Policy formulation and implementation (agricultural sector strategies, including rural finance initiatives)	National
Ministry of Women and Social Affairs	Government	Policy formulation and implementation (women's empowerment and social inclusion in development programs, including access to credit)	National
OMO Bank	Financial Institution	Provide credit to smallholder farmers and administers Sidama's revolving fund for MSMEs, which provides targeted loans to youth and women entrepreneurs.	Regional
Sidama Bank	Financial Institution	Provide credit to smallholder farmers and local businesses	Regional
Cooperative Bureau	Governmental Organization	Offer collateral-free credit to cooperative members	Regional
MESMER	Financial Institution	Provide credit to smallholder farmers targeting mainly underserved groups, including women and youth; offer financial education support	Regional
Agricultural Transformation Institute (ATI)	Governmental Organization	Promote finance accessibility and offer funds through government-backed financing programs	National and Regional
Development Bank of Ethiopia	Financial Institution	Offer agribusiness-focused loans (with stringent collateral requirements); Manage women entrepreneur credit lines (WEDP)	National
Dashen Bank	Financial Institution	Offer agribusiness-focused loans (with stringent collateral requirements)	National

► Actor	► Actor type	► Current functions	► Geographic scope
Jobs, Skills, and Enterprise Development Bureau (JSEB)	Governmental Organization	Establish, train and formalise MSMEs in the region and represent regional government to lead and oversee the utilization of revolving funds through OMO Bank	Regional
Hawassa City Administration	Governmental Organization	Establish, train and formalise MSMEs in the region and represent regional government to manage the utilization of revolving funds through OMO Bank	Regional
Bureau of Agriculture	Governmental Organization	Support training and establishment of MSMEs in the region and represent regional government to co-lead revolving funds	Regional
Entrepreneurship Development Institute (EDI)	Governmental Organization	Train MSMEs in business and financial management (including programs targeting youth and women entrepreneurs)	National (federal) with regional outreach (including Sidama)
Cooperative Bank of Oromia	Financial Institution	Offer agribusiness-focused loans (with stringent collateral requirements)	National
Sidama Development Association	Non-Governmental	Provide support in financial education and offer grants and revolving funds to MSMEs	Regional
Kefita SCCO	Financial Institution	Offer savings and credit services to members; provide loans for agribusiness (as a regional savings and credit cooperative)	Regional
Metemamen MFI	Financial Institution	Offer agribusiness-focused loans (with stringent collateral requirements)	National and Regional
SNV	Non-Governmental	Support in financial education and offer grants and revolving funds for MSMEs with a focus on women, youth, and climate-smart business	National
Mercy Corps	Non-Governmental	Support in financial education, offer grants and loan facilitation to MSMEs with a focus on rural women and youth financial inclusion	National

4.1.4 Market

Positive developments

Ethiopia's population growth, rapidly urbanizing population and emerging middle class are driving increased domestic consumption of agricultural products⁷⁵. For example, egg and vegetables production have grown steadily (27% and 29% respectively over 15 years, between 2008 and 2023) mainly for the local market⁷⁶. The government's push for food self-sufficiency (for instance replacing wheat imports with local production via irrigated farming) further expands domestic market opportunities⁷⁷.

Sidama is also well-positioned for high-value export crops. The region's signature coffee is globally renowned. The Sidama Coffee Farmers Cooperative Union (SCFCU) alone represents 57 primary cooperatives and approximately 80,000 smallholders, exporting about 10,000 tons of Arabica coffee directly to overseas buyers annually⁷⁸. Sidama's agro-climatic conditions also favor avocado, honey

⁷⁵ International Labour Organization (ILO) (2021). A Market Systems Analysis of the Poultry Sector in Sidama & Amhara, Ethiopia. Available at: ilo.org/sites/default/files/wcmsp5/groups/public/%40ed_emp/%40emp_ent/%40ifp_seed/documents/publication/wcms_810859.pdf

⁷⁶ Data from FAOStat. Accessed 26 September 2025.

⁷⁷ United States International Trade Administration – Ethiopia country commercial guide - 2024

⁷⁸ Data from FairTrade Africa. Accessed 26 September 2025.



and spices, which are prioritized for agro-processing and export in Ethiopia's development plans. These international market avenues bring in foreign exchange and incentivize quality improvements. Notably, cooperative marketing has enabled small farmers to meet international standards – SCFCU provides its members with financing, technical assistance, and marketing support to ensure export-grade quality.

Significant infrastructure investments have been made to improve market access and trade for Sidama's producers. The Yirgalem Integrated Agro-Industrial Park in Sidama is a flagship initiative providing modern facilities for agribusiness processing and value addition. As of 2024, Yirgalem IAIP hosts multiple agribusiness investors (in avocado oil processing, coffee roasting, dairy, etc.), creating a ready market for farmers' outputs and enabling value-added exports. Complementing the park, Rural Transformation Centers (RTCs) (such as Bensa RTC) are being established to aggregate smallholders' produce and channel it into the industrial park supply chain. Transport connectivity is also improving – the Hawassa–Moyale highway and a One-Stop Border Post at Moyale (on the Kenya border) were recently completed, a “game changer” opening up cross-border trade routes for Sidama's goods into regional markets.

The policy and institutional environment increasingly encourage market-oriented agriculture. Ethiopia's Ten-Year Development Plan (2021–2030) highlights agriculture commercialization – targeting commodities like coffee, avocado, dairy, poultry, and horticulture for investment and export growth. Tax incentives and import duty waivers have been introduced to support market growth – for instance, duties on animal feed and feed processing equipment were removed to lower input costs for poultry and dairy producers⁷⁹.

Multiple development partners and government initiatives support farmers' market access. For instance, through the establishment of agricultural one-stop shops in Sidama that provide inputs and market information and providing training for farmers to leverage digital technologies and reach broader markets through e-commerce. Government initiatives also include facilitating market spaces and fairs (such as the sunday market), encouraging local market sales, supplying inputs, and offering working spaces and containers for storage. However, entrepreneurs and MSME owners report a shortage of available working spaces, storages and retail shops, highlighting a gap between the government's intent to provide support and the practical accessibility of such resources. The Cooperative Bureau also plays a key role in the market pillar, providing agriculture cooperatives and their members with input supply, quality assurance, market linkages, market information, and value chain services, including vegetable and fruit processing. They offer targeted initiatives for youth and women, such as facilitating access to vacant land and creating wage employment opportunities for these groups.

Challenges

Within the domestic market, structural inefficiencies undermine fair pricing and farmer competitiveness. One issue is the prevalence of intermediaries and informal brokers. For instance, in Sidama's avocado and dairy value chains, illegal brokers have inserted themselves between farmers and processors, driving up raw material prices⁸⁰. Such practices squeeze farmers' margins and disrupt reliable supply to processors. Because aggregation centers and marketplaces are scarce, and many cooperatives lack the working capital to buy members' produce, farmers often sell individually at farmgate for lower

⁷⁹ United States International Trade Administration – Ethiopia country commercial guide - 2024

⁸⁰ Alemnew, T. and Taffesse, A. S (2025). Integrated agro-industrial parks in Ethiopia: Status, success and challenges with a focus on Yirgalem IAIP. National Policies and Strategies Initiative Working Paper. Washington, DC: International Food Policy Research Institute. Available at: <https://cgspace.cgiar.org/server/api/core/bitstreams/82d3af09-39f4-42d8-a31a-0b25daaf361e/content>

prices; even where cooperatives exist, they may lack working capital to buy members' produce⁸¹. Low awareness of contract farming opportunities further limits their ability to secure stable buyers, while weak integration among producer associations, such as poultry and milk groups, reduces collective bargaining power and opportunities for resource sharing. These dynamics discourage investment in quality or productivity, since higher quality currently does not guarantee much better pricing for the producer. Indeed, quality-based payment systems are weak in local value chains, and standards for grading or sizing are largely absent outside export crops like coffee. As a result, buyers typically pay by volume or weight, leaving MSMEs with little incentive to upgrade products or processes.

Limited market information, price fluctuations and cultural factors create financial instability for agribusinesses. Farmers and MSMEs often lack timely data on prices, demand trends, and quality standards, leaving them unable to adjust production or sales strategies. As a result, they are particularly exposed when input costs remain high relative to volatile output prices influenced by global markets. The poultry sector illustrates this: feed represents about 70% of production costs, and sharp increases between 2006–2017 drove egg prices up nearly 400% and chicken meat by more than 200%, making products unaffordable for many consumers and slowing domestic demand growth⁸². This put poultry products out of reach for many consumers, slowing domestic demand growth. At the same time, cultural and seasonal factors shape demand for some items: religious fasting reduces dairy and poultry sales for two days each week, further constraining MSME financial stability in specific subsectors.

For producers aiming at export markets, meeting international standards is challenging. Quality and consistency issues can limit export success. For example, investors at YIAIP report that a significant portion of avocados supplied are of suboptimal quality (cracked, immature, or undersized), reducing processing yields and export-grade output⁸³. Ensuring sufficient volumes of high-quality, certified products is an ongoing hurdle for smallholders across different agriculture subsectors. Additionally, the reliance on manual operations affects both quantity and quality in agriculture production. Without proper machinery and equipment for quality control, MSMEs struggle to meet market demand and standards, constraining their competitiveness.

Navigating global trade dynamics is also challenging. Global logistics and trade shocks have an impact at the local level. Recent geopolitical events like conflicts have disrupted trade routes and shipping costs⁸⁴. Ethiopia's landlocked status means exporters incur high transport costs to ports, and any border delays or fuel price spikes directly erode their competitiveness. Furthermore, policy shifts such as the suspension of Ethiopia's The African Growth and Opportunity Act (AGOA) privileges (duty-free access to the United States market) have removed some advantages for exporters, underscoring the vulnerability of local agri-businesses to external market conditions and trade policies. As a result, Ethiopian goods have become comparatively pricier abroad. Coffee exports were less affected, since they already enter duty-free under other trade regimes, but agribusiness products with value addition now face higher tariffs, constraining Ethiopia's international market opportunities.

Insufficient access to agricultural inputs and minimal value addition constrain productivity and competitiveness. Farmers in Sidama face persistent shortages of improved seeds, fertilizers, and modern irrigation technologies, restricting productivity gains. Input supply is the weakest link in

⁸¹ International Labour Organization (ILO). (2021). *Assessment of the potential for cooperative development in selected agriculture sectors in Ethiopia (Amhara and Sidama Regions): ProAgro Ethiopia "Promotion of Decent Work in Agribusiness" project*. Final report.

⁸² International Labour Organization (ILO) (2021). A Market Systems Analysis of the Poultry Sector in Sidama & Amhara, Ethiopia. Available at: ilo.org/sites/default/files/wcmsp5/groups/public/%40ed_emp/%40emp_ent/%40ifp_seed/documents/publication/wcms_810859.pdf

⁸³ Alemnew, T. and Taffesse, A. S (2025). Integrated agro-industrial parks in Ethiopia: Status, success and challenges with a focus on Yirgalem IAIP. National Policies and Strategies Initiative Working Paper. Washington, DC: International Food Policy Research Institute. Available at: <https://cgspace.cgiar.org/server/api/core/bitstreams/82d3af09-39f4-42d8-a31a-0b25daaf361e/content>

⁸⁴ Ibid.

the chain, with weak distribution networks and high costs preventing many MSMEs from accessing the tools needed to expand. At the same time, processing capacity is still nascent: most agribusinesses are producers and smallholders, followed by distributors, while few engage in value addition such as drying, milling, or packaging. This lack of upgrading further limits competitiveness in both domestic and export markets.

