



LIWAY

IN-DEPTH MARKET SYSTEMS DEVELOPMENT CASE STUDIES

Learnings from the Livelihoods Improvement
for Women and Youth programme in Ethiopia

ACKNOWLEDGEMENTS AND PERMISSIONS

These case studies were written by Agora Global as part of our partnership with the LIWAY programme currently funded by Sweden and the Netherlands. Agora would like to thank all of the programme teams for their strong collaboration in writing the case studies and all of the participants who responded to our requests for interviews and other data. The greatest care has been taken in the production of the data and attribution has been made where this would not compromise respondents.

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If you have any questions or wish to discuss further please get in touch by emailing info@agoraglobal.org.



FOREWORD

The Embassy of Sweden in Ethiopia (Sida) and the Embassy of the Kingdom of the Netherlands (EKN) have been funding LIWAY since 2017 and 2021 respectively. We see LIWAY as a hugely innovative programme. At a time when development was polarised between either rural agricultural development or industrial transformation, in rapidly urbanising economies such as Ethiopia, the many messy, diverse, and often informal livelihoods of the majority of the urban poor in particular women and youth were being left behind. LIWAY has attempted to navigate this complexity in an innovative way that examines the mechanisms through which poor people earn a living and sought to address the structural barriers to them doing so. Across microenterprises, labour markets, and the many complex and fragmented larger industries that comprise the majority of employment, and supported by structural changes in the skills development system, LIWAY has sought to sustainably create jobs and increase incomes. To do so, it worked with public and private sector actors based on their many mixed incentives to play their part in these changes; LIWAY has tackled the difficult, the messy, and the unfashionable to help improve people's lives.

The results have been, in some cases, excellent. In other cases, they have exposed that change is slow and the extensive learning along the way has exposed just how important it is to do the difficult things that pay off eventually. As donors, we need to be accountable for how we spend public money. But that doesn't mean that all our spending needs to generate results now. In some cases, patience is definitely a virtue. And in Ethiopia during this period, we have had to be patient. The COVID-19 pandemic affected some of LIWAY's work areas far more than other development programmes – the public transport used to transport workers closed; the childcare system which LIWAY was building to allow mothers to return to work was banned. The conflict and civil unrest were also a challenge as LIWAY sought to get the attention of changing governments with conflicting priorities. In this context, LIWAY's progress, learning, and results have been remarkable.

Sida and EKN are proud to have supported LIWAY as part of our efforts in economic and social development in Ethiopia. We hope this suite of cases reflects some of the learning and achievements of the programme during that time and we look forward to continuing to support this area of work. We welcome our friends in the donor community to learn more about LIWAY and potentially to contribute further to this important work.



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ACRONYMS

AACMA	Addis Ababa Cleansing Management Agency
AAWSA	Addis Ababa Waste and Sewage Agency
AGOA	African Growth and Opportunity Act
BoLEID	Bureau of Labour, Enterprise, and Industry Development
BoLSA	Bureau of Labour and Social Affairs
CDC	Career Development Centre
CIPE	Centre for International Private Enterprise
CoC	Certificate of Completion
EKN	Embassy of the Kingdom of the Netherlands
ELMIS	Ethiopian Labour Market Information System
ERCA	Ethiopian Revenue and Customs Authority
FBIDI	Food and Beverage Industrial Development Institute
GTPI	Growth and Transformational Plan I
GTPII	Growth and Transformational Plan II
HRW	Human Rights Watch
ICT	Information and Communications Technology
ILO	International Labour Organisation
IOM	International Organisation for Migration
JCC	Job Creation Commission
KII	Key Informant Interview
LMIS	Labour Market Information System
MSD	Market Systems Development
MLE	Medium and Large Enterprise
MoLSA	Ministry of Labour and Social Affairs
MoLS	Ministry of Labour and Skills
MoU	Memorandum of Understanding
MSE	Micro and Small Enterprise
OSS	One Stop Shop

PPE	Personal Protective Equipment
PTSD	Post-Traumatic Stress Disorder
RBM	Results-Based Management
SNV	SNV Netherlands Development Organisation
ToT	Training of Trainer
TTK	Tiny Totos Kenya
TTLM	Training, Teaching, and Learning Materials
TVET	Technical and Vocational Education and Training
VGC	Vocational Guidance and Counselling

INTRODUCTION AND STRUCTURE

Livelihoods Improvement for Women and Youth (LIWAY) is a nine-year programme (July 2017 to June 2026) funded by the Embassy of Sweden in Ethiopia (Sida) and the Embassy of the Kingdom of the Netherlands (EKN). The programme is implemented by a consortium of partners composed of SNV Netherlands Development Organisation (SNV), Mercy Corps, Techno Serve, and Save the Children International. LIWAY aims to contribute to sustainable poverty reduction and social stability in Addis Ababa by increasing incomes through improved wages and self-employment opportunities, primarily for poor women and youth. The objective is to increase the incomes of 257,000 poor people in Addis Ababa, of which at least 128,500 (50%) are women (young and adult) and 192,750 (75%) are youth (female and male).



These four systems are interconnected and together contribute to structural transformation. While work in the labour system enables target group members to better access jobs that already exist, work in the MSE system offers options for coping strategies when jobs don't exist, while providing higher quality work for some and opportunities to graduate from poverty for the few who can create rapidly growing enterprises. Work in the MLE system focuses specifically on the future as people transition out of agriculture and informal employment. However, it adopts a cross-cutting perspective, away from the modern industrial parks and value chains that gain most of the attention, instead dealing with the reality that the pluralistic medium and large enterprises offer many times more jobs and a more mixed and sustainable economy. Finally, the skills system supports the labour, MSE, and MLE systems by enabling more target group members to access relevant skills to take available job opportunities, start and grow businesses, and provide firms with the relevant skills they need to grow.

LIWAY applies a market system development (MSD) approach that involves identifying the root causes of market failure that disadvantage or exclude poor women and youth from wage and self-employment opportunities and identifying private companies and public institutions with the incentive and ability to deliver change. The aim is to make market systems work better for the target groups, while demonstrating benefit to public and private actors that play a role in the systems to ensure local ownership and sustainability and continued improvement beyond the programme period. The approach involves experimentation and learning rapidly from failures and amplifying

PRIVATE SECTOR

The private sector in Ethiopia also features heavily and specifically in the cases. We hope that some of the innovations represented in the cases help to showcase and gain further support for some of LIWAY's partners and also encourage others into these areas of innovation. Indeed, the suite of case studies itself could be considered as one amongst many tactics through which LIWAY tries to bring about systemic change.

STRUCTURE OF THE CASES

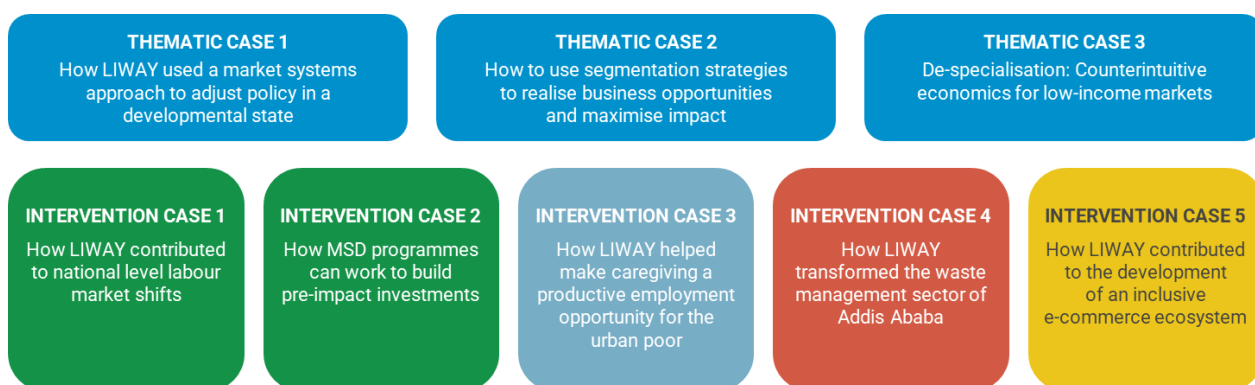
There are eight cases captured here, of various shapes and sizes, which fall into two main categories:

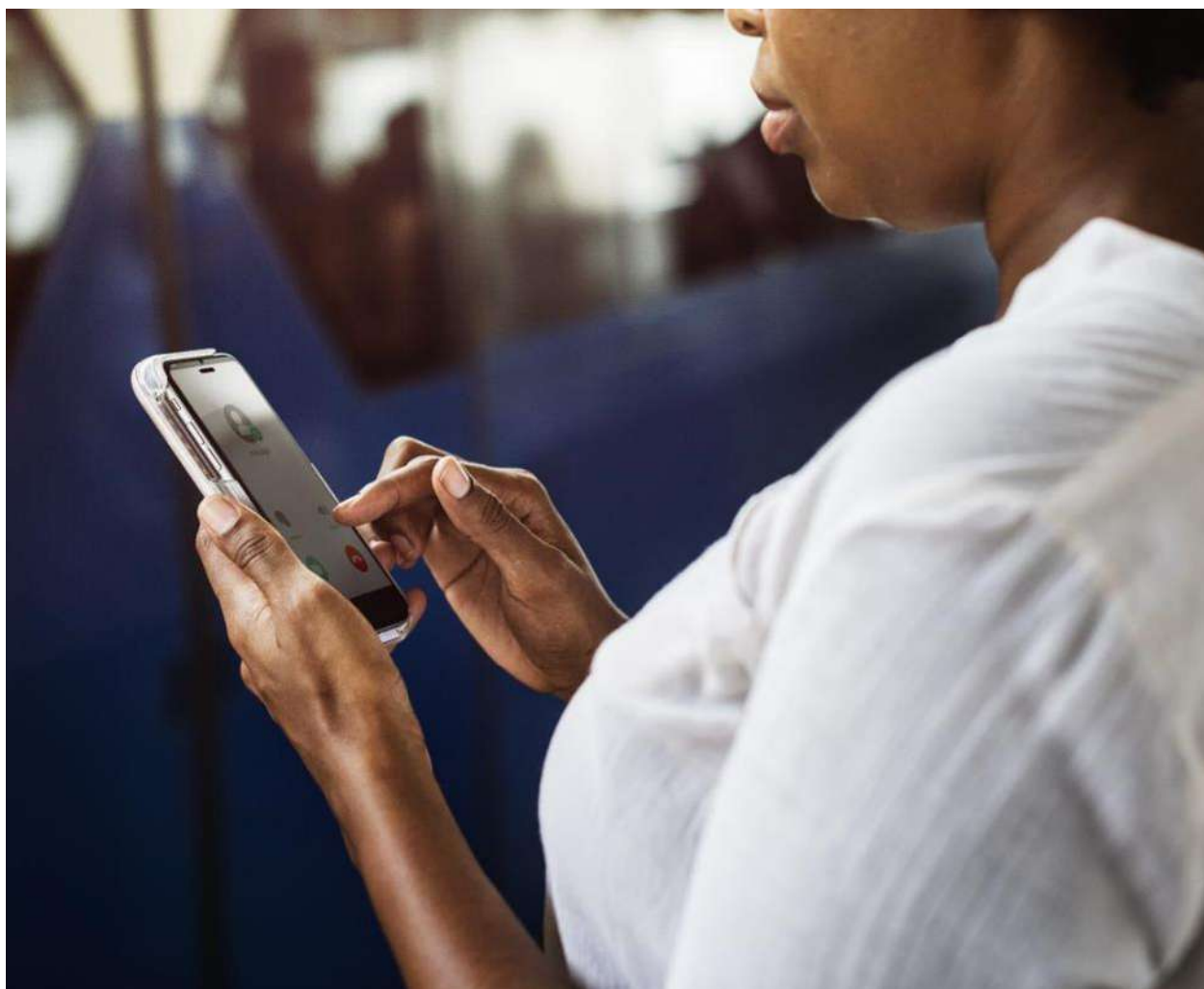
INTERVENTION CASES

These cases are more traditional in that they focus on one particular intervention area within one particular system. The reason for this varies by case. In some cases, LIWAY is making a substantive contribution claim for the role it played in some concrete impact-level achievements. In such cases, it is necessary to examine the case and the counterfactual case quantitatively and qualitatively in order to make the claim. In other cases, there is one key learning that is particular to that case which should be of benefit to the users listed above but does not have greater relevance to LIWAY as a whole.

THEMATIC CASES

The thematic cases are relatively rare in MSD. They seek to synthesise lessons from across LIWAY focused on one particular theme and, as such, their purpose is different. In some cases, the content overlaps with the intervention cases as the intervention cases act as examples of the points being made in the thematic cases.





INTERVENTION CASE 1

ITERATION AND PERSEVERANCE: HOW LIWAY CONTRIBUTED TO NATIONAL LEVEL LABOUR MARKET SHIFTS

EXECUTIVE SUMMARY

This case study uses process tracing to estimate the contribution of LIWAY to a change in the structure of the labour market involving both domestic and overseas employment for low-income groups.

Evidence shows that LIWAY invested heavily in understanding the market system to obtain a unique perspective and vision of a more effective, sustainable labour system, which was valuable to a wide range of actors and potentially impactful in generating new jobs. The analysis led to a pilot which, while unsuccessful in itself, built the technical foundations and credibility for larger scale and more impactful iterations. Ultimately, the intervention resulted in the creation of a national database for the collection of data on both jobs and jobseekers with embedded functions for job matching domestically and overseas, verification and screening, training, and biometric identification among a range of other functions.

The platform and the system have ongoing challenges as part of a very complex settlement between different public, private, and civil society actors. Politics has played strong a role in both its development and its ongoing implementation, and the full potential impact is still far from being reached. Nevertheless, impact so far has been strong – assessed according to a range of indicators around registration and job matching as well as many other positive developmental indicators beyond LIWAY's scope around worker protections and tracking. LIWAY's contribution to this change is clear and validated through a wide range of data sources whose positions provide incentives to both validate and refute the contribution claims. It is not necessary to assess quantitative contribution at this stage as the number of people registered and jobs matched is increasing markedly on a monthly basis and the platform is being operated sustainably.

Three sets of reflections are provided in the case study as conclusions. Firstly, the reasons why it worked. These reasons include:

- Solid analysis, which was used as the common thread of the programme's value addition.
- Proactive piloting which, while it wasn't likely to be the eventual model, gave LIWAY a voice in the sector and some data to use.
- Generating buy-in and credibility among key actors by analysing change agents with the power to affect outcomes, including how these change agents shifted over time.
- Good fortune; there were events beyond the programme's control, which could easily have gone the other way and prevented impact.
- Deploying the right human and financial resources at the right time, which was iterated as the intervention went on.

A second set of reflections is provided on why the intervention didn't work more effectively (yet). Reasons here include:

- Bad luck; just as serendipity favoured LIWAY at certain points, COVID-19 and other political changes have significantly impeded progress.

- LIWAY aims for major changes in sticky and fragmented issues. With these potentially large and impactful changes come far greater risks of failure. The coordination of so many different actors and factors needed to make the intervention work has impeded the pace of change.
- Some problems are also so large as to be beyond the scope of LIWAY's influence, including the major political changes that have taken place in Ethiopia over the intervention's lifespan. For these changes which impede impact, the only appropriate strategy is to wait and ensure continued buy-in while they play out.

A final set of reflections is provided for interventions in exchange infrastructure or job matching in general, which has become an increasing focus in development due to the potential scale of impact:

- Some models require building out the access frontier from what exists, while others require inventing something entirely new designed for completely different socioeconomic and demographic characteristics. In LIWAY's case, it was partly both. There were aspects of functional job-matching services aimed at higher-income segments (particularly for overseas work) and demonstrating the use case their generate surplus revenues and potential viability lower income market segments. At the same time, many aspects of that system were completely unviable for low-income, low-margin groups. These groups required different supply side behaviours (they weren't proactively seeking work on their phones) and different business models (through bundled services) to reach economic viability. Many other actors with other types of incentives were required to make this use case viable.
- Diversification was key to economic viability. For low-income segments, there are many actor groups with many different reasons to want to access a labour market platform. This is perhaps more the case in these lower margin segments than for higher wage jobs; volumes are higher, access to other services is lower, and there are many more social and political actors who might have a reason to use this data. These different use cases were key to pushing the platform forward.
- Recognising these different types of incentives was vital. While the bundling of services above was important, the primary driver of behaviour for private actors – be they technology providers, training companies, or banking services – is profit. However, when dealing in low-income segments, the value placed on the data by social actors, including those involved in economic development but also health, democracy, and migration, is also very high. This can be a more comprehensive and cost-effective solution for these actors too. These mixed incentives for viable business models are crucial in making the system work.

BACKGROUND

Ethiopia's relatively recent transition to a market economy has presented many constraints and opportunities. Addis Ababa is the fastest growing city in the fastest growing non-oil economy in Africa and its transformation has been remarkable. However, the growth experienced in Addis Ababa has not been to the benefit of all which has made it one of the cities with the greatest levels

of inequality in the world. Sixty percent of the population in Addis Ababa live below the poverty line¹ while official statistics cite 21% as the rate of unemployment. This in a city which has created dollar millionaires at a rate almost double that of any other African city².

For Ethiopia as a whole, despite recent growth, it remains one of the world's poorest countries and remains a largely agrarian economy. As populations have grown in recent years, the ability of natural endowments to cope and cater for the needs of the population has reduced significantly. The current generation of young people no longer aspire to improved farm productivity but instead hope to migrate to urban areas in search of a better life. Opportunities when young people migrate are often not as they were perceived from afar. The disgruntlement of youth with this situation, as well as the dissatisfaction of those who remain in their place of origin, was one of the major drivers of the recent national unrest and subsequent state of emergency. Nevertheless, urban development has been neglected in recent years by donors and NGOs at the expense of improving the productivity of rural farmers and a focus on industrial parks scattered around the country.

In addition to the difficult conditions for young people in Ethiopia, opportunities for women too are limited. While Ethiopia is among Africa's more progressive societies in terms of gender equality, women's economic opportunities tend to be limited to lower-quality jobs and they are a significant source of untapped economic potential. There is also a clear correlation between the social and health problems seen in Ethiopia and the limitations to the opportunities for women.

One of the major reasons for both the volume of un/underemployment and the demographic makeup of the people it concerns in Addis, is the land policy. For generations, state ownership of land and community-level distribution disincentivised rural-urban migration to a far greater extent than in the majority of Africa. However, huge population growth led to fragmentation of land and decreasing land holdings which, coupled with climate change and intensifying local conflict over the past decade, have meant huge migration. Those who migrate are typically those without land (young people) who arrive without marketable skills or resources such as finance or local networks.

The systems into which they arrive retain distinctive markers of a communist past. Ethiopia's private sector has grown hugely in the three decades since the end of the communist regime. Nevertheless, many of the institutions of the market remain underdeveloped and the hand of the state is still heavily involved in the majority of economic sectors and, indeed, across most aspects of life in Ethiopia³.

For the majority of low-income people, the state is still the only potential provider of education and training, enterprise support, social security, and unemployment services. Access to and quality of these services is limited, for the most part due to budget constraints; exacerbated by major public infrastructure projects and war. Donors still play a large role in the Ethiopian public budget but often their support is time-limited and does not lead to sustainable improvement of services for most people.

¹ Jayamohan and Kitesa, 2014

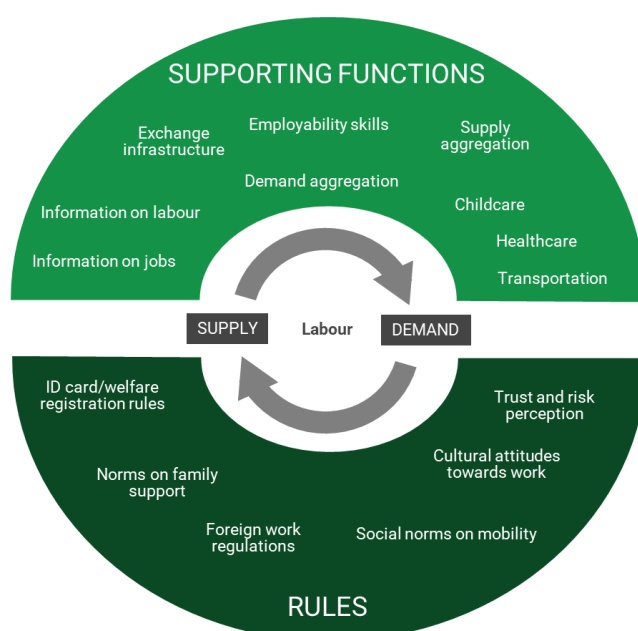
² New World Wealth, 2015

³ Cheru et al, 2019, The Oxford Handbook of the Ethiopian Economy, OUP, Oxford

It is in this context that LIWAY operates. LIWAY uses an MSD approach with the intention to sustainably increase the incomes of 257,000 women and youth in Addis Ababa. To do so, the programme intends to reduce the constraints to the benefits the target group derive from their engagement in three key sectors: labour markets, microenterprises, and growth sectors, each with its own theory of change as to how these benefits are derived. Skills development has relevance to all of these three sectors and, as such, the system for the delivery of skills development will receive special attention with a view to improving conditions across the other sectors.

MARKET ANALYSIS

Labour was selected as one of three areas of the economy in which LIWAY could make a contribution to increasing incomes of the target group in Addis Ababa. The labour market system can be understood as the supply of labour (including skilled day labour, unskilled day labour, recurrent informal jobs, formal contracted employees) to formal and informal employers. LIWAY's target group may be employed, active unemployed, passive unemployed, registered or unregistered Addis Ababa residents, and primarily those with limited formal education. The supporting functions are the factors that determine the price, quality, and quantity of labour sold.



LIWAY's key interest here is in exchange rather than quality or quantity of labour. It is not realistic for LIWAY to increase the capacity (quality) of the target group when the majority of the demand, and Ethiopia's competitive advantage, is in unskilled labour. Similarly, it is not realistic for LIWAY to look at the myriad different sectors in which unskilled labour is demanded and aim to increase this demand or the price it pays for labour.

There are many functions and rules which are highly influential in producing outcomes. For example, **social norms on mobility** reduce the quantity of labour supply in the places that need it as people only wish to work in their local area. **Transportation** infrastructure is a significant determinant of who can get to work and at what cost. **Supply and demand aggregation** influence the efficiencies for both jobseekers and employers as they seek either to access a number of vacancies at once or access many workers for larger-scale tasks. **Norms on family support** influence the ability, particularly of recent technical and vocational education and training (TVET) graduates, to refrain from job seeking which reduces both the quality and quantity of labour supply.

LIWAY's labour system strategy is designed around constraints where the programme feels there is significant potential for impact and is appropriate for the level of resources of the programme. These other important areas are vital for the programme in understanding why outcomes are seen and how our interventions might be impacted. During this phase, within the labour system, LIWAY

has focused on i) childcare, improving the quantity and quality of labour supply; ii) trust and risk, finding solutions which reduce the real and perceived risks of employing migrants who arrive within formal and informal assurances for employers; and iii) exchange infrastructure, on which this case study focuses.

During the diagnostic phase of LIWAY, the programme conducted large numbers of interviews and focus group discussions with different segments of the target group, examining both current, past and potential future job search behaviours. With employers, LIWAY firstly identified the kinds of jobs for which there was excess demand – where employers either couldn't fill the roles, had problems with turnover or performance of employees, or took too long to fill roles. This led to the identification of issues with the exchange infrastructure - which is simply the way that the supply and demand for labour meet. In this area, there is no single solution which will address the issue and different types of jobs, different employers, and different segments of the target group require different solutions.

Typically, jobseekers had spent time and money looking for work by travelling into town to access the centralised job boards at key locations in the city. Having repeated this process unsuccessfully several times, jobseekers save their money and cease their search. Here, LIWAY worked on moving the information to the key locations where the target group were concentrated, working with Woreda offices and public transportation companies. Elsewhere, the governance of the job corners where jobseekers congregate was examined. These male-dominated environments did not allow for equal access or equal pay for many members of the target group and so LIWAY worked to formalise and diversify the process by opening commercial service centres which brought together physical and digital infrastructure together with other services such as transportation, training, and CV building. LIWAY also worked to improve efficiency and reduce search costs for both employers and jobseekers by supporting low-skill job fairs. These public-private partnerships used the incentives of the private sector through sponsorship and bundling service provision to improve cost-effectiveness. Another line of intervention revolved around digital job matching for both formal jobs and for gig work. This emergent area of the economy was relevant to members of the target group with access to mobile phones and likely those whose skills would easily translate to employers through a CV.

The final and perhaps the largest area where LIWAY sought to improve the exchange infrastructure was through the government's unemployment service provision and that is the area on which this case study focuses.

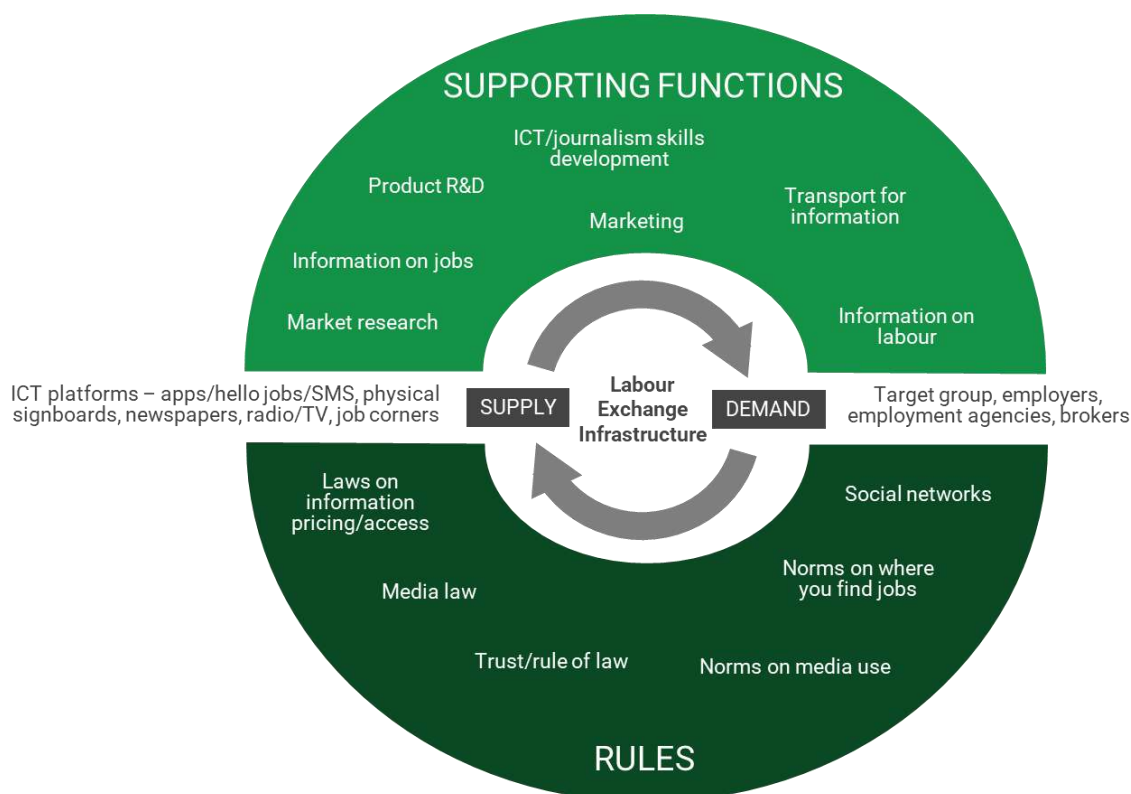
EXCHANGE INFRASTRUCTURE ANALYSIS

LIWAY's analysis showed that the existing exchange infrastructure – including public and private matching providers, informal networks, brokers, job boards and employment services – was not suitable for the programme's target groups due to issues such as financial and temporal costs of obtaining information and the quality of that information. This varied according to segments of the target group with older women, for example, excluded from digital exchange infrastructure and migrants excluded from many of the network-based informal channels.

Some employers also suffer as a result of a poor exchange infrastructure. Despite high levels of unemployment, employers' search costs are high while performance outcomes in terms of

productivity in the workplace are not. Traditional ‘factory gate recruitment’ can result in hundreds of undifferentiated applicants which cost significant time to assess. In some subsegments of the labour market, employers simply aren’t able to find enough workers due to the fact that those willing and able to take the work are not able to find out about it.

