

# **LEGAL AND REGULATORY LANDSCAPE IMPACTING BUSINESS DEVELOPMENT SERVICES (BDS) AND BUSINESS ADVISORY SERVICE PROVIDERS (BASPS) ACROSS ALL SECTORS IN ETHIOPIA**

Project Owner: EBASPA

Project Donor – GIZ

Researcher : MG CONSULTANCY

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# About MG Consultancy

#	Research Project Titles	Description
1	EU-CSF+ Funded Training Needs Assessment	Conducted TNA and delivered capacity-building activities under European Union civil society support.
2	Ethiopian Professional Associations & Parliament Research	Explored challenges and future collaboration opportunities between associations and lawmakers.
3	Legal & Regulatory Landscape for BDS Research	Assessed how legislation affects business advisory providers across all sectors in Ethiopia.
4	Ethiopian Professional Associations Practices Study	Investigated the strengths and challenges of professional associations and their future potential.
5	Assessing the Capacity of Local Consulting Firms to Implement Pre-Employment Soft Skills Programs in Ethiopia's Industrial Parks - Funded by DAI	Mapped capabilities and gaps of local firms operating in Ethiopia's industrial parks.
6	Enhancing Labor and Skills Policy Frameworks: Technical Assistance for Gap Identification and Policy Formulation - Funded by Save the Children International	Provided ongoing external assistance over two years, strengthening ministry functions and delivery.
7	Policy Development for ETDPA	Created policy frameworks to support capacity development of Ethiopia's professional trainers.
8	Mapping Employment Opportunities and Gaps in Ethiopia's Migration Corridors: A Labor Market Study - Funded by Save the Children International	Evaluated system dynamics around unsafe and irregular migration in collaboration with Save the Children.
9	Evaluating Working Conditions and Employment Potential in Ethiopia's Tannery and Footwear Industry: A Sectoral Capacity Assessment - Funded by DAI (Enterprises Partners)	Studied wage gaps and labor conditions in Tigray, Addis Ababa, and Oromia regions.
10	Feasibility Study of Skills for Knowledge Inclusion, inclusion, Lively hood and Living Support in National TVET Colleges - Funded by BMZ	Ethiopian Center for Development for Disabilities (ECDD) Designed and validated the proposed "Skills for Knowledge, Inclusion, Livelihood, and Living Support" initiative.

# About MG Consultancy...

11	Assessing Employment Potential Through Aptitude Testing: A Study on TVET College Students in Addis Ababa – Funded by Ethiopian Center for Development	Developed testing tools for youth employment projects led by ECD and Selam Children’s Village.
12	Innovation Fund Management with Labor market assessment in demand and supply side – Funded by Mercy Corps	Led a one-year and six months employment initiative to strengthen short-term cooperative training for women and youth.
13	Bridging the Soft Skills Gap: A Nationwide Study of Workforce Readiness in Ethiopia’s Manufacturing Sector – Funded by DFID	Assessed soft skills readiness and gaps in workforce across domestic and foreign-invested factories.
14	Ethiopian government Post election evaluation – Funded by UNDP	2014 National election through Ethiopian Electoral Board
15	Human Right Commission Organizational training and Non – Training Needs Assessment – Funded by UNDP	Ethiopian Human Rights Commission national assessment
16	Assessment on a Socio-Spatial Analysis of Hawassa Industrial Park Catchment Areas and Culturally Rooted Strategies for Improving Worker Ethics – Funded by MG Consultancy	Conduct the research with investment commission
17	Survey on Youth Employment and Labor Mobility: Decent Work Intervention Outcomes for Migrants from SNNPR to Addis Ababa. Funded by World Vision Ethiopia	Partnership with HESA international Consulting firm we conduct an in-depth assessment
18	Conduct Comprehensive assessment on Vocational Skills Training(VST) in Gambella region refugee camps – Funded by NRC	Focused on training in relation with employment opportunities.
19	Identifying Soft Skills Gaps in Leadership and Operational Staff: A Case Study of WODA Factory – Funded by GIZ	Conduct a research for SEQUA project and conduct a six month capacity building program
20	End-Term Evaluation Report: Strengthening Women’s Self-Help Groups for Socioeconomic Empowerment in Gurage Zone – Funded by GPSDO	Conduct a research for Guragie People Self-Help Development Organization (GPSDO) for project evaluation report

