



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

**Project Owner: ETHIOPIAN BUSINESS ADVISORY  
SERVICE PROVIDERS ASSOCIATION(EBASPA)**

**Researcher : MG CONSULTANCY**

*Tell: +251 911 24 69 84*

*Email: [mgconsultancyethiopia@gmail.com](mailto:mgconsultancyethiopia@gmail.com)*

*[www.2MGconsultancy.com](http://www.2MGconsultancy.com)*

*Address: Tebmenjayaze, Guarad mall, 7<sup>th</sup> floor,*

*Addis Ababa, Ethiopia*

**June, 2025**

**Addis Ababa, Ethiopia**

## Contents

List of Tables .....	4
List of Figures.....	4
Acronyms .....	5
Acknowledgement .....	6
Executive Summary.....	7
<b>CHAPTER ONE: INTRODUCTION .....</b>	<b>9</b>
1.1. Background and Context.....	9
1.2. Research Objectives .....	12
1.2.1. General objective .....	12
1.2.2. Specific objectives .....	12
1.3. Empirical Questions .....	13
1.4. Significance .....	13
1.5. Scope of the work .....	14
1.6. Limitations.....	14
1.7. Organization of the report .....	15
<b>CHAPTER TWO: REVIEW OF RELATED LITERATURE .....</b>	<b>16</b>
2.1. Concepts of BDS and BASP .....	16
2.2. Types of Business Development Services.....	17
2.3. Channels, Actors and Levels for Delivering BDS .....	19
2.3.1. Traditional versus Market-oriented BDS Channels .....	19
2.3.2. Actors for Delivering BDS.....	20
2.3.3. Levels of BDS Interventions .....	21
2.4. Evolution of Business Development Services: A Historical Synopsis.....	21
2.4.1. Early Focus Phase (1970s) .....	21
2.4.2. Market Development Phase (1990s) .....	22
2.4.3. Modern BDS Phase (Present Day).....	22
2.4. BDS and BASPs in Africa .....	22
2.4. Practices on Exporting Business Advisors in Africa and other Countries .....	23
2.5. Policy Framework for Effectiveness of BDS and BASPs .....	24
2.6. The Legal Landscape for BDS and BASPs in Ethiopia .....	25
2.7. Analytical Framework.....	28
<b>CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY .....</b>	<b>31</b>
3.1 Research Design .....	31

3.2. Unit of Analysis.....	32
3.3. Populations and Sample Size determination.....	32
3.5. Sampling Techniques.....	34
3.6. Data Types and Sources .....	34
3.7. Data Gathering Instruments.....	35
3.8. Data Collection Procedures .....	36
3.9. Methods of Data Analysis and Interpretation.....	37
3.10. Reliability and Validity: .....	38
3.11. Ethical Considerations .....	38
<b>CHAPTER FOUR: DATA PRESENTATION INTERPRETATION AND ANALYSIS.....</b>	<b>40</b>
4.1. Socio-Demographic Characteristics .....	40
4.2. Participants’ Role, Responsibility and Experience in BDS Ecosystem .....	41
4.3. Categories of Business Development Services Provided by Respondents .....	44
4.4. Respondents’ Awareness and familiarity on Regulations Governing BDS .....	47
4.5. Challenges and Opportunities in the BDS Ecosystem in Ethiopia .....	51
4.6. Suggestions for designing sustainable and scalable business development services.....	54
4.7. Qualitative (KII) Results from Government Minister Office Participants .....	55
4.7.1. Results from Higher Education Institutions .....	55
4.7.2. Results from Quasi Government Institutes .....	57
4.7.3. Results from Incubation Centers .....	58
4.7.4. Results from NGO’s.....	59
4.7.5. Results from Financial Institutions.....	60
4.7.6. Results from SME’s Representatives .....	60
4.7.7. Results from Business Advisory Service Providers (BASPs).....	62
4.7.8. Results from Regional Labor and Skill Bureaus.....	64
4.8. Results from Review key Proclamations, Directives and Strategies Related to BDS/BASPs .....	65
4.8.1. Commercial Code of Ethiopia Proclamation № 1243/2021 .....	65
4.8.2. Ministry of Labor and Skills (MoLS) Proclamation №1263/2021 .....	68
4.8.3. Ministry of Industry Proclamation №1263/2021 .....	69
4.8.4. Right to Employment of Persons with Disabilities; Proclamation № 568/2008 .....	70
4.8.5. Capital Market Proclamation № 1248/2021 .....	71
4.8.6. National Entrepreneurship Strategy of Ethiopia 2020-2025 .....	72
4.8.7. Civil Society Organizations Proclamation № 1113/2019 .....	73
4.8.8. Investment Proclamation № 1180/2020 .....	73