Despite progress, Sidama's agribusinesses face significant transport and logistics constraints. Many rural producers still lack reliable farm-to-market roads and village roads are often inadequate or poorly maintained, making transport costly and slow. This raises first-mile collection costs and limits farmers' market reach. Furthermore, cold-chain infrastructure is underdeveloped. There is a shortage of refrigerated trucks and storage, so perishable goods suffer high spoilage and handling losses. For example, poultry producers note that limited access to electricity, cold storage, and refrigerated transport adds to product costs and causes losses at each step of the production chain⁸⁵. Producers in different value chains noted that storage constraint limits their capacity to buy raw materials at cheaper prices during the harvesting season. Moreover, for many businesses, the shortage of working spaces and centrally located shops reduces accessibility and revenue potential. Rent costs strain budgets and frequent relocations imposed by landlords disrupt customer loyalty and market stability.

The rise of e-commerce and digital marketplaces in Ethiopia's agricultural sector has yet to fully reach Sidama. Overall, there are only a few online platforms tailored to marketing rural products in the country. Most Sidama agri-MSMEs rely on traditional physical markets and intermediaries, missing out on the wider customer reach and price transparency that e-commerce can offer. Low Internet penetration in rural areas, limited digital literacy, and nascent online payment systems all impede farmers and agri-entrepreneurs from leveraging digital trade. As of 2024, many entrepreneurs in Sidama noted lack of telephone and internet access as a key business challenge⁸⁶. In general, limited continuous training in market and marketing practices hinders farmers' and small agribusinesses' ability to navigate competitive markets. For instance, the lack of sustained assistance and technical support has left e-commerce initiatives supported by DOT underutilized.

Finally, environmental and climate change challenges add to these difficulties. Climate variability affects crop yields and quality, making supply inconsistent. The Cooperative Bureau and some local cooperatives have begun piloting environmentally friendly practices – such as converting coffee husks into compost, and promoting solar energy and biogas systems – but these initiatives remain small-scale.

Key Actors

Key actors in the Market pillar of the ecosystem include agribusiness companies, exporters, local buyers, cooperatives, and government bodies, such as the Bureau of Trade and Industry, the Cooperative Bureau, and the JSEB. These government bodies play significant roles in facilitating market access, creating market linkages and promoting trade. Other important stakeholders include NGOs, media organizations, and the Yirgalem Agro-Industrial Park and its Rural Transformation Centers (RTCs), which help SMEs and smallholder farmers access larger markets.

⁸⁵ International Labour Organization (ILO) (2021). A Market Systems Analysis of the Poultry Sector in Sidama & Amhara, Ethiopia. Available at: ilo.org/sites/default/files/wcmsp5/groups/public/%40ed_emp/%40emp_ent/%40ifp_seed/documents/publication/wcms_810859.pdf

⁸⁶ Yure, M., and Deyganto, K. O. (2024). Assessing the Challenges and Opportunities of Micro and Small Scale Enterprises (MSEs) in Hawassa City Administration of Sidama Region, Ethiopia.

► Table 4.1.4: Key Market Pillar Actors

► Actor	► Actor type	► Current functions	► Geographic scope
Ministry of Agriculture	Government	Policy formulation and implementation	National
Ministry of Trade and Industry	Government	Policy formulation and implementation	National
Bureau of Trade and Industry	Governmental organization	Facilitate market linkages, provide market information, and facilitate licensing	Regional
Cooperative Bureau	Governmental organization	Provide agriculture cooperatives and their members with input supply, quality assurance, market linkages, market information, and value chain services	Regional
Jobs, Skills, and Enterprise Development Bureau (JSEB)	Governmental organization	Lead establishment of MSMEs and play a key role in creating market linkages with its offices in the districts	Regional
Hawassa City Administration	Government	Lead establishment of MSMEs and create market linkages, provide marketing spaces	Local
Yirgalem Integrated Agro-Industrial Park (YIAIP)	Governmental organization	Serve us a market linkage with agro-processors in the park	Regional
Digital Opportunity Trust (DOT)	NGO	Provide Business Development Services	National and Regional
Sanvado	Private sector	Local buyer	Regional
Ethiochicken	Private sector	Input supplier	Regional
Supernova	Private sector	Input supplier	Regional
Sidama Coffee Farmers' Cooperative Union	Cooperative	Provide primary cooperatives and their members with input supply, market linkages, market information, and value chain services	Regional
Sidama Elito Farmers' Cooperative Union	Cooperative	Provide primary cooperatives and their members with input supply, market linkages, market information, and value chain services	Regional
Alema Koudijs	Private	Input supplier	National
Helvetas	Non-Governmental Organization	Train and capacitate MSMEs, provide technical and financial support and market spaces (shops)	National
SNV	Non-Governmental Organization	Train and capacitate MSMEs, provide technical and financial support and market linkages	National
Mercy Corps	Non-Governmental Organization	Train and capacitate MSMEs, provide technical and financial support and market linkages	National
ATI	Governmental Organization	Provide technical support in production, market information and market linkages, facilitate stakeholders engagement, facilitate policy dialogues	National and Regional
Entrepreneurship Development Institute (EDI)	Governmental Organization	Train MSMEs in market development	National and Regional



4.1.5 Support

Positive developments

Institutional support at the regional and city levels has become an increasingly important driver of Sidama's agri-entrepreneurship ecosystem. At the regional level, the JSEB coordinates vocational training, enterprise support, and job creation programs, aligning with federal initiatives. Local authorities in Hawassa have streamlined bureaucratic procedures, creating a more business-friendly environment for startups⁸⁷. The region's industrial parks and zones – including the Yirgalem Integrated Agro-Industrial Park – provide critical infrastructure and an ideal environment for agribusinesses to expand. These parks link farmers with processing facilities and markets, exemplifying public-private investment to strengthen value chains⁸⁸. The Ethiopian Coffee and Tea Authority also plays a role by promoting innovation in coffee production, processing and marketing. It sets quality standards and marketing support to maintain Ethiopia's stronghold in coffee exports, and launched training and quality certification programs that engage young growers⁸⁹.

Development partners and BDS providers are active in Sidama. Numerous NGOs and international agencies bring technical expertise, funding, and training programs. For example, DOT operates a BDS center in Hawassa, run by youth, that equips local entrepreneurs with skills, networks, and mentorship to build sustainable businesses. DOT and similar programs offer entrepreneurship and Information and Communication Technology (ICT) training (often with a focus on women and youth). The Women Entrepreneurship Development Project (WEDP) and the Entrepreneurship Development Institute (EDI) have extended targeted credit and training to women-owned businesses in regional cities like Hawassa. Agribusiness specific accelerators and incubators are also emerging. For instance, the Hawassa University hosts an Agribusiness Incubation Center for graduate entrepreneurs.

Emerging peer mentoring by experienced business people is being complemented by formal structures to foster a culture of networking and knowledge-sharing. There is a growing pool of experienced local business people who are beginning to share knowledge and mentor new entrepreneurs. In addition, the Sidama Chamber of Commerce and sector associations are facilitating networking events and small business forums, contributing to a nascent mentorship culture.

Challenges

Sidama currently has very few incubation centers or accelerators accessible to the general public. Outside of university-linked incubators for graduates, aspiring agribusiness entrepreneurs have little access to incubation facilities, mentorship, or research and development (R&D) support. For example, Hawassa University's Technology and Agribusiness Incubation Centers primarily support its own students and graduates. Non-academic entrepreneurs or those in rural areas have no comparable incubators or innovation hubs. This gap means that unless an individual is affiliated with an institution or a donor project, they cannot easily find structured support to develop prototypes, refine business models, or attract investors, which limits the pipeline of innovative agribusiness startups in Sidama. Other existing incubators and accelerators (mostly based in Addis Ababa or nationally-run) are not widely advertised or accessible to Sidama's entrepreneurs, leading to low awareness of such opportunities.

A common challenge among Sidama's micro and small enterprises is the lack of business management skills. Many agribusiness MSMEs are run by first-time entrepreneurs with little formal

⁸⁷ Yure, M., and Deyganto, K. O. (2024). Assessing the Challenges and Opportunities of Micro and Small Scale Enterprises (MSEs) in Hawassa City Administration of Sidama Region, Ethiopia.

⁸⁸ Ibid.

⁸⁹ Berihun, T. (2024). The economic impact of sustainability standards on smallholder coffee producers: evidence from Sidama region, Ethiopia (working paper). International Growth Centre. Available at: <https://www.theigc.org/publications/economic-impact-sustainability-standards-smallholder-coffee-producers-evidence-sidama>

business education. As a result, they struggle with basic management tasks like bookkeeping, financial planning, quality control, and marketing. A recent assessment in Hawassa confirmed that lack of training and business management skills is a major challenge for MSMEs, often cited alongside lack of finance as a barrier to growth⁹⁰. Entrepreneurs may prioritize seeking financial support (loans or grants) over investing in capacity-building, reflecting an attitudinal challenge that can limit business growth potential. Existing entrepreneurship training initiatives delivered by the government and NGOs have historically been theoretical, not hands-on, and not customized to agribusiness contexts⁹¹. In addition, follow-up mentoring and post-training support remain limited. Many entrepreneurs receive one-off training or startup grants but then have no structured mentoring or performance monitoring, which limit long-term impact. Beyond training, MSMEs also receive little targeted support for formalization. While registration campaigns exist, few advisory services guide them on tax compliance or sustaining formal operations. As a result, many MSMEs are poorly prepared to address real-world business problems.

Inclusivity and targeting gaps are other key challenges in the support pillar. Support services are often not tailored to the needs of specific groups like women, youth, and persons with disabilities. The National Entrepreneurship Strategy has noted that while many actors provide BDS, their efforts are fragmented and often fail to reach diverse target groups⁹². In Sidama, women and youth entrepreneurs report limited access to training or advisory services designed for their circumstances (flexible scheduling, basic literacy support, or mentorship by role models). For instance, extension trainings in agriculture have traditionally been offered to male household heads, excluding many women who actually manage farm activities. In practice, this means that women's entrepreneurship development services remain under-represented, especially outside Hawassa; rural women lack access to WEDP credit or mentoring. This limited inclusion means segments of the community remain underserved.

Stakeholder coordination is often limited, leading to overlap in some areas of entrepreneurship support and gaps in others. Government agencies, NGOs, and donors each run support programs, but these efforts can be uncoordinated and short-term. The National Entrepreneurship Strategy explicitly found that BDS providers in Ethiopia operate in silos with little coordination⁹³. As a result, resources are not optimally used – two different NGOs might train the same entrepreneurs or provide similar training in basic skills while no one addresses more advanced needs, for example.