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# Overall Process of the Research

- ▶ Inception presentation and consensuses on roadmap with EBASPA Mgt team
- ▶ Data collectors training and collection
- ▶ Conduct weekly update with EBASPA
- ▶ Draft report submission & feedback collection
- ▶ Conduct consultative workshop
- ▶ Final report submission

# Structure of the Research

- ▶ CHAPTER ONE: INTRODUCTION
- ▶ CHAPTER TWO: REVIEW OF RELATED LITERATURE
- ▶ CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY
- ▶ CHAPTER FOUR: DATA PRESENTATION INTERPRETATION AND ANALYSIS
- ▶ CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

# Chapter One: Introduction

## 1.1. Background and Context

- ▶ Ethiopia proud a rich and enduring history of commercial and business activities, active international trade, and the delegation of trade authority through designated "Negadras." Long before the advent of modern business advisory frameworks, Ethiopia possessed its own system of business support.

# Chapter One: Introduction

## 1.2. Research Objective

- ▶ Conduct a Comprehensive Assessment and Analysis of the Regulatory Framework Governing Business Advisory Services (BAS) and Business Advisory Service Providers (BASPs) in Ethiopia.

# Chapter One: Introduction

## 1.4. Significance

- ▶ Knowledge on rethinking how to standardize BDS in Ethiopia provides insights to scale up the role of the existing legal and regulatory frameworks governing BDS and BASPs.

# Chapter One: Introduction

## 1.5. Scope/Delimitation of the Research

- ▶ Focuses specifically on the critical examination and analysis of relevant proclamations, regulations, and directives concerning Business Advisory Services (BAS) and the entities delivering such services (BASPs) within the Ethiopian context.

# Chapter One: Introduction

## 1.6. Limitation of the Research

- ▶ Active participation of BASPs, absence of a centralized database to identify all relevant BASPs, lack of a single governing body responsible for the entire ecosystem, complicated the process of information gathering. However, we collect the data by employing different techniques.

# Chapter Two: Literature

comprehensive review of existing literature directly relevant to the objectives of this study. The aim is to cultivate a nuanced understanding and appreciation of the subject matter, emphasizing its crucial role within the evolving business environment. From:

- ▶ Books
- ▶ Research reports
- ▶ Website findings
- ▶ Different AI support findings

# Chapter Three: Design and Methodology

## 3.1. Research Design

- ▶ Descriptive research design under the mixed method approach was used in this study. It allowed the consultant to effectively answer the research questions and the objectives stated in the study.
- ▶ Qual = Quan

# Chapter Three: Design and Methodology

## 3.3. Population and Sample size

- ▶ The current study has employed a criterion called “Current active BDS providers listed by EDI and EBASPA” as population. Based on this, the consultant purposefully selected 148 current active BDS providers as sample participants.

# Chapter Three: Design and Methodology

## 3.4. Sampling Techniques

- ▶ Based on a comprehensive evaluation of the ecosystem under study, a review of previous EBASPA practices and schedules, and subsequent consultations with the EBASPA management and the research team, purposive sampling techniques was applied to select the 100 survey participants and 37 key informants.

# Chapter Three: Design and Methodology

## 3.5. Data type and Sources

- ▶ To comprehensively address the research objectives, the present study makes use of empirical data both from primary and secondary data sources.