4.8.9.	Ethiopian Standard Industrial Classification Directive № 17/2019 .....	73
4.8.10.	Commercial Registration and Business Licensing Proclamation № 980/2016 .....	74
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.....</b>		<b>75</b>
5.1.	Summary of Key Findings .....	75
5.2.	Conclusion .....	78
5.2.1.	Structural Imbalances in the BDS Ecosystem.....	78
5.2.2.	Inconsistencies in Regulatory Awareness and Perceived Effectiveness .....	79
5.2.3.	Institutional Fragmentation and Policy Gaps.....	80
5.2.4.	Regulatory Constraints on Startups and Informal Competition .....	80
5.2.5.	Stakeholder Demand for Legal and Institutional Reform .....	81
5.2.6.	Institutionalize BAS and BASPs ecosystem .....	81
5.3.	Recommendations .....	82
5.3.1.	Establish a Dedicated Legal and Regulatory Framework for BASPs.....	83
5.3.2.	Reform Taxation Policies and Incentivize Developmental BAS Provision.....	84
5.3.3.	Regulate and Integrate NGO-Led and Donor-Funded BDS Programs.....	85
5.3.4.	Empower BASP Representation and Improve Stakeholder Engagement.....	86
5.3.5.	Build Local Capacity and Expand Professional Development for BASPs.....	86
5.3.6.	Enhance Digital and Market Linkage Services .....	87
5.3.7.	Create Tailored Regulatory Frameworks for Incubation Centers and Startups.....	88
5.3.8.	Promote Public-Private Coordination and Policy Coherence .....	89
5.3.9.	Enhancing the Competency and Professional Commitment of BASPs .....	89
5.3.10.	Promote the Export of BASPs through EBASPA and Similar CSO-led Institutions .....	91
References .....		94
A). Books, Proclamations and Journals: .....		94
B). Media – Radio, TV, Social Medias and AI.....		96
Annexes .....		97

## List of Tables

Table 1. Main Types of BDS .....	18
Table 2 Differences between the traditional and market-oriented approaches .....	20
Table 3. List of Key policies related to BDS, BASP and Entrepreneurship in Ethiopia .....	27
Table 4. Categories of Business Development Services Provided by Survey Participants .....	45
Table 5. Constraints of BDS and BASP as perceived by sampled respondents .....	53
Table 6. Suggestions for designing sustainable and scalable business development services.....	55

## List of Figures

Figure 1.. The 5C protocol developed by Najam.....	30
Figure 2. Steps in the instrument construction process.....	37
Figure 3. Participants Educational Background.....	41
Figure 4. Survey Respondents' role in the BDS ecosystem.....	42
Figure 5. Survey Respondents' experience (Years) in the BDS ecosystem.....	43
Figure 6. Size of Business owned by survey participants.....	44
Figure 8. Participants view about underrepresented BDS categories by current regulations in Ethiopia...47	47
Figure 9. Respondents' Level of Awareness and familiarity on Regulations governing BDS .....	49
Figure 10. Participants' Ratings on Proclamations Negatively Impacting BDS/BASPs.....	50
Figure 11. Participants view on current regulations adequately support BASPs to serve MSMEs .....	51
Figure 12. Benefited Participants from the current BDS regulations .....	54