Considering exchange infrastructure as a market, there were many functions and rules identified as the factors that determine the price, quality, and quantity of job exchange infrastructure products and services provided.



Effective job matching services help employers to find more, and more appropriate, staff while helping potential employees to find more and better-paying jobs. It also saves the time and effort of jobseekers as well as employers.

Key supporting functions and rules explaining underperformance:

- **Information on jobs** – the primary ways in which people in the target group find jobs are informal. Job matching services could perform this function, and do in some cases, but it is not effective from the perspective of the target group.
- **Market research** – telling job matching service providers what their customers want and how to fulfil their needs.
- **Infrastructure product development** – covering everything from coding of platforms to convening of job fairs.
- **Marketing** – promoting products and services to jobseekers/target groups.

- **Information on labour** – information on the quality, quantity and price of labour as well as where it is and how to acquire it for potential employers.
- **Transport for information** – the jobseekers access to and cost of transportation affects the quality of job information they get.
- **Norms on where you find jobs** – Many of the target group are migrants. Given that the primary ways of finding unskilled and semi-skilled jobs is through social networks, they are at a disadvantage in this regard. Further, norms on where particular types of jobs are posted (jobs boards, corners) increase transaction costs and decrease opportunities.
- **Laws on information pricing/access** – Formal regulations that shape the cost of information to jobseekers/target groups, such as it being illegal for employment agencies to charge a fee to jobseekers.
- **Trust/rule of law** – The informal norm that affects which job matching mechanisms people prefer.

Having conducted a thorough market analysis, LIWAY decided to focus on two critical constraints to the effective functioning of exchange infrastructure.

1) Information on Jobs

Social networks are cited as a common method of finding work, but for individuals disconnected from the formal labour market, jobs found in this way are likely to be of low quality⁴. Search costs for a target group with incomes as low as that of LIWAY are too high. Travelling to central Addis from the affordable areas (6-12 km away from central Addis) in which the target group live costs up to 15 ETB on average and can take up to 1.5 hours, all while trying to find alternative childcare arrangements for some. Trying this method and failing to get a job on a few occasions can be enough to dissuade prospective jobseekers from engaging in the labour market at all.

LIWAY has tried different methods to increase quantity and quality and decrease the cost of information on jobs for our target group. To reduce the price of information, LIWAY aimed to make the traditional means of accessing information about jobs better suited to the target group by moving job boards closer to their homes.

To increase the quality of information, LIWAY explored different ways to make information on opportunities better suited to the needs of our target group. This included nuancing information in different languages better suited to migrants and ensuring information is provided in places that women congregate.

To increase the quantity of information available, LIWAY attempted to make sure that there is a better alignment between the jobs for which they are suitable and the methods they use to access information on jobs in the form of better platforms that are populated with more current and more appropriate information on jobs.

⁴ Franklin, May 2016

2) Infrastructure product development

The ways in which people find jobs in Addis Ababa are not ideally suited to the needs of LIWAY's target group. The target group have low levels of literacy and can't easily understand or respond to written adverts. Technological access and literacy are also limited, so the platforms for labour exchange often don't meet their needs. The target group often live in peripheral, low-cost areas, often far from the physical sites where job notices are posted, with high transport costs if they wish to get there. These transport costs also apply to the physical job fairs where wealthier young people might find employment, where there are also sometimes costs of admission. Those platforms to which people in the target group do have access are often ineffective. The prevalent government labour exchange 'product' at the time of diagnosis was a fragmented registration service operated through Addis Ababa Bureau of Labour and Social Affairs (BoLSA), and the Ministry of Agriculture. This physical listing of jobseekers and opportunities was dysfunctional. Records were rarely updated, and any job matching was passive, due to the service being underfunded and overwhelmed. From the perspective of LIWAY's target group, the infrastructure products and services to enable them to find the jobs that exist, and reciprocally to allow employers to find labour from our target group, were not fit for purpose.

The ways the target group are *supposed* to find jobs are inefficient and ineffective. BoLSA has set up jobseekers registration across 117 districts where jobseekers are registered manually. The jobseeker registration wasn't actively followed by a job matching service for those interested in employment. In addition, the registration and job matching service was done manually where the jobseeker information isn't visible to potential employers.

The ways that other people (non-poor people, or older men) find jobs isn't suited to LIWAY's target group. The existing job matching service providers were few in number and not suitable for the low-to medium-skilled jobseekers due to the distance from their homes, additional (and sometimes illegal) service charges levied on jobseekers, issues with the reliability of the information and/trust issues, safety with regard to some brokers, and the time taken in the process.

Digital job matching services existed and were effective, but costs were too high to warrant employers' investment in the type of jobs that the target group are likely to get. Newspaper and radio adverts were inaccessible as the target group didn't have access to the skills – reading, technological literacy, or Amharic language – or platforms, such as mobile phones, to gain access.

The way that LIWAY's target group *did* find jobs results in low-wage, temporary, and insecure employment and, ultimately, lower incomes. Jobseekers who use job corners waiting for employers (specifically in the construction and service sectors) may not get the right employer with a reasonable wage suited to their skills and experience. The type of jobs was mostly temporary, and the jobseekers resorted to the use of job corners on a daily basis without having organised prior information about employers.

LIWAY has supported innovation in product development in several respects with the aim of increasing the quality and quantity, and reducing the price of labour exchange infrastructure products and services from the perspective of the target group.

LIWAY tested job fairs as an affordable and accessible physical job matching mechanism for low and semi-skilled jobseekers to reduce cost and time both for the jobseekers and employers. This has also enabled jobseekers to reduce the price/transaction cost for job search in general.

Most influentially, LIWAY also focused on the assumed primary 'exchange infrastructure product' through which the target group might find work; the public unemployment registration and support service and it is here that the remainder of the case study focuses.

METHODOLOGY

This case study involves a long and complex series of changes with multiple potential contributory factors. For this case study, therefore, we have sought to use process tracing as part of contribution analysis to establish what happened and the extent to which LIWAY was a factor in any changes that were seen. In doing so, we will seek to make a contribution claim in addition to establishing a narrative explanation of the intervention.

In practical terms, this has involved reviewing all relevant programme documents and well as conducting key informant interviews. Through the key informant interviews, we sought to establish and consider the positionality of respondents. As such, for example, we interviewed current programme staff – incentivised to emphasise their importance in relevant changes as well as current government staff from the Ministry of Labour and Skills (MoLS), disincentivised to acknowledge LIWAY's role. We triangulated this with interviews with former staff on both sides who played a role whose incentives may be more balanced, as well as broader market actors such as other donor programmes involved in this space. Interview extracts have been anonymised as the intervention, and the apportionment of credit for it, is politically sensitive as reported by all respondents. However, where relevant, the respondent's role is described where it influences the creditability of their response.

The main purpose of the interviews was to pass a series of hoop tests in order to make a contribution claim. Specifically:

- Did the change occur?
- Did it result from a process in which LIWAY support was used?
- Was this support necessary (non-redundant) for that process?
- Would others have provided the support to this process when LIWAY would not have been in place?

These tests will be revisited at the end of the case study as well as seeking to apply any 'smoking gun' or 'double decisive' tests which are relevant.

TIMELINE AND PROCESS OF INFLUENCE

DIAGNOSIS, STAKEHOLDER ANALYSIS AND RELATIONSHIP BUILDING

During diagnosis, LIWAY established that poor women and young people in Addis Ababa still see the government support infrastructure as a key avenue for finding work. Importantly, they did not

see it as an effective avenue for finding work, but rather there was a habitual expectation that they do so. The process involved going to a Kebele (local government) office or 'one-stop shop' and registering yourself as unemployed. From the government's perspective, this was primarily viewed as a pathway to being eligible for enterprise support rather than employment, although it was nominally relevant to both. For enterprise support, young people were required to congregate into groups of at least 10 and were theoretically able to access operational space and small grants. For employment, there was little to no proactive process for utilising the data to increase people's incomes. When young people arrived at a Woreda office, their details were recorded on paper and this, by and large, was the end of the process. Around election time or coinciding with certain political changes, there were more proactive 'campaigns' during which a more proactive stance was taken for a short period, but the function was still primarily data collection.

LIWAY began examining possibilities to address this challenge by involving the private sector in early 2018. At that time, there were over 170,000 records in the Kebele system, and an audit found less than 5% of these records to contain complete and valid data.

LIWAY's vision in this area was of a proactively managed unemployment database which could be used by employers and job matching service providers to source employees. There were a number of possibilities as to how this would meet with the incentives of different market actors to be sustainable. All options likely included a role for the private sector in the short-term in developing the technology while in the longer term, options involved a more proactive public system or the involvement of a private operator paying a licencing fee and taking commission on job placements, or even being paid for employment results by the relevant government department.

LIWAY first sought to gauge the presence, capability, and appetite of the private sector. After a stakeholder mapping exercise and informal assessment of technology companies, a partner was identified in Ahadootec with a product, Hahu Jobs. This private company had been a technology service provider in establishing a database of registrants at the Hawassa industrial park under a contract to the FCDO-funded PEPE programme. They had an established competence in this area but, at this point, retained an aid-centric business model. However, they had demonstrated appetite for diversification and technical competence in this area.

PUBLIC, PRIVATE ENGAGEMENT, PILOTING, AND ESTABLISHING INCENTIVES

As the government owned the data, LIWAY could not begin any piloting of the system, even from a technological perspective, without their buy-in. BoLSA was the logical counterpart as the data owner and a tripartite memorandum of understanding (MoU) was established between LIWAY, BoLSA, and Hahujobs. Even this initial MoU was hard fought. Ethiopia has a strong tradition, in line with its communist past, of bureaucratic mandates which are rigid and complex. The space for policy innovation is very limited, with the exception of federal 'Commissions' which are occasionally created in different priority areas and have greater executive agency; the later creation of the jobs creation commission was a key development for LIWAY in this regard.

Hahu saw that one of the issues in government employment data collection was the lack of an incentive to collect and update data as it focused only on the supply side of the labour transaction (jobseekers). Overworked government staff were not incentivised to spend time registering more and more jobseekers in addition to other responsibilities. As such, in this initial pilot, there was a

gap in understanding of roles; BoLSA requested that they receive payment from the Hahu jobs for accessing and entering the data. In seven months, just 250 records were entered in the database. LIWAY mediated a conversation and supported a study visit for BoLSA to Hawassa to see how such a system might work in practice to align with their objectives.

LIWAY's focus on job creation at its inception was regarded as innovative by government. The top-down Growth and Transformation Plans (GTPI and GTPII) had a focus on sectoral growth and did not pay as much attention to broad-based employment growth⁵. The lack of policy attention meant a lack of budget and a lack of incentives for delivery at the local level, all of which translated to a slow pace of implementation for LIWAY.

At this point, as is commonly the case with programmes, it was a coincidental problem which befell the intervention. The management of Ahadootec were in dispute and all operations were paused. LIWAY became involved in trying to resolve the dispute and, meanwhile, operations were put on hold for six months. Eventually a separation agreement was established and LIWAY sought to resume the pilot with the newly formed Hahu jobs.

Once the pilot resumed, LIWAY negotiated with BoLSA to pilot the system in two Woredas in different sub-cities. Yeka and Cherkos. Of these, there remained a further level of negotiation in which LIWAY had to participate. For the pilot to work – not in terms of impact but in terms of even testing the technology or the viability of the theory of change – it required buy-in at the very local level. While at the city level, the instruction had been given to participate in the study, at the local level, this required the right commitment and allocation of resources. Initially, this was not the case in either of the two sub-cities. In one sub-city, no human resources were allocated, meaning that effectively the pilot could not go ahead.

In the other sub-city, a process owner was assigned but initially displayed significant resistance to the process in what were described as 'furious exchanges'. LIWAY invested considerably in different research and presentational tools, deploying different team members and utilising a range of negotiation skills to convince the Woreda office of the valid incentives of the different parties. This process was successful and the process owner who had initially been resistant, became a key advocate in the effective delivery of the pilot.

As has frequently been the case in recent years in Ethiopia, there was a significant government restructuring in 2019. The Job Creation Commission (JCC) was inaugurated as a federal agency under the prime minister's office. Such agencies in Ethiopia, as with the Ethiopian Investment Commission before them, often supplant the functions, budgets and power of existing structures and are able to shortcut and circumnavigate bureaucratic hurdles.

This could have been a major issue for LIWAY as it effectively reduced the power of the Ministry of Labour and Social Affairs (MoLSA) with whom the programme had gained traction. However, demonstrating the role of opportunism and the importance of utilising numerous tools in MSD, LIWAY sought to pivot away from collaboration with BoLSA and towards the seemingly more empowered JCC. Coincidentally, JCC were receiving substantial support from the Mastercard Foundation, who were also supporting a major initiative of SNV, LIWAY's lead implementer.

⁵ Interview with key government advisor.

Importantly, there were also concerns about the protection of workers. Despite the opportunities, abuses of Ethiopian workers in the Middle East had, in 2013, led to a government ban on the migration of domestic workers. Not only in the workplace but in the migration process itself, there were risks. According to an International Organisation for Migration (IOM) and Human Rights Watch (HRW) report, in 2019 alone, more than 222,000 Ethiopian irregular migrants reached the Yemen route to the Kingdom of Saudi Arabia. There are many challenges related to irregular migration: they face rape (women and small boys), torture by traffickers, and detention in Saudi Arabian prisons, where they face beatings, sometimes to death, as well as a shortage of food and water (only once in 24 hours) and insufficient infrastructure. Because of such violence, most deportees of Arab Countries suffer from at least one complication, primarily mental illness – including suicide attempts, loss of body parts, post-traumatic stress disorder (PTSD), and loss of valuable assets. As such, to realise the income opportunities, there also needed to be a way of better tracking and protecting workers if they were to migrate.

Through conversations with LIWAY about the national recruitment platform, JCC asked LIWAY if the overseas platform could become the programme's focus. Given that increasing incomes for the people of Addis Ababa was LIWAY's remit, it did not matter if the opportunities which allowed them to do this were outside of Addis Ababa, as long as they met relevant criteria around protection. Further, if the first demonstrable use case for the system was overseas employment, then the results generated there were highly likely to lead to greater domestic uptake.

It was anticipated that 100,000 jobs would be matched within a year of opening in order to fulfil existing requests. However, after having successfully matched 34 nurses with jobs, COVID-19 meant that all labour movements had to be paused, which took some time to resurrect.

AN UNCERTAIN FUTURE

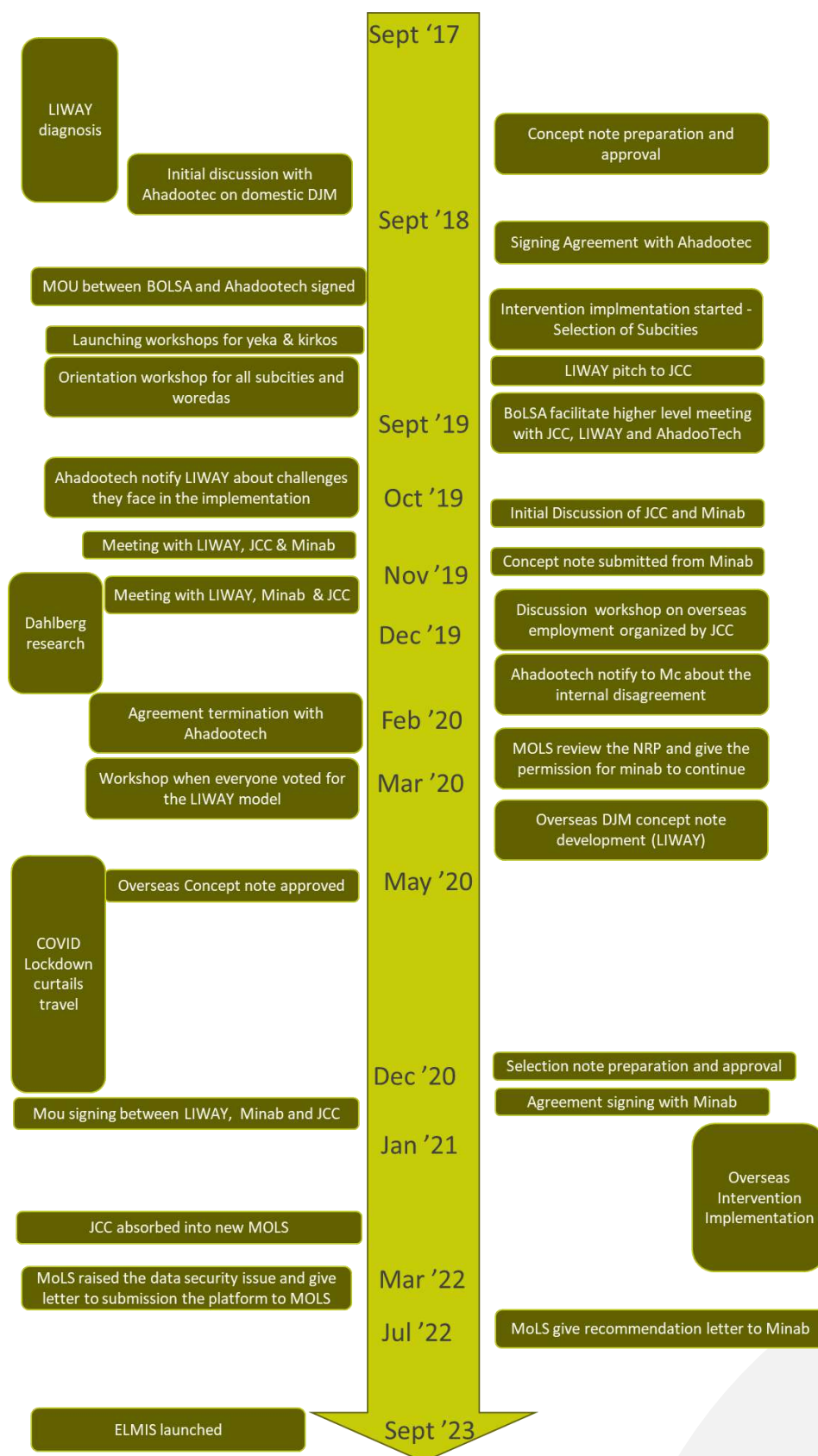
After the resumption of international travel, the governance of labour markets in Ethiopia had changed yet again. Civil unrest, interethnic dynamics, and changes in government priorities meant that JCC was no longer deemed to be the single most important actor in this area and was instead brought under the new MoLS in late 2021. By this point, LIWAY's pilots had already substantially influenced the development of both the domestic and overseas recruitment platforms in terms of both the decision to move ahead with them and exactly how they worked. Indeed, one respondent described LIWAY's contribution as having "provided the blueprint for everything that Ethiopia is doing in labour information management". However, with changes in personnel and external shifts, particularly the increased security concerns within government due to domestic unrest, there was a demand within government to bring the system in-house. The Ministry cited security concerns around data protection as a reason to remove Hahu from the ongoing operations while there is also a perception that there were some political economy considerations involved in the decision⁶. The MoLS produced a letter of reference as an acknowledgement of the role Hahu Jobs (and by proxy LIWAY) in delivering on the labour market information system.

The Ethiopian Labour Market Information System (ELMIS) subsumed the national recruitment platform and began operations in November 2022. This contains the entire codebase of the LIWAY-

⁶ KIIs with multiple relevant stakeholders.

supported intervention. Additional modules have been added, some of which were in the plan submitted by Hahu jobs for the next phase. But the future is not perhaps as bright, or as linked to LIWAY as it once seemed. The key to impact for the LIWAY-supported platform was full consideration for the incentives and capabilities of different actors in performing their roles on an ongoing basis, as documented below. In the government assuming control of operations, some of these incentives have begun to erode. Chief amongst these are the diverse sources of data, which were integral to the Hahu model. Public employment databases through the one-stop centres combined with many private employment services and educational centres as data sources for records of potential employees. The employment agencies were incentivised to do so as it allowed them access to job vacancies while still receiving commission for their own registrants and employers were incentivised by a single pool of talent. Now, employment agencies are incentivised to subvert the system and capture and promote their own data while employers know that the ELMIS is less likely to be comprehensive. For the many other uses of the database, such as analytics for policy and tracking for protection, the fact that it is no longer comprehensive only serves to undermine its efficacy.

The scale-up and eventual impact of LIWAY's platform, and more so the new ELMIS, remains limited by some fundamental issues. If the public sector is to appropriately play the role of proactive data collection, management, analysis, and utilisation of data in the form of job matching, migrant tracking and other functions, there are certain prerequisites. These include basic infrastructure, training, and funding for both these and the payment of suitably qualified staff. The 1,800 OSSs in the country would need to eventually use the system but, at present, their budget or mandate has not changed, and many of these OSSs lack computers or even chairs. The subsummation of JCC by MoLS has resulted in a perceived de-prioritisation of this area of work for some, although ELMIS is still very active, and many donors continue to support it. For ELMIS to achieve its potential, it would be necessary to see upgrading and allocation of infrastructure and personnel within the government system and/or reintegration of a greater role for the private sector into the system.



HOOP TESTS REVISITED

DID THE CHANGE OCCUR?

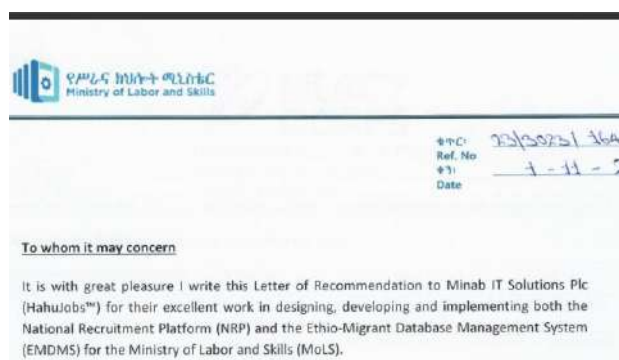
The answer here is an unequivocal yes. Launched in November 2022, the [ELMIS is now up and running](#). 247,000 workers have been registered on the site, with an annual target of over 110,000 additional workers. There are one-stop service centres in all regions of Ethiopia, 60% of those registered have done so with biometric IDs (overcoming another of LIWAY's key advocacy agenda items around identity cards for migrant workers). More than 20,000 workers have used the platform to obtain employment overseas.

DID IT RESULT FROM A PROCESS IN WHICH LIWAY SUPPORT WAS USED?

Yes. There are many qualitative aspects of the results which are not a core part of LIWAY's results framework. With particular reference to overseas employment, some of the safeguarding issues with overseas employment are now much more possible as employees can be traced to employers and repatriated more easily. Wages, speed of recruitment, and skillsets are other key metrics that are now being tracked, which enable better policymaking and also tailoring of services by the private sector and employers.

In terms of the core reason why LIWAY invested in this area, the digitisation and pooling of data on both the supply and demand side of labour markets has had a measurable impact on the number of poor women and youth with increased incomes.

Unusually in such studies, we have solid evidence of the role played by LIWAY's intervention from an actor who is disincentivised to overplay this role, passing the smoking gun test. In this extract from a letter sent by the MoLS from September 2021, they applaud the role of Minab (with LIWAY's co-investment) in developing and delivering on the NRP and overseas platforms.



WAS THIS SUPPORT NECESSARY (NON-REDUNDANT) FOR THAT PROCESS?

Hahu jobs was an embryonic software development service contractor. It had begun to develop a new business model through the support of PEPE and subsequently through the ILO and Mastercard Foundation applicable to industrial parks. However, the application to overseas employment and urban areas was entirely new⁷.

Hahu was capital constrained and technically stretched and so would not have realised this opportunity without LIWAY's support. In the words of Hahu's management, LIWAY provided the company with the "space to evolve" (through financial support to pay for research and development)

⁷ Interview with Minabtec

and direction as to a space to evolve into, demonstrating the potential of the urban, national and overseas employment markets.

WOULD OTHERS HAVE PROVIDED THE SUPPORT TO THIS PROCESS WHEN LIWAY WOULD NOT HAVE BEEN IN PLACE?

There is no doubt that with such a strong emphasis on jobs and so much donor money available in Ethiopia, Hahu have, and would have, received financial support from a wide range of other donors. Indeed, the way that Hahu was operating as a service provider for the aid sector before LIWAY's involvement gives a clue as to this counterfactual. Another important piece of data comes in the form of the Dahlberg-led "Ethioworks" platform, and the ILO-supported database delivered through the government One-Stop-Centres. LIWAY's analysis demonstrated the importance of understanding:

- The supply (labour) and demand (employers) side of the labour market transaction. The other models did not do this and focused more on employment tracking.
- The role of different functions. For an exchange infrastructure product to reach its potential, there are multiple functions that need to be provided on an ongoing basis including harvesting of demand and supply side data and various functions to allow the utilisation of this data in different ways – analysis to improve policy, access to improve job matching, and tracking to improve employee protections.
- Understanding the need to respond to incentives in ongoing delivery of these functions. Crucially, the government need data to improve policy. Job matching service providers need access to employers and so will submit their records in order to access those employers. Employers will use the service as it is both effective and allows access to the biggest pool of curated employees. Compare this with the other models and some of those incentives go missing, meaning the ongoing provision of these functions becomes challenging. Job matching service providers will not upload their data if they don't get access to commissions through employment matches. Employers won't use the platform if there are other options to access more and better pools of labour.

It was, then, LIWAY's analysis and shared vision with the partner that allowed for the development and success of this platform in this format. Others would have undoubtedly filled the gap, with Hahu and others, in paying for certain aspects of the system to be performed. However, the ability to convince policymakers and gather momentum behind a sustainable, scalable vision was only facilitated by LIWAY.

The most proximate comparison for LIWAY's role in the development of the platform was the support from FCDO and Mastercard Foundation to Hahu jobs and the work in industrial parks. This initiative was similarly focused on ongoing delivery of different functions based on the incentives of relevant actors including the Industrial Parks Development Corporation, factories, the Ethiopian Investment Commission and the service provider (Minabtec). However, this vindicates LIWAY's initial choice in its design.

The platform was, through various donor support, scaled up to 13 industrial parks. However, as assessed during the initial stages of LIWAY, the government-backed, externally visible and attractive

due to the presence of Western brands, formal and permanent jobs in industrial parks received the support of donors to the tune of hundreds of millions of dollars. However, at their peak, estimates have the total number of jobs in industrial parks at a few tens of thousands and the issues with the African Growth and Opportunity Act (AGOA) as of 2020 mean that this number has since vastly reduced. Compare that with the two million plus un/underemployed people in Addis Ababa receiving relatively little funding or attention and the scalable solution to address the problem at scale, always lay outside of industrial parks. This vindicates LIWAY's focus on complex urban environments and was undoubtedly what led to the support of the government in pursuing reforms to exchange infrastructure.

CONCLUSIONS

What LIWAY did through this intervention worked. This case has demonstrated and laid out evidence supporting this contribution in order to make a contribution claim. For the purposes of reporting results, we will continue to explore the evidence as ELMIS evolves but it is likely that the number of people whose incomes will increase as a result of LIWAY's intervention in this area will run into the tens of thousands.

The case study was necessary due to the complex and non-linear way in which this impact has been achieved. However, in researching and writing the case, and perhaps of greater relevance to readers of the case, some more interesting questions have emerged.

WHY WAS THE INTERVENTION SUCCESSFUL?

Strong analysis identifying the functions that needed to be performed for effective delivery was vital. In MSD programmes, it's your best weapon. Here, it was what set LIWAY apart from everyone else working in the space and led the government to believe the programme was "the first with the right ideas". It helped to establish a vision which, despite the ups and downs of partners and market dynamics, gave a constant to refer back to.

Do something. In a crowded donor landscape and as a programme with limited resources when compared with the many multinationals and large bilaterally funded initiatives in this space, analysis can only take you so far. There were many others talking about better labour market information and many small and parallel initiatives implementing things. But if LIWAY had not begun the pilot with BoLSA, whatever the flaws in the partnership or viability challenges, then it would have been very difficult to establish a credible case with JCC.