Key Actors

Key actors in this pillar comprise BDS providers, including government bodies such as the Federal Ministry of Labour and Skill, the JSEB, and ATI, development partners and NGOs, such as DOT, SNV, Sidama Development Association and WEDP, and private sector organizations, including incubators and accelerators, SMEs, community groups, and social support organizations. These stakeholders offer support and extension services such as business advisory, mentorship, and technical assistance in areas like post-harvest handling, business management training, business planning, and infrastructure support, such as irrigation and storage facilities. Agribusiness-focused incubation programs are also emerging, though they remain limited, with initiatives at the national level like the Ethiopian Agribusiness Accelerator Platform, which was established by ATI focusing on early-stage agribusiness startups, and Hawassa University's Agribusiness Incubation Center. However, most incubation resources are accessible only to agribusiness graduate students, limiting availability for other entrepreneurs.

⁹⁰ Yure, M., and Deyganto, K. O. (2024). Assessing the Challenges and Opportunities of Micro and Small Scale Enterprises (MSEs) in Hawassa City Administration of Sidama Region, Ethiopia.

⁹¹ Government of Ethiopia. (2020). *National Entrepreneurship Strategy (NES) 2020–2025*. Addis Ababa: Ministry of Trade and Industry. Available at: <https://policyvault.africa/wp-content/uploads/policy/ETH71.pdf>

⁹² Ibid.

⁹³ Ibid.

► **Table 4.1.5: Key Support Pillar Actors**

► Actor	► Actor type	► Current functions	► Geographic scope
Federal Ministry of Labour and Skill	Government	Policy formulation and implementation for skills development, entrepreneurship promotion, and MSME support	National
Jobs, Skills, and Enterprise Development Bureau (JSEB)	Government	Engage in policy formulation and implementation, coordinating vocational training and MSME establishment	Regional
Sidama Development Association	NGO	Provide capacity building for MSMEs	Regional
Digital Opportunity Trust (DOT)	NGO	Operation of a BDS center; delivery of digital literacy, entrepreneurship training, and e-commerce support programs targeting youth and women	National
SNV	NGO	Provide capacity building for MSMEs	National
Mercy Corps	NGO	Provides financial literacy and youth entrepreneurship training programmes	National
Agricultural Transformation Institute (ATI)	Government	Provides technical support and business incubation	National
Hawassa University's Agribusiness Incubation Center	Educational institution	Supports agribusiness innovations into viable ventures; provides incubation, R&D, and technical assistance to graduate entrepreneurs	Local
Entrepreneurship Development Institute (EDI)	Governmental Organization	Provides entrepreneurship training and advisory services, including targeted support for women and youth through programs like the WEDP	National and Regional
Youth and Women's Associations	Civil society organization	Groups like the Birtu Women Baltina Network (BWBN) and youth associations connect members to MSME support opportunities offered by NGOs, government bureaus, or development partners	Local and Regional

Positive developments

Sidama region benefits from a strong network of stakeholders that actively support community engagement in agribusiness. For example, several development initiatives partner with local groups to promote agribusiness: Save the Children distributes chicks to organized youth in Sidama (with training and support from larger farms), and the World Bank collaborates with the Sidama Bureau of Agriculture to boost poultry and other value chains. Various entrepreneurship promotion programmes – from agribusiness incubators to women-focused business support – have been introduced by the government and NGOs. At the regional level, agricultural fairs and innovation competitions are periodically organized (often in Hawassa, the regional capital) to celebrate agribusiness ideas. These events highlight successful agri-entrepreneurs, creating a sense of pride in the sector and inspiring others. The Sidama regional authorities actively coordinate such multi-stakeholder initiatives – periodically convening forums for youth agripreneurs to share experiences and for communities to learn about new opportunities.

In recent years, cultural attitudes toward entrepreneurship have started to shift in Sidama.

Where many, especially youth, once preferred the security of salaried employment, more people now view entrepreneurship as an attractive and even more profitable path. This change is partly driven by exposure to role models. Successful local agri-entrepreneurs (for example, in coffee export or emerging agribusinesses) serve as visible examples that business ventures can succeed. Sidama's unique context – particularly its renowned coffee heritage – offers a strong base for attracting agribusiness interest. Sidama is internationally celebrated for high-quality arabica beans. Coffee is Ethiopia's most important export commodity (about 35% of foreign exchange earnings)⁹⁴, and Sidama's specialty coffee is part of this success. Community members take pride in the Sidama coffee brand and heritage, which in turn encourages local entrepreneurs to uphold quality and traditions in agribusiness. Successful women-led cooperatives are also emerging in other agribusiness domains (such as spice processing), and their achievements are being showcased in business-to-business events. Such success stories and global recognition help normalize entrepreneurship as a respected career in the community. Interviews in the region indicate that families and even spouses (including husbands of women entrepreneurs) are increasingly supportive of business endeavors, recognizing self-employment as a valuable source of income. Such attitudinal change aligns with broader trends in Ethiopia: with limited formal jobs available and government encouragement of self-employment, youth and women are embracing enterprise creation.

Challenges

Cultural barriers impact the development of an entrepreneurial mindset. Traditional values and mindsets often favor established agricultural practices, which can sometimes conflict with modern methods and innovations. Many rural households have practiced subsistence farming or single-crop production for generations, and there can be resistance toward new methods or innovations. For example, introducing improved farming techniques or unfamiliar crop varieties may be met with skepticism, as they deviate from “the way we’ve always done it.” This cautious attitude can slow the adoption of productivity-enhancing innovations. Similarly, certain agribusiness activities suffer from negative societal perceptions. A case in point is poultry farming: in some Sidama communities (as in other parts of Ethiopia), raising a large number of chickens is culturally associated with bad odor or poor hygiene.

Another cultural challenge is the prevalent lack of planning and saving culture among many first-time entrepreneurs. Financial discipline – in terms of long-term planning, reinvesting profits, and building savings – is not strongly embedded in the local culture. Studies have noted that Ethiopia as a whole has very low household and business savings rates, attributed to a poor saving culture nationwide⁹⁵. In Sidama, many micro-entrepreneurs do not develop formal business plans or keep financial records, which undermines their sustainability and makes it harder for them to access credit or manage cash flow. Additionally, without a habit of saving, entrepreneurs have little cushion for tough times – a bad harvest or a price drop can entirely wipe out their capital. This short-term outlook (consuming or distributing profits immediately instead of reinvesting) can be linked to cultural norms where family and social obligations take precedence over business growth. For instance, if an entrepreneur earns a windfall, community expectations (like contributing to weddings, funerals, or helping relatives) might prevent setting aside funds for the business. Such patterns limit the resilience and growth potential of agribusinesses in the region.

Gender roles and youth perceptions constrain who participates in agribusiness. Traditional views in Sidama (as in many parts of Ethiopia) assign domestic and caregiving responsibilities primarily to women, while men are expected to be the main actors in commerce and farming decisions. These social norms mean that women who aspire to start or grow agribusinesses face extra hurdles. They may

⁹⁴ Ethiopian Coffee and Tea Authority (2024). National Action Plan for the Implementation of Compliance Measures on EUDR.

⁹⁵ Hailesellase, A. et al. (2013). Assessment of saving culture among households in Ethiopia. *J. Econ. Sustain. Dev.* 4, 1–8.



lack family support or even face community disapproval for stepping beyond prescribed roles. Many women said that community attitudes and even their husbands' permission determined whether they could engage in enterprises. This indicates that despite policies and programmes promoting women's economic empowerment, on the ground there is still a mindset among both men and women that agribusiness leadership is "not women's domain." Such cultural create psychological barriers: women who have entrepreneurial ambitions might self-censor their plans due to fear of social backlash or internalized low confidence. At the same time, many youth perceive agriculture as unattractive. Young interviewees reported that agribusinesses are often not associated with innovation or a profitable business option. Hence, youth are often discouraged from pursuing opportunities in the sector.

A cultural and psychological challenge observed is risk aversion among potential entrepreneurs. Because many individuals have limited exposure to business management and entrepreneurship education, they tend to be cautious about investing in new ventures. The fear of failure – losing scarce resources or falling into debt – discourages innovation and expansion. This is particularly true for youth and women who lack safety nets; as a consequence, they may prefer subsistence farming or secure low-paying jobs over taking a loan to start an agribusiness. Surveys indicate that this is not unique to Sidama – globally, nearly half of people who see a good business opportunity still would not start a business for fear it might fail⁹⁶. The ecosystem currently has few mentorship opportunities or successful local business models to guide individuals who fear failure. With limited examples of peers who tried and thrived (especially beyond the coffee sector), many aspiring entrepreneurs struggle to identify viable business ideas they trust. Interviewees argued that potential entrepreneurs may complete a training program and still be uncertain what enterprise to pursue, because reliable market data or guidance on promising value chains is hard to obtain.

⁹⁶ GEM (Global Entrepreneurship Monitor) (2025). Global Entrepreneurship Monitor 2024/2025 Global Report: Entrepreneurship Reality Check. London: GEM.

Key Actors

The Culture pillar of Sidama's agri-entrepreneurship ecosystem includes a network of stakeholders that influence societal attitudes, encourage community participation, and shape perceptions about agribusiness. Key actors include local farmers' cooperatives, community and traditional leaders, agri-entrepreneurs, youth and women's groups, and educational institutions such as TVETs and universities. Government offices for women, youth, and social affairs play a pivotal role in advocating for the inclusion of these groups, while NGOs and religious institutions are actively engaged in supporting community initiatives. This diverse stakeholder network collaborates to foster a cultural foundation that can either drive or hinder the growth of agri-entrepreneurship in Sidama.

► **Table 4.1.6: Key Culture Pillar Actors**

► Actor	► Actor type	► Current functions	► Geographic scope
Ministry of Women and Social Affairs	Government	Policy formulation and implementation	National
Ethiopian Investment Commission	Governmental	Advise the government on policy measures needed to create an attractive investment climate for investors	National
Bureau of Women Youth and Social Affairs	Government	Engage in policy formulation and implementation; support women's and youth associations	Regional
Local Farmers' Cooperatives Unions	Cooperative	These groups (including prominent ones like the Sidama Coffee Farmers' Cooperative Union) are key in mobilizing community members and serve as a platform for peer learning	Local and Regional
Youth and Women's Associations	SME	Organized youth and women's groups, including producer groups like the Birtu Women Baltina Network (BWBN) provide a supportive structure that empowers members to build self-confidence, learn from each other and try new ventures.	Local and Regional
Ethiopian Coffee and Tea Authority	Government	Support and promote innovation in coffee production, processing, and export	National
TVETs and Universities	Educational Institutions	Expose students to business concepts and success stories; help instill a more entrepreneurial mindset among students.	Local and Regional

► 4.2 Priority Pillars

Based on the initial ecosystem characterization and following the ILO's Inclusive Entrepreneurship Ecosystem Development methodology, the ProAgro Project scored each pillar of the ecosystem on a scale of 0 to 10 according to three criteria:

- **The potential of the pillar to create a positive impact on the target group:** this refers to the level of impact that changes in this pillar would have on the target group. That is, a pillar will receive a high score if intervening in it has a high impact on the target group.
- **The relevance of the pillar's challenges to the target group:** certain pillars may present more prominent challenges for the target group than others. A pillar will receive a high score if it presents numerous relevant challenges and constraints that directly impact the target group.