## Acronyms

AACC – Addis Ababa Chamber of Commerce

ACSO – Authority for Civil Society Organizations

AI – Artificial Intelligence

BAS – Business Advisory Service

BASP – Business Advisory Service Provider

BDS – Business Development Service

EBASPA - Ethiopian Business Advisory Service Providers Association

ECMA – Ethiopian Capital Market Authority

EDI – Entrepreneurship Development Institute - Ethiopia

Ethio-BDS portal – Ethiopian Business Development Portal

FDRE – Federal Democratic Republic of Ethiopia

HEI - Higher Education Institution

IFC – International Financial Cooperation

KII – Key Informant Interview

MA – Masters of Art

MSE – Micro and Small-scale Enterprises

MSME – Micro, Small and Medium Enterprise

OECD - Organization for Economic Co-operation and Development

PhD - Doctor of Philosophy

SME - Small and Medium Enterprise

## **Acknowledgement**

This analysis assess on the relevant legal and regulatory frameworks governing the BDS sector was a collective effort between the Ethiopian Business Advisory Service Providers Association and MG Consultancy. MG Consultancy expresses its deep gratitude to the Ethiopian Business Advisory Service Providers Association staffs, government offices, service providers, and NGOs working to promote scalable and sustainable BDS ecosystem. Furthermore, MG Consultancy would like to thank the call center experts, data collection supervisors, enumerators, key informants, and interpreters who enthusiastically volunteered their time and provided valuable information and support for the success of this study. Finally, special thanks go to MG Consultancy research team, for their unreserved effort in the successful completion of this assessment.

## Executive Summary

*The Business Development Services (BDS) platform is the first initiatives designed to strengthen Ethiopia's entrepreneurship and innovation ecosystem by enhancing the delivery and quality of business support services for Micro, Small, and Medium Enterprises (MSMEs), startups, corporates, public enterprise and private business institutions. An effective, efficient, sustainable, and scalable Business Development Service need to be supported with sound policy framework. Accordingly, the BDS sector in Ethiopia governed by multiple and cross sectoral legal and regulatory frameworks. However, the role of these legal frameworks in guiding the BDS sector has not been comprehensively examined. Thus, this study was commissioned by Ethiopian Business Advisory Service Providers Association in collaboration with MG Consultancy. The aim was to assess the role of the legal and regulatory frameworks governing the BDS in empowering MSMEs and Startups through high-quality business advisory support.*

*Primary and secondary data were collected from key BDS implementing institutions using survey, KIIs and review of literature specifically the legal and regulatory frameworks governing BDS and BASPs. The data was analyzed using descriptive statistics (percentage, frequency, and ratio) and presented using charts, graph and tables. The qualitative data was analyzed using thematic and content analysis. Critical document analysis was conducted on relevant and selected policy documents with regard to the content of the proclamation, context, capacity, coordination and policy gap in reference to the BDS/BASPs. The BDS sector in Ethiopia is characterized by a remarkable structural imbalance including concentration of service provision among Business Advisory Service Providers (BASPs) and insufficient engagement of stakeholders. The BDS sector in Ethiopia is infringed with inconsistencies in regulatory awareness and perceived effectiveness which contributes directly to operational inefficiencies, increased compliance risks, hinder the capacity of BASPs to capitalize on available incentives designed to foster SME growth. The BDS sector in Ethiopia is characterized by institutional fragmentation and policy gaps both in theory (policy) and practice. Albeit, institutions and incubation centers demonstrate strong potential to deliver impactful BDS support, the absence of centralized accreditation system, defined mandates, and unified quality standards diminishes systemic effectiveness and sustainability.*