Establish credibility with key actors. LIWAY's ability to 'read the room' and determine who would be influential at different times during the intervention was critical. Funding the study visit for BoLSA to Hawassa gain the initial traction necessary for the pilot and for them to influence those lower down the implementation chain. Equally, later on, determining that JCC was likely to be a stronger ally made it necessary to develop a closer alignment with them.

Get lucky. Working over a long time in a complex environment, there is bound to be a fair amount of luck involved in anything that works, and this intervention was no different. Had JCC not been created because a political change, had SNV not had a strong pre-existing relationship with JCC,

and had the timing of a request for workers from the gulf not aligned, then the intervention would likely not have worked, or at least not worked when it did.

Deploy the right resources at the right times. There are many tools in an MSD programme's toolkit, and many staff who might use them. In this intervention, LIWAY used direct cash support to pay for study visits when the time was appropriate, put technical assistance into government where there was a capacity gap, and, when a competent and ambitious start-up had capital constraints in expanding its various ventures, LIWAY 'bought the space' to innovate with co-investment. In terms of people, diligence analysts conducted the diagnostic portion but, when the time came, using pre-existing connections and influence was required to make the change happen.

WHY WASN'T THE INTERVENTION MORE SUCCESSFUL?

Being unlucky. While there are various unplanned events which helped LIWAY achieve what it did with this intervention, there were also various unknowable factors which impacted on realised and potential success of the intervention. The internal troubles with the initial partner put the intervention on pause for six months at a crucial time. This likely created a domino effect in terms of the lag. One of these dominos was that just as the platform was ready to deliver hundreds of thousands of workers to the Middle East, prove the concept, generate revenues, and scale up domestically, COVID-19 froze migration and these work orders disappeared. Down the line, political winds changed and the ability of JCC to push through on the agenda was diminished as was appetite for engagement with the private sector.

Big rewards, big risks. With the scale of the policy change that LIWAY was attempting to create, the rewards were large, but so were the risks. Seemingly small changes, such as the bureaucratic structural shifts and changes in personnel, can undermine the progress of seemingly unstoppable interventions.

Big problems are sometimes beyond your influence. MSD is used to dealing with big problems, and the problems that LIWAY is addressing are bigger than most. According to the theory of change, meeting the government's incentives to increase jobs and foreign exchange, together with increasing their capacity to pay through taxation and receipt of donor funds would have led to the necessary investment in infrastructure to make the domestic job matching intervention get to scale quickly. However, the political changes, excluding the private sector, and reducing the executive control of JCC made this crucial piece of the puzzle unlikely. Arguing for a larger allocation of a limited budget in low-income countries is always challenging and, in this case, it needed everything to go right at the right time. It may still happen, but more incrementally than hoped.

WHAT ARE THE LESSONS FOR THOSE SEEKING TO DEVELOP EXCHANGE INFRASTRUCTURE IN LABOUR MARKETS?

Examine both bottom-up and core to periphery models. LIWAY's initial model relied on unskilled jobseekers who formed the majority of the target group. However, there were some crucial gaps in the economic model without the government's willingness to pay to execute certain functions. However, convincing them to pay for these functions required demonstration of the potential viability, which meant focusing on different market segments in the first instance. While not solely focused on LIWAY's target group, focusing on semi-skilled and skilled workers, and not on

Consider mixed incentives. In this intervention, LIWAY wanted to increase incomes of their target group meaning the focus had to be placed on areas of surplus demand for which the target group were competitively positioned. For government actors, while this was of interest, they were also seeking jobs for higher income segments and overseas workers in particular due to the value placed on foreign exchange. Private sector providers of both the core service (the provision of the platform and job matching services) and the peripheral services such as training, are primarily driven by profit potential – although not all actors shared the same incentives. Some shared a partial social mission while others were keen for visibility and getting closer to government. Other development actors too had a role to play and, while LIWAY as an MSD programme had to manage the potential for market distortion, there were many components of the development sector which played a non-distortive and positive role in making the intervention work. Those focused on protection of migrant workers were very supportive of platform development as they felt it could help meet their objectives. Those concerned more with trade and macro-level support saw the platform as an opportunity to help deliver on their objectives around industrialisation. It was vital for LIWAY to leverage all of these different powerful actor groups with all of their different incentives to make the change happen.



INTERVENTION CASE 2

HOW MSD PROGRAMMES CAN WORK TO BUILD PRE-IMPACT INVESTMENTS

INTRODUCTION

MSD programmes use analysis to identify systemic constraints to a defined pro-poor impact; this means identifying areas where, based on the incentives of different public and private actors, there is an opportunity to innovate that will impact on large numbers of people in a sustainable way.

In vibrant markets, small changes can make a big difference. Partnering with an innovative private partner to offer a new product can result in instant uptake and these pro-poor benefits being realised within a relatively short period of time, which can then continue and scale through roll-out by a partner and emulation within the market.

However, the less developed the market, the more complex the change, and the bigger the distance to viability, the longer the journey towards impact. In conventional MSD programmes and, moreover, in most aid delivered with a new public management approach, such interventions would likely not receive funding as they would not deliver results within the desired timeframe with many more risks along the way.

This case study tells the story of how in one example, LIWAY has helped to move along long-term impact pathways towards large-scale sustainable impact. This is not, as yet, a story of 10 million jobs created or huge impacts in farmer productivity. Rather this is a story of incremental change impacting on a fundamental and sticky issue that has huge potential to create impact if and when it matures.

CONTEXT OF RESULTS-BASED MANAGEMENT

Results-based management (RBM) is a critical part of MSD. It allows decisions to be made so that, among a long list of potential programme investments, those which have the highest potential to contribute to programme objectives are selected, rather than those that have been done in the past, those where there is a good relationship with the partner, or those with the greatest visibility. RBM also allows for adaptive management throughout the programme lifecycle. If an intervention, an intervention area, or indeed an entire sector is failing to contribute to results, then it can be paused and those resources reallocated to an area where they can make a greater impact.

However, one problem with RBM comes when the potential impact is huge but the risks (and potentially the timelines) to achieving it are also huge. All MSD interventions involve a much greater element of risk than direct delivery programmes as so much of the change on which results depend is beyond the control of the programme. Nevertheless, some impacts are more predictable and more short-term than others.

While timelines from MSD programmes are long – typically 5-7 years – this might not be long enough to arrive at the terminal impact of some of the more difficult but potentially more impactful intervention areas. Using a purely RBM approach, this means that these issues would never receive support as, even when a programme receives support over several phases, decisions are made as to how to spend programme funds to achieve the largest number of results within each phase.

LIWAY is fortunate to have its current donors of Sweden and Netherlands in that they have shown flexibility in this regard. While the programme is still driven by results, we have been able to identify intervention areas with potentially longer impact pathways, where incremental progress can be shown over time and beyond phases.

Crucially, while these interventions may not realise (their full) impact potential within the funding phase, they still adhere to an RBM approach. The reason for selecting these interventions is contextualised according to potential impact with evidence provided to give confidence in whether that impact will likely be achieved. Within the current phase, a clear pathway to impact is laid out with indicators of success at different levels to justify continued investment into these interventions.

SUMMARY OF MARKET ANALYSIS TO DIAGNOSE A HIGH-POTENTIAL IMPACT AREA

In 2017, LIWAY conducted a market systems analysis to understand the constraints to young people and women in Addis Ababa engaging with and benefitting from work. The analysis found systematic exclusions and opportunities in several areas. In formal enterprise, there were constraints to the growth of enterprises, which were then not creating jobs for this group. In terms of microenterprise, there were constraints to this group starting and growing businesses, which differentially and negatively impacted on their prospects, and within the labour market, from where the majority of this group derive their income, there were a number of constraints. Women were not able to find safe and affordable childcare provision and so left the labour force. Migrant youth in particular faced issues with accessing opportunities without appropriate ID cards, references, or financial accounts. The final area in which women and young people were disadvantaged in their access to the labour market was in the *exchange infrastructure*; the various digital and analogue systems through which employers find workers and workers find jobs.

Within exchange infrastructure, there were a number of different constraints and opportunities. The cost of accessing information on jobs – in terms of both money and time – was too high, so employers weren't finding the quality and quantity of employees within the desired timeframe and employees weren't finding sufficient work. If you're a jobseeker, most of whom live on the outskirts of the city, with very limited income, spending even \$0.50/day on a trip into the city to speculatively discover whether there are any jobs available is not sustainable. Migrants in particular struggle as the predominant way of finding work remains through mobile phones and word of mouth. Migrants from rural areas lack the networks in the city to find work which is compounded by having limited access to either phones or airtime.

Other problems within exchange infrastructure include i) the aggregation function – the ability to find tens or even hundreds of staff for one-off assignments at short notice, which wasn't working well; ii) the development of appropriate job-matching products in different formats including those in other languages so that jobseekers could understand the information; and iii) the functionality of the government's support services to jobseekers, which were largely dormant.

Crucially, any work that LIWAY did in this area had to be suited to LIWAY's target group. In Addis there are many more job seekers than there are jobs. Taken in aggregate, there are likely at least 100 job seekers for every job. LIWAY's target group is likely some of the lowest skilled amongst the jobseekers, and they have fewer resources to invest in finding work or developing their skills. As such, LIWAY's interventions had to target the few areas where the target group were competitive in the job market – where there was an overall labour shortage or in which the target group had some competitive advantage. These included a small number of professions where graduates and Addis Ababa's lower-middle class were not interested in engaging – such as security guards, construction workers, and domestic workers – as well as areas where there was an opportunity to build skills and experience from a lower base; this mostly involved casual and informal work.

INTERVENTION STORY

There was never likely to be one solution that worked to address all of these constraints within the exchange infrastructure for all of the different members of the target group. One solution piloted by LIWAY was to host job fairs. The idea behind the job fairs was to aggregate large numbers of jobseekers, with a number of entry-level employers, coupled with training providers and other sponsors who would use the captive audience of the job fair for their own needs. Fees paid by employers, sponsors, and service providers would make the job fair sustainable.

While some results were seen as a result of the job fair, in general, the type of jobs that can afford to pay a sufficient margin to pay to attend a job fair are likely the type of jobs that are beyond the reach of our target group. More typically, these jobs were bank clerks and similar that required a good level of literacy and numeracy together with some past experience.

However, through the learning at the job fairs, LIWAY continued to build learning and networks. Part of that network was an introduction to G-Online Digital Advertising PLC (Gooday). Gooday launched the GoodayOn digital gig marketplace on September 11, 2020. It provides a platform for blue and pink-collar (traditionally women) gig workers in Ethiopia to offer their services to customers seeking domestic help (cooking, cleaning, babysitting) and home repairs. The platform connects customers with skilled and reliable gig workers through a mobile application and a call centre (9675). GoodayOn's services are designed to provide convenience, affordability, and quality for customers by leveraging technology for high-precision matching based on location, qualification, and rating.

"Gig work" or part-time or task-based work is a far more realistic expectation for the majority of LIWAY's target group than full-time employment in the current Ethiopian economy. Indeed, during the diagnostic process, it was declared as a preference for many as, despite the 'lumpy' nature of income under these activities, people can be more flexible and can often earn similar amounts by picking up a few days of work in a month compared to, for example, a factory job. This allows many migrant workers to return to rural areas for planting, harvest, and festival seasons, which is seen as very important. It also allows mothers to work around school and term times.

LIWAY met with Gooday at the first job fair held soon after the company was founded. This resulted in an invite for Gooday to join LIWAY's multistakeholder platform in May 2021 where the intersection of LIWAY's objectives and Gooday's objectives was identified.

GoodayOn was essentially a pre-revenue business in an embryonic market. Evidence from elsewhere globally and more recently in Africa demonstrated the potential for micro-tasking and gig-working to become a sustainable and pro-poor area of the economy, but Ethiopia's digital economy was a decade behind those of Kenya or Uganda where crucial components such as mobile wallets had been in place for a long time. The behaviours and literacy that come with a digital economy were unlikely to arise overnight nor were these behaviour changes likely to come cheaply. Further, the capital and investment environment in Ethiopia was far less mature than comparable markets. The number of private equity transactions is very low, and the commercial banking sector remains dominated by the government-owned commercial bank with little to no access to international credit lines.

So, for GoodayOn and for LIWAY, there was high potential for an alignment of interests but many systemic constraints to the realisation of impact.

MOVING ALONG THE IMPACT PATHWAY

LIWAY was convinced it had found a competent and committed partner. However, it was important to balance the undoubtedly huge potential of this market with the nascent current status and barriers to achieving impact. LIWAY's analysis demonstrated that any investment LIWAY could make would not take GoodayOn to the point of sustainable large-scale impact. As such, if any investment LIWAY did make was not to be wasted, it had to help move GoodayOn towards a sustainable, scalable model, to allow the market to take over and take the model to scale. This became LIWAY's north star in our engagement with GoodayOn across the 18 months of engagement.

GoodayOn had started the engagement with an enthusiastic mindset towards scaling the model, particularly once the prospect of LIWAY's support enabled them to do so. However, LIWAY's role was to continually apply the brakes with a view to the long-term outcomes over the short-term results. As such, rather than holding the partner accountable to 'how many users had been onboarded this month', LIWAY instead stressed the need for refinement in the model in terms of who would pay and whether a sustainable version of the model would continue to positively impact on our target group. It is not unusual for a private partner to use programme resources to temporarily support programme outcomes – if you pay a bank to give loans to women, that is what they will do, but once the money has run out, they will not have changed their lending profile. Similarly, if we demanded accountability for the registration of women and young people on GoodayOn's platform while we were supporting it, it would not have impacted on their long-term relevance to the business model.

GoodayOn experimented with many different sustainability models during LIWAY's support. These included collecting user fees, matching fees from employees, using the customer support centre, collecting a fee from airtime credit, and others. LIWAY's role was to stress that the supply side of micro-taskers was heavily weighted in favour of LIWAY's target group who were price sensitive and, so, any model had to rely very minimally on revenue generation from them, while investment in them – in terms of marketing strategies, capacity building, etc. – had to be high in the short term, such is the scale of the behaviour change.

Part of building out the business model also included looking at the pipeline for margin generation. In many cases, the model that supports LIWAY's target group is essentially subsidised by higher-margin market segments. However, the user base generated by our target group, who represent a majority of potential users, builds the brand and the future high-margin segments. GoodayOn developed a 'premium' service tier as a result, in addition to the employer access and bulk business-to-business labour sourcing fee, which now plays a key role in the profitability model, but not at the expense of the no/low fee component of greater current relevance to LIWAY's target group.

The traditional results reported from this intervention at this point include: i) more than 120,000 users have downloaded and installed the GoodayOn mobile application; ii) 35,000 gig workers and 5,500 employers have been registered on the platform; and iii) more than 65,000 gig connections have been made. These results are likely subject to significant discounting in terms of LIWAY's relative contribution and how many of these jobs are for our target group. However, these results are not the primary reason for writing this case. These results are not sustainable and would not have been possible without LIWAY's support – they are effectively 'directly delivered' in MSD parlance. However, LIWAY's support to GoodayOn has yielded a much more important result.

As discussed above, Ethiopia's digital economy is comparatively embryonic. The majority of its businesses are not investible and, given the penetration of digital technologies, any fundable investments are unlikely to be inclusive – focusing instead on the burgeoning middle class. In GoodayOn, LIWAY has essentially funded technical assistance for a pre-seed investment which, crucially, has the potential to address a systemic problem and positively impact on LIWAY's objectives for the programme's target group. If successful, LIWAY's analysis has shown the scale potential of this sector. LIWAY's most important result through this intervention, then, is that in May 2023, GoodayOn attracted seed funding from a Japanese venture capital firm. The volume of this funding is far in excess of any capital that LIWAY could have provided or what would have been available to the firm through a commercial loan. LIWAY helped develop GoodayOn into a fundable, inclusive business that has moved along the impact pathway with the potential to yield sustainable poverty impact at scale.

ANALYSIS AND DISCUSSION

GoodayOn is a clear example of where market system and stakeholder analysis can identify solid theories of change using growth trajectories as a key factor in decision-making. In the case of GoodayOn, LIWAY acted more as a venture capitalist and, indeed, to date, the results have been more at the level of capital than of impact. But those results – a private equity raise based on an inclusive model – demonstrate how an MSD programme can play a role in market building.

To do so, LIWAY has had to navigate the politics of long-term planning. There is a reason that patient capital typically has timelines running into many years – often it takes that long to scale and build markets. However, LIWAY is not a private equity fund nor a patient capital facility. Nor is LIWAY a private sector development programme whose metric for success lies at the firm rather than the beneficiary level. LIWAY's bar is higher and requires poor women and youth to benefit from its interventions. And yet, LIWAY has supported GoodayOn to get to this stage, enabled by a flexible donor and solid analysis to develop plausible theories of change. The long-term value of this investment remains to be seen and this is very much an 'early-stage' case study designed to show

how an investment from an MSD programme has been used to move along the impact pathway. The question it poses to programmes adopting an MSD approach is how to balance long-term prospects for transformation, risk of never achieving those prospects, and shorter-term results targets.



INTERVENTION CASE 3

TAKING DELIBERATE STEPS TO TRIGGER SYSTEMIC
 TRANSFORMATION: HOW LIWAY HELPED MAKE
 CHILDCARE A PRODUCTIVE EMPLOYMENT
 OPPORTUNITY FOR THE URBAN POOR

EXECUTIVE SUMMARY

This case study uses process tracing to estimate LIWAY's impact on formalising and scaling the provision of childcare training in Addis Ababa.

The LIWAY team identified childcare as a dual-impact opportunity to improve the livelihoods of low-income women in Addis Ababa. On one hand, as the primary caregiver, accessible childcare services are necessary for allowing women to join the labour force. On the other hand, it presents an opportunity to create jobs for low-skilled women as caregivers who otherwise have limited opportunities for jobs and income either due to low educational attainment or low availability of jobs and other socio-cultural limitations. Two teams in LIWAY worked in the childcare sector in parallel, the labour team focused on inclusive access to childcare while the skills team's work, which is the focus of this case study, was on improving the quality and supply of trained childcare workers.

LIWAY's market analysis of childcare training showed a wide range of supporting functions and rules influencing the performance of the market. There were challenges related to the training provision such as training, teaching, and learning materials (TTLM), trainer capacity, and training facilities, as well as a lack of market-level support functions such as market linkages, information, and partnership and engagement. The team decided to focus on three interrelated constraints that it believed, if addressed, could have the most catalytic set of outcomes for the sector, these are – (1) poor quality of training curriculum; (2) poor connectivity to formal jobs; and (3) limited availability of training providers.

In response to these constraints, LIWAY designed a series of interventions sequentially:

1. Partnership with NAVE training college to update the nanny training curriculum.
2. Build partnerships between employment agencies and training providers so that trained nannies have formal access to better-quality jobs.
3. Advocacy initiative to improve awareness about nanny training and encourage other training providers to offer this course.

The intervention has generated clear benefits for the trainees. 1,286 target beneficiaries have secured jobs following the training, most of whom were unemployed for a long time prior to joining the training. Nannies working in private households earn between 2,500 to 5,000 ETB (45 to 70 USD) and those working in childcare centres earn between 4,500 to 6,000 ETB (80 to 107 USD). LIWAY's engagement in the sector has also started showing several early signs of systemic transformation, such as:

- Lead partner NAVE has evolved into becoming an industry leader and change agent.
- There are eight new training institutes offering the nanny training using training-of-trainer (ToT) and curriculum support from NAVE.
- Training providers and employment agencies are collaborating to connect trainees to domestic and overseas job markets.
- Training institutes and employment agencies are jointly testing innovative financing models to make the training accessible to low-income women.

- There is greater recognition of childcare as a formal profession and demand for the training has increased.

While the growing demand for care workers in the domestic and export markets provided critical stimulus for this intervention, LIWAY's claim to the results is clear. LIWAY and its lead partner initiated or supported almost all the critical steps in how the market has grown, showing that these are attributable to LIWAY. The nanny training was unrecognised before LIWAY started working on it and brought it to everyone's attention. There are/were no other programmes working on improving this training other than LIWAY, which means it is unlikely that this change would have happened without LIWAY support.

There is important learning for LIWAY and other MSD programmes in why this intervention has been able to generate these results:

- Skilling needs to be market driven.
- Building a bridge with employers is key to ensuring skilling leads to jobs.
- MSD programmes need to be vigilant about the market to remain relevant and grow.
- Crowding in rarely happens fortuitously, it needs deliberate effort.
- MSD programmes should 'Empower', not 'Indulge' partners.
- Cross-pollination within a programme can be an asset.

Nearly three years into the implementation, the childcare training market looks vastly different from what it was before. There is greater demand for the training, a greater number of training providers, a greater degree of partnerships and collaborations in the sector, and employees securing better-paid jobs, thus proving the viability of the model. However, it is still early days, so the programme will continue to evaluate how the market is evolving and how the partners adapt their activities to respond to market needs. But most importantly, in the coming months, LIWAY will continue to deepen its understanding of the impact, assess the viability of the revenue model, and improve quality assurance of the training to improve overall resilience of the model and ensure the programme's impact can continue to multiply over time.

BACKGROUND

Unemployment has been on a steady rise in Ethiopia. The rate of unemployment is 8% according to the 2021 Labour Force and Migration Survey, and youth unemployment has more than doubled in the last decade with 7.7% of people aged between 15-29 unemployed. Though the absolute number of people employed has increased, the number of jobs cannot keep up with the growing population. At 28% of the total population, Ethiopia has 29 million people aged between 15 to 29 years (USAID, 2017). Across the board, women are more disadvantaged compared to men. As of 2020, urban unemployment was 18.7% – but it is 12.2% for men and 26.1% for women. In Addis Ababa

specifically, total unemployment is 19.3% but unemployment among women is 23.8% compared to 15.1% for men⁸. 48.8% of women aged 15 to 49 years are unemployed⁹.

Several factors contribute to the universally weaker position of women in the Ethiopian labour market. Limited exposure and access to education, skilling, and support structures reduce women's access to equitable opportunities. Industry readiness to employ women is also highly variable depending on the skills required. At the same time, socio-cultural dynamics such as responsibilities of women as primary caregivers, religious norms, freedom of movement, and societal perception and attitude towards women add additional layers of complexity to an already difficult situation. Young women, many of whom are young mothers, face specific societal restrictions that further limit their opportunities for employment.

On the flip side, despite the large unemployed female workforce, overall women's participation in the labour force in Ethiopia has increased from 66% in 1990 to 75% in 2022, which is considerably higher than the average for Sub-Saharan Africa (60.9%) and the global average (47.3%)¹⁰. At the same time, Ethiopia is urbanising at a rapid pace of 4.7%¹¹. As the primary care providers, women in Ethiopia spend 19.3% of their time in unpaid domestic and care work¹². Women's increased participation in the labour force has meant that a growing number of households in cities like Addis Ababa need service providers to fill the gap in care and domestic work. As per the ILO (2018), in Ethiopia, 372,900 people were employed in 2016 as domestic workers in private households (98% women and 2% men), accounting for about 6% of the total workforce in the entire country.

The national government and the development community have long grappled with the challenge of job creation in Ethiopia. Finding the right opportunities to create jobs that are sustainable and can scale is difficult to say the least. LIWAY realised early on that to create equitable and lasting economic opportunities for young women, it is crucial to acknowledge the unique contextual factors. Identifying opportunities that are aligned to women's pre-established roles in the community, priorities, and skill sets can often give the much-needed competitive edge and a faster runway for growth.

Considering the factors stated above, care work which includes childcare (nannies) and domestic work emerged as a promising sector that presents a dual benefit for LIWAY's target beneficiaries (women and young women). It allows women to participate in the labour force by creating alternative service provision for care work and it presents an opportunity to create employment for women at scale. Consequently, LIWAY pursued a suite of skilling, advocacy, and market linkage

⁸ Central Statistical Agency. (2020, May). Key findings on the 2020 urban unemploymnet survey. Retrieved from <https://www.statsethiopia.gov.et/wp-content/uploads/2020/05/Key-Findings-on-The-2020-Urban-Employment-Unemployment-Survey-UEUS.pdf>

⁹ Mihret, Y. A. (2019). Factors Associated with Women Unemployment in Ethiopia . International Journal of Theoretical and Applied Mathematics.

¹⁰ World Bank. (n.d.). World Bank : Gender Data Portal. Retrieved from <https://genderdata.worldbank.org/countries/ethiopia>

¹¹ World Bank. (n.d.). World Bank Data Portal. Retrieved from <https://data.worldbank.org/indicator/SP.URB.GROW?locations=ET>

¹² World Bank. (n.d.). World Bank : Gender Data Portal. Retrieved from <https://genderdata.worldbank.org/countries/ethiopia>

initiatives to establish caregiving as a viable sector to empower the young women of Ethiopia. This case study focuses specifically on LIWAY's intervention on introducing training for childcare (i.e., nannies).

METHODOLOGY

We have used process tracing as the tool to establish what happened and the extent to which LIWAY was a factor in the changes that occurred. This involved reviewing all relevant programme documents and conducting selected key informant interviews (KIIs). KIIs were done with the lead partner NAVE, NAVE's graduates, and some of the other training institutes offering the course. The objective of the KIIs was to validate the theory of change indicated by the data and evidence gathered by the programme. The KIIs focused on specific areas with information gaps, particularly around the impact of the training on the beneficiaries and the market-level changes triggered by the intervention. We triangulated this with interviews with key staff. Interview extracts have been anonymised as that information can be politically sensitive and can influence the programme's relationship with its stakeholders.

We asked three key questions in assessing LIWAY's contribution to the changes in the market:

1. What changes occurred?
2. Did LIWAY support play a role in triggering those changes?
3. Would others have provided this support in LIWAY's absence?

UNDERSTANDING THE MARKET

LIWAY's inception phase analysis identified care responsibilities as a key impediment for young women to get jobs or be economically active. Demand for childcare in Addis Ababa increased dramatically as more dual-career couples and single parents, especially mothers, entered the labour force. Women's decisions about whether to join the labour force, and to what extent, are influenced by the availability and affordability of alternative childcare solutions.

Formal childcare or daycare centres are expensive and inaccessible to most low- to middle-income families in Addis Ababa. That is why parents typically rely on family members and unlicensed at-home care providers to look after their children. Some middle-class families opt for unlicensed babysitters as an alternative childcare solution because they are cheaper than commercial daycare centres. On the other hand, the quality of the available childcare centres is questionable. All or most of the care providers in these facilities have no professional qualifications or training; they do the job based on personal experience and interest. Therefore, families often feel it is simply not worth investing in a formal facility because families do not get much value for their investment. At the same time, with the lack of accountability in the system and poor-quality facilities, children are safer at home in the care of family members or at-home care providers.

HOW DID LIWAY'S JOURNEY START?

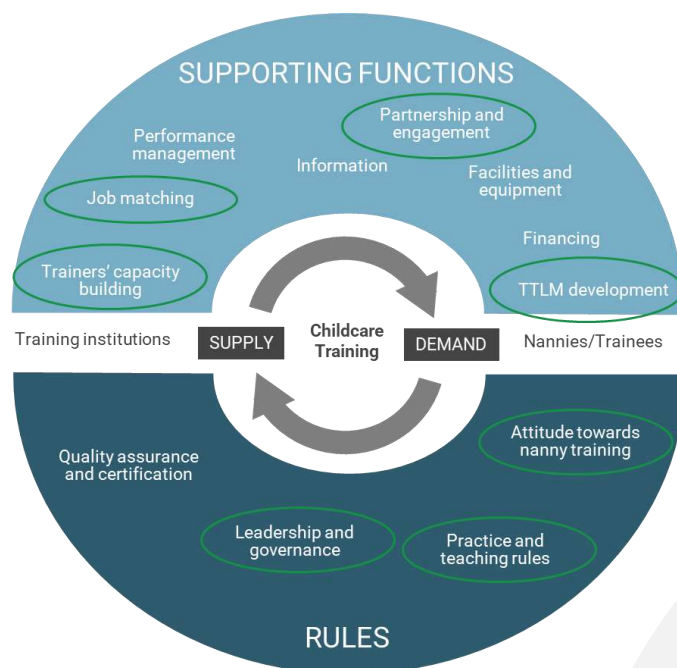
LIWAY first approached this intervention from the point of view of providing childcare solutions to help women join and re-join the workforce. Based on the assumption that creating provisions for

affordable care services would enable LIWAY's target beneficiaries to join the productive economy, LIWAY decided to test an intervention titled 'pro-poor daycare service'. This intervention aimed to offer affordable childcare facilities for low-income women. LIWAY partnered with two daycare service providers where LIWAY subsidised the cost of daycare by 75% and women (parents of the children) paid the remaining 25%. The objective was to test whether low-income women are able and willing to pay for childcare if subsidised services are available and to what extent that influences their labour force participation. The results indicated that private childcare is too expensive and unviable for low-income families, even at a subsidised rate. Although there are different factors contributing to the high cost of childcare, the high rental cost of private properties is the main reason. LIWAY concluded that it was more practical to make childcare accessible by making free childcare facilities available at government and private workplaces.