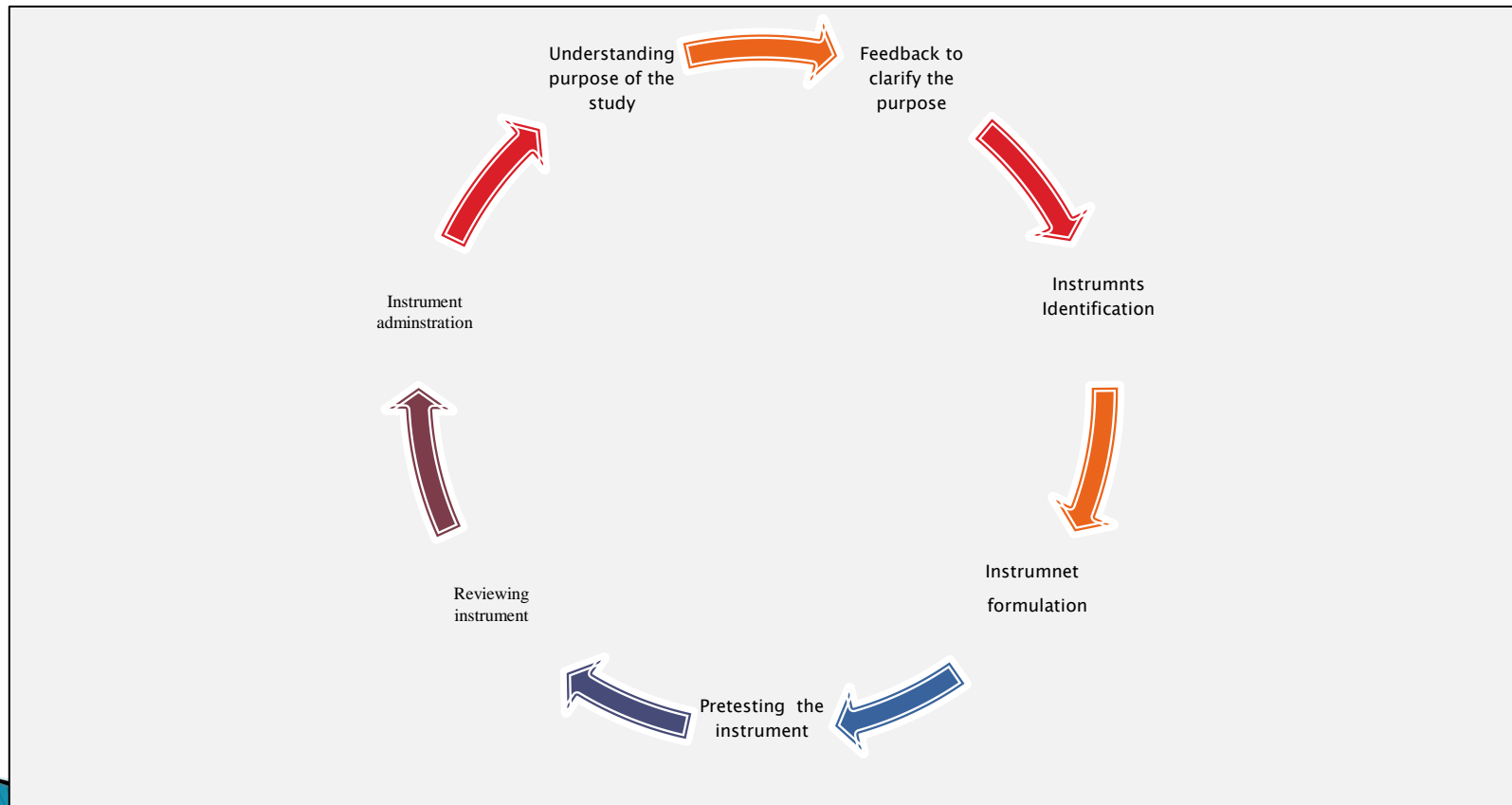
# Chapter Three: Design and Methodology

## 3.6. Data gathering Instruments

- ▶ Four main methods will be employed to data gathering instruments that social researchers use: that is questionnaire, key informant interview, group discussion and documents analysis.

# Chapter Three: Design and Methodology

## 3.7. Data Collection Procedures



# Chapter Three: Design and Methodology

## 3.8. Data Analysis and Interpretations

- ▶ Qualitative data collected through key informant interview, open-ended questions and consultative discussions were analyzed using interpretative approach based on content and theme.
- ▶ Quantitative data reported in a meaningful way using appropriate data presentation tools like tables, figures, charts and graphs.

# Chapter Three: Design and Methodology

## 3.9. Reliability and Validity

- ▶ Prior to full-scale deployment, a **pilot study** was conducted on a randomly selected sample of ten individuals from outside the target population for checking the reliability. This step ensured clarity, simplicity, and relevance of questionnaire items.