*The BDS ecosystem in Ethiopia is accompanied by regulatory constraints on startups and stiff competition from the informal and unregulated business advisory service providers. Startups and entrepreneurial support organizations face superfluous barriers due to the lack of stage-specific*

licensing and legal clarity. The absence of defined frameworks for startups inhibits innovation. Likewise, the unregulated competitors diluted the impact and credibility of formal BASPs that downcast compliance and preclude quality BDS services. As a result, stakeholders in the BDS ecosystem demand for legal and institutional reforms on capacity development, regulatory streamlining, financial incentives, and market regulation. These points are aligned with broader government initiatives aimed at building a more structured, transparent, and accountable for BDS system. However, achieving meaningful reform; as suggested here, require more decisive and coordinated action to address persistent institutional and regulatory challenges.

BASPs in Ethiopia are under-leveraged not due to capacity deficits but because of structural and legal constraints that limit their scalability and effectiveness. Without a coherent, enabling regulatory framework, the potential of BASPs to support MSME growth, drive innovation, and contribute to inclusive economic transformation will remain unrealized. Strategic reform efforts grounded in collaboration, standardization, and responsiveness are critical for unlocking the full value of Ethiopia's BDS ecosystem and achieving its development ambitions. Thus, there is an arduous need from stakeholders to institutionalize BAS and BASPs ecosystem in Ethiopia. Institutionalizing Business Advisory Services (BAS) and Business Advisory Service Providers (BASPs) offers significant benefits for both the private sector and the broader economy. It ensures the delivery of consistent, high-quality, and ethically grounded support to Micro, Small, and Medium Enterprises (MSMEs), fostering improved business performance, resilience, and sustainability. Insuring standardized certification system, regulated licensing scheme, and professional development frameworks are instrumental to enhance the credibility, inclusivity, thrust, goodwill, coordination and competence of BASPs.

Finally, in order to empower MSMEs and startups through high quality business support, it is recommended to: 1) establish a dedicated legal and regulatory framework for BASPs; 2) revise the tax policies and incentivize developmental BAS provision; 3) regulate and integrate NGO-led and donor-funded BDS programs; 4) empower BASP representation and improve stakeholder engagement; 5) build local capacity and expand professional development for BASPs; 6) enhance digital and market linkage services; 7) create tailored regulatory frameworks for incubation centers and startups; 8) enhancing the competency and professional commitment of BASPs; and 9) minimize importing the foreigner advisors and promote the export of local BASPs through EBASPA and similar CSO-led Institutions.

# CHAPTER ONE: INTRODUCTION

---

The introduction part of the research paper will contain background of the study, objective of the study, significance of the study, delimitation and limitation of the study, and organization of the research.

## 1.1. Background and Context

Ethiopia boasts a rich and enduring history of commercial and other business activities, evidenced by its indigenous currency, 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.

In his major work: *State and Economy of Early 20th Century Ethiopia*, Negadras Gebrehiwot Baykedagn (1924) stands as one of the pivotal figures and prominent intellectual in figuring out the importance of business development services in Ethiopia. His vision advocated for a structurally sound policy framework to guide and bolster Ethiopia's business progress, predating the influence of many later Western scholars in the field. In his book, Negadras Gebrehiwot championed the importance of national system development and strategic governance in fostering robust and sustainable business development in Ethiopia as follows:

አእምሮ የሌለው ሕዝብ ሥርዓት የለውም። ሥርዓት የሌለው ሕዝብም የደላደላ ኃይል የለውም። የኃይል ምንጭ ሥርዓት ነው እንጂ የሠራዊት ብዛት አይደለም። ሥርዓት ከሌለው ሰፊ መንግስት ይልቅ በሕግ የምትኖር ትንሽ ከተማ ሞያ ትሰራለች። ነጋድራሰ ገብረ ሕይወት ባይከዳኝ

*Translated in to English:*

*Mindless people have no system. People without system has no work. The source of power is a system, not the number of troops. A small town with laws is more efficient than a large, lawless state. - Negadras Gebrehiwot Baikedagne*

As indicate in the preceding quote, Negadras Gebrehiwot Baikedagne's powerful observation underscores the fundamental relationship between reason, order, and national strength. His assertion, "An unreasonable populace lacks order (policy framework); a disorderly populace lacks robust power. The source of power is order (policy framework), not the size of an army. A small city living by law is more productive than a vast government without order (policy

framework)," highlights the crucial role of an informed and disciplined citizenry in achieving true power (*Ibbid*).