At this stage, LIWAY's labour team took the lead in making access to childcare inclusive by setting up free childcare facilities in government offices, housing complexes, and private business premises including factories. Soon after, the labour team started engaging in this market, it became apparent that there was a dire need for trained childcare professionals. The lack of trained providers was contributing to the inaccessibility of childcare facilities and the poor quality of the service provided. At this juncture, LIWAY's skills team started investigating the issue of skilling childcare providers. Since then, the labour team and skills team have been working in this market in parallel, with the labour team focused on establishing inclusive childcare facilities for the low-income workforce and the skills team focused on formalising nanny training and scaling up training provision so that more trained nannies are available, which ultimately influences the overall cost and efficiency of childcare in Addis Ababa.

WHAT DID THE MARKET ANALYSIS UNCOVER?

LIWAY's market analysis indicated that the following supporting functions and rules influenced the childcare training market, which are discussed in further detail below.



- **Training teaching and learning materials (TTLM) development:** When LIWAY intervened in the market, training institutes were offering a generic 'caregiving' course. The content was derived from the Occupational Standards set by MoLS but the content was not focused on childcare and the quality of learning materials was poor, unstructured, and lacked contextualisation.
- **Trainer capacity building:** Since childcare was considered to be an informal profession, even the trainers did not have any formal training or qualifications. In the evolving market where nannies were not only hired by private households but also by institutional clients, it was important to standardise minimum qualifications for the trainers to ensure they have the right technical and soft skills.
- **Information:** The childcare market in Ethiopia was growing fast, boosted by increasing demand from domestic and overseas employers but it was difficult to find information on training, jobs, and salaries, making it difficult for the trainees and their families get visibility of the market opportunity.
- **Job matching:** Due to the government proclamation, there was growing demand for childcare workers from government organisations as well as private entities; employment agencies could play an important matchmaking role in connecting employers to potential employees.
- **Partnership and engagement:** There was limited partnership and engagement in the market even though better collaboration among the different stakeholders such as training institutes, employment agencies, policymakers, and public and private childcare facilities could potentially benefit everyone by helping the childcare market grow and formalise.
- **Financing:** Most potential childcare workers came from low-income families, and it was difficult for them to afford formal training. Access to financing would go a long way to making this training accessible; however, there were no financial institutions interested in catering to this segment.
- **Facilities and equipment:** Childcare is a practical skill, so having the right facilities and equipment for the trainees to practice and familiarise themselves with relevant technology is important.
- **Performance management:** It was important to standardise the performance management standards to ensure that the expansion and growth of the training does not compromise the minimum standard quality of the trainees.
- **Attitude towards nanny training:** The perception of informality was affecting the attitude of trainees, employers, the community, and training providers. Working as a nanny was not considered a career option so there was little appetite to invest in skilling for childcare.
- **Practice and teaching rules:** The informal perception of the training, the low quality of trainers, and the overall lack of focus and attention towards this training affected the teaching rules associated with the training, both at the specific institution level and regulatory level.

- **Leadership and governance:** The government proclamation directly affected the childcare training market by increasing demand for nannies, but there were other leadership and governance issues at the city administration and institute level that affected the training.
- **Quality assurance and certification:** The Certificate of Completion requirements standardise the quality of training and play an important role in determining the overall quality of the training.

WHICH CONSTRAINTS DID LIWAY FOCUS ON?

After a thorough analysis, LIWAY decided to focus on three constraints that it believed to be crucial in determining the future performance of this training – quality of training curricula, poor linkage with formal employers, and the number of providers offering the training. Addressing these constraints would require LIWAY to work on multiple supporting functions and rules of this market system (those circled in the market system diagram) that are key to triggering a lasting improvement in how the market functions.

LIWAY recognised the systematic correlation between these three constraints. Good quality of the training ensures that consumers are happy with the nannies, which creates active demand for trained nannies, demonstrating the market potential to relevant stakeholders. Effective market linkages with employers helps to formalise childcare jobs which helps change the perception of this training among potential trainees and creates demand for the training. Subsequently, training providers respond to that demand and offer training and other stakeholders also start to provide greater attention to the market. As is always the case, the market is ever evolving, and these changes wouldn't necessarily follow these exact steps and likely happen in different order(s). But intervening in these three constraint areas would trigger a virtuous cycle of demand and supply to catalyse the childcare training market.

Constraint 1: Poor quality of nanny training curricula

Ensuring good quality of training curricula was an essential foundation to assess if childcare training was a viable pathway out of poverty. When LIWAY started this intervention, the existing providers were using a generic caregiving course which was lacking in focus, quality, and contextualised guidance. Improving the quality of training was important to build trust from consumers and establish the value of the training. Demand from employers for trained childcare professionals would give women confidence that the training was worth investing in.

Constraint 2: Poor connectivity with formal jobs

Most of the nannies worked in private households and were recruited through highly informal systems, mostly relying on family and personal networks. Due to the informal and somewhat stigmatised nature of the profession, families did not see the value of young women going into childcare as a profession. Therefore, formalising job connectivity would help give confidence to families and reduce the social stigma associated with it. Another reason is that any domestic work (including childcare) in private households came with certain risks – there were cases of harassment and abuse, poor benefits, and abuse of worker rights. It was important to demonstrate that formal childcare training offers young women options for formal employment in daycare centres, nurseries, and schools with better benefits.

Constraint 3: Limited availability of training providers

At the time there were only two training providers in the market offering caregiving training. There was little interest from other public and private TVET institutes to offer this training as the demand and the relevance for it was unclear. LIWAY recognised that it was not possible to meet the market demand for childcare workers with only two training providers, so it was important to assist more training providers to offer this course. In the long term, this would improve the quality and competitiveness of the training and eventually reduce the cost of hiring trained childcare workers due to an increased number of trained graduates in the market.

LIWAY'S PROCESS OF INFLUENCE

LIWAY's skills team took a very deliberate approach in designing its interventions in this market. LIWAY's engagement can be grouped into three phases depending on the needs and response of the market at the time.

PARTNERSHIP WITH A TRAINING INSTITUTE TO UPDATE THE CHILDCARE TRAINING CURRICULUM

At the time LIWAY decided to intervene in childcare training, two training institutes were offering a short caregiving course. In January 2021, LIWAY signed a partnership with NAVE Hotel and Tourism College to review and update their nanny training curriculum. NAVE had been providing its caregiving training for three years, which consisted of six modules (listed a to e below). The training modules were developed using public resources from the internet, which were originally developed for other countries. There was a need to update the content to ensure it met minimum quality standards for childcare education and catered to the local market needs. Under this intervention, experts were hired in the areas of early childhood care, healthcare, special needs, and food science, among others to review these modules. NAVE also consulted MoLS' Certificate of Completion (CoC) centre to review the modules. Based on these inputs, the modules were updated and contextualised to cater to Ethiopian families. LIWAY consortium partner 'Save the Children' was able to leverage its expertise on the topic and introduced an additional module on child rights because it is an important aspect of childcare service delivery. After the review, the caregiving training was launched as nanny training later in 2021.

The full set of modules are:

- a. Provide Care and Support to Infants and Toddlers
- b. Provide Care and Support to Children
- c. Foster Physical Development of Children
- d. Foster Social, Intellectual, Creative and Emotional Development of Children
- e. Respond to Emergency and Apply Basic First Aid
- f. Respond Effectively to Difficult / Challenging Behaviour/ and Special Needs Children
- g. Child Rights

NAVE continued to build its excellence in training delivery and in July 2021 set up a demonstration room for trainees to practice some of the skills first-hand. This was an industry first and went a long way in establishing NAVE's reputation for high-quality training. The improved curriculum and the demonstration facility helped NAVE become a centre of excellence and CoC centre for nanny training in mid-2021. Being a CoC centre means that the Addis Ababa CoC Bureau uses NAVE's

facility to assess the quality of trainees for all nanny training institutes, which is an important step towards improving the recognition and formalisation of the sector.

PARTNERSHIP WITH EMPLOYMENT AGENCIES

Once the curriculum was improved and NAVE's training was getting recognised for its superior quality, LIWAY realised it was time to demonstrate the formal employability of the nannies. LIWAY was exploring this idea around the same time that demand for nannies and care workers from domestic and overseas employers was on the rise. Therefore, LIWAY encouraged NAVE to partner with employment agencies since there was a clear win-win for both. NAVE eventually signed an agreement with job placement agency Mozgit in late 2021. Under this partnership, Mozgit helped NAVE's trainees secure jobs, particularly institutional jobs, which offer relatively better employment benefits than private households. Over time, Mozgit started to support the trainees with soft skills to complement the technical skills taught by NAVE to further improve the overall quality and employability of the trainees. The NAVE-Mozgit collaboration was successful - NAVE's trainees started to secure jobs in daycare centres, childcare facilities, and schools, which contributed to increasing demand for the training among young women.

After a year of the successful NAVE-Mozgit collaboration, LIWAY started exploring how to grow the scale of this training. The team realised that the affordability of the training was a challenge for many trainees from low-income families and began assessing possible financing options. There was little appetite from formal financial institutions to engage in this segment, so options for financing to improve accessibility were limited. LIWAY eventually found an alternative. In 2022, LIWAY signed a partnership with Mozgit and NAVE to test an innovative model where students pay back 75% of the training fee from their salary instead of paying for the training cost upfront. Under this partnership, LIWAY covered 25% of the training fee to encourage NAVE and Mozgit to try the model, accepting the risk of defaults. This financing model offers an alternative to make the training accessible to everyone irrespective of their economic situation. This partnership is currently ongoing, and while the initial results are promising, it will take LIWAY more time to determine the scalability and impact for the beneficiaries.

ADVOCACY TO IMPROVE AWARENESS ABOUT NANNY TRAINING AND ENCOURAGE OTHER TRAINING PROVIDERS

Once it was clear that trained nannies could successfully get jobs and improve their livelihoods, LIWAY explored possible ways to scale up the intervention to increase outreach. It became a priority for LIWAY to encourage other training providers to offer this training so that more young women could access the training and the number of trained nannies in the market could increase.

in 2022, LIWAY's lead consortium partner SNV partnered with an advocacy organisation CIPE (Centre for International Private Enterprise) to conduct a programme-wide assessment of advocacy needs. CIPE leverages its networks in the private sector and civil society to hold participatory economic dialogues towards market-oriented reforms and inclusive growth. One of the areas under this assessment was childcare and the scope of the study was relevant for both the skills and labour teams.

NAVE played a crucial role in this advocacy effort. CIPE invited NAVE to present its experience on the nanny training and early childhood development standards to participants from more than 30 public and private training providers. This gave other training providers exposure to learn more about the nanny training, including the opportunities it presents and information on how they can get involved. Following NAVE's advice and consultation, many of the invited training institutes became interested in the training and sought more support. Subsequently, 10 institutes sent their trainers to NAVE for training-of-trainer (ToT) on the nanny training and reviewed NAVE's nanny training curriculum. This initiative was a stepping stone towards encouraging crowding in by other training providers and growing the scale of this intervention.

SIGNS OF SYSTEMIC TRANSFORMATION

The market for childcare training in Ethiopia today looks vastly different from how it was three years ago when LIWAY interventions started. LIWAY has contributed to this change through its partnerships and innovations, which have triggered industry-wide dialogue and awareness around prioritising this training. Some of the early signs of systemic change are elaborated below.

NAVE'S EVOLVING ROLE INTO BECOMING A CHANGE AGENT

When LIWAY started working with NAVE, the primary focus was their capacity as a training provider and the vision was to improve the quality and formalisation of the childcare training by improving the curriculum. However, engagement with LIWAY has helped NAVE establish itself as a recognised industry leader and a key influencer. NAVE has gone on to influence other training providers, governments, and potential trainees on the relevance of the training, which set the foundation for growth of the childcare training.

NAVE has established a reputation for being an industry leader in providing high quality nanny training. NAVE has been providing advisory support to training institutes and other industry actors on this training. NAVE is actively sharing information and promoting the training, which is motivating trainees and other training providers, creating a virtuous cycle of demand and supply necessary to grow the market. NAVE becoming a centre of excellence and CoC centre for nanny training also gave them legitimacy and influence on the overall quality management of the nanny training, which has important implications for the long-term growth of this training.

CROWDING IN BY OTHER TRAINING PROVIDERS

As previously discussed, When LIWAY initiated this intervention, two institutes were providing generic caregiving training. Today, there are at least 10 different training institutes providing nanny training courses. Through the CIPE-LIWAY collaboration, NAVE presented the business model of nanny training to other training providers, followed by NAVE providing ToT to trainers from other colleges, as well as sharing the updated training curriculum. The context of Ethiopia is quite unique in that the government has mandated public and private organisations to ensure childcare facilities to increase women's labour force participation. Limited availability of skilled caregivers compromises the quality of these childcare facilities and the efficacy of this mandate. The crowding in and the subsequent increase in the number of trained nannies can contribute to fulfilling the government's mission of increasing women's participation in the workforce and, at the same time, create job opportunities for women as caregivers.

GROWING COLLABORATION BETWEEN TRAINING PROVIDERS AND EMPLOYMENT AGENCIES

In Ethiopia, like many developing countries, it is common for educated young women to remain unemployed because of poor job prospects in their discipline of education or poor employability of women in those disciplines. Therefore, for an MSD programme that is trying to address urban unemployment, ensuring the training programme or upskilling initiatives can guarantee jobs is fundamental. The NAVE-Mozgit partnership demonstrated that this training guarantees not just employment, but employment with better outcomes. Before this, NAVE was working with overseas job matching platforms but never recognised the local market to be significant enough to work with agencies in the domestic market. This collaboration not only gave the trainees the much-needed confidence in their ultimate employability but also showed them better employment alternatives (childcare centres vs. private households). This is a win-win partnership that paved the way for a growing number of similar collaborations.

NAVE has started to work with other job agencies in the domestic market and Mozgit is working with several other training providers including Venus which is LIWAY's partner in domestic worker training. The trainings are also being adapted to meet overseas demand. For example, some overseas agencies want trainees who are trained in both childcare and domestic work, so NAVE has utilised the nanny training curriculum to develop a joint certification on nanny and domestic worker training. NAVE has worked with over 35 overseas employment agencies to date, with 25 of them specifically on domestic workers and 10 of them on the dual certification (nanny and domestic work). NAVE estimates they have trained more than 4,500 overseas workers so far; in a year they train ~1,500 women for nanny and domestic work overseas.

TESTING OF INNOVATIVE MODELS TO FINANCE THE TRAINING

Most women enrolled in the nanny training course had completed about grade 10, and some completed between grade 7 to 9 because the vast majority come from low-income families. It is difficult for them to pay the training fee of 10,000 ETB equivalent to approximately 150 USD for the three-month training. As previously described, LIWAY worked in partnership with Mozgit and NAVE to test an innovative model to ensure trainees have access to finance to pay for the course, so low-income women, who are the primary target of this intervention, are not excluded. LIWAY's financing model where trainees complete paying for the training cost from their salary provides an alternative to external financing. Most importantly, the success of this model would give training providers and employment agencies confidence in the long-term viability of the training and encourage continued investment. NAVE is engaging with other partners to adapt and test this model. For example, NAVE is working with overseas job agencies where the agencies pay for the training upfront and the fee is later deducted from the salary. NAVE is exploring if a similar model is viable for institutional employers in the domestic market. While the performance of the NAVE-Mozgit revenue model is important, the most valuable outcome of this collaboration is for stakeholders to recognise the opportunity in this training and build their confidence enough to explore further innovation.

RECOGNISING CHILDCARE AS A FORMAL PROFESSION

The most crucial change triggered by this intervention is the awareness that being a childcare provider can be a formal and recognised profession. This is important for the trainees because it gives trainees confidence about their employability after the training, increases their motivation to join this profession, and makes their families and community more supportive of the decision. The number of trainees enrolling in the nanny training has grown by nearly twenty-fold in the last three years. At the same time, the attitude of the training and labour market ecosystem towards this training has changed and encouraged stakeholders to get involved in this previously unrecognised niche. In the long term, this will encourage further innovation and investment from the public and private sectors, which can positively influence the quality of training, cost of training, and service delivery.

These are indications that not only the lead partner NAVE, but the wider training ecosystem, recognises the need and relevance of the nanny training and is actively engaging in different capacities – from provision of training to providing job matching services to ensuring quality assurance – which sets the foundation for sustainable changes in the market that will have a far-reaching impact on women empowerment.

The graphic below presents a timeline of the key activities and the corresponding changes in the market triggered by those activities. It depicts how LIWAY deliberately designed the programme activities depending on the needs of the market, the consequences of those activities, and the responses triggered by those activities, which ultimately changed the childcare landscape in Ethiopia.



EVALUATION OF LIWAY'S CONTRIBUTION

To understand LIWAY's contribution, we asked the three following questions:

1. WHAT CHANGES OCCURRED?

There is little doubt about the success of this intervention both in terms of the benefit it has generated for the target beneficiaries and the type of positive changes it has triggered in the market, all in a relatively short period of time.

Impact on beneficiaries

The intervention is on track to meet programme targets. The target outreach was 3,512 and the intervention has already reached 1,519 and is likely to meet the target by June 2024. During the first partnership with NAVE (Jan 2021 to Jan 2022), 1,250 women were trained by NAVE using the newly reviewed course materials. The scale-up partnership (July to November 2023), which is currently ongoing, is aimed at benefiting 770 women. Of those trained so far, 1,286 have secured jobs.

However, the true impact of this intervention is not the number of women that have been trained specifically under this partnership, but the catalytic impact it has had on the supply of skilled nannies. LIWAY's lead partner NAVE used to train less than 100 women in caregiving when the partnership began in 2021. We do not have the number of trainees of the other provider Eshoruru, but it is likely to be similar. Today, NAVE trains more than 900 women in nanny training each year, Eshoruru and Efoy train 840 and 300 students, respectively. There are seven other training institutes for whom we don't have the number of trainees, but even a conservative estimate of 200 trainees for each institute brings the total number of trained nannies in Addis Ababa to 3,700, nearly twenty times what it was in 2021.

The salaries of the nannies vary between private households and daycare centres. For private households salaries range between 2,500 to 5,000 ETB (45 to 70 USD) and for childcare centres salaries ranges between 4,500 ETB to 6,000 ETB (80 to 107 USD). For comparison purposes, there is no national wage in Ethiopia but there is a minimum wage for public sector workers, which is around 420 ETB (22 USD). Almost all the nannies trained and employed following the NAVE training were previously unemployed and were unable to find jobs for a long time.

The following quotes from training graduates illustrate the impact on the beneficiaries:

"Before I joined the nanny training, I had a diploma in survey; I had been searching for work for more than four years, but I couldn't find a job. But after I graduated this training, I secured a job within three months. I can say that the opportunity I got to join the nanny training is my lifesaver because now I am employed, I earn 6,000 ETB per month, and I am able to support myself and my family."

"Before the training, I didn't find any job because I had no vocational skills that employers demand, the only opportunity I had of helping my family was doing chores at home. It was a difficult time for me because I couldn't buy my own choice of clothes, shoes and other necessities because I am dependent on others. But after I got an opportunity to join the nanny training and I graduated, I was recruited by a daycare centre and now I earn 5,400

ETB monthly. The nanny training has enabled me to be independent, respected and be a professional."

The trainees appreciate the fact that the training enabled them to get jobs in daycare centres which offer better benefits and working environments than private households.

"I used to do home-based daycare service, it was very challenging because there were no labour rights, low payment and I used to work overtime without benefits. But in the daycare centre, I currently work at, I am not obligated to go beyond my contractual duties, the payment is better than home-based daycare and I feel safe and protected."

It is also important to note that the intervention has likely triggered significant changes at the consumer level with those who are mothers and women; however, there is a lack of data to capture this impact. But considering nearly all the trainees are able to secure jobs, the majority of which are in daycare centres, the indirect impact is likely to be sizeable. Of the approximate total of 3,700 trained nannies each year, if only 2,000 are working in daycare centres and each is looking after five children, that comes to 10,000 families, assuming each family has one child in the daycare. It is difficult to get the data to validate this calculation, and this number is just an indicative extrapolation to show the magnitude of the impact on the economy.

Partner level impact

The impact of this intervention on the partner has been elaborated in the previous section. The lead partner NAVE has become a champion for nanny training in Ethiopia. They have continued to invest in improving the quality of the training, NAVE's facility is used for quality assurance for trainees of other colleges, and NAVE supports other training institutes with trainer capacity building and curriculum development. NAVE's collaboration with employment agencies is setting an example of industry collaboration. Overall, NAVE's evolving role in the market has played a crucial role in improving the legitimacy of this training and changing the perception of this training among other training providers and ecosystem players.

Market level outcome

Following LIWAY's intervention, an increased number of training institutions have started to offer this training. Increased collaboration between training providers and employment agencies is becoming increasingly common, demonstrating the need for prioritising employability in skilling initiatives. There is greater awareness about the relevance of this training and increased demand for trained nannies from domestic and overseas employers, all of which pave the way towards establishing childcare as a viable formal career for low-income young women in Ethiopia.

2. DID LIWAY SUPPORT PLAY A ROLE IN TRIGGERING THOSE CHANGES?

All the beneficiary and market-level results are a direct and/or indirect outcome of LIWAY's interventions. LIWAY supported NAVE to improve its curriculum, which set the foundation for improving the quality and legitimacy of the nanny training in subsequent years. LIWAY's advocacy effort led to other training providers becoming aware of the nanny training and eventually starting to offer this training. LIWAY encouraged NAVE to collaborate with employment agencies and co-developed the innovative financing model to strengthen this partnership and improve the accessibility of training for the trainees. The strong linkage between LIWAY's engagement and the

change outcome indicates that LIWAY support played an indispensable role in triggering these changes.

The ‘market’ plays an important role in the success and failure of an MSD programme. In this case, the growing demand for nannies in the local and overseas markets provided a strong tailwind for growth; the market incentive was clear and market players were open to improve and innovate. But LIWAY’s ability to recognise the opportunity, identify the right partners, and build fruitful collaborations were key to utilising this opportunity effectively. LIWAY planned its activities systematically depending on the needs of the industry at different stages of development, which was intuitive and founded on a deep understanding of the market. From being a forgotten niche when LIWAY started, childcare training has become a thriving discipline with active engagement from different ecosystem actors.

3. WOULD OTHERS HAVE PROVIDED THIS SUPPORT IN LIWAY’S ABSENCE?

Because of the perceived informal nature of nanny training, it was unrecognised and received very little attention. Although the occupational standard for caregiving already existed, none of the public TVETs offered this course. Although many development programmes are working on vocational training, no one was focused on childcare training. However, with the abundance of donor initiatives in Ethiopia and the sharp increase in demand from overseas, it is possible that nanny training would eventually draw the attention of policymakers or industry stakeholders. But during the time LIWAY engaged in this training, there have been no other programmes or investments that have focused on this training. As such, it can be concluded that others would not have provided this support in LIWAY’s absence, and LIWAY played an integral role in garnering support and attention for this training.

WHAT MADE THIS INTERVENTION SUCCESSFUL?

SKILLING NEEDS TO BE MARKET-DRIVEN

One of the most important learnings that is also relevant for other MSD programmes is that skilling should be a ‘means to an end’ and not the ‘end’ in itself. Many development programmes focus on capacity building/skilling, assuming improving the capacity of the target beneficiaries is sufficient to integrate them into the labour market. But without ensuring the skills are actually in demand and deliberately making those employment linkages, skilling initiatives seldom succeed. Especially when it comes to vulnerable groups, they are constrained in many ways. It is imperative that we assess whether the skilling solutions are pragmatic in the local context for the groups in question.

BUILDING A BRIDGE WITH EMPLOYERS

Another common assumption is that giving trainees technical knowledge is enough to make them employable. But finding a job often requires other skill sets (soft skills, negotiation skills, etc.) and perceptions of employers is also a bottleneck for women. MSD programmes record more success when there is a deliberate effort to connect target groups with employers. This works on multiple levels; it ensures employees get jobs, which increases their confidence, and they take skilling more seriously, which in turn increases the confidence of employers and the appetite to recruit them. Skilling alone is not the solution – skilling and employer linkages need to go hand in hand.

proclamation in 2020 that mandates all public and private business premises to ensure childcare services. The Ministry of Women and Social Affairs developed guidelines to establish daycare centres in public service institutions, thereby creating formal demand for trained nannies. The skills team's work improved the quality of nannies available in Addis Ababa and increased the supply of trained nannies so that these government-mandated childcare facilities can be adequately staffed. Similarly, while the primary scope of the CIPE advocacy was to understand the scope of childcare service provision from labour market point of view, the industry engagement paved the way for crowding in of other training providers. By being vigilant about the overlaps and opportunities for cross-collaboration, LIWAY was able to maximise its programme-level results in the sector.

WHAT DOES THE FUTURE HOLD?

Contrary to many initiatives in MSD programs where the reality often does not meet program ambitions, this intervention is definitely a breath of fresh air. The nanny training has generated strong results in a relatively short period of time (less than 3 years). LIWAY team rightly identified a niche skilling opportunity for women that is likely to create jobs. LIWAY managed to engage private partners in different capacities to test quality and employability of the trained youth and saw strong partnership-level results. This led to a system-wide change where there is increased demand for the nanny training, increased service provision and this sector demanding greater attention from market players creating scope for innovation and increased investment.

While the team is enthusiastic about the success and performance so far, the LIWAY team is also cognisant of the fact that it is still early days for this intervention, there is considerable learning and evolution yet to be seen. Therefore, in the coming months, the team is working on several priorities to maximise the possible impact from this intervention:

- Assess the performance of the NAVE-Mozgit revenue model and see how to address the operational issues around recuperating the training fees and possible adaptation of the model.
- LIWAY will explore if/how the proclamations under the LIWAY- MOLS partnership can be utilised to improve the quality standardisation of the training among different providers and develop a system for better quality assurance.
- Ensure that the nannies have both the technical skill and soft skill needed to secure jobs, currently Mozgit is providing additional soft skills support to the trainees. The team will assess if this is to be a service expected of all job placement agencies or there is need for adding soft skill components in the training curriculum.
- While it is incredibly challenging, LIWAY will attempt to deepen its measurement of the market-level impact. This will include but is not limited to understanding emerging employment trends, if/how the market is able to absorb all the trained nannies, how the increased supply of nanny affects the cost and provision of childcare, impact of childcare on women's participation in workforce.

Overall, LIWAY will continue to build resilience of its activities under this intervention and continue to engage internally with other teams and externally with existing and new ecosystem players to multiply its results.



INTERVENTION CASE 4

CATALYTIC PUBLIC SECTOR PARTNERSHIP TURNS WASTE INTO RESOURCE: HOW LIWAY TRANSFORMED THE PAPER RECYCLING SECTOR OF ADDIS ABABA

EXECUTIVE SUMMARY

This case study uses process tracing to demonstrate how LIWAY partnered with Addis Ababa Cleansing Management Agency (AACMA) to transform the recyclable waste management system in Addis Ababa.

LIWAY's medium and large enterprise (MLE) team focuses on creating income opportunities for low-income groups through improved performance of medium to large enterprises. Considering the persistent unemployment issue in Ethiopia, LIWAY chose to focus on sectors that have the potential to create a large number of jobs for low-skilled youth, but which were not receiving adequate attention from the public and private sectors. Based on these parameters, the team concluded that 'recycling' was a high-potential sector because it could deliver a dual impact of engaging a large number of youth in micro and small waste collection enterprises while nurturing business growth for recycling firms. Furthermore, the city of Addis Ababa had been struggling with waste management challenges, with a daily waste generation of 2,168 tonnes but a recycling rate of only 5%. 65% of the waste ended up in rivers and open streets. The city was looking for solutions that would work.