# Chapter Three: Design and Methodology

## 3.10. Ethical Considerations

- ▶ MG Consultancy implemented rigorous protocols to ensure both data reliability and ethical conduct throughout the study.

# Chapter Three: Design and Methodology

## 3.11. Conduct Data Collection

- ▶ Survey – through Google form
- ▶ KII – in person and virtual
- ▶ Document review – by preparing a check list
- ▶ searching official website
- ▶ AI findings by thorough triangulation

# Chapter Four: Presentation, Interpretation & Analysis

## 4.1. Respondents Socio-Demographic

- ▶ Sex – 22% F, 78% are M
- ▶ Education level – 1% BA, 81% MA, and 18 % PhD

# Chapter Four: Presentation, Interpretation & Analysis

## 4.2. Participants Role and Experience in BDS Role

- ▶ 93% – business owners and service providers
- ▶ 3% – from government
- ▶ 4% – from academic

### Experience

- ▶ less than one year – 2%
- ▶ 1 – 5 years – 29%
- ▶ 6– 10 years – 29%
- ▶ More than 10 year – 40%

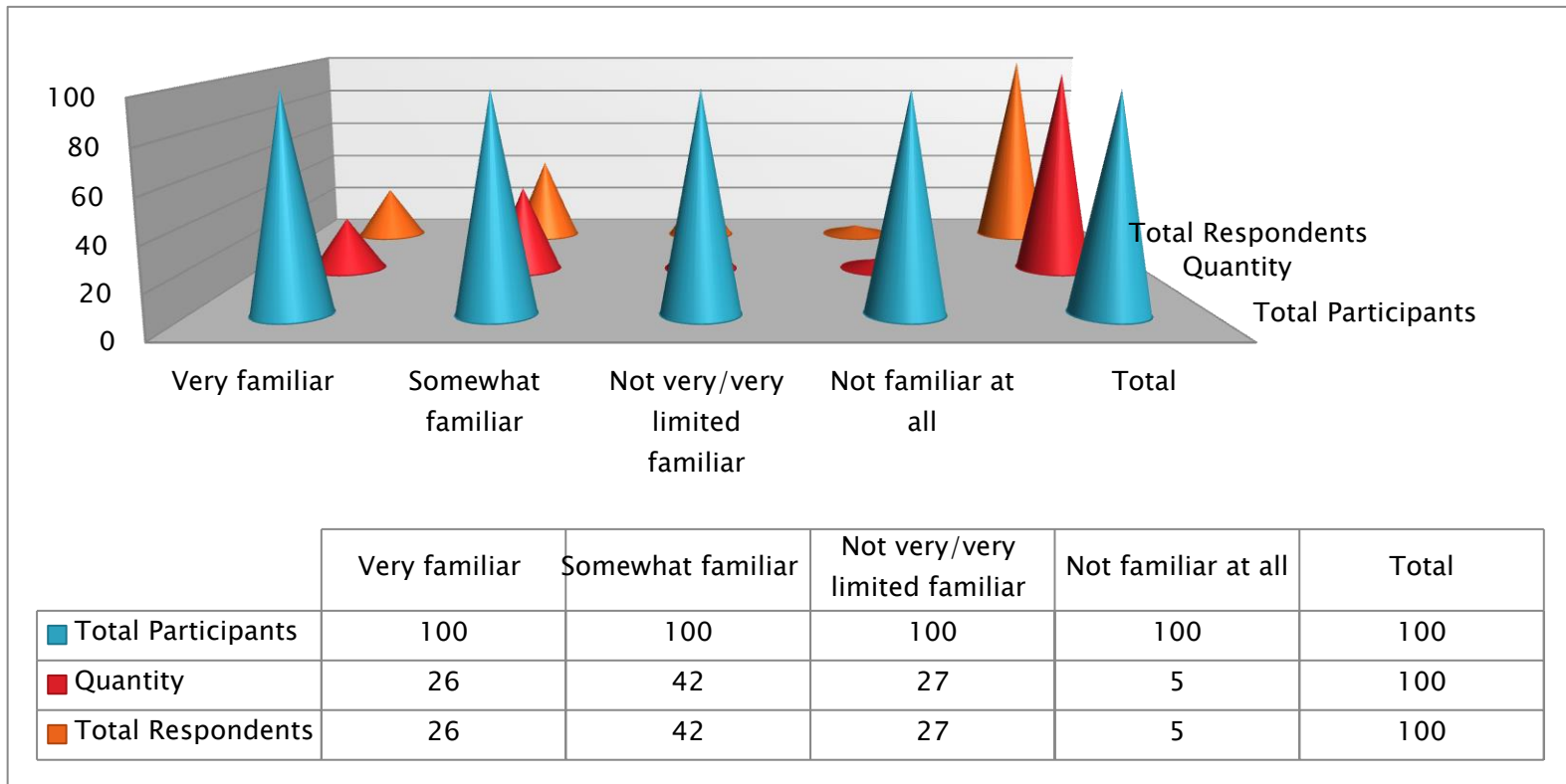
# Chapter Four: Presentation, Interpretation & Analysis