- **The feasibility of facilitating change in this pillar:** the focus of this criteria is primarily on the capacity of the project to address the pillar's challenges faced by the target group considering the project's timeline, budget, and general operating environment, including the existence of actors with the willingness and capacity to drive change, supportive policies, etc. A high score here indicates a strong likelihood that the identified challenges can be effectively tackled considering the available time and financial resources of the project.

The pillar selection process focuses on identifying pillars that strike a balance between significant constraints and the project's capacity to influence change. Consequently, the pillars chosen are not necessarily those with the highest number of constraints, but rather those with the highest overall score when the three criteria – potential, relevance, and feasibility – are combined. This ensures that selected pillars are both impactful and manageable within the scope of the project's resources and objectives.

Based on this methodology, **Market** and **Finance** emerged as the priority pillars for focus within Sidama's agri-entrepreneurship ecosystem due to their high potential, relevance, and feasibility of facilitating impactful change (see the scoring in table 4.2.1).

The Market pillar received the highest total score (8.0). This score reflects the potential that positive changes within the pillar have to positively impact MSMEs and agri-entrepreneurs by connecting them effectively to new markets and enhancing coordination between actors. The score also reflects the relevance of the pillar's challenges for small agri-businesses, including inadequate infrastructure, low market integration, and logistics barriers that restrict revenues and growth. Despite these challenges, there is a notable presence of local actors, including private sector entities, cooperatives, government bodies, and NGOs, that are currently underperforming but have the willingness and, to some extent, the capacity to drive change. Additionally, it is relatively viable for the project to collaborate with these actors to facilitate change and foster meaningful improvements given the project's timeline and resources.

The Finance pillar scored the second highest (7.7). This score reflects the pillar's potential to create a significant impact for the target group, particularly since financial constraints are often seen as the underlying cause of challenges in other ecosystem pillars, including market, human capital, and support. Addressing constraints in this pillar is therefore likely to have positive spillover effects on other pillars as well. The relevance of the Finance pillar's challenges is underscored by the widespread difficulties that agri-entrepreneurs and MSMEs face, including high collateral demands, limited access to credit, and stringent loan terms that impede business scaling and sustainability. Finally, the feasibility of addressing these financial barriers is realistic, given the presence of a network of key actors, including local banks, microfinance institutions (MFIs), cooperatives, and government bodies, which, while currently underperforming, can be mobilized to drive positive change. Existing policies and programs aimed at financial support for MSMEs, particularly those that enhance financial inclusion for underserved groups, including women and youth, further bolster the potential for impactful interventions in this pillar considering the project's resources and timeline.

► **Table 4.2.1: Pillar selection scoring**

	► Potential	► Relevance	► Feasibility	► Total
Policy	5	4	3.5	4.2
Human Capital	6	5.5	8	6.5
Finance	8	8.5	6.5	7.7
Markets	8	8.5	7.5	8.0
Support	7	6.5	7.5	7.0
Culture	6	4	4	4.7

► 4.3 In-depth Analysis and Recommendations

4.3.1 Priority pillar 1: Market

The ecosystem analysis identified the Market pillar as a priority area of the ecosystem to address challenges faced by agri-entrepreneurs in the Sidama region. Key challenges in the Market pillar include: 1) limited access to reliable market information; 2) logistical constraints and inadequate marketing spaces; 3) limited access and high costs of agricultural inputs; 4) low competitiveness and minimal value addition; and 5) environmental and climate risks.

Challenge 1: Limited access to reliable market information

Farmers and MSMEs lack access to reliable, real-time market information, including prices, demand trends, and quality standards. Key informant interviews with ecosystem actors and agri-MSMEs revealed that existing systems for market intelligence are fragmented and often do not cater to small-scale entrepreneurs, preventing them from making informed business decisions. This information gap stems from weak coordination between stakeholders, the absence of a centralized data platform, inadequate data collection mechanisms, limited government support for market intelligence initiatives, and a lack of willingness to pay for market information by agribusinesses and potential users. The lack of structured, up-to-date information affects the ability of businesses to make informed decisions regarding pricing, production planning, and product quality. Without access to market data, many entrepreneurs operate in uncertainty, often selling their goods at disadvantageous prices or failing to meet the market demand.

Root causes

- **Weak coordination between stakeholders:** producers, processors, and buyers lack structured platforms to exchange information, leading to fragmented and unreliable market data.
- **Lack of willingness to pay by users:** smallholder farmers and agriculture producers lack the willingness to pay for access to market information.
- **Limited government support for market intelligence initiatives:** government programs for market transparency and price monitoring are underdeveloped, leaving gaps in data collection and dissemination.
- **Inadequate infrastructure:** the lack of reliable market intelligence systems and restricted data collection mechanisms significantly hampers the collection and dissemination of real-time market updates. Many rural areas in Sidama lack adequate digital infrastructure, making it difficult for farmers and MSMEs to access updated pricing and demand trends from regional, national and export markets.

Recommendations

- **Strengthen market information platforms and accessibility to them:** expand access to digital and SMS-based systems that disseminate market information, including prices and demand trends. This can involve supporting a local tech startup, fintech firm, or business service provider to develop a viable business model for the dissemination of digital advisory services on market trends and pricing. Existing institutions such as Lersha, the Agriculture Transformation Institute (ATI), and the Trade Bureau can be leveraged to enhance the reach and sustainability of market information-sharing platforms. This might also include encouraging agribusiness buyers, processors, and exporters to sponsor and co-finance market intelligence services, as they benefit from higher-quality produce and more reliable supply chains. Engaging women's associations could help increase women entrepreneurs' access to market information platforms. This initiative could also comprise collaboration with media,

including TV stations, newspaper and radio stations to broadcast daily market updates on prices, demand fluctuations, quality standards and market trends.

- ▶ **Build farmers' capacity to navigate dynamic markets through market-oriented training programmes:** develop regular market-oriented training programmes in collaboration with agribusiness firms, processors, buyers, exporters and cooperatives ensuring that farmers understand demand trends, pricing strategies, and quality standards. Cooperatives and industry groups, such as Sidama Elto Farmers' Cooperative Union, Sidama Coffee Union, and large agribusinesses (Sanvado, YBM, Hawassa Agri-Manufacturing, etc.) can serve as training hubs and market information distributors.

Challenge 2: Logistical constraints and inadequate marketing spaces

Inadequate transport and storage facilities, especially for perishable goods, hinder market access and limit the scalability of e-commerce. Without proper storage, perishable agricultural products deteriorate quickly, reducing farmers' potential earnings. Storage shortages prevent businesses from storing raw materials at lower costs during harvest seasons, increasing input expenses and reducing profitability. Additionally, farmers rush to sell products immediately after harvest to avoid spoilage, despite the lower costs, missing out on better off-season pricing opportunities. These issues are intensified by poor road networks and limited investment in cold chain logistics, which are crucial for maintaining product quality. The absence of aggregation centers exacerbates inefficiencies in the supply chain, particularly for rural entrepreneurs.

Additionally, agri-entrepreneurs face a chronic shortage of centrally located marketing spaces, which limits customer access and reduces revenue potential. This issue is partly explained by a lack of strategic urban planning to allocate spaces for agricultural businesses. High rental costs disproportionately affect MSMEs, straining their operational budgets and discouraging long-term investments. Additionally, landlords frequently impose relocations, disrupting business stability, customer loyalty, and the ability of businesses to establish a consistent market presence.

Root causes

- ▶ **Absence of aggregation centers to collect and distribute agricultural products:** the lack of structured collection points makes it difficult for farmers and small businesses to efficiently store and distribute goods, leading to high post-harvest losses and inefficient market participation.
- ▶ **Weak public and private investment in market infrastructure:** shortage of enough working capital limits the improvement of infrastructure in the region. The lack of coordinated investment from public and private sector actors in transport, storage, and marketing infrastructure limits market efficiency. Government funding for rural roads, cold storage, and structured marketplaces has been inadequate, leaving many farmers and MSMEs without the necessary infrastructure to access urban and regional markets. Similarly, private sector investors are hesitant to develop large-scale market facilities due to high upfront costs, regulatory uncertainty, lack of financial incentives, and the perceived risks associated with agricultural investments. Cold storage infrastructure in Sidama is concentrated among large agribusiness firms, which use these facilities to mitigate off-season shortages and stabilize supply chains. However, smallholder farmers and agri-MSMEs lack access to these storage facilities due to high costs, limited availability, and exclusion from large-scale distribution networks. As farmers and MSMEs operate in a volatile market, it is difficult for them to justify long-term investments in cold storage without guarantees of stable returns.
- ▶ **Limited consideration of agricultural markets in urban development plans:** rapid urban expansion in cities like Hawassa intensified competition for land, often prioritizing commercial and residential developments over designated agricultural markets

Recommendations

- ▶ **Develop private-led aggregation centers:** support cooperatives, agribusiness investors, and logistics firms in establishing and managing commercially viable aggregation centers that charge service fees to farmers for collection, storage, and distribution. Leverage existing infrastructure, such as the Rural Transformation Center at Yirgalem Industrial Park, to expand aggregation capacity, potentially integrating transport solutions to collect produce from farms. Facilitate linkages between cooperatives and aggregation hubs, ensuring that local cooperatives in Sidama are linked with Yirgalem's existing center and any newly identified aggregation sites by the city administration.
- ▶ **Encourage transport-as-a-service models:** facilitate the entry of private logistics firms that offer transport solutions for agri-products through pay-per-use or subscription-based models, reducing farmers' reliance on fragmented and informal transport networks. Promote partnerships between logistics firms and farmer cooperatives, enabling shared transport services that lower costs while ensuring reliable, timely farm-to-market delivery.
- ▶ **Expand cold chain infrastructure:** attract private investment into cold storage and processing facilities by providing risk-sharing mechanisms such as viability gap funding or concessional financing. Develop a sustainable business model for shared cold storage, ensuring that MSMEs and smallholder farmers can access storage without bearing unaffordable upfront costs. Explore public-private partnerships (PPP) or cooperative-led cold storage models, allowing smallholder farmers to collectively invest in cold storage solutions with cost-sharing mechanisms. Alternatively, large agribusiness firms with existing cold storage capacity can be leveraged to create third-party leasing models, where farmers can rent storage space at subsidized rates.
- ▶ **Digitize market access and strengthen e-commerce solutions:** support the development of private e-commerce platforms that allow farmers to sell directly to urban or rural buyers, reducing dependency on physical market spaces and traditional intermediaries. This could involve, for instance, the establishment of partnerships with ATI, Lersha, and agri-tech startups to develop an agriculture-focused e-commerce ecosystem.
- ▶ **Work with the government to integrate agricultural markets into urban development plans:** support regional and local governments, such as the Hawassa city administration, to incorporate designated agricultural markets into urban development plans, ensuring that agri-SMEs have access to strategic locations for selling their products. This could involve the introduction of incentives for private investment in market spaces, encouraging real estate developers and agribusiness firms to invest in dedicated marketplaces for agricultural products by providing tax breaks, long-term lease agreements, or co-financing schemes.



Challenge 3: Limited access and high costs of agricultural inputs

The high cost and limited availability of agricultural inputs, such as seeds, fertilizers, and modern irrigation equipment, significantly impact agribusiness productivity and profitability. Limited competition among suppliers leads to monopolistic pricing, restricting affordability and access, particularly for smallholder farmers. Additionally, price volatility caused by fluctuating global markets and seasonal supply-demand imbalances destabilizes farm income. Without price predictability, agribusinesses face increased financial uncertainty and lower profit margins.