LIWAY's market analysis showed that recyclable waste management involves a range of different actors but the most crucial are AACMA, private recycling companies, and waste collectors. There were constraints related to many supporting functions and rules including the social stigma associated with working with waste. However, LIWAY concluded that the most fundamental problem was the input supply, or the waste collection, because that dictates how the rest of the value chain functions. With a vision to influence the entire recyclable waste management system so that the intervention would be scalable, sustainable, and systemic from the onset, LIWAY decided to partner with AACMA.

Together with AACMA, LIWAY engaged in the following activities: (i) designed a domestic recyclable waste supply system through a participatory design process involving various public and private sector stakeholders – in simple terms, the business model was to set up waste collection micro and small enterprises (MSEs) who would collect and aggregate paper waste and sell to recycling firms; (ii) following acceptance of the model by the industry, established paper waste collection MSEs and supported them with training, equipment, and storage to set up efficient operations; (iii) developed market linkages between recycling companies and the MSEs and all actors in between; (iv) ventured into plastic recycling so the MSEs could start collecting and earning income from plastic waste in addition to paper; and (v) expanded into Sheger City to scale up the intervention.

The intervention recorded tremendous success. More than 195 MSEs have successfully started to collect and store paper waste and supply to the recycling companies, which addressed the input supply shortage of the recycling firms and created jobs and income at the MSEs. The intervention created income opportunities for 13,876 beneficiaries, primarily through self-employment in the MSEs, and secondarily through wage employment at the MSEs and MLEs. During the first three years, the MSEs generated cumulative sales revenue of ~288 million ETB. In the same vein, recycling companies substituted 20 million USD worth of imported paper with locally sourced wastepaper.

Over time some signs of systemic change started to emerge, which include:

- AACMA coordinating support from other public sector agencies, introducing incentives to waste collectors, and providing capacity building and other support to encourage more MSEs.
- MSEs continuing to expand their businesses into other types of waste. They also moved beyond streets and households and started collecting directly from institutional clients, as well as supplying to recycling firms outside of Addis Ababa.
- Other market actors starting to actively engage in waste management.

Some of the reflections shared in this case study on why the intervention was successful are the following:

- The programme partnered with the right government entity from the beginning of the intervention making sustainability and scale an inherent part of the design.
- LIWAY learned from past experiences – what worked and what didn't work and utilised that learning to develop a holistic system as opposed to hastily trying out new ideas lacking foundation and evidence.
- The private sector recycling companies were willing to change their sourcing model and LIWAY was able to demonstrate the commercial viability of the new model to ensure their buy-in.
- The intervention addressed information asymmetry in the market, which went a long way in aligning the incentives of the stakeholders.

LIWAY's current focus is to ensure resilience of the intervention activities it has introduced so far and test the learning from implementation in Sheger City. Nevertheless, the implementation to date presents an exciting learning opportunity for MSD programmes working in countries and sectors with heavy public sector involvement; it demonstrates how to leverage incentives and capacity to design a win-win model for all actors concerned.

INTRODUCTION

LIWAY has adopted a multi-faceted approach towards creating improved livelihood opportunities for women and youth – improving the income of micro, small, medium, and large enterprises (MSEs and MLEs) to enable growth and job creation, skilling youth for better employability in these enterprises, and ensuring inclusive labour policies and practices for better livelihoods. In this context, LIWAY's MLE team is focused on understanding the challenges of medium and large enterprises in Ethiopia and addressing their underperformance towards creating economic opportunities for women and youth.

MLEs in Ethiopia primarily consist of manufacturing enterprises; they vary in scale, complexity of operation, and management sophistication. The Government of Ethiopia has made industrialisation a priority to create jobs for its growing population, investing heavily in industrial parks which host export-oriented manufacturing factories. Ethiopia's Growth and Transformation Plan II Industrial Development strategy focuses on food and beverage, textiles and garments, footwear, chemical

industries and pharmaceuticals, and grade 1-3 construction companies because of the high concentration of women and youth in these industries. As of 2020, the industrial parks in Ethiopia have employed more than 70,000 people¹³. While that is a sizeable number, in a country with more than 2.5 million unemployed people, it is obvious that the industrial zones alone are not sufficient to create enough jobs.

Ethiopia has the second largest population in Africa and has 37.4 million people aged 10 to 24 years – so, the challenge of unemployment is massive and growing. Urban unemployment in particular has been a persistent challenge. As of 2020, urban unemployment stood at 18.7%, which for men was 12.2% and for women was 26.1%¹⁴. In Addis Ababa specifically, total unemployment is 19.3%; 23.8% for women and 15.1% for men. At the same time, the educational attainment of a large portion of the population is low, which makes employability a challenge. As of 2020, 24% of women aged 15 to 49 and 53% of men aged 15 to 49 are literate¹⁵. Women are in a disproportionately weakened position not only due to their educational status but also overall socio-cultural dynamics, which makes it even more difficult for them to find viable pathways out of poverty.

The LIWAY team realised early on that the context of job creation through MLEs is anything but straightforward. In determining where to place its focus, the team had to consider that (i) the vast majority of LIWAY's target beneficiaries have low educational levels and are low skilled; (ii) the sheer number of unemployed youth and women is extremely large and often highly fragmented; (iii) barriers to entry in the highly sophisticated manufacturing industries are high. The team, therefore, opted to identify medium to large manufacturing sectors that could create opportunities for a large number of unskilled labour and where opportunities were easily accessible or presented fewer barriers to entry. This prompted LIWAY to focus on local manufacturing enterprises that were catering to the growing domestic users, but which had received less government attention such as agro-processing, fast moving consumer goods, leather, and recycling.

During the inception phase, LIWAY conducted an assessment of MLEs in the leather, textile, furniture, and recycling sectors. The assessment identified five major constraints faced by MLEs in Ethiopia – input supply, production management, marketing, human resource management, and performance management. While the team embarked on a suite of different interventions targeting these constraint areas, the recycling sector emerged as a clear front-runner for its potential to create jobs for women and youth at scale through input supply (i.e., recyclable waste products).

Fortuitously so, engaging in the recycling sector also contributes to addressing the growing challenge of waste management in a fast-urbanising Ethiopia, particularly in Addis Ababa. Addis Ababa generates 2,168 tonnes of waste per day, which is comprised of 60%, 15%, and 25% organic, recyclables, and other types of waste respectively. 65% of the solid waste reaches the city's open dumpsite, and poor waste segregation means recyclable waste inevitably ends up at the dumpsites. 25% of waste is illegally dumped in riverbanks, empty sites, drainage channels, and ditches, which with the poor sanitary and utility facilities of Addis, damages the sewerage system, causes pollution,

¹³ Analytics, C. R. (2019). Ethiopia's Industrial Parks: A Data Pack on recent performance.

¹⁴ Statista. (2023).

¹⁵ Ibid.

and poses considerable risk to human health. Only 5% of the waste is recycled and 5% is composted.¹⁶

Encouraged by the findings from the inception phase, LIWAY embarked on designing interventions in the recycling sector to create income opportunities for low-skilled urban youth while potentially triggering a virtuous cycle that benefits the waste management sector as a whole. This case study examines how LIWAY helped transform the recyclable waste management system in Addis Ababa.

METHODOLOGY

We have used process tracing as the tool to establish what happened and the extent to which LIWAY was a factor in the changes that occurred. This involved reviewing all relevant programme documents and conducting selected KIs. The objective of the KIs was to validate the theory of change indicated by the data and evidence gathered by the programme. The KIs focused on specific areas with information gaps, particularly around the positioning of LIWAY's support in the market. We triangulated this with interviews with key staff. Interview extracts have been anonymised as the information can be politically sensitive and can influence the programme's relationship with its stakeholders.

We asked three key questions in assessing LIWAY's attribution to the changes in the market, which are explored at the end of this case:

1. What changes occurred?
2. Did LIWAY support play a role in triggering those changes?
3. Would others have provided this support in LIWAY's absence?

ANALYSING THE MARKET

THE START OF LIWAY'S JOURNEY

Unlike in most developing economies where it is difficult to attract private sector investment in waste management and/or recycling and thus difficult to find a catalyst to influence the value associated with waste, Ethiopia already had a number of recycling companies. Most of these factories were established by Ethiopian diaspora or returnees, encouraged by potential government incentives and support. The first recycling firm, albeit unsuccessful, was set up in 2006, which led to a series of similar investments. Further investigation showed that in the absence of the desired public sector support and a robust supply chain for raw materials (i.e., recyclable waste) in the local market, these recycling companies were dependent on imported raw materials.

At the time, the recycling sector primarily consisted of paper recycling companies. There were six paper and paper product manufacturing firms that were able to produce paper products from locally

¹⁶ Desta, H. (2022). *An overview of solid waste management systems in the city administration of Addis Ababa: past to present*. LSECities.

recovered paper and pulp. The local paper producers catered to 62% of the 300,000 tonnes/year domestic paper consumption¹⁷, and the rest was serviced with imported paper. At the time, paper recycling companies alone were importing paper raw materials worth over 100 million USD. However, importing had become increasingly expensive and unviable due to exchange rate fluctuations, dwindling foreign exchange reserves of Ethiopia, and tax policies. Consequently, most of the paper recycling companies were operating only three to five days a month.

Through its market analysis, LIWAY found that approximately 25%¹⁸ of the waste produced in Addis Ababa was paper with ~200,000 tonnes of paper products lost due to poor waste management; they were dumped in the landfill, burnt, or discarded. The Government of Ethiopia had been grappling with the issue of waste management, especially in Addis Ababa. There had been several government commitments and initiatives to improve the city's waste management, and the public management infrastructure in Addis Ababa also changed several times to try to help tackle this issue. At the time, the responsibility for waste management in Addis Ababa rested with AACMA who were eager to find viable solutions for the waste management problem in Addis Ababa.

LIWAY recognised a unique opportunity to influence the market by leveraging the existing unmet demand. The findings presented a clear opportunity for import substitution by increasing the rate of recycling and supplying recycling companies with local paper waste as raw materials. LIWAY decided to start by focusing on paper recycling because of the existing market demand and the presence of the key market actors. However, LIWAY's vision was to influence the waste management system in Addis Ababa as a whole. Therefore, instead of limiting itself to working with specific recycling companies, LIWAY planned to develop partnership(s) that would allow the programme to influence the city's overarching collection and disposal system for paper, which would benefit all actors involved. Recognising that the Government of Ethiopia plays a crucial role in the sector and scalable systemic change is unlikely without their leadership, LIWAY decided to work closely with AACMA. LIWAY partnered with AACMA in 2019 to conduct a deep dive into the paper recycling industry to kick off its engagement in this sector.

IDENTIFYING KEY MARKET ACTORS

LIWAY found that the recycling value chain involved waste disposal at the consumer level, as well as storage, collection, and transportation of waste (as raw materials) and the ultimate processing and/or value addition. A large variety of actors were therefore engaged:

- **Waste collectors** – There were two types of waste collectors: (i) formal collectors belonging to waste collection MSEs that were hired by the government to collect all waste from households and institutions, of which there were between 500 to 600¹⁹. They collected mixed waste most of which ended up in landfills except when collectors separated some of the recyclable waste to sell to middlemen or recyclers in an individual capacity; and (ii) informal

¹⁷ Desta, H. (2022). *An overview of solid waste management systems in the city administration of Addis Ababa: past to present*. LSECities.

¹⁸ Samuel, G. (2019, Nov 2). Recycled paper products: New Green Business Frontier. Fortune.

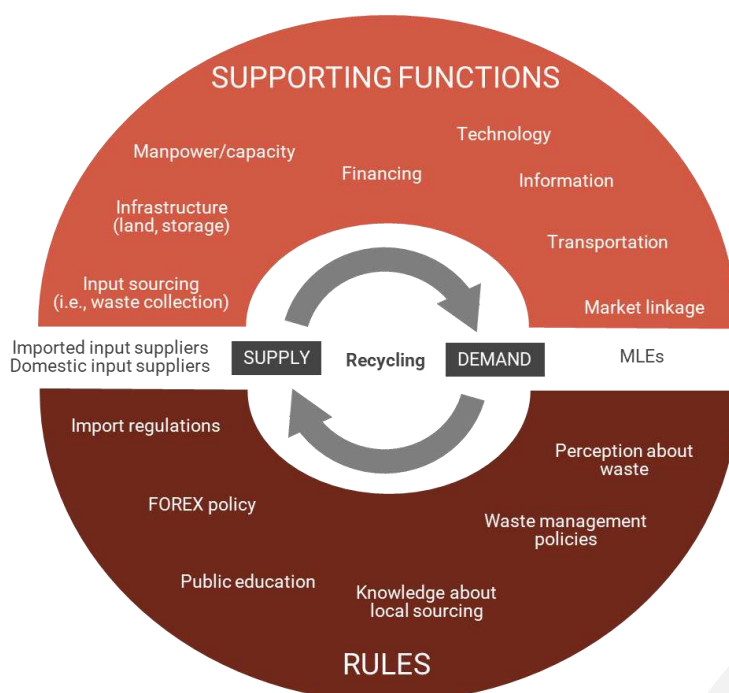
¹⁹ GIZ. (2023). Sector Brief Ethiopia: Waste management and recycling.

waste pickers who were private individuals that picked waste from the streets and community dump sites, separated the recyclable waste, and sold it to waste MSEs or middlemen.

- **Middlemen** – Traders or dealers who bought from waste collectors and sold to recycling companies, they sourced waste in three ways: (i) they went door to door to buy recyclable waste; (ii) they bought recyclable waste from waste collection MSEs; and (iii) they bought from individual waste pickers.
- **Transportation providers** – Trucks and garbage collectors that were mostly part of the government infrastructure; few were private, but sometimes they worked as middlemen.
- **Recycling companies** – Private recycling companies that process waste products to produce finished consumer goods for the domestic market. While the vast majority at the time were paper recycling companies producing paper products from paper waste, today there are a growing number of companies producing plastic household items from plastic waste and companies processing metal and glass for the construction sector.
- **Public sector** – The role of government in the waste management sector was varied. Some departments like AACMA were involved in the actual collection and disposal of waste, while others played a more indirect role or enabling role through policies and regulations. For example, Addis Ababa Waste and Sewage Authority (AAWSA) was responsible for collecting waste collection fees as part of the water and sewage fee.

ANALYSING SUPPORTING FUNCTIONS AND RULES

LIWAY's market analysis revealed a rather complex system involving a wide-ranging set of supporting functions and rules that had a critical influence on how the market functions:



- **Input sourcing:** There was no structured system and incentive structure for recyclable waste collection so recycling factories could not source adequate quantity and quality of waste.
- **Infrastructure:** Waste collection and recycling requires physical infrastructure for waste aggregation, pre-processing, storage, and processing to ensure minimum viable scale and operational efficiency.
- **Manpower/capacity:** While educational/skill requirements are low, the profitability of a waste management enterprise depends on scale and efficiency, so it is important to ensure workers in the waste collection MSEs and waste pickers have basic knowledge of waste segregation and quality management.
- **Financing:** It is important to ensure that all key actors in the value chain can access the financing needed to set up and grow their enterprise. While larger recycling firms may have access to finance, the informal nature of the business and the social stigma around waste management limits access to finance for smaller entities such as the waste collection MSEs.
- **Technology:** The ability to use technology for pressing, crushing, and bailing improves operational efficiency by reducing the time required and space needed for storage, as well as increases the volume of supply which increases overall profitability.
- **Information:** Information asymmetry was a key challenge in the market, particularly around pricing, which left existing MSEs vulnerable to price manipulation. Since there are several actors in the recycling value chain, a consistent flow of information among the actors on quality, volume, pricing, etc. is important.
- **Transportation:** The transportation service providers play an important role in ensuring the efficiency of the supply chain.
- **Market linkage:** The MSEs had no access to the recycling firms, which made them vulnerable to price manipulation by dealers/middlemen and did not provide them access to information on the market opportunity.
- **Import regulations:** Since the recycling companies were reliant on imported raw materials, national import regulations had a big influence on the recycling industry.
- **Forex policy:** Similarly, import dependence automatically means that the country's forex policy will have important implications for the industry.
- **Waste management policies:** The government of Ethiopia had a policy and legal system in place for solid waste management that included the national integrated urban sanitation and hygiene strategy, the SWM Proclamation No. 513/2007, and the Environmental Pollution Control Proclamation No. 300/2002. However, lack of enforcement, required infrastructure, and incentives meant limited tangible results from these policies.
- **Knowledge about local sourcing:** The recycling companies were so used to relying on imports that they had not considered the potential of sourcing waste products locally and what the viable models were for doing so in an efficient manner and at scale.

- **Perceptions about waste-related businesses:** Socio-cultural stigmas associated with businesses related to waste discouraged people from getting involved however lucrative the sector might be in comparison to other opportunities.
- **Public education:** Good waste management starts at source. 60% of the waste produced in Addis Ababa is household waste followed by 20% institutional waste²⁰. The limited awareness and practice of waste segregation and recycling made it inherently difficult to increase the sourcing volume of recyclable waste.

FOCUSING ON A KEY CONSTRAINT AND DEVELOPING A MODEL

SELECTING ONE SUPPORTING FUNCTION THAT IS LINKED WITH MULTIPLE

It became apparent during the analysis that input sourcing (i.e., waste collection) was the most critical challenge and one that could catalyse changes in other supporting functions and rules, which would improve the overall efficiency of the market. Hence, LIWAY decided to focus on addressing the constraint of input sourcing, but in doing so, got involved in other supporting functions, which include but are not limited to Infrastructure, technology, information, market linkage, and knowledge and perceptions about waste.

DEVELOPING A MODEL TO ADDRESS INEFFICIENCIES AND UNLOCK KEY BENEFITS

Solid waste collection and disposal in Addis Ababa, which includes paper waste, happened through formal and informal channels. The formal channel was the responsibility of AACMA. This channel had no explicit focus on collecting recyclable waste; it was focused on collection and disposal at landfills. AACMA had two collection methods: (i) door-to-door collection for households along accessible streets; and (ii) placing containers where residents dispose of their waste. However, the container method was ineffective due to an inadequate number of containers and collection vehicles. The waste collection, transportation, and disposal activities were done by government-affiliated cooperatives and MSEs. These MSEs were often instituted by AACMA itself; they recruited unemployed and vulnerable women based on a set of criteria and then organised ten women to form an enterprise, each of which was assigned to one woreda. A waste collection fee of 10 ETB/collection is included in water and sewage bills collected by AAWSA, but fees collected were too low to cover operational costs and incentivise treatment or processing. Therefore, all waste (recyclable and non-recyclable) typically ended up in the landfill.

The informal channel was dedicated to recyclable waste materials. Informal traders locally known as “Qorales” and “Liwach” would go door-to-door and buy or barter waste materials from households and institutions and sell them to formal or informal recyclers. This was most widely used for metals, glass, and clothing, with wastepaper and cartons only collected in some areas. These informal traders would also buy from individuals and children waste pickers. The formal waste collectors (deployed by the government) sporadically collected recyclable waste materials

²⁰ Desta, H. (2022). *An overview of solid waste management systems in the city administration of Addis Ababa: past to present*. LSECities.

from municipal containers and dumpsites and sold them to the middlemen. However, collection of recyclable waste through this channel was ad hoc and opportunistic at best, left to the whim of the waste collectors or middlemen and dependent on what was available, without any deliberate structure or system to incentivise regular collection and supply.

Some paper recycling companies such as Penda Paper Recycling set up their own collection and aggregation system; however, while that set a good example for the country, scale was limited.

LIWAY therefore focused on developing a model that would increase the volume and efficiency of recyclable wastepaper recovery, collection, and supply to unlock three benefits: (i) improve the production efficiency of the medium to large recycling factories thereby creating jobs and economic growth; (ii) create jobs and income for poor women and youth working on waste collection; and (iii) reduce environmental pollution. As the main decision maker for Addis Ababa's waste management system, partnership with AACMA would ensure sustainability and scale of the model.

PARTICIPATORY DESIGN OF THE BUSINESS MODEL – GAINING NEEDED SUPPORT

After the initial desktop review with AACMA that started in 2019, LIWAY organised a workshop in 2020 in partnership with AACMA to discuss the trends, challenges, and opportunities for growth in the recycling sector. Attendees included relevant public sector authorities such as AACMA and Woreda Waste Management Authority, as well as private sector players such as recycling and transportation companies. Representatives from other public authorities such as Addis Ababa Land Management Authority and Job Creation Authority were also in attendance for their potential involvement in the future.

Using the findings from the workshop alongside the desktop research, LIWAY and AACMA co-created a business model to improve the performance of the recycling sector through better input supply. The concept was to establish paper waste MSEs and support them with technical knowledge, technology, and land to set up waste collection and aggregation facilities and connect them to paper recycling companies. The business model aimed to establish a dedicated sourcing and management system for recyclable paper waste that would be market-driven and self-sustaining.

LIWAY and AACMA organised a follow-up workshop in 2021 to discuss and validate the concept. The same set of participants from the first workshop joined the second workshop. In addition to agreeing on the concept, the workshop involved the allocation of respective responsibilities. For example, Addis Ababa Job Creation Agency was responsible for recruiting waste collection MSEs, Addis Ababa Land Authority agreed to give land to MSEs to set up aggregation facilities, and recycling companies agreed to buy paper waste from the MSEs at a transparent agreed upon price.

Once these were agreed, LIWAY signed a partnership with AACMA to officially launch the first intervention in recycling focused on paper waste collection and management. In this intervention, AACMA's role was to set up the MSEs, recruit workers, provide them with land, and ensure other public sector support necessary to operationalise them. LIWAY focused on building MSE capacity to ensure commercial viability of the model. The mayor of Addis Ababa launched the programme at the beginning of 2021.

ESTABLISHING AND SUPPORTING WASTE COLLECTION MSEs

After signing the agreement, the first step was to organise wastepaper collection enterprises. AACMA, together with the woreda-level Small and Micro Enterprises office, registered unemployed youth in the community. 134 new MSEs were established, consisting of 1,250 members. The government provided working places for the MSEs, which was a huge encouragement for the youth to begin work right away. LIWAY provided extensive support in establishing these MSEs to test the viability of the model as well as demonstrate to AACMA the type of support these MSEs require to be effective.

Additional support provided included:

- **Capacity building:** LIWAY established partnerships with government-mandated capacity building institutions such as Ethiopian Women Entrepreneurship Development and the Ethiopian Entrepreneurship Development Bureau to improve the knowledge of the MSEs on safety practices, technology adoption, value addition, waste management, and related business skills.
- **Ensuring personal safety:** Working in waste management poses threats to personal safety and health so it was important for LIWAY to ensure the MSEs were taking necessary safety measures. MSEs in developing countries typically exhibit little appetite to invest in personal protection, particularly in the early stages of business, which was the case with the newly established MSEs. Therefore, as part of the intervention support, LIWAY provided personal protective equipment (PPE) including gloves, protective clothing, safety shoes, and face masks to the MSEs and provided training and resources on personal safety.
- **Technology:** Storage was a key challenge for these MSEs; paper waste requires a lot of space and is easily damaged from weather and exposure. The MSEs needed shelter to store the paper and technology to manage the volume for ease of storage and transport. Waste management was not recognised as a formal industry, nor a lucrative one. As such, there was little interest from financial service providers or technology solution providers to cater to these MSEs. As these technologies were crucial for operationalising the business model, LIWAY supported the MSEs with the technology. LIWAY provided locally constructed containers for storage to 57 MSEs and sourced five compressor machines from a local machine manufacturer, which helped the MSEs store and transport paper more efficiently and be profitable.

LIWAY also connected the newly established MSEs to paper recycling companies. The established model worked well and the MSEs started to generate income soon after they started. As MSEs started to show profitability and create jobs, confidence in the model grew, motivating them to continue and inspiring others to join. Over the years, LIWAY organised several networking events to connect the different stakeholders and service providers such as AACMA, MSEs, local technology providers, and microfinance institutions. These events created awareness about recycling as a promising sector and the need to come up with financial solutions and affordable machinery that meet the needs of businesses in this sector.

IMPORT SUBSTITUTION

The established market has created an alternative input sourcing mechanism for recycling firms. They have redecided their import volume and using the structured recyclable waste supply chain as an import substitution.

SHIFT IN ATTITUDE AND PRACTICE IN WASTE MANAGEMENT

The impacts of the established waste collection and marketing system have triggered a visible shift in the attitude and practice of the community in Addis. The community has started segregating and adequately collecting recyclable waste from the source, contributing to an increase in the volume and quality of waste supplied to MLEs and an improvement in environmental safety.

LEADERSHIP AND INVESTMENT FROM THE GOVERNMENT

This intervention has demonstrated that recycling is a resourceful sector that can create value and attract the attention of policymakers. The Government of Ethiopia has been keen on improving the waste management system in Addis Ababa for the past decade and expressed interest in a range of different initiatives, from incentives to offering free land to recycling firms. But few of these ideas came to fruition because of (i) a lack of knowledge about what works/how best to intervene constructively; and (ii) waste management being undervalued as a sector. Through this intervention, AACMA learned hands-on what model works, as well as the respective roles of different actors and how best to operationalise the model in a sustainable way. Subsequently, AACMA has undertaken additional steps to bolster its success with the intervention model, indicating enhanced leadership capabilities.

- During the intervention, AACMA introduced incentives to motivate waste collectors. Incentives alone are seldom successful, but incentives complemented by a strong collection system presents a good opportunity to influence. During the first intervention, Addis Ababa City Authority introduced an incentive of 1.5 ETB/kg to be paid to the MSEs for paper waste. During the second partnership, the government started offering MSEs 5 ETB/kg for plastic and 3 ETB/kg for compostable waste.
- AACMA has continued to set up waste collection MSEs after the intervention with LIWAY ended, including building capacity of the MSEs, mobilising other public sector agencies to provide relevant support (such as land), and liaising with the recycling firms.
- In line with their capacity building role, AACMA has prepared a guideline encouraging the sustainable collection of paper waste, to be replicated by regional administrations. AACMA has also developed a documentary that explains the value chain of waste management, from households to recycling firms, which is being used to improve awareness.
- AACMA has introduced steps to improve sustainability in waste management including banning the mixed dumping of recyclable waste with non-recyclable items and encouraging composting, use of reusable containers, and use of biodegradable products.
- AACMA is also working on developing policies to incentivise waste recycling.

MSEs EXPANDING THEIR BUSINESSES

The commercial viability of the waste collection MSEs is at the core of this model. The continuous adaptation and growth of the MSEs is another assurance that the innovations introduced by LIWAY will be long-term.

- Most MSEs started with collecting paper waste only but now have expanded into plastic, metal, and glass waste.
- MSEs are supplying a wider variety of recycling firms, including recycling companies from other regions of Ethiopia.
- MSEs are also adapting their waste collection strategy; in addition to sourcing through waste pickers, they are sourcing directly from institutional clients such as manufacturing enterprises. Construction industries, for example, have a large volume of paper cartons that are typically dumped in landfills or nearby rivers. MSEs are buying this waste directly from the factories.
- New MSEs and recycling firms are adopting the model without any support from LIWAY.

ACTIVE ENGAGEMENT AND COLLABORATION AMONG DIFFERENT ACTORS

The other fundamental shift LIWAY has facilitated is increased dialogue and engagement between different actors in what was previously a highly fragmented sector. Prior to LIWAY's engagement, market actors were working in silos. This intervention brought the industry together and demonstrated how different entities can complement each other towards a common goal. The industry has rallied around a model that works, and since their engagement and investments are targeted, that made the collaboration more effective.

- AACMA was able to bring in other public entities such as the Land Authority and Job Creation Agency, which provide specific support mandated by their institutional role.
- While the recycling companies initially were only responsible for buying the waste and supporting MSEs on capacity building, some are expressing interest in providing additional support because they see the win-win from expanding the model. For example, one of the recycling companies has offered to set up a storage shed for paper waste MSEs and another has proposed to finance crushers for plastic waste MSEs.
- There is increased investment in public awareness campaigns about waste management, which includes educating the public about waste segregation and sharing the challenges faced by waste collectors in the absence of segregation. Some programmes focus on showing the value of waste – how waste is collected, pre-processed, and recycled to eventually generate income.
- LIWAY has initiated dialogues with financial institutions on digital lending and credit scoring technology to facilitate non-collateralised lending for MSEs, as well as with equipment providers to explore innovative financing options to buy technology. Although these conversations have not yet yielded results, their willingness to engage and connect with MSEs shows openness and recognition, which was previously absent.