## 4.3. Categories of BASPs

S.N	Respondents BDS Categories	%
1	Financial Advisory	45
2	Legal Advisory	8
3	Marketing and Sales Support	55
4	Management Consulting	70
5	Human Resources Development Supplier and consulting	16
6	Training Provider	98
7	Technology and IT Consulting	43
8	Garment and Textile Consulting	22
9	Leather and leather products consulting	13
10	Mainlining Investment Consulting	5
11	Food and Beverages Consulting	7
12	Health and Wellness Consulting	12
13	Agriculture and related Consulting	8
14	Engineering consulting	6
15	Media	15
16	Professional Association representative	6
17	Art and Entertainment Consulting	2
18	Education consulting	22
19	Other	4

# Chapter Four: Presentation, Interpretation & Analysis

## 4.4. Awareness and Familiarity on regulations



# Chapter Four: Presentation, Interpretation & Analysis

## 4.5. Challenges and Opportunities

S.N	Top challenges	Frequency	Rank
1	Limited incentives/support	69	1
2	Lack of clarity in regulations	59	2
3	Competition from unregulated providers	57	3
4	Complex licensing processes	38	4
5	High compliance costs	31	5
6	Other	9	6

# Chapter Four: Presentation, Interpretation & Analysis

## 4.6. Designing Sustainable and Scalable BDS

Recommendation areas	Frequency	Rank
Simplified licensing and registration processes	54	3
Tax incentives for BASPs	66	2
Training and certification programs	72	1
Stricter regulation of informal/unregulated providers	54	3
Other	8	6

# Chapter Four: Presentation, Interpretation & Analysis

## 4.8. Qualitative Data (Proclamations, Directives and Strategies)

Drawing on KII and from multi-stakeholder consultative workshops is underpinned:

- ▶ Fragmented policy standards framework
- ▶ Provider deficits and insufficient number
- ▶ Weak sectoral infrastructure.

# Chapter Four: Presentation, Interpretation & Analysis

## 4.8. Results from Review key Proclamations, Directives and Strategies Related to BDS/BASPs Findings shows ...

### 4.8.1. Income Tax Proclamation № 1395/2017

**Policy Gaps & Opportunities** – Despite its reform objectives, the income tax proclamation reveals key policy gaps that hinder its effectiveness for SMEs and BDSPs. assumptions of uniform digital capacity and administrative readiness lead to inconsistent enforcement, **increasing compliance complexity for SMEs and the advisory workload for BDSPs.** The absence of structured taxpayer education, financial inclusion measures, and tailored support further limits the ability of BDSPs to guide SMEs effectively.

# Chapter Four: Presentation, Interpretation & Analysis

4.8. Results from Review key Proclamations, Directives and Strategies Related to BDS/BASPs  
Findings shows ...

## **4.8.1. Commercial Code of Ethiopia Proclamation № 1243/2021**

**Policy Gaps & Opportunities** – apart from defining types of business organizations, and **recognizes consulting as a formal trade activity**, there is no mention in the proclamation about business development service providers specifically.