Negadras Gebrehiwot argues that knowledge and understanding are the bedrock upon which a functioning society is built. Without it, order, a structured system of governance and societal interaction, cannot be established. This lack of order, in turn, weakens the collective strength of a nation. He emphasizes that mere size or military might is insufficient without the underlying framework of order. Instead, a smaller, well-regulated entity, governed by established laws and principles, possesses a greater capacity for productivity and ultimately, national strength (*Ibbid*).

Therefore, Negadras Gebrehiwot's wisdom points to the vital importance of investing in professional's involvement, fostering civic engagement, and establishing a robust legal framework. He added that Ethiopia can harness its development potential and achieve enduring power via disciplined application of reason and order (policy framework) (*Ibbid*).

In the 21<sup>st</sup> century, BDS is recognized globally as key to growth and functioning of business enterprises (VCCI, 2004). In this sense, supporting BDS is an important means of achieving the Sustainable Development Goals (SDGs) by 2030. In this regard, a robust body of international literature (Ageba, 2003) underscores the importance of business development and advisory service in enhancing entrepreneurial capacity, improving market access, creating business linkages, driving innovation, improving enterprise performance and competitiveness. In this regard, Business Development Services (BDS) and Business Advisory Service Providers (BASPs) play pivotal roles in fostering the growth of micro, small, and medium-sized enterprises (MSMEs) in Ethiopia (First Consult, 2024). Despite this fact, empirical evidences by Amha, & Ageba, (2006) indicated that there are limited business development and advisory service providers in the sector. Thus, coupled with the fragmented policy framework and absence of organized and responsible professional associations, the limited number of business development and advisory service providers have constrained business outreach progress, enterprises productivity, transformational changes, entrepreneurial mindset, and skills development in the sector (*Ibbid*).

The preceding challenges have attracted the attention of various international organizations and donors such as UNDP, GIZ, DfID, etc. to become active in providing technical and financial support for BDS services provider companies and associations in Ethiopia. As a result, the Ethiopian Business Advisory Service Providers Association (EBASPA) was established by experienced management and investment consulting firms and professionals to provide the best consulting and robust advisory services in Ethiopia and beyond. EBASPA and the BDS Portal aimed to bolster the sector by facilitating training, capacity-building, and resource access for enterprises.

Despite growing recognition on the role BDS can play in supporting economic growth and job creation in Ethiopia, the sector continues to suffer from critical governance gaps. Besides, the policy and regulatory frameworks governing business development and advisory services remain fragmented and underdeveloped, presenting significant challenges to the sector's expansion, sustainability, and standardization. Consequently, the BDS sector in the country remains at its early stage of development with low level of annual growth rate domestic product contribution. There is ample scholarly evidence (Amha, & Ageba, 2006; Ageba, 2003) that describe the need to properly understand the challenges posed by loss and fragmented policy and regulatory frameworks on business development and advisory service provision. Specifically, Negadras Gebrehiwot pointed out that the lack of comprehensive and coordinated policies and accreditation system to ensure consistent and high-quality services by business development and advisory service providers have adverse effect on business performance, market access, competitiveness and profitability.

Overall, the above facts clearly affirm that though Ethiopia has made an encouraging progress in developing policy and regulatory frameworks governing the business development ecosystem, yet, there is a widening regulatory gap that has contributed for inconsistent service quality, weakened the credibility of business development and advisory service providers, and eroded trust among Micro, Small, and Medium Enterprises (MSMEs) and the wider business community. Moreover, empirical evidences (Abaineh & Filmon 2021) confirm that BDS remains insufficiently integrated into national economic development strategies, resulting fragmented interventions and limited systemic impact by way of addressing challenges related to starting

new business, quality of business advisory services, training, consultancy, access to inputs and market linkages.