RESULTS AND LESSONS LEARNED

INTERVENTION RESULTS

The following are the impacts on the beneficiary level, partner level, and market level.

Impact on beneficiaries

- The project had a target of increasing the income of 19,048 women and youth, and so far, it has achieved increased income for 13,876 beneficiaries. The intervention is on track and is expected to reach the planned target by the end of June 2024.
- Among the 13,876 beneficiaries that recorded increased incomes, 3,311 (24%) are young women, 7,084 (51%) are young men, 2,228 (16%) are adult women, and 1,253 (9%) are adult men. Some of the heavy manual labour and the tedious work make it difficult to engage more women, so LIWAY is exploring if/how to increase the opportunity for women in less strenuous parts of the business such as cashiers and administrative staff.
- Among the 13,876 beneficiaries, 1,241 individuals secured wage employment either at MSEs or MLEs, while 498 existing employees have maintained their jobs in the past five years and 12,137 unemployed individuals have become self-employed by being organised into MSEs.
- The intervention has successfully created capable youth-led enterprises contributing to the reduction of unemployment and improving livelihoods. As of today, the current estimate for the total number of MSEs is 259, compared to less than 10 MSEs that were collecting paper waste when LIWAY started. At the time of LIWAY's impact measurement in 2022, 68% of the 172 newly established MSEs were active and during the first three years, the MSEs generated a combined income of ~288 million ETB.

An interesting learning from the results is that while LIWAY's initial aspiration was job creation at the recycling firms, the bulk of the jobs were created through self-employment at the level of individual waste pickers that sell to the MSEs. Since the recycling firms were grossly underutilising their factory capacity, there was residual capacity to grow without hiring new workers. Whereas the MSEs were newly established, and manual labour necessitated a minimum number of workers. Therefore, contrary to the initial assumption, unmet demand for input from the MLEs was a driver for job creation at the MSE level, not at the MLEs.

Partner level results

The lead partner in this intervention is AACMA, which has not only institutionalised this intervention but is providing additional support to bolster the intervention. AACMA's improved engagement in this area is detailed in the 'improved leadership and investment from the government' section under 'signs of systemic change'. Some of the key results are listed again below.

- The Government of Ethiopia started to provide incentives and subsidies to encourage new entrants into the market – 1.5 ETB/kg, 5 ETB/kg, and 3 ETB/kg for paper, plastic, and compostable waste respectively.

- AACMA has banned the dumping of recyclable waste mixed with non-recyclable waste in the landfill, encouraging segregation across the value chain.
- AACMA is providing capacity building support through developing a guideline that encourages the sustainable collection of paper waste, which can be replicated by regional administrations and developing communication tools that explain the value chain of waste management.
- AACMA is also supporting the development of policies to incentivise waste recycling and encourage sustainable practices.

The other partners in this intervention are the recycling companies. Local sourcing of paper waste has facilitated unexpectedly high import substitution. KIIs suggest that this intervention has substituted for at least 20 million USD worth of paper import. The private paper recycling firms used to import raw materials from Egypt and Kenya, which has completely stopped as a result of the local sourcing.

To illustrate, as of 2022, Kuriftu Paper Mill PLC, DA Packaging, Eagle, Suzo, and China Recycling Firm (Dukem) were the main buyers of paper waste from the organised MSEs. Before the intervention, Kuriftu Paper Mill spent approximately 15 million USD annually to import paper waste. Through the established domestic input supply system, the factory has fully substituted imports. This has increased the capacity utilisation rate by 66%. As a result, Kuriftu Paper Mill has created job opportunities for 100 permanent employees and 200 day labourers.

The market level result

Beyond the changes at the lead partner level, the intervention has triggered changes in the wider market system, which has been elaborated in the subsection on 'Active engagement and collaboration among different actors' in the 'Signs of systemic change' section. All eleven recycling companies in Addis Ababa are aware of the model and are engaging with the waste collection MSEs. Other public authorities are actively taking part in mobilising MSEs for waste collection, recycling companies are providing additional support to the MSEs to scale up their operation, public and private sector entities are investing in creating public awareness about improved waste management practices, and there is improved appetite among financial and technology service providers to engage directly with MSEs and recycling businesses. All in all, waste management is being better recognised for the opportunities it can create and the value it generates for the local economy, which is a crucial foundation for continued investment in this sector.

CHALLENGES AND MITIGATION STRATEGIES

While the intervention has yielded promising results, some challenges affected the pace and growth of the intervention and addressing those would enable LIWAY to reach even greater scale and depth of impact.

- **Limited access to financing for MSEs:** Setting up a waste management business requires MSEs to buy storage units, tools (i.e., pushcarts, weighing scale), and equipment (bailing machine, compressor). These MSEs rarely have enough personal savings or financing to invest out of pocket. There is a lack of financing options to help the MSEs secure the needed infrastructure. LIWAY has been arranging dialogues with financial service providers, but the informal nature of the businesses, the low capacity of the business owners, and the stigma

associated with waste management have hindered progress. While there is evidence of increased openness to engage, the market is yet to see a tangible partnership with financial service providers. Some of the alternative financing solutions are showing promise such as buyers/recycling firms investing in this infrastructure instead of relying on financial institutions for financing. LIWAY will continue to explore financial innovations such as non-collateralised lending and buyer guarantees to encourage participation of the formal financial sector.

- **Market linkages:** MSEs often find it difficult to access recycling companies without external support, which allows middlemen to take advantage of the MSEs by giving them lower prices. Nurturing the right market dynamics that allow MSEs to build the necessary market linkages has been a priority for LIWAY.
- **Coordination among different agencies:** While LIWAY has had a lot of success working with the public sector, and fortuitously AACMA is an exceptionally capable and supportive government partner, mobilising different public entities can be demanding and time-consuming. LIWAY expects the coordination to happen more smoothly with more experience and knowledge, but LIWAY will continue to monitor the relationships closely to see how they evolve.
- **Institutional and household level behaviour change:** Lasting change in the waste management sector needs significant behaviour change at the household and institutional level on waste management, particularly segregation. The knowledge must be supported by the infrastructure such as separate containers for different types of waste. While there are ongoing efforts in this area, greater public sector investment is needed.
- **Stigma associated with waste:** Although increased awareness is contributing to eradicating some of the stigma associated with waste management, this is a long-term change that will require persistent effort over a long period of time.
- **Measurement:** It is difficult to quantify the true scale of impact of this intervention for different reasons. Most of the self-employed waste pickers are informal, so it is difficult to track their actual number. MSEs are focused on the trade as opposed to tracking their suppliers, which makes it difficult to know exactly how many pickers and collectors are supplying to the MSEs. Recycling firms are also often hesitant to share business information. Furthermore, MSEs and recycling companies from other regions of Ethiopia have started to trade with those in Addis Ababa making measurement even more difficult.

SUSTAINABILITY AND SCALE

Some design aspects of this intervention are different from a textbook MSD approach. For example, some of the services are provided by public sector actors as opposed to the private sector and the programme directly supported MSEs with equipment and infrastructure. These decisions were informed by the context of the market, as they are expected to be, but these differences make it important to differentiate between the sustainability of outcome and sustainability of service delivery in the context of this intervention.

Sustainability of outcome has been ensured through the following:

- As the leading authority for waste management for Addis Ababa, AACMA has demonstrated incentive and now the capacity to implement this recyclable waste collection model in the entire Addis Ababa city administration beyond LIWAY. AACMA has the authority to engage other government agencies and seek federal support towards the sector as needed and AACMA has proven their capacity to do so.
- MSEs will continue to perform this business because of commercial gain – they have been profitable, and they successfully created income opportunities for youth who had little to no options for employment. MSEs are increasingly seeing new avenues for growth – they are expanding into all types of recyclable waste, and they are supplying to more recycling firms. Recyclers from outside of Addis Ababa are even buying from them and institutional customers are showing increased interest in disposing of recyclable waste through them. All these show promise of continued growth and, therefore, increased income and likelihood of continuity. Seeing the profitability of the model, more MSEs are joining the business of their own accord, which means the income opportunity will continue to drive scale.
- Recycling firms will continue to buy from these MSEs because it addresses their input shortage. A wider variety of recycling firms are seeking to engage in this business model. Seeing the benefit, recycling firms are offering to provide direct support to the MSEs through equipment and storage facilities, which indicates that the mutual win-win can continue to drive sustainability and scale.

Sustainability of service delivery: However, in some areas where LIWAY was directly involved in the service delivery, the model is evolving towards substituting LIWAY's support with service providers or investment from market actors. By demonstrating the overall viability of the model, LIWAY was able to ensure that the outcomes are sustainable, which incentivises market players to come up with more sustainable service delivery in the absence of LIWAY. For example, LIWAY provided containers and bailing machines to the MSEs because at the time there was little appetite from service providers. LIWAY is now exploring multiple alternative models such as (i) partnerships between financial institutions, MSEs, and/or recycling firms to provide loans to MSEs; (ii) government donating available materials to the MSEs; and (iii) recycling firms investing in these facilities for MSEs. There is strong interest from the recycling firms to intervene because they see a clear win-win, which supports the original hypothesis that demonstrating the commercial gain from the model will increase the appetite for investment and support.

EVALUATION OF LIWAY'S CONTRIBUTION

This section examines the three key questions referred to earlier to assess LIWAY's contribution to the changes in the market:

1. What changes occurred?
2. Did LIWAY support play a role in triggering those changes?
3. Would others have provided this support in LIWAY's absence?

1. WHAT CHANGES OCCURRED?

There is little doubt that this intervention has catalysed some significant changes. The intervention has successfully created income opportunities for a large number of low-income men and women through job creation at waste collecting MSEs and job retention at recycling companies. It has also benefited the Ethiopian economy through improved performance of the recycling industries and subsequently through facilitating import substitution. Furthermore, this is one of those rare interventions where the scale is significant enough for the change to be visible to the naked eye – residents of Addis Ababa have seen a noticeable decline in the number of paper, plastic, and recyclable waste products lying around, and the city has become cleaner.

2. DID LIWAY SUPPORT PLAY A ROLE IN TRIGGERING THOSE CHANGES?

All the changes triggered by this intervention, at the beneficiary level, partner level, and market level can be traced back to specific activities conducted by LIWAY under this intervention. LIWAY co-created the business model in partnership with AACMA, jointly identified the role of different stakeholders, and provided relevant support to each player including set up and capacity building of the waste collection MSEs, connecting them to the recycling companies, and holding dialogues and facilitating linkages between different actors. Since the results are direct outcomes of the business model there is no question that LIWAY's support spearheaded these changes.

3. WOULD OTHERS HAVE PROVIDED THIS SUPPORT IN LIWAY'S ABSENCE?

Other organisations are working in the waste management sector but there are some crucial differences in how LIWAY intervened in this sector compared to others:

- Other programmes are working on specific parts of the value chain, primarily on waste collection and/or recycling. While they are valuable in terms of introducing capacity and innovation, the ultimate result is fragmented and isolated to specific functions. The LIWAY and AACMA collaboration influenced the overall market system, which includes the entire value chain from segregation at the household level to collection and recycling, as well as the enabling environment and key supporting functions that support the core transactions.
- Other programmes are working with either specific private sector players or specific target groups or cooperatives which makes the programme design and result highly localised with limited potential for scale. LIWAY has worked with the central waste management agency responsible for the entire city administration, making the potential scale of impact and influence much larger.
- Other programmes are focused on improving the operation of individual actors or functions whereas LIWAY has brought the market players together to catalyse incentive-driven collaborations founded on mutual win-win.
- Sustainability is questionable in many of the existing initiatives, i.e., development programmes are often giving free equipment or setting up entities to perform specific functions in the value chain without consideration to if/how these will continue after programme funding. LIWAY, on the other hand, has developed a model where a combination of improved incentives and capacity ensures sustainability of the model.

management in developing countries, it is difficult to demonstrate incentive to the private sector in the early stages of growth. Government is often a more suitable partner as the service delivery falls in their purview.

LEARNING FROM EXISTING INITIATIVES TO ESTABLISH A SUCCESSFUL NEW MODEL

During the market research, LIWAY identified what worked and hadn't worked in waste management. The team prudently took advantage of the learning and adopted the MSE engagement model for waste collection because it has worked in the past for individual recycling companies and the government. This was also in line with AACMA's capacity to support. By choosing a successful pre-existing engagement model and a partner who knows how to implement the model, the programme was able to move quickly towards mobilisation and implementation. Knowing this worked, the team could set ambitious targets from the beginning as opposed to having to start with a small pilot.

In the haste of getting things going, development programmes often fall into the trap of discarding old ideas and not learning from the past. Although it is a given that learning is an integral part of MSD programming, in practice, it is often forgotten. Teams are eager to design something new, which means they spend a lot of additional time and resources on testing failed new ideas, which could have been avoided. This intervention is a good example of how trying to learn and leverage pre-existing models can help programmes deliver bigger impact faster.

OPENNESS OF THE RECYCLING COMPANIES TO SOURCE LOCALLY

Prior to the intervention, recycling firms were importing raw materials; however, the business model aimed to shift them to buying locally. The recycling firms were open to testing this model and LIWAY successfully demonstrated the viability of the model. This intervention happened at a time when Ethiopia's forex reserve was low, which meant that firms were struggling to import, and the import tax was also a hindrance, creating strong incentives to change.

LIWAY demonstrated that successful engagement with the private sector needs a combination of (i) alignment with their business incentive; (ii) the right level of readiness; and (iii) demonstration of a tangible business case by the programme.

ACCOUNTING FOR EXTERNALITIES

One of the most fascinating aspects of this intervention was the positive externalities it generated, beyond the team's initial assumptions and projections.

- **Import substitution:** This intervention helped with import substitution for at least 20 million USD. Paper recycling firms are no longer importing raw materials because they are able to operate at near capacity with locally sourced paper waste. While the programme expected this to happen, it had not imagined it would be at this scale.
- **Price transparency:** This business model helped to improve price transparency to benefit the MSEs so that they do not get manipulated by the traders. Before the intervention, since there was no communication through the chain, dealers/traders would buy waste from pickers at

2 ETB/kg and sell for 8 to 10 ETB/kg. Now waste collecting MSEs have a direct channel of communication with the recycling companies, and they know the price so the middlemen cannot take advantage of the situation. Dealers now buy at 8 ETB/kg and sell for 10 ETB/kg. MSEs can also supply to recycling firms directly which gives them more flexibility and bargaining power.

- **Impact on other regions of Ethiopia:** Following the emergence of MSEs, recycling firms from other parts of Ethiopia have started to buy waste from these MSEs. At the same time, some MSEs are buying waste from nearby regions as well.

Measuring positive externalities is important for MSD programmes. Often, we get myopic about measuring only what we planned, but the bigger impact might just be from somewhere else. MSD programmes need to be well-versed with the market dynamics and maintain relationships in a way that we can closely monitor how interventions evolve and how the relevance of our activities change because that impacts the longevity and depth of programme impact.

WHAT DOES THE FUTURE HOLD?

This is one of LIWAY's highly successful interventions, not only because of the jobs and income generated, but also for the systemic influence the programme has had on the sector. LIWAY has been able to develop a fruitful collaboration with the leading government agency responsible for waste management in Addis Ababa, AACMA, to test and implement a model that leverages incentives and institutional capacities to encourage improved collection and management of recyclable waste. It is one of those rare cases where the impact is visible to the wider community – it has become increasingly difficult to spot paper, waste, and plastic lying idle on the streets of Addis Ababa. The market actors are happy with the result, excited about the prospects for growth, and committed to making this a success because it not only makes commercial sense but also because a cleaner Addis is a matter of pride for its citizens.

Now LIWAY's priority is to see if/how the learning from Addis Ababa can be utilised in the expansion in Sheger City. This is an opportunity to check some of the assumptions about continuity and buy-in and test that the intervention can be sustainable with less involvement from LIWAY. At the same time, the team will focus on building resilience of the activities it has launched in Addis Ababa, including improving MSE access to necessary services and support. While the evolution of the intervention will be important for LIWAY to assess its long-term results, the learning from the programme is valuable for the wider MSD community and can give a unique perspective of applying MSD in similar markets, particularly in public goods.



INTERVENTION CASE 5

CATALYSING AN EMBRYONIC MARKET: HOW LIWAY CONTRIBUTED TO THE DEVELOPMENT OF AN INCLUSIVE E-COMMERCE SYSTEM

EXECUTIVE SUMMARY

This case study examines LIWAY's contribution to the development of an e-commerce ecosystem inclusive of women- and youth-owned MSEs, in a digital economy that by regional standards was embryonic.

Evidence shows that LIWAY invested significantly in understanding the MSE market system to gain a unique perspective on how the system could work better to benefit target MSEs. The analysis led to the identification of the need to improve MSE access to retail space to generate product awareness and sales opportunities, which is vital to the maintenance and growth of MSEs. Both physical and digital solutions were identified, but the lack of an enabling environment for digital solutions in Ethiopia was initially discouraging. However, early momentum and appetite of public and private stakeholders, combined with the future potential for its target group, encouraged LIWAY to take a risk in the embryonic e-commerce sector.

Working in an embryonic sector meant it was essential to identify an implementing partner with, not only the incentive and capacity to expand into a new area, but also the willingness to take a risk, try something new, and above all learn and adapt along the way. The success of this intervention is in large part attributable to the ability to continuously learn and adapt, which included changes to the initial model, trialling ways to mobilise and build trust of both MSEs and consumers to create behaviour change, negotiating regulations, and finding ways to diversify for sustainability.

An evaluation of LIWAY's contribution demonstrates that in addition to catalysing the change, LIWAY's dedication and support, particularly in the initial years, was vital, which included identifying solutions to challenges and potential adaptations, mobilising the government into supportive action, and ensuring regular physical presence with the implementing partner. The evaluation also demonstrates that LIWAY's support was necessary and although others may have entered the space eventually, there is no evidence that other actors were about to do so at the time of LIWAY's engagement.

Final reflections on lessons learned and considerations for others wanting to develop digitally based interventions in an embryonic sector include testing diverse models, considering mixed incentives, and applying mixed methods to build trust, as well as taking into account different digital access and skill levels and building a bridge towards greater degrees of digital inclusion.

BACKGROUND

Addis Ababa is one of the fastest growing cities in Africa, but there are significant numbers of people being left behind. Women's culturally defined roles limit their opportunities and pathways out of poverty and young people are hindered by an urban youth population that is growing faster than job creation. Existing market systems disadvantage or exclude poor women and youth from accessing wage and self-employment opportunities. The result is sustained high levels of poverty and disgruntled youth, which fuels social instability.

The Livelihoods Improvement for Women and Youth (LIWAY) programme aims to contribute to sustainable poverty reduction and social stability in Addis Ababa by increasing incomes through improved wage and self-employment opportunities, primarily for poor women and youth. The

objective is to increase incomes of 257,000 poor people in Addis Ababa, of which at least 128,500 (50%) are women (young and adult) and 192,750 (75%) are youth (female and male).

LIWAY works in four interrelated systems, one of which is the micro and small enterprise (MSE) system. MSEs are a key instrument of job creation in urban centres and have been given due attention by the government of Ethiopia since 2004/2005. However, while the number of MSEs established and the number of jobs they created grew steadily to 2014/2015, a substantial decline was experienced following this period²¹.

Women and youth participate as owners, employees, and managers of these enterprises. The Ethiopia Growth and Transformation Plan II (GTP II) estimated that youth make up about 75% of microentrepreneurs, and this figure is likely to grow as formal wage labour cannot keep pace with the supply of labour. Women are estimated to make up 35% of microenterprise owners, with slightly higher figures for women employees of microenterprises²².

LIWAY saw that the livelihoods of women and youth could, therefore, be improved if barriers to business entry and growth for this target group were addressed.

MARKET ANALYSIS

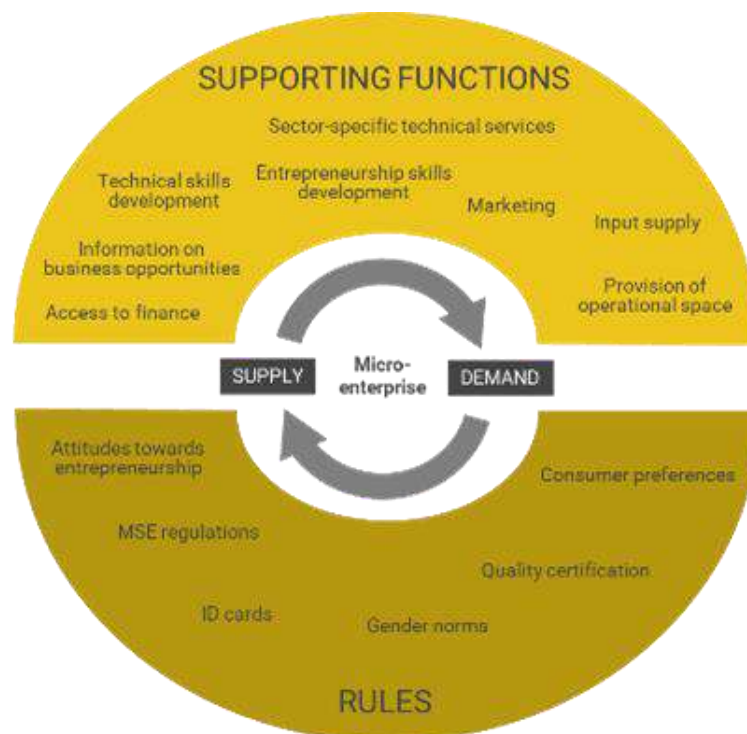
In 2017, LIWAY conducted a market analysis in Addis Ababa to identify constraints and opportunities for women and youth in the MSE system. This included interviews and focus groups with members of the target group, as well as key informant interviews with relevant market actors that play a role within the various supporting functions and rules of the MSE system. Although the government of Ethiopia had a national MSE strategy, several constraints were found to inhibit the startup and growth of enterprises by the target group.

This included a lack of relevant business information and networks, lack of access to finance, unconducive rules and regulations, and limited access to operational space to both produce and promote products.

The ability to generate product awareness and sales opportunities is vital to the maintenance and growth of MSEs. However, LIWAY found there was a lack of access to appropriate and affordable retail space, particularly in highly trafficked areas of the city. With the exception of government bazaars three times a year, the opportunities that existed were prohibitively expensive. Some MSEs were found to be selling through wholesalers but often struggled with delayed payments. MSEs lacked the promotional skills to drive sales on their own.

²¹ Tariku Ayele (2018): Review on Status of Micro and Small Enterprise (MSE) Development in Ethiopia, European Journal of Business and Management www.iiste.org. ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online), Vol.10, No.31, 2018.

²² CSA, 2016.



THE VISION

LIWAY determined that if appropriate retail space was commercially available to MSEs at rates they could afford, MSEs would be able to grow their businesses through increased sales, thereby increasing their incomes and the incomes of others whom they employ. Different opportunities to improve MSE access to retail space were identified, including physical access through public-private partnership bazaars and digital access, which had been demonstrated in other countries to cost-effectively increase the reach of businesses. However, a feasibility study conducted by LIWAY found the enabling environment for digital solutions to be lacking in Ethiopia. By regional standards the digital economy was embryonic and with respect to e-commerce specifically, there were no existing examples in the country, payment infrastructure was nascent, and policies were non-existent or inconducive (e.g., retail licenses that only covered one product type; invoice requirements for tax purposes).

However, private companies were exhibiting early momentum in digital platforms, payments, and financial inclusion and LIWAY was encouraged by the government's emphasis on e-commerce, which was reiterated by government stakeholders during a validation workshop held by LIWAY. While progress was limited to date, it was a key part of the government's strategy. Although often the realm of larger businesses, LIWAY believed that a service addressing MSE constraints and needs would be adopted by and benefit MSEs – but it would require significant behaviour change of both MSEs and consumers.

Based on the early momentum and appetite of public and private stakeholders, and the future potential for its target group, the decision was made to venture into the unknown and support the development of this embryonic sector.

promote products on the platform and take orders, and served as collection points for MSE products. However, the agent landscape in Addis Ababa was changing rapidly. Along with more enabling regulations in the financial sector, came more direct and indirect competition for HelloCash agents, which reduced their customers and limited income generation. As such, many HelloCash agents in Addis Ababa became inactive, and HelloMarket, because it was so new, would not be able to generate sufficient agent revenue on its own. The agent model was therefore dropped in favour of a fully online model, and other methods of outreach and trust-building had to be employed for both MSEs and consumers.

MOBILISING AND BUILDING TRUST OF MSEs

MSEs had to bring their products to the warehouse to be stored and managed by HelloMarket until they were sold. This helped BelCash ensure products were available when ordered, which was important to develop trust with customers. However, MSEs were not used to putting their products into a third-party warehouse, and it remained empty. BelCash considered buying products and selling them on the platform to catalyse activity, but through discussions with LIWAY, an opportunity was identified to leverage the government's interest in e-commerce – in essence, to push already open doors. The Bureau of Labour, Enterprise and Industry Development (BoLEID) had a registry of thousands of MSEs and was persuaded by LIWAY, through one-to-one meetings, letters, and joint meetings, to actively participate to inform and engage MSEs. LIWAY also organised a large planning workshop with government representatives to gain assistance from the bureau to the grassroots level. Government stakeholders developed detailed mobilisation and onboarding plans for their localities and some facilitated venues for MSE onboarding/training and transport to bring their products to the HelloMarket warehouse. To address constraints with digital literacy of MSEs, HelloMarket personnel take, edit, and post product pictures on the platform, as well as write the description for each item. MSEs are also provided with technical marketing training, as well as access to customer feedback and information on customer preferences through the platform to help improve product quality.

The involvement of the government helped create momentum and trust with MSEs, but its mobilisation efforts were impacted by COVID-19 as group information and onboarding sessions could no longer be held. A new approach was needed, which would also be sustainable in the longer term. BelCash used BoLEID's MSE lists, obtained by LIWAY, to target MSEs through telemarketing from its call centre and LIWAY added a recruiting firm to reach MSEs not included on the list through door-to-door mobilisation. BelCash also began to extensively use social media for outreach and promotion and also tried to reach MSEs through SMS, as well as exhibitions and events organised by the government, when they resumed.

MOBILISING AND BUILDING TRUST OF CONSUMERS

On the consumer side, BelCash had to determine which channels consumers were most likely to use to connect with HelloMarket. In addition to its multi-language call centre, printed brochures were trialled where people could buy on the street, but it was found to be unsuccessful. BelCash also found that purchases via the website (hellomarket.com) were minimal. Telegram proved to be more successful as it is a popular and highly used platform in the country. For the first time in Ethiopia's history, Telegram was used as a channel to place orders and pay for goods. However,

draft the proclamation. BelCash's contribution was significant as HellooMarket was the only operational e-commerce platform with a considerable number of users from which real cases and experience were taken to serve as an example for the commission. The policy and regulatory environment is continuing to evolve, and e-receipts, for example, are expected to be available in November 2023.

IMPACT AND EXPANSION

As of the end of September 2023, 1,912 MSEs were using the HellooMarket service, improving the income of 11,562 women and youth, of which 6,112 are women (young and adult) and 7,697 are youth (male and female). At this time, 91,228 products had been sold online worth a total of 19.81 million ETB. HellooMarket's impact may also include the growth of MLEs, some of which are likely to employ members of LIWAY's target group.

Based on the success to date, BelCash has started to establish HellooMarket distribution centres, onboard MSEs, and collaborate with governments outside of Addis Ababa. The company has also begun international expansion and has integrated its system with financial institution online payment platforms to allow diverse in-country and international payments, integrated with DHL to ship items on the global market, and changed its in-house inventory system from manual to digital to effectively and efficiently manage incoming and outgoing goods.