# Chapter Four: Presentation, Interpretation & Analysis

4.8. Results from Review key Proclamations, Directives and Strategies Related to BDS/BASPs Findings shows ...

## **4.8.2. Ministry of Labor and Skills (MoLS) Proclamation №1263/2021**

**Policy Gaps & Opportunities** – The powers and duties MoLS regarding BDS. In line with this, MoLS need to develop specific strategies and procedures to regularly evaluate the development, status nature and challenges in the BDS sector.

# Chapter Four: Presentation, Interpretation & Analysis

4.8. Results from Review key Proclamations, Directives and Strategies Related to BDS/BASPs  
Findings shows ...

## **4.8.3. Ministry of Industry Proclamation №1263/2021**

**Policy Gaps & Opportunities** – defined the powers and duties of the Ministry of Industry regarding the provision of business development service in the manufacturing sector. Not mentioned about BDSBs.

# Chapter Four: Presentation, Interpretation & Analysis

4.8. Results from Review key Proclamations, Directives and Strategies Related to BDS/BASPs  
Findings shows ...

## **4.8.4. Civil Society Organizations Proclamation No 1113/2019**

**Policy Gaps & Opportunities**– No link with other BDS & BDSP related proclamations

# Chapter Four: Presentation, Interpretation & Analysis

4.8. Results from Review key Proclamations, Directives and Strategies Related to BDS/BASPs Findings shows ...

## **4.8.5. Investment Proclamation No 1180/2020**

**Policy Gaps & Opportunities** – Specifies minimum capital requirements ONLY for foreign investors in consultancy and advisory services.

# Chapter Four: Presentation, Interpretation & Analysis

4.8. Results from Review key Proclamations, Directives and Strategies Related to BDS/BASPs

Findings shows ...

## 4.8.6. Commercial Registration and Business Licensing Proclamation № 980/2016

**Policy Gaps & Opportunities** – The proclamation contains certain provisions that may be considered **ambiguous** or insufficiently robust, warranting further clarification to ensure consistency and legal certainty.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.1 Summary of key findings

Ethiopia's BDS and BASP ecosystem is undergoing gradual transformation but remains hindered by legal ambiguity, institutional fragmentation, and weak regulatory enforcement. To strengthen the sector, needs coordinated national effort rooted in standardized professionalization, transparent licensing, supportive fiscal policies, and a clear division of roles among public, private, and civil society actors.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.2. Conclusion of key findings

- ▶ Structural Imbalances in the BDS Ecosystem
- Inconsistencies in Regulatory Awareness and Perceived Effectiveness
- Institutional Fragmentation and Policy Gaps
- Regulatory Constraints on Startups and Informal Competition
- Stakeholder Demand for Legal and Institutional Reform
- Needs Institutionalize BAS and BASPs ecosystem

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.1. Establish a Dedicated Legal and Regulatory Framework for BASPs

- **Lead (Suggested) Office:** Ministry of Trade and Regional Integration, Authority of Civil Society Organizations (ACSO), the Ministry of Justice (MoJ), Ethiopian Investment Commission and Ethiopian Capital Market Authority.
- **Actionable Suggestions:**
  - ▶ Create a distinct licensing system for BASPs that differentiates them from general consultancy services.
  - ▶ Enhance the operational and technical capabilities of government officials.
  - ▶ Develop a national competency framework.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.1. Establish a Dedicated Legal and Regulatory Framework for BASPs...

- **Policy or Practical Changes:**
  - ▶ Integrate and update BASP licensing into existing business registration systems, with dedicated regulatory oversight.
  - ▶ Mandate baseline training and evaluation protocols for new entrants, supported by government institutions, professional associations and universities.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.2. Reform Taxation Policies and Incentivize Developmental BAS Provision

- **Actionable Suggestions:**
  - ▶ Exempt export-oriented and innovation-linked advisory services from VAT.
  - ▶ Introduce tax deductions for SMEs that procure services from certified BASPs.
  - ▶ Clarify the tax treatment of donor-funded developmental services and in-kind BDS provision.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.2. Reform Taxation Policies and Incentivize Developmental BAS Provision...