Root Causes

- ▶ **Monopolistic practices and supply chain inefficiencies:** a limited number of suppliers control the distribution of seeds, fertilizers, and pesticides, leading to artificially inflated prices and restricting affordability for smallholder farmers and MSMEs. Limited competition discourages price regulation and innovation in input distribution models. Inefficiencies in cooperative unions further intensify the issue. Primary cooperatives get inputs from cooperative unions to sell to farmers. However, cooperative unions often lack market information and procurement expertise, leading to inefficiencies in purchasing and distributing inputs. Without better cooperative management, financial planning, and supplier negotiation skills, cooperatives struggle to optimize input supply, resulting in delays and higher costs for farmers.
- ▶ **High dependency on imports:** while the local seed supply market is relatively well-developed for cereals, it remains underdeveloped for vegetable and high-value crops, forcing farmers to rely heavily on imports for these essential inputs. The reliance on imported inputs exposes agribusinesses to global price fluctuations and foreign currency exchange risks. This dependency increases costs and limits farmers' ability to access affordable, high-quality inputs consistently.
- ▶ **Lack of financing for input purchases:** many farmers struggle to access working capital to buy inputs in bulk, forcing them to rely on high-cost informal credit. Existing financial products often do not cater to the unique cash flow cycles of agriculture, making it difficult for farmers to invest in timely input purchases.
- ▶ **Weak last-mile distribution networks:** remote rural areas have limited agro-dealer networks, making input access difficult and increasing transportation costs. The absence of reliable input distribution channels leads to delays in product availability, affecting planting and productivity.





Recommendations

- ▶ **Encourage bulk-purchasing cooperatives:** facilitate farmer-led cooperatives to bulk-purchase inputs at discounted rates and negotiate better terms with suppliers, reducing input costs for individual farmers. This should involve strengthening the business and procurement capacities of cooperative unions, ensuring they have access to real-time market data to make informed purchasing decisions. Additionally, improving input supply chain coordination between cooperative unions and private-sector input suppliers would help streamline distribution and minimize inefficiencies. This could be done through engagements and potential partnerships with cooperative unions, ATI, the Bureau of Agriculture, input suppliers, and agribusiness service providers.
- ▶ **Expand input financing solutions:** work with MFIs and agribusiness lenders to develop tailored low-interest credit products for input purchases, including supplier credit schemes and pay-as-you-harvest loan models. ATI, in collaboration with OMO Bank, offers an input voucher system (IVS) for farmers to buy input through loans. This could be expanded to include a broader range of inputs and ensure affordable input access to more MSMEs and agri-entrepreneurs.
- ▶ **Strengthen agro-dealer networks:** incentivize private-sector investment in last-mile input distribution through franchising, community agents, mobile agro-dealer models or the promotion of one-stop agro-input shops, where farmers can access seeds, fertilizers, advisory services, and financing in a single location. This can be done by offering tax relief, financial incentives or subsidized shops. ATI and the Bureau of Agriculture would be potential partners to work with on the creation of incentives for agro-dealers to expand their supply.
- ▶ **Promote locally produced inputs to reduce import dependency:** support R&D initiatives that improve the availability of locally produced high-quality seeds and fertilizers to reduce reliance on imports. This can be done by encouraging public-private partnerships between Hawassa Research Center, Hawassa University, ATI, and the Bureau of Agriculture to scale up local seed production, quality control, and variety diversification.

Challenge 4: Low competitiveness and minimal value addition

The reliance on manual operations and the lack of modern processing technologies limits the productivity and quality of agricultural products. High packaging costs and the absence of quality certifications further reduce the value of these products, making them less competitive in both local and international markets. Informal trading practices – including the prevalence of unlicensed traders – undermine formal market structures. Furthermore, farmers lack the technical knowledge and infrastructure required for value addition, such as milling, drying, or packaging, which could significantly enhance profitability.

Root Causes

- ▶ **Limited access to equipment and to finance for value addition investments:** smallholder farmers and MSMEs often lack the capital to invest in processing technologies and packaging equipment, leaving them reliant on low-value raw product sales. Credit products tailored for agribusiness expansion into value-added processing are scarce, as financial institutions perceive these investments as high-risk.
- ▶ **High costs due to fragmented value chains:** the limited integration between producers and processors results in inefficiencies, driving up the costs of processing, packaging, and certification. Poor coordination also leads to higher transportation and transaction costs, discouraging investment in value addition.
- ▶ **Weak market demand for value-added products:** many farmers do not perceive strong financial incentives for value addition due to weak consumer demand, limited branding, and underdeveloped premium market channels. The lack of structured buyer agreements makes it difficult for processors to predict demand and scale operations efficiently.
- ▶ **Lack of certification and quality standards compliance:** the absence of accessible certification schemes makes it difficult for MSMEs to access premium markets, export opportunities, and institutional buyers, such as hotels, supermarkets, schools, universities, etc.
- ▶ **Dominance of informal trading:** a high percentage of agricultural trade occurs through unregulated channels, which discourages investment in formal processing and quality assurance. Informal traders operate outside quality and safety regulations, making it harder for formal businesses to compete.
- ▶ **Lack of skills and technical capacity:** many farmers and MSMEs lack the expertise required for efficient post-harvest handling, processing, and packaging, leading to suboptimal quality and lower market competitiveness.

Recommendations

- ▶ **Facilitate private sector investment and leasing models for agro-processing infrastructure:** encourage agribusiness investors to establish small and medium-sized processing hubs through viability gap funding, concessional financing, or tax incentives. These hubs could operate under fee-based models where farmers and MSMEs pay to use processing and packaging equipment. In return, they would benefit from assured market access through off-take agreements, ensuring stable demand and price predictability for their processed goods. Cooperative Unions or interested private-sector companies could be engaged in cost-sharing the investment in the agro-processing infrastructure. Additionally, financial institutions could be engaged and supported in developing equipment leasing programs for farmers and cooperatives to access modern drying, milling, and packaging technologies without high upfront costs. This could be done through a collaboration with banks, MFIs, leasing firms, or the Ethiopian Capital Good Financing Agency.
- ▶ **Strengthen cooperatives and build farmers and MSMEs' capacity for value addition:** encourage producer cooperatives or business development services to adopt value-addition models by offering collective cost-effective processing, packaging and branding services, reducing per-unit costs for small-scale farmers. This would involve partnerships between technical training institutes and agribusiness service providers to offer technical and business training for cooperatives and MSMEs to enhance their capacity in marketing, branding, and managing agro-processing operations. Potential partners for this initiative would be cooperative unions, ATI, the Bureau of Agriculture and TVET institutions.
- ▶ **Create market-linked certification programs:** develop scalable, cost-effective certification systems that align with national and export market requirements, allowing MSMEs to differentiate their products and access premium buyers. This would require partnering with retailers, exporters, and agribusiness firms, along with Export Promotion Agencies and the Ministry of Trade to establish certification schemes that incentivize value addition through higher price premiums.
- ▶ **Encourage formalization of informal traders and processors:** develop incentives such as preferential access to training, financing, or market spaces for informal traders who register and comply with quality standards, fostering a more structured and investment-friendly market. This would also involve collaboration with local governments to simplify registration processes and provide tax incentives for small-scale processors who transition into the formal sector.
- ▶ **Promote adoption of agricultural innovations through coordinated mapping and dissemination:** partner with a local research institution, such as the Sidama Agricultural Regional Research Institute (SIRARI), to identify scalable best practices (improved varieties, climate-resilient techniques, post-harvest solutions), and with grassroots organizations such as the Sidama Development Association (SDA) to ensure their dissemination and adoption among farmers and MSMEs.

Challenge 5: Environmental and climate risks

Climate variability, including erratic rainfall patterns and rising temperatures, negatively impacts crop yields and quality, threatening market stability. Farmers often lack the resources and knowledge to adopt climate-resilient practices, such as advanced irrigation systems or drought-resistant seeds. Furthermore, environmental degradation, including deforestation and soil erosion, reduces agricultural productivity over time. Limited collaboration among stakeholders and insufficient funding hinder the widespread adoption of sustainable farming methods.

Root causes

- ▶ **Limited access to climate-resilient inputs and lack of climate finance for farmers and MSMEs:** many farmers do not have access to drought-resistant seeds, efficient irrigation systems, or sustainable soil management techniques due to high costs and weak distribution networks. Smallholder farmers and agribusinesses often lack access to green financing or insurance products that would enable them to invest in climate adaptation solutions.
- ▶ **Weak market incentives for sustainable farming:** a lack of premium pricing or market differentiation for sustainably grown produce discourages farmers from adopting environmentally friendly practices. Without structured incentives, farmers have little financial motivation to shift towards climate-smart agricultural methods.
- ▶ **Deforestation and soil degradation:** over-reliance on traditional farming methods, land clearing for agriculture, insufficient reforestation efforts and poor soil conservation practices contribute to declining soil fertility, land degradation and increased vulnerability to climate shocks.
- ▶ **Insufficient climate resilience training and awareness:** farmers and agribusinesses often lack the technical knowledge needed to implement climate adaptation strategies effectively. Climate-smart agricultural practices are not widely disseminated or integrated into standard farming practices.
- ▶ **Fragmented coordination among stakeholders:** weak collaboration between government agencies, NGOs, research institutions, and the private sector leads to scattered and underfunded sustainability initiatives. Limited coordination results in duplication of efforts, inefficient resource allocation, and slow adoption of climate-smart practices.

Recommendations

- ▶ **Develop green financing mechanisms:** support financial institutions in creating tailored green loan products, climate risk insurance, and impact investment funds that incentivize farmers to adopt sustainable practices. Pilot the development and integration of green financing mechanisms for climate-smart practices in collaboration with a financial institution such as OMO Bank and the Cooperative Bank.
- ▶ **Enhance climate-smart input supply chains:** encourage private-sector input suppliers to expand their distribution of drought-resistant seeds, bio-fertilizers, and water-efficient irrigation systems. Collaborate with a private-sector company or government institution working on digital market linkages, such as Lersha or ATI, to facilitate climate-smart input distribution and ensure widespread farmer access.
- ▶ **Promote certification and market access for sustainable agriculture:** develop labeling schemes that allow sustainably produced goods to fetch premium prices in domestic and export markets, increasing farmer incentives. This can be done by collaborating with export promotion agencies, agribusiness firms and policymakers to build climate-smart branding and increase consumer demand. Potential partners would include the Bureau of Agriculture, JEBS, Hawassa City Administration, the Ethiopian Export Promotion Agency and private agribusiness firms.



- ▶ **Encourage agribusiness investment in renewable energy:** provide tax incentives and concessional financing for agribusinesses that adopt solar-powered irrigation, biogas energy, and energy-efficient processing methods. This could involve PPPs to scale up the adoption of renewable energy solutions for agricultural production and processing. Potential partners would include the Bureau of Agriculture, JEBS, Hawassa City Administration, and the Investment Commission.
- ▶ **Build climate resilience capacity through digital platforms:** support the development of mobile-based advisory services that provide real-time weather updates, climate risk alerts, and tailored adaptation recommendations to farmers. This would encompass collaboration with private sector companies or government institution, such as Lersha or ATI to provide mobile-based advisory services offering tailored and practical advice on how weather and climate conditions affect agriculture production.