HellooMarket has served as an example to others about what's possible, and the enabling e-commerce policies and regulations have paved the way for new entrants, some of which have replicated and built upon the HellooMarket model and the trust it built in the e-commerce concept. For example, Shega is providing a similar service to MSEs in Addis Ababa. Like HellooMarket, the platform integrates a warehouse service, call centre support, and a delivery system. Another is Ashewa.com, which was established in May 2020 to enhance e-commerce services for enterprises. It similarly has integrated payments and a warehouse and delivery system, but unlike HellooMarket, it includes both local and imported goods and provides MSEs with administration options on the platform to manage their own account. In some cases, these companies have attracted HellooMarket MSEs to also use their platforms, leveraging the trust that has been built by HellooMarket.

Additionally, because this was such an embryonic market, relevant training didn't exist, and as such, HellooMarket became an incubator to teach people how to run these kinds of platforms. There has been a transfer of this built capacity from HellooMarket across the sector. BelCash estimates that approximately 25 of its employees now work for companies that have emerged within this space since the introduction and evolution of HellooMarket.

EVALUATION OF LIWAY'S CONTRIBUTION

In order to make a contribution claim, a series of hoop tests can be applied, which include the following four questions:

1. DID THE CHANGE OCCUR?

The answer is yes. Launched in early 2019, HellooMarket is up and running, and as of September 2023 was being used by 1,912 MSEs which sold a total of 91,228 products worth a total of 19.81 million ETB. The ecosystem has developed significantly with a new e-commerce proclamation and ongoing evolution of the policy and regulatory environment, and several new entrants have replicated and built upon the HellooMarket model.

2. DID IT RESULT FROM A PROCESS IN WHICH LIWAY SUPPORT WAS USED?

Yes. LIWAY co-developed the business model and entered into a joint commitment with BelCash in October 2018. Also, in addition to co-investing in the pilot, LIWAY provided ongoing support and technical assistance throughout the journey, which helped identify solutions to challenges and potential adaptations along the way. For example, LIWAY identified the opportunity to leverage the government to mobilise and onboard MSEs and mobilised the government in this respect. BelCash's CEO, Vince Mountage noted the value of LIWAY's involvement in government interactions:

"Coming with [LIWAY] to the Tax Authorities and all these people, they took us way more seriously than if we were just a private little business walking around. When you come and you have international support... and they themselves want to see m-trading happening, that has also been very valuable."

Mr. Mountage further commented on the overall value of LIWAY's presence, particularly in the early stages of the journey when HellooMarket experienced unexpected challenges:

"The fact that you have to report to a third party, even in the bad times you continue fighting for it. My empty warehouse for six months, I don't know if I would have continued if I was alone.... Because you have very serious people and very dedicated people who are putting their hope on that, it has given us drive... especially in the two and three first years, LIWAY has been critical."

3. WAS THIS SUPPORT NECESSARY (NON-REDUNDANT) FOR THAT PROCESS?

Yes. Although BelCash had already been thinking about domestic and international digital commerce solutions prior to discussions with LIWAY, no movement was being taken in this direction as the company's board wanted to retain focus on its core business. BelCash also had little knowledge of MSEs. LIWAY demonstrated the potential market opportunities to BelCash, as well as the need for building the local ecosystem before thinking about the international market. LIWAY's interest and willingness to support and co-invest convinced the company's board to venture into this new sector. As Mr. Mountage stated, *"LIWAY was the enabler... It would not have happened without [LIWAY]. [LIWAY] was the push for me to go to my board and say listen, there is [co-investment], let's try it and let's see."*

4. WOULD OTHERS HAVE PROVIDED THE SUPPORT TO THIS PROCESS WHEN LIWAY WOULD NOT HAVE BEEN IN PLACE?

The answer is that it is likely other support would have been provided and others may have entered the space eventually; albeit not immediately, because there is significant emphasis on digital economies across Africa and e-commerce has become prominent in other countries, even more so with the COVID-19 pandemic. However, there is no evidence that other actors were about to do so at the time of LIWAY's engagement.

CONCLUSION

What LIWAY did through this intervention worked and increasingly greater numbers of its target group will likely be impacted both directly through HellooMarket activities and indirectly through expansion across the e-commerce ecosystem. The pathway for success was initially laid through **strong market analysis** that identified the functions that needed to be addressed and through the **selection of an implementing partner** with, not only the capacity and incentive, but the willingness to take a risk, try something new, and above all learn and adapt along the way, which is essential in the development of an embryonic sector. As was demonstrated, LIWAY's **dedication and support** in the early years was a vital success factor in helping to navigate the twists and turns along the journey of learning and adaptation. This included identifying solutions to challenges and potential adaptations, mobilising the government into supportive action, and ensuring regular physical presence with BelCash.

While implementing diverse models may have led to more rapid results and additional learning, in such a nascent market, there were limited players from which to choose, and the MSD approach dictates incentive and capacity, some of which other potential partners were not able to demonstrate. However, where possible, **testing diverse models** in embryonic sectors would be a recommended approach. Another key lesson is to **consider mixed incentives**. Beyond the revenue-generating potential for BelCash, the government's strategy included e-commerce. Therefore, although the lack of an enabling environment was an initial disincentive, LIWAY was willing to take a risk in part based on the incentive of the government and was able to push already open doors for needed intervention support.

Another key consideration, particularly with interventions in an embryonic sector, is the **application of mixed methods** to build trust for new concepts. In this case, a combination of offline and online components continued to be needed to transition consumers and producers from existing behaviours to new ones, and several awareness and mobilisation activities were implemented. Finally, with any digitally based intervention that targets poor women and youth, it is vital to **take into account different digital access and skill levels** and to build a bridge towards greater degrees of digital inclusion. In this case, limited digital access and skills were addressed by having HellooMarket staff take, edit, and post photos, as well as write product profiles, and technical marketing training was provided. However, it is expected that as more poor women and youth increase their incomes, and as technology becomes more accessible and digital skills are developed, there will be a greater shift towards digital access. New entrants are already moving in this direction and are providing MSEs with platform access to manage their own accounts.

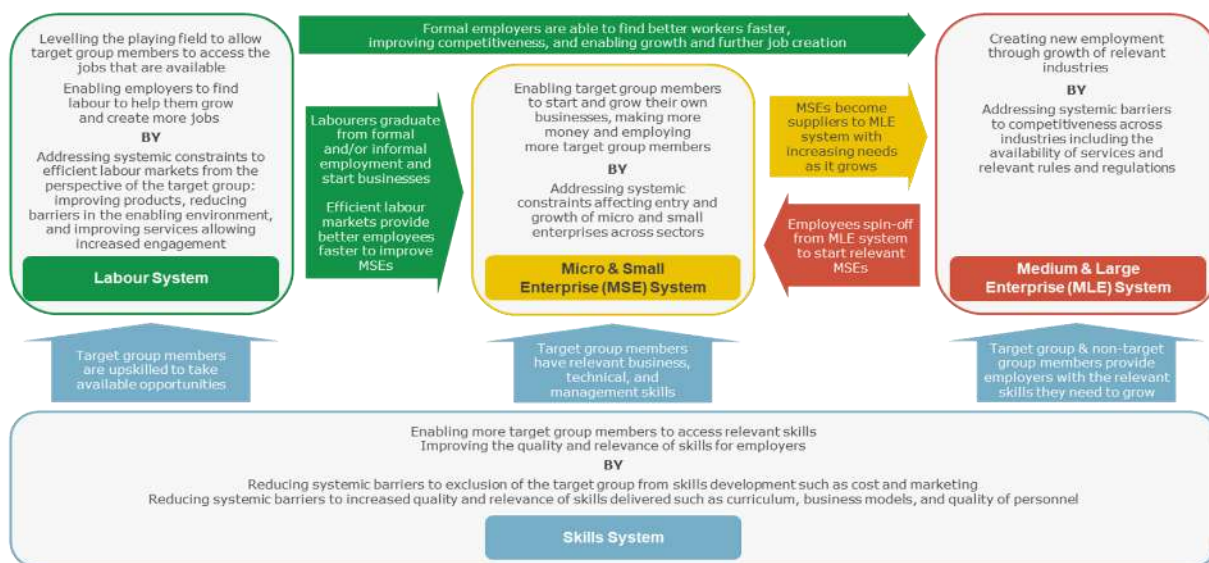


THEMATIC CASE 1

HOW LIWAY USED A MARKET SYSTEMS APPROACH TO ADJUST POLICY IN A 'DEVELOPMENTAL STATE'

As such, after GTPII, the government aimed to pivot from a sectoral and solely growth-focused approach to one which was more explicitly developmental, urban, and employment focused. This aligned perfectly with LIWAY's design. LIWAY was designed in the areas it was felt would be most transformative, and were currently most neglected, for this same target group – young, urban, poor people with a particular focus on women. The organisation of the programme around the principal ways in which this group can earn money in a complex urban economy – starting and growing their own business, engaging in formal waged employment, and engaging in more informal labour markets, all underpinned by improving the skills with which they are able to engage in these livelihoods – aligned perfectly with government priorities.

The four focus systems are interconnected and together contribute to structural transformation



All of that said, the impediments to the more effective functioning of these economic systems were many, and many of them were partly attributable to the challenges created by a large, complex, and under-resourced state. The Ethiopian government was, then, both part of the problem and likely part of the solution.

Many MSD programmes fail to effectively engage with these more difficult issues, preferring instead to engage with the more transparent incentives of the private sector. In some contexts, this is an effective and quicker pathway to impact. But for this market segment, in Ethiopia, it is unlikely to be effective. As such, LIWAY decided to purposefully and proactively target policy change and has had huge success in doing so across its focal systems. This case aims to share lessons as to how this success was achieved by pulling a range of policy levers.

POLICY AND PRACTICE CHANGES INFLUENCED BY LIWAY

Policy/practice	System	Constraint addressed
Development of national recruitment platform	Labour	Exchange infrastructure
Inclusion of childcare spaces at industrial parks	Labour	Childcare operational space
Vocational guidance and counselling guidelines	Skills	Career guidance services
Cooperative training manual	Skills	Industrial placement
Higher Education, TVET, Research Institutions and Industry Linkage Proclamation	Skills	Trainer skills development
Public institutional childcare provision directive	Labour	Childcare operational space
Institutional internal assessment manual	Skills	TVET management
Assessment and certification management manual	Skills	Certification quality
Ethiopian Educational and Training Policy 2023	Skills	Business models in public TVETs & separate trainer skills development
Coordinated labour market assessment	Skills	Demand assessment
ERCA Invoice on delivery policy	MSE	Rules on e-commerce compliance
E-commerce proclamation	MSE	Wide ranging constraints relating to e-commerce operations
MSE Digital Integration Proclamation	MSE	Platforms
National ID cards	Labour	Identity verification
PPP bazaars	MSE	Marketing platforms
MSE taxation policy	MSE	Taxation policy
LIWAY has also engaged in many more where their efforts have yet to yield policy change but demonstrate great promise including childcare licensing regulations, job-board placement, insurance regulations for employers, Kaisei integration and many others.		

SUCCESS FACTOR 1: WORK OUTSIDE GOVERNMENT TO BUILD EVIDENCE AND MOMENTUM

Despite alignment with government priorities, in many cases, LIWAY found it difficult to convince the government to make the necessary changes from the outset. Some of the necessary changes entailed additional investment of money or time from an overstretched government, while others required policy changes, alignment, and simplification. The latter of these two categories were not without cost; the role of personal and organisational power dynamics and trade-offs are vital to understand in discussions with government and any changes required by LIWAY would necessarily entail shifts in responsibilities and power with winners and losers.

LIWAY uses an [incentive and capability scorecard](#) to assess why certain actors might, or might not, engage in particular behaviour changes. The scorecard rates a particular actor on their incentives and disincentives for a given behaviour change according to a wide range of incentives and capabilities including personal, social, political, financial, and technical drivers. At the outset, in many cases, it was clear that the incentives were not sufficient to justify the investment of financial, social, or political capital from the respective government counterpart(s). Importantly, LIWAY did not seek to *push against locked doors*. In analysing the incentives, the programme sought to target areas where there was potential for behaviour change; where the distance from where the incentives and capabilities currently sat to where they needed to be was not too far.

For example, one of the major challenges impeding the growth of enterprises in the MLE system is access to foreign exchange to buy inputs. Here, there is a complex set of policy causes from the central control of the exchange rate mechanism, priority access to hard currency for exporters, and tariffs driving up the costs of inputs. While reform here would be highly influential, in mapping the incentives and capabilities of key actors to change this dynamic, it was felt that the distance was too far, and it would not be a worthwhile investment of LIWAY's time.

In cases where LIWAY felt there was potential for change, one of the key tactics used was to work outside of the government system to generate evidence on how behaviour changes within government might help them to realise their objectives.

As described extensively in the digital job matching case study, LIWAY knew that any large-scale change in the exchange infrastructure function for low-skilled jobs in the labour system was likely to rely heavily on the federal government as the platform owner. The margins available for these low-skilled jobs meant that any private sector actor was unlikely to be able to sustain this function without cross-subsidy. However, the facts remained that i) government shared the objective of reducing youth unemployment, and ii) government was already spending money in this area but with very poor outcomes. As such, LIWAY simply needed to demonstrate there was a more effective way to perform this function but in a more cost-effective way utilising the mixed incentives of government, the private sector, and other information users. As such, LIWAY's pilot started with a fully funded investment outside of the federal government system, directly taking on two *woredas* in two sub-cities in a model the programme knew from the outset would not be scalable. The intention was proof of effectiveness in the realisation of employment outcomes rather than the testing of a fully-fledged model. The data available from this pilot enabled LIWAY to secure the buy-

in that led to LIWAY being invited into the national recruitment platform to operationalise a more scalable model.

Another example comes from the skills system. Building capacity of the large, low or unskilled young workforce has been a national priority, not only for poverty reduction at scale but also to facilitate industrial growth, which is constrained by the human resource deficit. TVET education provides the most viable pathway for formal upskilling of Ethiopia's urban youth characterised by low educational attainment and low skill levels. Particularly, the public TVET institutions are extremely important due to limited private capacity to invest in children's education owing to low household income. About 670 out of approximately 1,600 TVET institutions are public, and to the degree that TVET education is attainable at all, the public segment is likely to be the only avenue available to them.

For several partnerships, LIWAY has partnered with non-TVET entities such as private industries and service providers to build the evidence base. The TVET system did not have any guidance or counselling system to support students in securing jobs. LIWAY partnered with a private company Aha Psychological Services to set up 'Career Development Centres (CDC)' in three TVET colleges. Aha provided training to a vocational guidance and counselling (VGC) counsellor in each of these colleges and developed job readiness test and counselling tools to help students become employment ready. With a view to setting up similar facilities in all TVET colleges to improve students' job readiness through individual counselling, the 'VGC guideline' (with MoLS) was developed. This guideline was the first step towards setting up CDCs in TVET colleges. The VGC guideline has been approved in Q2 2023 and already distributed to TVET colleges by MoLS which mandates all TVET colleges to have one VGC counsellor and a CDC to ensure students enter the job market as competent, motivated, and adaptive professionals.

Similarly, the 'Cooperative Training Manual' (with MoLS) aims to improve the system for TVET trainees getting hands-on training in private industries through two-week attachments. LIWAY initially piloted this manual in six colleges and 21 industries with the support of Addis Ababa TVET Agency. With its approval in Q2 2023, this manual will now be implemented by all public TVET colleges, which will contribute to building a stronger linkage between the TVET and private sectors and improve the supply of skilled workers.

Improving the capacity of TVET trainers has been another crucial challenge for the skills system. LIWAY partnered with four TVET colleges and four host industries to pilot the 'TVET Trainers' Industry Attachment Programme' where TVET trainers go to private industries for 30 days to learn about modern industrial techniques. The expectation was that the trainers would then be better able to give more practical training to their students. The results have been promising, trainers have cascaded their industry experience through hands-on training and private industries report benefiting from having trained experts in their premises who can assist them with staff training and the mechanics of some of the machinery. Private industries have expressed interest in continuing the programme. Seeing the results, the government enacted the 'Higher Education, TVET, Research Institutions and Industry Linkage' proclamation in 2023. This proclamation includes provisions for implementing this industry attachment programme for TVET trainers and university lecturers. Subsequently, guidelines for the attachment programme for TVET trainers and university lecturers have been developed and are waiting for enactment. Once passed, the industrial attachment programme will be a requirement for all TVET colleges across Ethiopia.

SUCCESS FACTOR 2: FOLLOWING MOMENTUM AND FINDING THE MOST POWERFUL ACTORS

“Government” is often considered by MSD programmes to be considered as monolithic; a reason often cited for not engaging in policy reform. A single statement on ‘government policy’ does not speak to how or why that policy was put in place, who decided on it, how deeply it is entrenched or, most crucially, whether it is actually enforced. Government itself can often be broken down into a range of constituent organisations and these organisations are comprised of numerous individuals. Each of these organisations and each of these people within these organisations can be assessed according to their own incentives and capabilities for engaging in a particular behaviour change.

A key unit of analysis in Ethiopia is the geographical units of government administration. In LIWAY, there were instances where federal government was in agreement with a particular behaviour change while at the level of the city government in Addis Ababa, the sub-city administration, or the Kebele offices, the willingness and ability to action any buy-in was minimal. This was the case, for example, where LIWAY influenced the policy directive that public institutions had to provide childcare facilities, which was highly conducive to LIWAY’s objectives but, when analysed at the local level, no commensurate technical guidance nor necessary budget was allocated to facilitate the change.

At the level of individuals too, analysis of capabilities is critical. In some cases, LIWAY was able to identify shifts in power between new ministers, advisors, or in some cases, newly created commissions and ministries. Analysis of these dynamics allowed LIWAY to focus advocacy and influencing efforts on where they had the greatest likelihood of impact.

In addition to the incentive and capability scorecard, LIWAY uses this advocacy agenda framework (see table below) in relation to each target issue to map out all of the relevant actors involved in a particular change and proactively manage LIWAY’s activities to bring that change about.

Stakeholder	Behaviour change we need to see	Incentive to do it	Incentive not to do it	LIWAY Action
...		...	...	...

ADVOCACY AGENDA FRAMEWORK

In the skills system, LIWAY realised early in the programme that the Government of Ethiopia is a key decision maker in the TVET sector. Any sustained improvement in the TVET sector including but not limited to curricula and training materials, infrastructure, teaching methods, quality assurance, and policy and regulatory environment will require government leadership and buy-in. However, the responsible institutions and their respective mandates changed over the life of LIWAY. As documented in the digital job matching case study, the inception of the newly formed JCC was highly influential in getting the national recruitment platform up and running and proved to be the key counterpart for LIWAY. In skills, however, after years of underfunding, stagnation, and fragmentation under disparate government ministries, it was the creation of the MoLS as the successor to JCC which proved to be crucial in actioning the changes LIWAY sought in the sector. The National TVET Strategy (2008) outlines the priority improvement areas in TVET education which also informed LIWAY’s strategies and choice of interventions. The MoLS (now incorporating

the functions of the previously independent Federal TVET Agency) is the ministry responsible for national job creation, skills development, and labour concerns and they oversee Federal TVET Institute and Federal Agricultural TVET colleges. Upon creation and with this mandate more clearly focused on skills development, MoLS was looking for innovative stakeholders/partners to collaborate, so their common goal presented an opportune partnership with shared ownership.

LIWAY initiated a partnership with MoLS in 2019 titled 'Improving the Platforms and Functions for Positively Impacting TVET Graduates' to improve the enabling environment for some of the specific gaps in the TVET system. The initial ambition was to establish a 'National Skill Council' to coordinate these changes but when the team discovered that a 'National TVET Council' already existed, LIWAY decided to work within that existing structure to respond to the power incentives of key actors. An MoU was signed between MoLS, Ethiopian Chamber of Sectoral Association, and Small and Medium Manufacturing Promotion Authority to work together on developing manuals that will guide selected processes in the TVET colleges. Under this partnership, six manuals and directives have been developed. The four approved directives and manuals include i) the VGC guideline, ii) the Cooperative Training Manual, iii) the Institutional Internal Assessment Manual, and iv) the Assessment and Certification Management Manual.

Two further directives and manuals in the process of approval include 'Leader selection' and 'Institutional revenue directives' which inform the management selection process in TVET to ensure capable leadership and allow TVET colleges to conduct revenue-generating activities. 'Education and Training Policy 2023' already recognises the latter and gave the mandate to training institutions to generate income through service provision, which is a critical part of LIWAY's vision for a more effective skills system and also influences areas such as public childcare provision in the labour system.

LIWAY has also established a close relationship with Addis Ababa TVET Agency to influence change in Addis Ababa city administration and the Federal TVET Institute for national-level implementation. One of the critical challenges of the TVET system was the disconnect with the private sector/employers. TVET training was not meeting the skills needs of private industries, which ultimately impacted the employability of the trainees and the overall competitiveness of Ethiopian industries. LIWAY launched an intervention titled 'Demand-driven skills service delivery' partnering with Addis Ababa TVET Agency where a coordinated labour market assessment was conducted to collect information from the private sector about skills gaps and demands. The assessment was conducted for 13 sectors and training materials were subsequently updated. Seeing the relevance of this assessment, Addis Ababa TVET Agency has decided to continue this assessment on an annual basis to help TVET colleges deliver demand-driven skilling.

SUCCESS FACTOR 3: DEVELOPING STRONG RELATIONSHIPS

Another key factor in LIWAY's success in driving policy change came in establishing credibility and maintaining strong networks and relationships with influential actors in these market systems.

LIWAY was able to act as an interlocutor between a government, which is in some cases still suspicious of the private sector, and a private sector which still fears dramatic and harmful policy shifts from government. LIWAY developed an influential private sector partnership with BelCash Technology Solutions (BelCash) and was able to mediate meetings with the revenue and customs

authority (ERCA) to broker a new rule which allowed customers to pay and receive an invoice on delivery, which had previously been outlawed. Of this change, BelCash's CEO said:

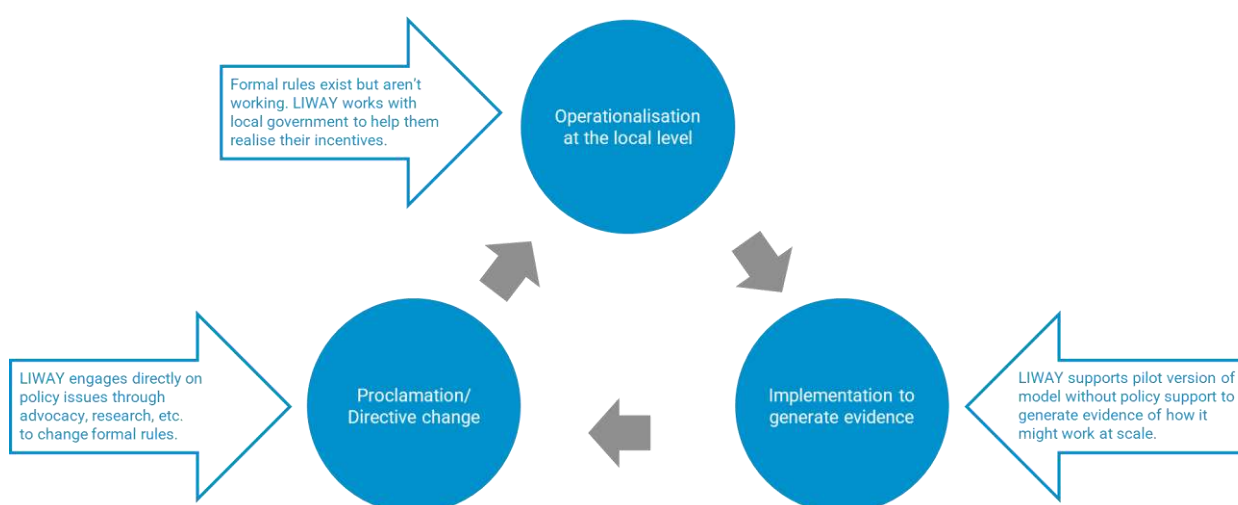
"Coming with [LIWAY] to the Tax Authorities and all these people, they took us way more seriously than if we were just a private little business walking around. When you come and you have international support... and they themselves want to see [e-commerce] happening, that has also been very valuable."

This change was one of many included in the new e-commerce proclamation passed by the House of People's Representatives in 2020 in which BelCash played a key role with the LIWAY-supported HellooMarket platform being the only operational e-commerce platform at that time.

In the skills system, despite knowing that true scaled impact could not come through LIWAY going TVET by TVET negotiating innovations impacting a few classes of individuals in each, LIWAY initially had to buy a seat at the federal table and one way to do this was to find a handful of TVETs willing to work outside of their normal procedures and systems. LIWAY launched 'discovery investments' with four TVETs to help them offer new courses using new capital equipment and more industry-appropriate curricula. These investments opened doors further down the line to the true target for influence at the Addis Ababa and federal levels.

This meant that the LIWAY team managed to build and maintain strong relationships in all relevant agencies which includes MoLS, Federal TVET Institute, and Addis Ababa TVET Agency despite many changes in personnel, leadership, and direction. Following any changes in personnel, the team ensured that the new public official is well-informed of the LIWAY collaboration and is able and willing to take ownership of the activities. That is why although political changes delayed some of the policy work, they were eventually approved and have continued to scale.

To improve the pedagogical capacity of trainers, LIWAY piloted an intervention 'Introducing improved vocational & pedagogical skills for effective employability' with Federal TVET Institute and five TVET colleges where pedagogical courses were developed and TVET trainers from these colleges were trained to improve the quality of their training delivery. After the pilot, the Federal TVET Institute decided to expand the activity without LIWAY support and sent trainers from 15 Agricultural TVET colleges to take part in this training. Subsequently, provisions of subject-specific vocational pedagogy courses are included in the newly enacted Ethiopian Educational and Training Policy (issued in February 2023), as well as provision of continuous professional development, and a professional license for TVET trainers that directly impacts the career development of the trainers. Following the pilots, LIWAY shared the evidence with relevant public agencies and the wider TVET community through events, workshops, and in-person visits to show the innovations in practice (where possible) and the results.



In the case of access to information for microenterprises, LIWAY engaged in small operationalisation endeavours with local government for KEFTA. LIWAY also engaged in much more direct initiatives at different levels to improve operationalisation around HellooMarket. Both engagements were effective. The reinforcing nature of the policy change cycle comes in the fact that, through these engagements, change eventually happened at the policy directive level whereby a new directive states that local government must provide support to MSEs to access digital platforms and success in this regard has been added as a key performance indicator for officials.

Using LIWAY's analytical frameworks at the organisational and individual levels has been important in the selection and timing of deployment for different intervention tactics. Whereas in some cases, LIWAY has produced highly technical research reports that can be scrutinised by technocrats, in the case of the 'TVET trainers industrial attachment', an advocacy event was organised to propose formalisation of the industrial attachment programme where LIWAY's partner Metal Industry Development Institute (MIDI) prepared a documentary that showcased the advantages of the programme in improving the quality of TVET skills delivery. LIWAY's assessment revealed the most appropriate tactics to change specific behaviours of particular people with agency to do so and when to deploy them. In some cases, detail matters and in others, style is more important than substance, which can come later once momentum has started to gather.