- **Policy or Practical Changes:**
  - ▶ Collaborate with the Ministry of Revenue to develop a BASP-friendly taxation guide and compliance toolkit.
  - ▶ Introduce preferential TAX status for services in job-creating sectors like agriculture, ICT, and manufacturing.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.2. Reform Taxation Policies and Incentivize Developmental Provision... BAS

- **Feasibility and Justification:**
  - ▶ Strengthens the support ecosystem for SMEs, enabling them to access higher quality advisory services.
  - ▶ SMEs receive better guidance on financial management, compliance, and growth strategies, their productivity and competitiveness are likely to improve.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.3. Regulate and Integrate NGO-Led and Donor-Funded BDS Programs

- **Lead Office:** ACSO, in collaboration with the Ministry of Plan and Development (MPD).
- **Actionable Suggestions:**
  - ▶ Establish coordination mechanisms for GO and NGO–provided BDS, with enforced quality assurance standards.
  - ▶ Require donor programs to partner with local private BASPs to ensure domestic capacity development and market alignment.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.3. Regulate and Integrate NGO-Led and Donor-Funded BDS Programs

- **Policy or Practical Changes:**
  - ▶ Create a national BDS registry inclusive of GO's NGOs, private actors, and development agencies.
  - ▶ Introduce compliance checklists and harmonization protocols under the leadership of current responsible bodies.
- **Future Research Directions:**
  - ▶ Examine the comparative effectiveness of GO, NGO-led vs. local BASP-led services in fostering long term SME growth.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.4. Create Tailored Regulatory Frameworks for Incubation Centers and Startups

- **Lead (Suggested) Office:** Ministry of Innovation and Technology (MInT), in collaboration with Ethiopian Enterprise Development (EED), and Entrepreneurships Development Institute (EDI).
- **Actionable Suggestions:**
  - ▶ Define legal status and operational flexibility for incubators and accelerators.
  - ▶ Standardize startup development stages and link regulatory requirements accordingly.
  - ▶ Institutionalize referral networks and service matching systems.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.4. Create Tailored Regulatory Frameworks for Incubation Centers and Startups...

- **Policy or Practical Changes:**
  - ▶ Enact exemptions or phased licensing for early-stage startups.
  - ▶ Embed incubation support in national SME strategies.
- **Feasibility and Justification:**
  - ▶ Reducing the compliance burden on startups enables faster innovation cycles and reduces startup mortality.

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.5. Enhancing the Competency and Professional Commitment of BASPs

- **Lead (Suggested) Office:** Ministry of Labor and Skills (MoLS), in collaboration with ACSO.
- **Actionable Suggestions:**
  - Develop Standardized Competency Frameworks
  - Implement Continuous Professional Development (CPD) Programs
  - Promote Ethical and Professional Commitment
  - Institutionalize Self-Assessment and Business Planning Practices
- **Future Research Directions:**
  - Map the Capacity Gaps and Training Needs
  - Assess the Impact of Advisory Services on MSME Growth

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.6. Promote the Export of BASPs through EBASPA and Similar CSO-led Institutions

- **Lead (Suggested) Office:** MoLS and MoTRI, in collaboration with the Ethiopian Business Associations and Service Providers Association (EBASPA) and other similar CSOs.
- **Actionable Suggestions:**
  - Develop an Export Strategy for BASPs
  - Build a Competency-Based Accreditation System
  - Create Export Incentives

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.6. Promote the Export of BASPs through EBASPA and Similar CSO-led Institutions...

- **Policy or Practical Changes:**
  - Integrate BASPs Export into National Trade Policy
  - Legal Recognition for Cross-border CSO Operation
  - Strengthen Institutional Capacity of implementing organizations
- **Feasibility and Justification:**
  - Comparative Advantage
  - Regional Demand
  - Cost-Effectiveness and Language Proximity
  - Alignment with Pan-Africanism and Regional Integration

# Chapter Five: Summary, Conclusion & Recommendation

## 5.3. Recommendations

### 5.3.7. Ethiopian Business Advisory Service Providers Association /EBASPA/ should prepare policy document support the ecosystem

- **Actionable Suggestions:**
  - Establish a policy follow up department
  - Establish a steering committee
  - Awareness creation for each responsible bodies
  - Develop literacy on Information Technology
- **Feasibility and Justification:**
  - Facilitate result oriented projects practices and helps policy makers

**Thank you for your  
listening!**