4.3.2 Priority pillar 2: Finance

The second pillar identified as a priority area to address challenges faced by agri-entrepreneurs was the Finance pillar. The analysis highlights critical barriers to accessing affordable and appropriate financial services for agri-entrepreneurs in Sidama. Key challenges in this pillar include: 1) Limited access to credits and loans; 2) Inadequate financial products tailored to agribusiness; and 3) Poor financial literacy and lack of awareness about financial opportunities.

Challenge 1: Limited access to credit and loans

Access to finance remains one of the largest challenges for agribusinesses in Ethiopia, particularly in Sidama. High collateral demands, strict loan requirements, and licensing issues among informal agribusinesses create barriers to financial inclusion. High interest rates further discourage MSMEs, while cash flow shortages within banks result in long waiting times of several months for loan approvals. Additionally, the funds offered are often insufficient to sustain business operations and require short repayment terms. Financial institutions generally view MSMEs as high-risk borrowers, and despite a national policy mandating that at least 5% of bank loans be allocated to MSMEs, this is rarely enforced. Additionally, agribusiness is seen as high-risk, and the dependency on unpredictable factors such as weather, pests, and market fluctuations makes lenders hesitant.

Many MSMEs also struggle with rigid documentation requirements, including high collateral demands, which prevent them from accessing loans. Financial institutions rely on traditional lending practices that prioritize tangible assets such as land or buildings, which most smallholder farmers and entrepreneurs lack. Additionally, MSMEs often do not maintain proper financial records or formal business registrations, further limiting their access to credit.

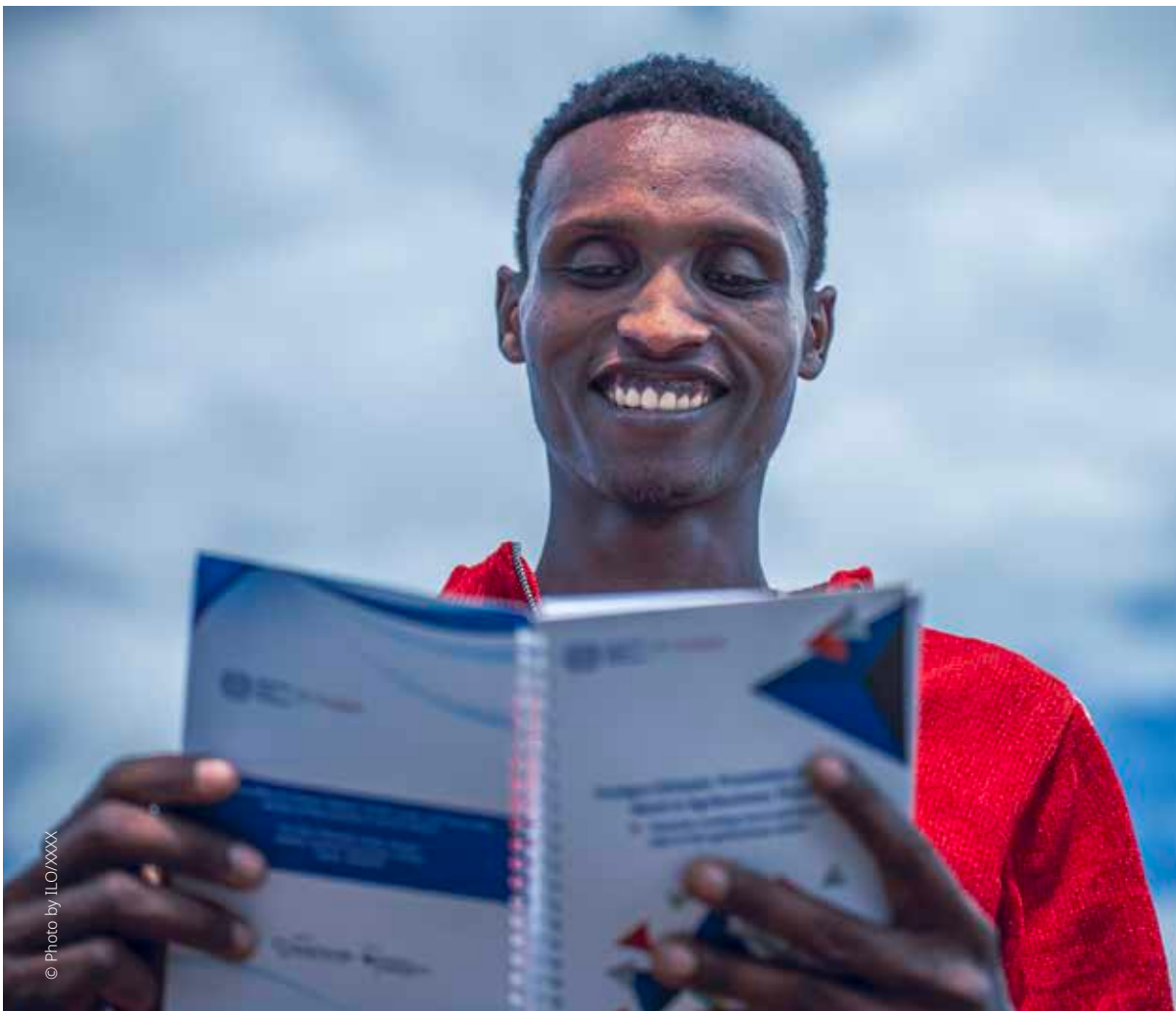
Root Causes

- ▶ **Limited competition and liquidity constraints:** banks and MFIs lack the capital and competition needed to provide more affordable credit. Limited liquidity restricts their ability to expand loan portfolios, particularly for sectors perceived as high-risk such as agribusiness.
- ▶ **Fear of defaults and absence of credit guarantee schemes:** banks increase interest rates and impose strict collateral requirements as risk mitigation measures, prioritizing fixed assets over alternative risk assessment methods. Financial institutions lack mechanisms to offset risks when lending to MSMEs.
- ▶ **Limited financial bookkeeping and lack of financial transparency:** MSMEs often lack formal financial records, business plans, or credit histories, reducing their creditworthiness. The absence of structured accounting practices makes it difficult for lenders to assess risk accurately.
- ▶ **High costs of formalization:** Business registration and licensing processes can be expensive and complex for small entrepreneurs, which creates an additional barrier to accessing formal financial services.
- ▶ **Limited information sharing between institutions:** weak coordination between government agencies, financial providers, and MSMEs results in a lack of awareness of available financial services. Financial literacy gaps further prevent MSMEs from utilizing financing opportunities effectively.

Recommendations

- ▶ **Expand credit guarantee schemes:** establish government-backed or donor-supported credit guarantees to mitigate lending risks for financial institutions, enabling them to extend loans to MSMEs without requiring excessive collateral.

- ▶ **Develop alternative lending and investment mechanisms for MSMEs:** promote digital lenders, fintech platforms, and community-based savings and loan groups to expand financing options for agri-MSMEs. This can be done, for instance, by supporting the creation of peer-to-peer lending networks and crowdfunding platforms tailored for agribusinesses, allowing farmers and entrepreneurs to access capital beyond traditional banking systems. This intervention could involve a partnership with the Cooperative Bank, Oromia Bank, MFIs, and fintech firms.
- ▶ **Strengthen financial literacy, record-keeping, and alternative credit assessment systems:** encourage banks and microfinance institutions to integrate financial training as part of their loan packages, creating an incentive for MSMEs to improve their financial record-keeping. Partnering with fintech providers such as Lersha to develop or scale digital bookkeeping systems would allow small businesses to maintain structured financial records and improve creditworthiness. Fintech companies and financial service providers could create digital bookkeeping and credit scoring tools that integrate alternative data sources, such as sales records and digital payments. This would involve the establishment of alternative credit assessment models based on cash flow analysis, transaction records, and supplier payment history, reducing reliance on traditional collateral requirements.
- ▶ **Simplify registration and licensing procedures:** work with regulatory bodies to streamline the formalization process, including business registration, licensing, and tax compliance, reducing costs and bureaucratic barriers for MSMEs registration. Establish one-stop business registration centers where entrepreneurs can formalize their businesses and receive advisory services on accessing finance. Potential partners would include the Ministry of Trade and Industry, the Ethiopian Investment Commission, and local chambers of commerce.





Challenge 2: Inadequate financial products tailored to agribusiness

Financial institutions in the Sidama region fail to design loan products that align with the seasonal cash flows and high-risk nature of agribusiness. Standard repayment schedules are not adapted to agricultural cycles, making it difficult for farmers and agribusinesses to service loans. Additionally, the absence of financing options for specific agricultural needs, such as input loans, mechanization loans, and working capital, limits business growth. The financial sector also lacks expertise in agricultural financing, leading to conservative lending approaches.

Even when MSMEs qualify for credit, loan sizes are often too small to sustain business operations. Additionally, slow loan processing times, due to manual assessment procedures and limited automation, hinder timely access to funds, affecting business continuity and expansion.

Root Causes

- ▶ **Lack of agriculture-specialized financial knowledge:** many banks and MFIs lack expertise in structuring agricultural financial products. Unlike other business sectors, agribusiness operates under highly seasonal revenue cycles, variable input costs, and weather-dependent risks. However, many financial institutions apply conventional lending models, which fail to accommodate these unique cash flow challenges. The absence of tailored risk assessment frameworks for agribusinesses leads to excessive collateral requirements, making it harder for small-scale farmers and MSMEs to access credit. Moreover, most banks do not have dedicated agricultural finance officers or partnerships with agribusiness value chain actors, further limiting their ability to offer specialized financial products.
- ▶ **Absence of reliable data:** the financial sector operates with limited visibility on agribusinesses' creditworthiness, making risk assessment and loan customization difficult. Most agri-SMEs lack formal credit histories, reliable financial statements, or performance records that banks can use to evaluate loan applications. Additionally, informal market transactions, which dominate the sector, result in poor documentation of revenue streams and profitability. The absence of centralized credit information systems means that banks rely on outdated or incomplete borrower assessments, increasing perceived risk. This data gap also prevents financial institutions from developing tailored financial products that align with the working capital needs, input cycles, and seasonality of agribusinesses.

- ▶ **Limited capital base of banks and MFIs:** many financial institutions in Sidama operate with low liquidity, restricting their ability to issue large or long-term loans. Given the high-risk nature of agricultural lending, banks prioritize short-term, high-interest loans with stringent repayment conditions, making them unsuitable for agribusiness expansion. MFIs, which typically serve rural MSMEs, often lack access to refinancing mechanisms or external investment, further constraining their capacity to lend at scale. Additionally, the absence of blended finance mechanisms, such as concessional lending and credit guarantees, limits the ability of banks to extend capital to high-risk borrowers.
- ▶ **Inefficient loan processing systems:** traditional, manual loan approval procedures significantly delay access to finance, sometimes extending loan disbursement timelines to several months. Most banks and MFIs still rely on paper-based application processes and lengthy administrative checks, which slow down decision-making. This inefficiency prevents entrepreneurs from accessing working capital when it is needed the most, such as during planting or harvest seasons. Additionally, lack of digital integration between financial institutions and agribusiness clients leads to frequent documentation errors, redundant paperwork, and miscommunication, further prolonging loan approvals.
- ▶ **Regulatory bottlenecks:** lengthy administrative procedures increase the time required to secure approvals, access government-backed loan programs, or formalize businesses for financing eligibility. Regulations related to business registration, licensing, and tax compliance create additional hurdles, particularly for rural entrepreneurs. Moreover, the lack of clear policy enforcement regarding MSME loan allocation (e.g., the 5% lending quota for MSMEs) reduces financial institutions' accountability in supporting agri-MSMEs. In some cases, complex foreign exchange controls and rigid financial sector policies also limit access to international funding sources that could help expand credit availability for agribusinesses.