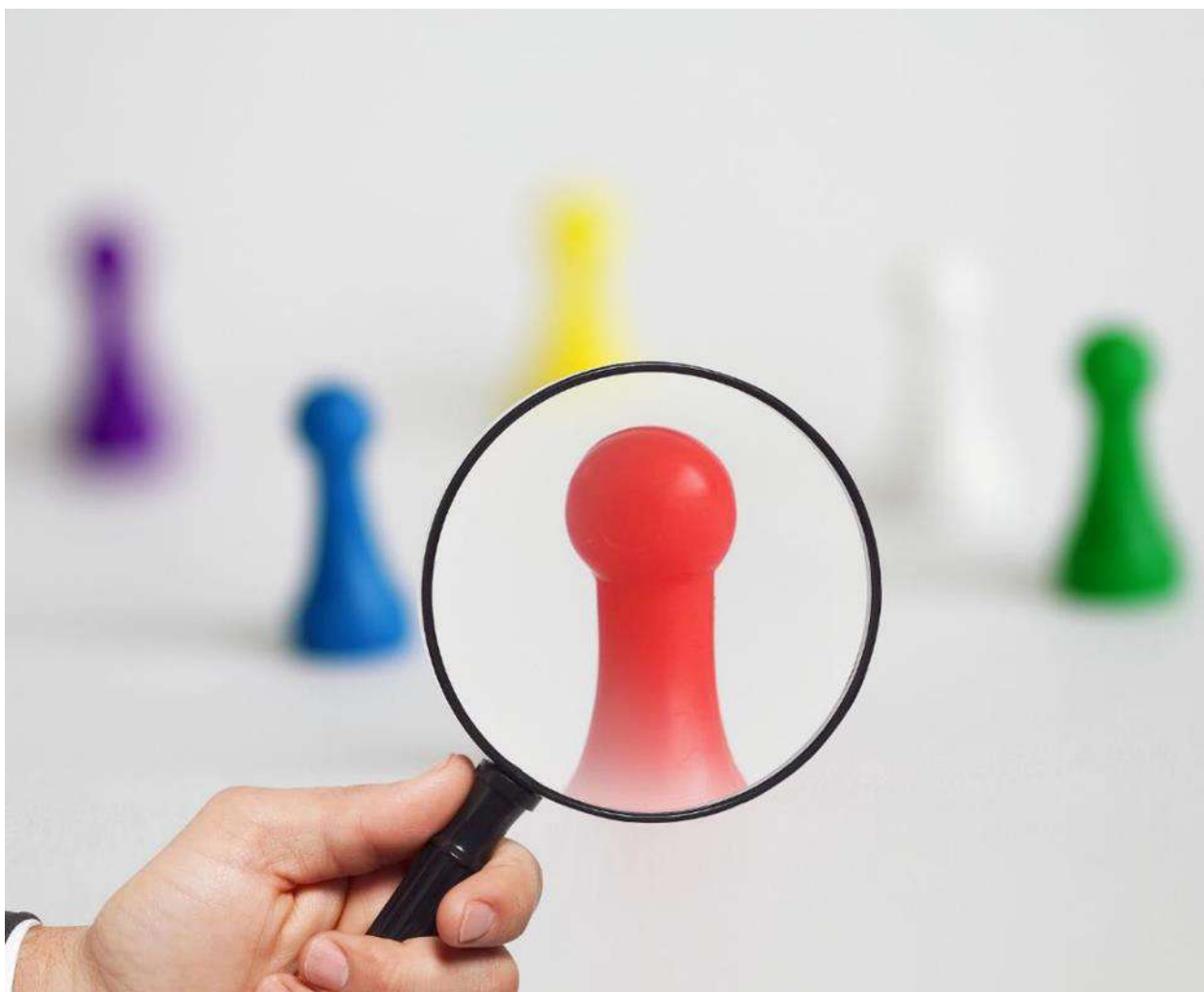
CONCLUSION

This thematic case has demonstrated both LIWAY's success in contributing to critical policy changes for low-income urban women and youth in Ethiopia as well as positing the reasons for that success. While the potential for (or indeed necessity of) such changes will vary by context, particularly according to the involvement of the government in different economic areas, this has demonstrated how an MSD approach can be highly effective in achieving policy change. MSD has the objective of sustainable, large-scale, developmental impact. In some cases, where resources are low, the enabling environment is restrictive, and business cases are few and far between, the government can be a key avenue for achieving scale. MSD programmes must, then, focus on how changes enacted can be sustainable, and areas where the government mandate and incentives at the collective and individual levels are aligned with the objectives of the programme. Doing so can

reveal efficiencies to government in helping them achieve their goals so that new models can be implemented.

Tactically, programmes should be analytical and judicious in how they deploy their intervention instruments based on the change they want to see. Organisational and individual stakeholder analysis is vital and should not only be conducted during a diagnostic phase of a programme but repeated over time to account for shifts in political dynamics and power structures.

Ultimately, policy change is hard. It is not an 'off-the-shelf' matching grant to a private sector service provider, which is favoured by far too many MSD programmes for its simplicity and accountability, if not its impact or additionality. In considering government as a change agent, in a range of different capacities, MSD programmes can increase their inclusive impact.



THEMATIC CASE 2

HOW TO USE SEGMENTATION STRATEGIES TO REALISE BUSINESS OPPORTUNITIES AND MAXIMISE IMPACT

INTRODUCTION

MSD programmes, indeed all development programmes, are commonly given a target group at their outset. At the highest level, this might be the whole population of a country. In other cases, it can be much more granular, for example, poor people (or extremely poor people), women, young people, refugees, people with disabilities, or people from ethnic minorities. While it is rarely interrogated in sufficient detail, many programmes will be given targets associated with different subsegments of their target group, for example, 50% of programme beneficiaries should be women.

There are gaps in the conceptualisation of the role of segmentation in MSD programmes (the *why*) and a simplistic interpretation of methods for segmentation (the *how*), with the result being that the market segments used in MSD programmes (the *what*) are often crude. This leads to missed opportunities for programmes to generate impact and for our partners to realise their own objectives.

THE WHY: THE MULTIPLE PURPOSES OF MARKET SEGMENTATION

MSD programmes often only use market segmentation for 'targeting'. But 'targeting', in an approach that works with and through others and is typically 'opt-in' at the level of the target group, is a problematic concept. MSD programmes in general don't do targeting well. Direct delivery programmes are able to select their beneficiaries and, for example, ensure that 70% of their grants are given to women-owned businesses. In MSD, we are, in theory, dependent on the incentives of market actors to benefit different segments of the target group. What commonly happens, as a result, is that programmes essentially end up being direct delivery programmes by putting out conditional calls for proposals or through other ways of adding conditionalities to their partners. Particular groups, therefore, do not benefit because of well-designed interventions that select for these groups, but rather because the programme is paying for these groups to benefit – in a way that is likely to be unsustainable.

In mature markets, however, market segmentation is very much the responsibility of market actors; it is the entire reason behind the information economy. Any actor with an objective (e.g., a political party that wants people to vote for them, a producer who wants someone to buy from them, or an advocacy organisation that wants people to change their minds) will seek to understand different groups of people according to social, economic, demographic, and other characteristics to determine what makes them behave the way they do so that strategies can be adjusted to make progress against objectives (e.g., sell more, get more votes, or change more minds).

In developing markets, the information economy is underdeveloped. However, MSD programmes see information and analysis as their principal asset and have an opportunity to incorporate this into market segmentation, for their own benefit and the benefit of the market actors with whom they partner.

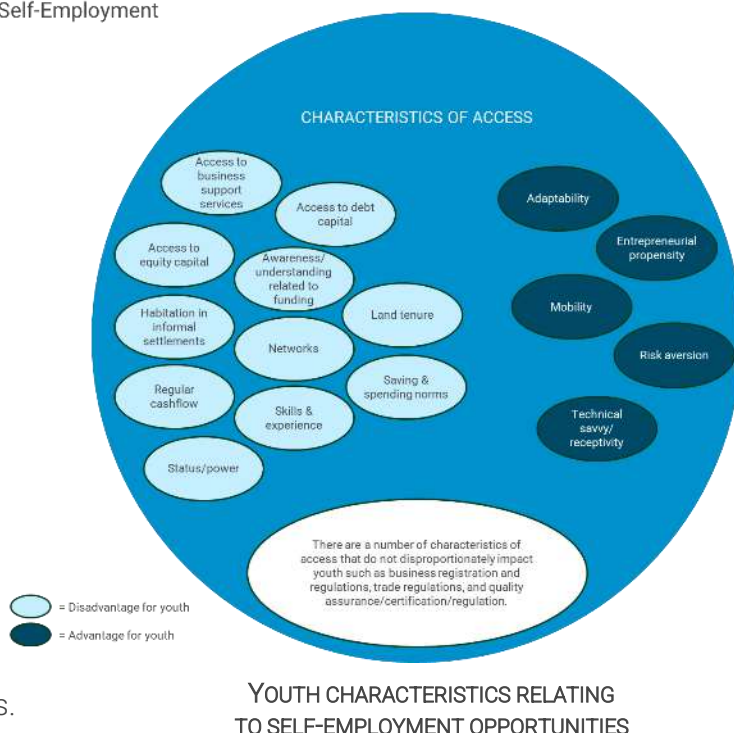
In this case, we draw together examples of how LIWAY has helped partners segment their target group and vary products, services, and business models to realise business opportunities while also helping LIWAY achieve its impact objectives. This is not about providing a partner with additional support on condition they hire refugees or developing a new intervention to target a different underserved segment. Rather it is about deepening the programme's analysis of how the

characteristics of different groups facilitate or inhibit their inclusion in the impacts of an intervention and, where appropriate, using this analysis to support further development of an opportunity to achieve impact.

THE HOW: IMPROVED METHODOLOGIES FOR MARKET SEGMENTATION

Agora Global has developed and articulated elsewhere a more effective approach that considers segmentation early on and includes a framework for looking at the characteristics of inclusion and exclusion from any given change in a market system. For example, young people are not excluded from most opportunities because they are young, but rather because of certain characteristics that they possess. Indeed, it is these characteristics which might mean that markets select positively for young people in different scenarios. The following figure provides an example that illustrates how youth are differently advantaged and disadvantaged in relation to inclusive growth opportunities.

INCLUSIVE GROWTH Self-Employment



THE WHAT: THE RESULTS OF LIWAY'S MORE SOPHISTICATED APPROACH TO MARKET SEGMENTATION

Market segmentation is practised as part of any successful business in a mature market. However, the majority of markets in which MSD is applied are not mature, and that is certainly the case in Ethiopia. In MSD, we commonly define people according only to one or a small number of characteristics, and these may not be the most important characteristics which determine their engagement with an intervention. Further, although the ultimate 'beneficiaries' of a development intervention are of principal interest to the development programme, for the success of the business, there can be many more market segments and roles within the delivery of that intervention whose characteristics need to be understood if the product or service is to be adapted to maximise impact.

In several interventions across LIWAY, we have been able to utilise this deeper market segmentation to adapt interventions serving the dual purpose of maximising business opportunities while also

maximising impact. In the remainder of this document, we highlight examples from across LIWAY of how important market segmentations were used to understand and improve pathways to business performance and impact.

Importantly, all the market segments listed below are part of LIWAY's target group and there were no specific targets to drive intervention towards them. Rather, the investment of LIWAY and partners in understanding and adapting models according to these characteristics was driven by the incentives of the market actors to do so.

MIGRANT VS ADDIS ABABA YOUTH

Perhaps the biggest subsegmentation of relevance to LIWAY, which is not present in the programme's results framework, is the target group's place of origin. LIWAY's analysis demonstrated numerous differences in characteristics of migrant vs non-migrant youth, which had dramatic implications for how a number of LIWAY interventions were developed.

In addition to interventions that were solely targeted at migrant youth, such as a labour system intervention focused on ID cards, the design of other interventions had to consider how experiences would likely vary for migrant and non-migrant groups. Perhaps the most obvious amongst these is language, where small investments by LIWAY's partners in job matching platforms, financial services products, and training programmes, among others, increased their potential audience to include the large numbers of migrant youth who were potential consumers within the city.

Furthermore, Ethiopia is dealing with a high number of refugees and internally displaced people who have even fewer opportunities for economic integration. Formal employment is often not an option for them; they need income sources that are viable irrespective of their location and allow for a high degree of informality. At the same time, the programme needs to work with implementation partners who have experience working with such groups and understand the nuances involved. LIWAY therefore partnered with OICE, an organisation working specifically with returnees and internally displaced people to train 500 people from their rehabilitation centre and host community in Bole on tailoring and hairdressing, with future planned activities in catering and daycare in the future. Importantly, LIWAY does not have targets around the number of migrants or refugees that benefit from its interventions. Rather, these are ways of increasing the sophistication of the market to find incentive-based ways to cater to important differences between key market segments.

WOMEN-OWNED VS MALE-OWNED BUSINESSES

LIWAY partnered with Elebat Solution, which had implemented a 'super-agent' model whereby Elebat onboarded an agent network to increase the uptake and usage of digital financial services. LIWAY's role was to push Elebat's model, which had been successful within more affluent communities, towards lower-income market segments. The expansion to lower-income segments was a success and both Elebat and LIWAY could have pushed on with the model as it was. However, through careful analysis and scrutiny of the data, there was a pattern that emerged.

LIWAY found that the retention of women as agents was far lower than that of men. From a results perspective, many programmes might have determined this to be irrelevant – workers had been hired and results had been registered. LIWAY's measurement system did go deeper in examining

worker retention, but the point worth highlighting here is how understanding this dynamic and responding accordingly represented a real business opportunity.

Elebat's women-owned businesses within its network have different client bases than those of their male counterparts. They have access to different market and on-selling opportunities and also represent an opportunity for diversification within Elebat's portfolio to increase resilience. Identifying the challenge with retention, analysing its causes, and adapting the intervention to find a solution was, therefore, critical to business success, rather than being a donor request.

LIWAY's assessment found that despite the job of women agents being the same, they experienced specific challenges of harassment, which increased markedly when assigned to locations further from their homes. As a consequence, Elebat modified the model to ensure that women were allocated a selling location as close as possible to their home and the result has been a dramatic increase in retention. To date, over 10,000 women and youth have been recruited and 62% of the current cohort are women-owned businesses.

YOUNG WOMEN VS YOUNG MEN JOBSEEKERS

LIWAY has many successful interventions aimed at increasing the engagement of young people in skills development and improving their outcomes. The programme, market actors, and funders would rightly be happy to hear that interventions intended to improve curriculum development, for example, are yielding results in terms of the number of young jobseekers enrolled in improved TVET courses. However, leaving the analysis at this level misses an opportunity to both increase impact and maximise the benefits for partners that drove their initial engagement.

In Ethiopia, the context for job opportunities is different for men and women. While men have access to a wider selection of potential jobs, options are fewer for women depending on the nature of work, perception of women, and social and cultural norms. Unemployment among women is 29.9% compared to that of 12.1% for men and the average unemployment rate for women aged 15 to 49 years of age is 48.8%. Many young women with undergraduate degrees remain unemployed, either because those fields of specialisation have limited job opportunities, or they are male-dominated. It is important for a programme to understand these socio-cultural nuances to focus training and capacity building efforts in sectors that present viable employment opportunities.

Due to increased participation of women in the labour force, there is a growing demand for domestic work and care work providers in Addis Ababa. It is one of the fastest growing employment sectors in Ethiopia – as of 2016, 372,900 people were employed as domestic workers in private households (98% of whom are women), which accounts for 6% of the total workforce in Ethiopia (ILO, 2018). However, the available workforce is unskilled, and poor-quality services fail to meet the needs of the families, so there were numerous unfilled vacancies in Addis Ababa and beyond. Leveraging on this demand, LIWAY partnered with two training institutes, (NAVE and VENUS). As training providers working with multiple different demographics, it was important to understand what deterred women from taking on these jobs and whether any adaptation was possible within the training institutions that could address it, which was part of the rationale for intervention.

The social perception around domestic work and the high degree of informality meant the programme needed to play a hands-on role in making sure trainees were securing jobs. LIWAY connected the training institutes to a job placement platform to ensure trainees can enter the job

market easily. Furthermore, LIWAY facilitated an arrangement where trainees do not have to pay the full training cost upfront; they only pay 30% during enrolment and the remainder is paid from their first month's salary. Since many of the women come from low-income households, this offers an alternative that makes the training accessible and sustainable in the long term. So far, ~2,000 women have been trained and secured jobs and more than 10 training providers are offering this course, with nearly 2,000 women completing these courses each year. Typically, nanny and domestic worker jobs are in private households, but the training allows them to secure formal jobs in childcare centres, nurseries, and schools, which is safer with better employee rights and workplace policies.

OVERSEAS VS DOMESTIC CONSUMERS

Demand in the domestic market was the initial driver for the nanny and domestic worker training. However, over the years, overseas demand has become a key factor influencing the labour dynamics in the sector. LIWAY's partner training providers are working with both local and overseas job matching platforms and the training had to be adapted to meet overseas demand. Helping LIWAY's partners understand these different market segments and their different needs helped create new opportunities for partners and also maximise impact for LIWAY. For example, employers overseas want workers who are certified for both nanny and domestic work. Therefore, NAVE training institute is now providing a dual certification specifically for trainees that were hired through these overseas job matching platforms.

INCREMENTAL VS TRANSFORMATIVE GROWING MSEs

A very important subsegmentation when working with micro and small enterprises (MSEs) is incremental vs transformative categories. Two MSEs could have the same number of employees, be in similar sectors, and even have the same turnover, but some will be dynamic and growth-minded while others will be looking for incremental improvements in their incomes with limited risk. While the functions needed to make both of their businesses work might be similar, the optimal way these functions are provided might be different. In embryonic markets, it is important for new products and services to appeal as broadly as possible, while in more mature markets, advantages can be found through specialisation exploiting niches.

This dynamic has been relevant in many of LIWAY's interventions. Across LIWAY's systems, the target group can typically be understood to be comprised of 10% more innovative, more skilled, more dynamic jobseekers and businesses while 90% are those with fewer prospects focused on incremental improvements. Any solutions that emerge have a much greater chance of success if they have relevance to both groups, although the solution is unlikely to be the same.

In one such example, LIWAY's partnership with eBiz Online Solutions focused on access to market information for MSEs. For incremental MSEs, the solution was adapted to incorporate a call centre (rather than an online platform), together with literacy training components. For the transformative group, more online services have been added. It is hoped that as the transformative MSEs grow, the value delivered to and extracted from this group will continue to grow.

SPECIFIC SUBSEGMENTS – PEOPLE LIVING WITH DISABILITIES, VERY POOR PEOPLE, AND INFORMAL BUSINESSES

As highlighted in the other case studies, LIWAY has taken a very deliberate approach to analysing the pluralistic incentives of organisations and the individuals that comprise them. In a context such as Ethiopia where money from aid cooperation and philanthropic sources is prevalent, it is impossible to ignore this as one incentive for firm behaviours. MSD tries to avoid the creation of dependencies and any actions that will disincentivise long-term and scaled improvement in markets. However, if firms see that adaptation of their business models can incorporate elements of corporate social responsibility, make them more attractive to impact investors, or make them more likely to receive grant funds to scale what is already an impactful business model, then that should remain aligned with MSD principles.

In the case of Elebat outlined above, with LIWAY's support, the company decided to invest further in a differentiated model according to gender, which positively impacted retention and profitability. However, in consultation with LIWAY, they decided to further differentiate their model according to a range of other characteristics including people on the lowest incomes, people living with disabilities, and informal businesses. The business case for adaptations according to these characteristics was unlikely to be financial or short-term in nature but rather revealed through social incentives, reputational benefit, compliance, credibility, and access to new markets. Elebat decided to invest in further development of the model based on an analysis of characteristics to determine ways in which different groups could be used more effectively. For example, while the majority of this group could be seen as aggregators of orders, people with physical disabilities engage in telemarketing requiring lower levels of mobility, while very low-income people act as delivery agents, requiring lower levels of skills, capital, and infrastructure.

CONCLUSION

The key message of this case study is that segmenting markets, on both the supply and demand side, can be a critical part of business success that is insufficiently practised in emerging markets.

In development programmes, by contrast, segmentation is usually only practised for reporting purposes and as a way to organise implementation, which restricts sustainability. Programmes might take a perfectly viable new product or service and necessitate through reporting that a certain proportion of beneficiaries fall into certain groups – women, youth, refugees, etc.

Reporting on results according to different market segments is, of course, necessary. And if a programme is structured according to those characteristics, then it is a clear reason for engaging in an intervention in the first place. However, if this is the only way, and these or the only criteria by which we and our partners segment markets, then we are missing opportunities for sustainability, profitability, and impact.

For MSD programmes, encouraging partners to engage in market segmentation can help them make small investments in solutions that benefit our target groups and achieve our impact objectives. In examining the why, how, and what of market segmentation, MSD programmes have been myopic about the 'why' (for reporting) and simplistic about the 'how' (according to crude categories), leading to missed opportunities in the 'what' and consequent missed opportunities in

the programme impacts. LIWAY has attempted, across all of its four systems, to overcome these challenges and the results have been improved as a result.



THEMATIC CASE 3

DE-SPECIALISATION: COUNTERINTUITIVE ECONOMICS FOR LOW-INCOME MARKETS

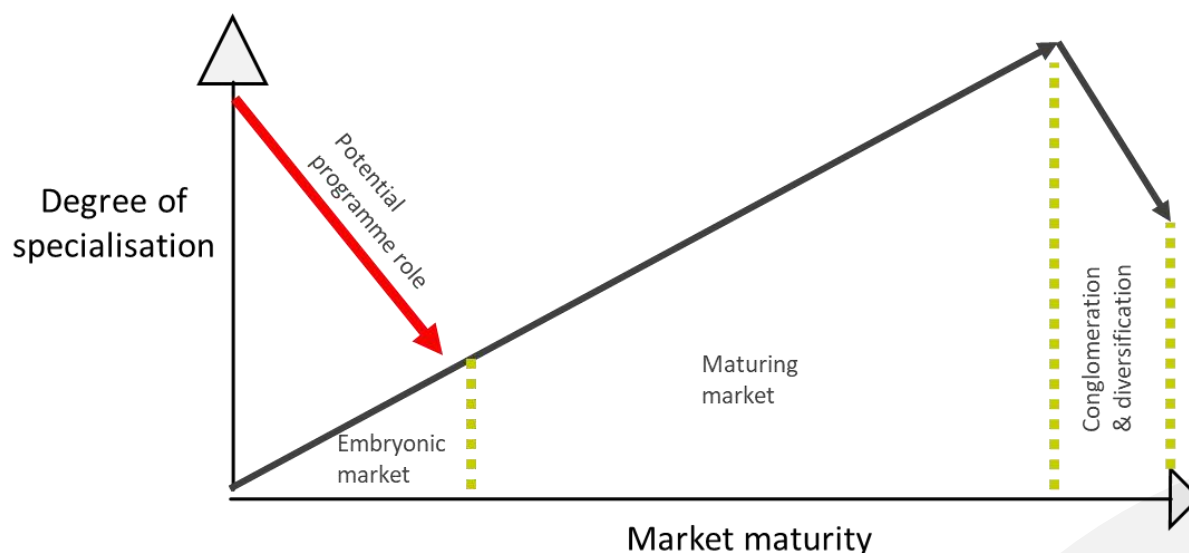
INTRODUCTION

Classical economics assumes a linear trajectory in the progression of firms and markets toward maturity – with specialisation comes productivity. This thematic case study uses a new term in this context ‘de-specialisation’, to advocate for the role of firms acting beyond their core competence as a catalytic factor for growth in low-income markets.

SPECIALISATION AND DE-SPECIALISATION

LIWAY works across a range of immature markets characterised by young businesses, informality, and very few firms operating in the wider market systems. Adam Smith sets the case for microeconomic specialisation leading to increased productivity by driving down the unit cost of production. As particular markets and economies grow, it stands to reason that the products and services firms provide become more and more specific. Seemingly countervailing forces to this are diversification to improve the resilience of firms and conglomeration as economies of scope and scale are sought as firms increase in size. However, the dynamics of these characteristics of mature markets and how they interact with specialisation are well understood. What is less well understood is how, in immature markets, it is sometimes advantageous, if not necessary, for firms to do the opposite – to engage in a broader range of functions for which they are not technically specialist and which will not in themselves be profitable, but to do so in order to make a market grow and work more effectively until it grows and matures to a state where specialisation becomes economically viable.

Further, this case examines the role that a development programme can play in helping market actors recognise ‘indirect business cases’ for engaging in certain behaviours beyond their core competence – a process we call ‘de-specialisation’.



In partnership with LIWAY, Elebat had to extend their model into providing other functions to their MSE agents. Elebat worked with their MSEs on diversification strategies and linked them with various other products and services that they could sell to increase their incomes, which included products and services in telecoms, digital health, and e-commerce. Elebat also invested in more generalised marketing and promotion activities to build demand for the MSEs and make them more viable.

CASE 3: THE CHALLENGE OF SPECIALISATION IN EMBRYONIC MARKETS

LIWAY identified inefficient production management processes as one of the five key challenges faced by MLEs in Ethiopia. Most of these MLEs are local manufacturing firms engaged in areas such as leather, food processing, and packaging. After industry consultation and assessing global best practices, LIWAY decided to promote Kaizen principles as a potential solution to improve the production management practices of the MLEs. LIWAY aimed to build a sustainable consultancy market by demonstrating its relevance to local manufacturers and helping private consultancy providers transition from free to fee-based service provision. Subsequently, LIWAY partnered with a consultancy company and the Kaizen Excellence Centre (under the Ministry of Industry) to launch a pilot. 15 MLEs adopted basic Kaizen principles allowing for incremental improvements in their production process to improve the overall production efficiency, which would lead to the creation of new jobs. The pilot was successful – all 15 factories adopted the principles and the subsequent improvement in operation resulted in 400 new jobs. Factories also reported soft improvements such as staff motivation, which is difficult to measure but plays an important role in staff productivity.

Following the success of the pilot, the team proceeded to introduce advanced Kaizen principles to further optimise production processes and maximise the improvements. Five companies successfully adopted advanced-level Kaizen principles and their production capacity improved by 68% on average. In addition, these companies were able to create 1,300 jobs and increase income for LIWAY beneficiaries. However, to the team's surprise, the expansion of the business model in the non-targeted factories was not as expected – the response was low. Further investigation showed that the market is simply not ready for a dedicated Kaizen service provision; there is little appetite among the local industries to invest in this relatively specialised skillset. MLEs highlighted other priorities, which included management capacity, human resource management, machine efficiency, production planning and strategic management, and quality management. While Kaizen contributes to several of these priorities, industries found it difficult to justify the relevance of Kaizen as a standalone service. LIWAY, therefore, altered its strategy to design a more comprehensive production management tool (which includes Kaizen) that responds to market needs. The tool is currently being piloted, whereby six consultancy firms are currently applying it in 15 MLEs for five months.

LIWAY's initial idea had been to introduce specialised skills to improve productivity but it appears as though the behavioural barriers were too high. Despite evidence of efficacy, in immature industries where firms perceive they have many problems, having access to broader-based 'good enough' services can be more effective and more sustainable by generating greater demand.

OTHER CASES: WHERE ‘GOOD ENOUGH’ IS BETTER THAN NOTHING

In many cases, LIWAY’s role in helping partners develop business models that include de-specialisation is more subtle and does not form the key rationale for the intervention but is, nevertheless, relevant to the overall proof of concept.

In the labour system, LIWAY engaged in an intervention entitled ‘online/offline job matching’, which entailed establishing service hubs where jobseekers could utilise a range of services with the core being job matching, but where the hubs also become aggregation points for services such as training, identity card registration, and opening of bank accounts. LIWAY’s partner in this area has no desire to be a transportation provider but, with LIWAY’s support and encouragement, has begun to include transportation services with the job matching, which overcomes logistical challenges jobseekers face in accessing employment and, at the same time, increases the chances of the firm earning a commission from the job match.

Also within the labour system, LIWAY’s partner Tiny Totos Kenya (TTK) has their core business in early childhood development and management of daycare facilities. However, it became clear that, in the Ethiopian context where costs are far higher than in Kenya, their model would have to adapt. They ‘de-specialised’ and began working with partners on areas such as catering and even retail (of goods from the daycares) to ensure that their clients (the daycares) were financially viable.

In the skills system, the nanny training centres have no desire or technical or mandatory capability to be financial institutions. And yet, the function of lending against future wages is necessary to ensure demand for the core training service. LIWAY facilitated an arrangement where trainees do not have to pay the full training cost upfront, they only pay 30% of the training cost during enrolment, and the remainder is paid from their first month’s salary. There were no financially or socially motivated actors to provide this service on a sustainable basis and so de-specialisation was necessary to ensure growth.

CONCLUSION

This thematic case has explored the novel concept of de-specialisation in low-income markets. The concept posits that, in these markets, value can be added in situations where the effective demand for a particular good or service is zero. Provision of these goods and services by non-specialists and without direct compensation can still be of sufficient value to increase the demand for and sustainability of the core business.

MSD programmes can and should use this tactic more frequently. Too often, there is an expectation of a much more formal and complex solution than is realistic in very low-income markets and ‘best’ becomes the enemy of ‘better’. These cases and extracts from LIWAY have shown how de-specialisation can be a solution in practice to markets which are neither economically viable nor sufficiently important as a policy priority to be addressed by other actors.