Recommendations

- ▶ **Develop tailored financial products for agribusinesses:** design sector-specific loan products with flexible repayment schedules aligned with agricultural cycles (e.g., post-harvest repayment). Expand input financing solutions, including seasonal loans, mechanization financing, and working capital for agribusinesses. This might involve the collaboration with OMO bank and other financial institutions to customize financing options for agribusiness MSMEs.
- ▶ **Strengthen agricultural finance capacity and digital integration:** train banks and MFIs on agricultural value chains, risk assessment, and cash flow management to enhance their ability to serve agribusiness clients. Collaborate with fintech firms to leverage digital platforms for loan applications, credit scoring, and risk analysis to improve access to finance. This can include the automation of loan application and approval processes to increase lending efficiency and reduce delays by promoting fintech solutions that facilitate digital loan applications and faster credit scoring. Data-driven financial decision-making can be enhanced by facilitating the creation of centralized databases to evaluate agri-SMEs' financial performance and risks. Additionally, alternative credit assessment models can be strengthened, by using non-traditional data sources such as sales records, digital payments, and supply chain transactions.
- ▶ **Expand capital access for financial institutions and MSMEs:** support banks and MFIs in securing additional funding through government support, equity investments, or donor funding, and develop SME-specific lending windows, establishing dedicated credit lines for MSMEs within commercial banks.
- ▶ **Reduce regulatory and administrative barriers:** simplify regulatory processes to accelerate loan disbursements and improve efficiency. Improve business formalization processes to enable agribusinesses to meet financial institutions' lending criteria.

Challenge 3: Poor financial literacy and limited awareness of financial opportunities

Many entrepreneurs, particularly women and youth, struggle with financial literacy, preventing them from effectively accessing and utilizing financial services. A lack of structured education on financial management and business planning leaves MSMEs unaware of how to engage with financial institutions. Additionally, cultural norms often restrict women and youth from actively participating in financial decision-making, which further limits their inclusion in credit markets. Weak awareness campaigns by financial institutions and government agencies also mean that many entrepreneurs remain uninformed about financial products available to them.

Root Causes

- ▶ **Traditional norms and gender barriers:** Cultural and social norms often limit women and youth from engaging in financial decision-making, which can result in lower access to credit and investment opportunities.
- ▶ **Poor awareness campaigns:** Financial institutions and government agencies do not effectively communicate available financial products. Banks and microfinance institutions (MFIs) do not prioritize proactive customer engagement or tailored financial literacy programs for underserved groups. Many agribusiness MSMEs are unaware of tailored financial products (such as warehouse receipt financing, crop insurance, or asset leasing schemes). Limited collaboration between financial providers and chambers of commerce, farmer cooperatives, and business associations results in weak information dissemination about financing options.
- ▶ **Limited access to structured financial education:** Many entrepreneurs lack exposure to business planning, bookkeeping, and cash flow management, making it difficult to access loans or manage funds effectively. Technical and vocational training institutions (TVETs) often do not integrate practical financial literacy modules into their curricula. Many financial literacy programs rely on short-term donor projects instead of market-driven, sustainable education initiatives.

Recommendations

- ▶ **Develop targeted financial literacy initiatives through private sector collaboration:** work with banks and MFIs (e.g., OMO Bank, Dashen Bank, Sidama Bank), and fintech firms (e.g., EthioPay, Kifiya) to integrate practical financial training into loan processes. Design training bundled with financial products, ensuring that MSMEs receive financial education alongside access to credit through loan-linked capacity-building programs.
- ▶ **Strengthen financial inclusion programs through partnerships with MSME networks and community-based learning:** collaborate with business associations (e.g., Ethiopian Women Entrepreneurs Association, Ethiopian Chamber of Commerce) to organize regular financial literacy workshops for MSMEs. Establish financial literacy hubs within agribusiness cooperatives and rural savings groups, offering mentorship and group-based financial planning. Develop mentorship programs and informal networking platforms, linking successful business owners with young entrepreneurs to share financial management strategies, and encouraging discussions on financial challenges, solutions, and joint financing opportunities.
- ▶ **Leverage mass media and digital platforms for financial education:** partner with radio stations (Fana FM, Sidama Media Network) and television networks to broadcast interactive financial literacy programs in local languages. Work with social media influencers and digital platforms (e.g., Telegram business groups, LinkedIn, WhatsApp business communities) to create short, engaging financial management content. Support the development of mobile-based financial literacy tools, including SMS-based advice to reach rural entrepreneurs.



(Slogan) Action plan of training in

Activity	Time frame	Time frame	Resource
1. Selection of training materials	1-3 months	October 9-10 (2017)	1. Computer & Internet
2. Selection of training experts/teachers	"	October 11-13 (2017)	"
3. Preparation of training materials	"	October 14-16 (2017)	1. Computer, Internet, printer, etc.
4. Selection of training experts/teachers	"	October 17-19 (2017)	1. Computer, Internet, printer, etc.
5. Selection of training materials	"	October 20-22 (2017)	"
6. Selection of training experts/teachers	"	October 23-25 (2017)	"
7. Selection of training materials	"	October 26-28 (2017)	"
8. Selection of training experts/teachers	"	October 29-31 (2017)	"
9. Selection of training materials	"	November 1-3 (2017)	"
10. Selection of training experts/teachers	"	November 4-6 (2017)	"
11. Selection of training materials	"	November 7-9 (2017)	"
12. Selection of training experts/teachers	"	November 10-12 (2017)	"
13. Selection of training materials	"	November 13-15 (2017)	"
14. Selection of training experts/teachers	"	November 16-18 (2017)	"
15. Selection of training materials	"	November 19-21 (2017)	"
16. Selection of training experts/teachers	"	November 22-24 (2017)	"
17. Selection of training materials	"	November 25-27 (2017)	"
18. Selection of training experts/teachers	"	November 28-30 (2017)	"
19. Selection of training materials	"	December 1-3 (2017)	"
20. Selection of training experts/teachers	"	December 4-6 (2017)	"
21. Selection of training materials	"	December 7-9 (2017)	"
22. Selection of training experts/teachers	"	December 10-12 (2017)	"
23. Selection of training materials	"	December 13-15 (2017)	"
24. Selection of training experts/teachers	"	December 16-18 (2017)	"
25. Selection of training materials	"	December 19-21 (2017)	"
26. Selection of training experts/teachers	"	December 22-24 (2017)	"
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28. Selection of training experts/teachers	"	December 28-30 (2017)	"
29. Selection of training materials	"	January 1-3 (2018)	"
30. Selection of training experts/teachers	"	January 4-6 (2018)	"
31. Selection of training materials	"	January 7-9 (2018)	"
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38. Selection of training experts/teachers	"	January 28-30 (2018)	"
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40. Selection of training experts/teachers	"	February 4-6 (2018)	"
41. Selection of training materials	"	February 7-9 (2018)	"
42. Selection of training experts/teachers	"	February 10-12 (2018)	"
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44. Selection of training experts/teachers	"	February 16-18 (2018)	"
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47. Selection of training materials	"	February 25-27 (2018)	"
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49. Selection of training materials	"	March 1-3 (2018)	"
50. Selection of training experts/teachers	"	March 4-6 (2018)	"
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67. Selection of training materials	"	April 25-27 (2018)	"
68. Selection of training experts/teachers	"	April 28-30 (2018)	"
69. Selection of training materials	"	May 1-3 (2018)	"
70. Selection of training experts/teachers	"	May 4-6 (2018)	"
71. Selection of training materials	"	May 7-9 (2018)	"
72. Selection of training experts/teachers	"	May 10-12 (2018)	"
73. Selection of training materials	"	May 13-15 (2018)	"
74. Selection of training experts/teachers	"	May 16-18 (2018)	"
75. Selection of training materials	"	May 19-21 (2018)	"
76. Selection of training experts/teachers	"	May 22-24 (2018)	"
77. Selection of training materials	"	May 25-27 (2018)	"
78. Selection of training experts/teachers	"	May 28-30 (2018)	"
79. Selection of training materials	"	June 1-3 (2018)	"
80. Selection of training experts/teachers	"	June 4-6 (2018)	"
81. Selection of training materials	"	June 7-9 (2018)	"
82. Selection of training experts/teachers	"	June 10-12 (2018)	"
83. Selection of training materials	"	June 13-15 (2018)	"
84. Selection of training experts/teachers	"	June 16-18 (2018)	"
85. Selection of training materials	"	June 19-21 (2018)	"
86. Selection of training experts/teachers	"	June 22-24 (2018)	"
87. Selection of training materials	"	June 25-27 (2018)	"
88. Selection of training experts/teachers	"	June 28-30 (2018)	"
89. Selection of training materials	"	July 1-3 (2018)	"
90. Selection of training experts/teachers	"	July 4-6 (2018)	"
91. Selection of training materials	"	July 7-9 (2018)	"
92. Selection of training experts/teachers	"	July 10-12 (2018)	"
93. Selection of training materials	"	July 13-15 (2018)	"
94. Selection of training experts/teachers	"	July 16-18 (2018)	"
95. Selection of training materials	"	July 19-21 (2018)	"
96. Selection of training experts/teachers	"	July 22-24 (2018)	"
97. Selection of training materials	"	July 25-27 (2018)	"
98. Selection of training experts/teachers	"	July 28-30 (2018)	"
99. Selection of training materials	"	August 1-3 (2018)	"
100. Selection of training experts/teachers	"	August 4-6 (2018)	"

Quality
minimize cost
+ Low HR
Contaminated input
(input)

to



5 From assessment to action: piloted interventions and results

Following the entrepreneurship ecosystem assessment, the ProAgro project team designed and implemented a set of pilot interventions addressing systemic constraints identified under the Market and Finance pillars. The interventions adopted a market-driven approach, strengthening existing actors' roles and testing scalable business models capable of sustaining impact beyond the project's lifetime. The pilots focused on two interlinked areas:

1. Expanding digital market linkages, input financing, and market information systems; and
2. Promoting innovation diffusion and climate-resilient practices.

Together, these interventions aimed to enhance productivity and income for smallholder farmers while promoting coordination, innovation, and trust among key market actors in Sidama's agri-entrepreneurship ecosystem.

Intervention 1. Expanding digital market linkages, input financing and market information systems

Linked assessment challenges:

- ▶ Limited access and high costs of agricultural inputs
- ▶ Limited access to reliable market information
- ▶ Inadequate financial products for agri-MSMEs

The project partnered with Lersha⁹⁷, an Ethiopian agritech platform, to expand its services in Sidama and improve farmers' access to input financing, market linkages, and digital advisory tools. In collaboration with Hawassa University, 96 agents were deployed across the region, 58 newly trained and 38 trained through refresher sessions, with approximately 30% women representation. These agents registered approximately 8,396 smallholder farmers on the Lersha platform, providing them with services such as input purchase facilitation, mechanization support, and climate risks advisory.

In addition, the project facilitated discussions between Lersha and Agricultural Transformation Institute's (ATI) to integrate the National Market Information System (NMIS) into Lersha's services to ensure that farmers in Sidama could access accurate market data. Lersha agents will be trained to use NMIS data in their advisory work, extending access to market information even to farmers without smartphones. This integration is expected to improve the timeliness and accuracy of market information, enabling farmers to make better production and marketing decisions.

Results:

- ▶ **96 agricultural graduates** trained as agents by Lersha.
- ▶ **8,396 smallholder farmers** reached by Lersha agents.
- ▶ **55% of agents** regularly provided market information and financial guidance to farmers.
- ▶ **100 farmers** used input financing through Lersha.
- ▶ **8,096 farmers** used advisory services from Lersha.
- ▶ **3 off-takers and 6 processors** were linked to farmers via the platform.
- ▶ **1 financial institution in Sidama** began adopting digital data for credit risk assessment.

Intervention 2. Promoting innovation diffusion and climate-resilient practices

Linked assessment challenges:

- ▶ Limited access and high costs of agricultural inputs
- ▶ Low competitiveness and minimal value addition
- ▶ Environmental and climate risks

In partnership with the Sidama Development Association (SDA), Sidama Agricultural Regional Research Institute (SIRARI), Hawassa University, and the Yirgalem Agro-Industrial Park, the project implemented a coordinated awareness and innovation-diffusion initiative, including the organization of events, and development of communication materials and videos to promote improved technologies and climate-resilient practices. SDA mapped improved agricultural practices and technologies, while facilitating connections between researchers, innovators, and local mini-manufacturers to refine prototypes into affordable, production-ready tools.

⁹⁷ Lersha operates through a network of local agents in three key areas: a) providing support services to farmers, including advisory, mechanization, and digital stock and sales management; b) fostering market linkages, by aggregating yield/livestock supply and connecting them to buyers, off-takers and processors, and by connecting farmers and quality input suppliers through bulk purchase and financing modalities based on the output of smallholder farmers; and c) enhancing agri-businesses access to finance, by having off-takers and processors pre-financing inputs for smallholders farmers, working with financial institutions to develop tailor-made financial products to pre-finance inputs, leveraging the agent network to collect data for credit assessment, and offering digital tools for financial institutions to evaluate the creditworthiness of smallholder farmers.



Over the course of implementation, 2 awareness events and fairs were organized, reaching 3,750 smallholder farmers. This resulted in the adoption of innovations by 750 of these smallholder farmers, and 450 reporting enhanced resilience to climate shocks. More than 750 post-harvest loss-reduction devices were distributed to early adopters, who provided feedback on usability and performance. In addition, SDA supported the dissemination of improved avocado seedlings in collaboration with the Bureau of Agriculture and producers from the Yirgalem Agro-Industrial Park. These efforts to promote innovation diffusion also resulted in 2 new research-commercialization linkages between research institutions and the private sector.

Results:

- ▶ **2 awareness events and fairs** held.
- ▶ **3,750 smallholder farmers** reached through events and fairs.
- ▶ **2 research-commercialization linkages** facilitated.
- ▶ **750 smallholder farmers** adopted new agricultural innovations.
- ▶ **450 smallholder farmers** reported enhanced resilience to climate shocks following the adoption of improved technologies.



6 Conclusion

This assessment confirms that Sidama holds significant promise for agribusiness development, but also surfaces challenges not fully captured in previous analyses. This research reveals specific underlying factors, particularly related to finance and market access.

In finance, the mismatch between rigid loan structures and the seasonal nature of agribusiness emerged as a central constraint. Additionally, high collateral requirements, short repayment terms, and slow, manual approval systems exclude women, youth, and smallholder entrepreneurs. Enforcement gaps around the MSME lending quota, weak financial literacy and poor record-keeping further limit access. Recommendations highlight that what is needed is a shift toward de-risked and agricultural-specific solutions: input and mechanization loans, digital credit scoring models that use alternative data, credit guarantee schemes and seasonal repayment schedules. Coupled with simpler registration procedures and bundled financial literacy, such measures would open pathways to capital for those currently left out of formal financial systems.

In markets, structural inefficiencies erode competitiveness and value capture. Fragmented market intelligence leaves farmers and MSMEs operating in uncertainty, while weak logistics, scarce aggregation hubs, and inadequate cold chain infrastructure drive high post-harvest losses. The cost and volatility of agricultural inputs further undermine productivity. Limited value addition, high packaging costs, and weak certification systems prevent producers from accessing premium buyers. Environmental and climate risks intensify these challenges, with few incentives for sustainable practices. Recommendations in this study highlight that addressing these barriers requires practical solutions: buyer-supported digital market information services, commercial aggregation and cold storage facilities with off-take linkages, cooperative bulk procurement models, expanded agro-dealer networks, leasing schemes for processing and packaging equipment, scalable certification programmes, and climate-smart financing. These solutions would help improve margins, resilience, and long-term competitiveness.

By identifying these specific barriers and providing actionable insights for designing interventions, this report moves beyond general prescriptions and defines a clear pathway for an inclusive agri-entrepreneurship

ecosystem in Sidama. If pursued, these measures can translate the region's agricultural potential into higher incomes, better quality jobs, stronger participation of women and youth, and greater resilience in the face of climate and market volatility.

Informed by the assessment's recommendations the ILO's ProAgro Ethiopia project has integrated finance and market interventions into a coherent pilot intervention package, linking market intelligence with buyer-backed input pre-financing schemes and disseminating research-based agricultural innovations. The early results show measurable improvements in farmers' access to finance, market information, and innovation, alongside emerging systemic change, such as increased visibility and credibility of agri-tech services in Sidama, institutional behavior changes, and new partnership models in Sidama's agri-entrepreneurship ecosystem. Such pilots, anchored in local actors, demonstrate new business models that are viable, inclusive, and scalable.

Annexes

Annex 1

List of actors consulted during the pillar selection phase

► Organization	► Pillar(s) consulted
Job, Skills and Enterprise Development Bureau (JSEB)	All pillars
Bureau of Trade and Industry	Market
Cooperative Bureau	Market
<i>Bertu Women Baltena</i> entrepreneurs	All pillars
Sidama Development Association	All pillars
Hawassa University	Human Capital
Hawassa TVET Polytechnic College	Human Capital
Digital Opportunity Trust (DOT)	All pillars
Hawassa City Administration	All pillars
OMO Bank	Finance
Bank of Abyssinia (BoA)	Finance
MESMER (digital finance provider)	Finance
Ethio-Chicken	Market/Finance
Sunvado	Market/Finance
SNV Netherlands Development Organisation	All pillars
Entrepreneurship Development Institute (EDI)	Human capital/Support/Finance
Three MSMEs in the agriculture sector (kept anonymous for confidentiality)	All pillars
Women, Youth and Social Affairs Bureau	Policy/Culture
Bureau of Agriculture	Market/Finance

Annex 2

List of stakeholders consulted during the in-depth analysis of the Finance and Market pillars

► Stakeholder / organisation	► Consulted for Finance	► Consulted for Market
Jobs, Skills and Enterprise Development Bureau (JSEB)	✓	✓
Hawassa City Administration – Enterprise Department	✓	✓
OMO Bank	✓	-
Sidama Bank	✓	-
Dashen Bank	✓	-
Development Bank of Ethiopia	✓	-
Rural savings and credit cooperatives (RUSSACOs)	✓	-
Metemamen MFI	✓	-
Kefeta SACCO	✓	-
MESMER Digital Finance	✓	-
Agricultural Transformation Institute (ATI)	✓	✓
Digital Opportunity Trust (DOT) Ethiopia	✓	✓
Entrepreneurship Development Institute (EDI)	✓	-
Cooperative Bureau	✓	✓
Cooperative Union (Sidama Elto Cooperative Union and primary cooperatives)	✓	✓
Sidama Development Association (SDA)	✓	✓
Four agri-entrepreneurs (women and youth)	✓	✓
Six MSMEs in poultry, vegetable and fruit subsectors	✓	✓
Bureau of Trade and Industry	-	✓
Ethio Chicken	-	✓
Sunvado (avocado processor)	-	✓
Loli Chips (food processor)	-	✓
Yirgalem Agro-Industrial Park	-	✓
Sidama Coffee Farmers' Cooperative Union	-	✓
Three institutional buyers (university, prison, hospital)	-	✓
Agrodealers and input suppliers	-	✓
Veterinary services provider	-	✓
SNV Netherlands Development Organisation	-	✓
Mercy Corps	-	✓
TechnoServe	-	✓
Helvetas	-	✓

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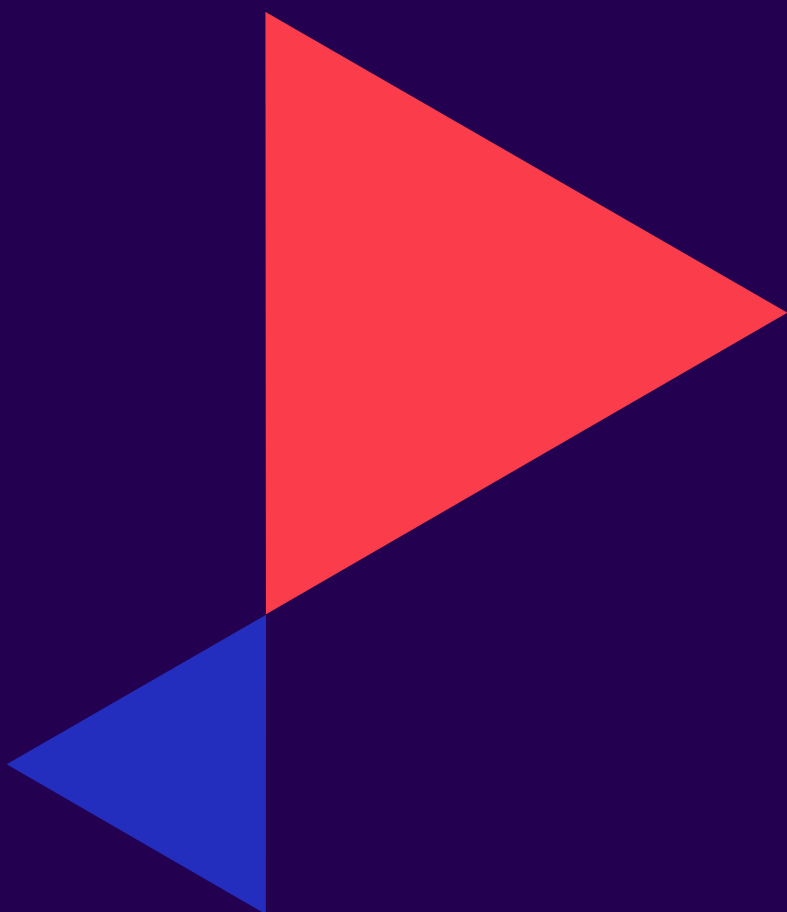
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