Despite these multifaceted problems and general shortcomings, yet, a well-functioning legal and regulatory frameworks governing BDS and BASPs has substantial role to play in bridging the gap between policy and practice. They are instrumental to intensify the business development and advisory services in Ethiopia. Nevertheless, as cautioned by Abaineh and Filmon (2021) there is a relative paucity of evidence based empirical data confirming the role of legal and regulatory frameworks governing BDS and BASPs as engines of sustainable BDS ecosystem development. Besides, there is a lack of adequate, in-depth, and focused research on Ethiopia's specific legal and regulatory frameworks governing BDS and BASPs.

The absence of such analysis creates critical knowledge gap, which needs an investigation since it is an important issue capable of addressing business development problems across all sectors in Ethiopia. The impact of the legal and regulatory frameworks governing BDS and BASPs need to be properly examined and documented as it provides vital insights for business policy formulation and practice. Thus, the main trust of this study is to address by examining existing proclamations and regulations, evaluating their strengths and limitations, and identifying opportunities for policy and institutional reform. This problem-driven approach underscores the urgent need for such type of research findings and evidence-based improvements in the governance of Ethiopia's BDS ecosystem.

## **1.2. Research Objectives**

### **1.2.1. General objective**

The primary objective of this research is to Conduct a Comprehensive Assessment and Analysis of the Regulatory Framework Governing Business Advisory Services (BAS) and Business Advisory Service Providers (BASPs) in Ethiopia.

### **1.2.2. Specific objectives**

- To review the existing proclamations and regulations governing BDS and BASPs in Ethiopia;

- To identify key gaps and challenges within the current regulatory framework governing BDS and BASPs in Ethiopia?
- To assess the impact of existing regulations on the quality, accessibility, and sustainability of BDS;
- To highlight the contribution of BASPs for helping MSME and Small and Growing Business reach their full potential; and
- To propose recommendations for the development of a standardized and market-oriented BDS sector.

### **1.3. Empirical Questions**

While the existing legal and regulatory frameworks governing BDS and BASPs in Ethiopia remains weak to promote inclusive business development and sustainable business ecosystem, even by African standards subject to any objective measure, the overreaching empirical questions at this juncture are:

- I. What are the existing proclamations and regulations governing BDS and BASPs in Ethiopia?
- II. What are the key gaps and challenges seen within the current regulatory framework governing BDS and BASPs in Ethiopia?
- III. To what extent the existing regulations are important to intensify the quality, accessibility, and sustainability of BDS?
- IV. How important are Business Development Services and Business Advisory Service Providers for helping MSME and Small and Growing Business reach their full potential?

### **1.4. Significance**

Knowledge on rethinking how to standardize the business development service in Ethiopia provides insights to scale up the role of the existing legal and regulatory frameworks governing BDS and BASPs. This research plans to extend the conventional process and content based policy analysis to analytical methods that provides a deeper understandings on legal and regulatory frameworks governing BDS and BASPs. More specifically, the significance of this study can be viewed from methodological, empirical, practical and development of actionable

policy perspectives. In relation to this, the study's meticulous analysis on the policy and regulatory landscape aims to produce a comprehensive document that identifies policy gaps and offers actionable recommendations for fostering solid business development services ecosystem. The result will have significant implications for identifying the policy gaps, strengthening the BDS sector ecosystem, supporting Small and Medium Enterprises (SMEs), and ultimately contributing to Ethiopia's broader economic goals.

### **1.5. Scope of the work**

Assessment on the relevant legal and regulatory frameworks in the lens of BDS and BASPs is a wide concept and consists of multiple socio-economic and administrative perspectives. Nevertheless, the scope of this study is restricted to assess and analyze the relevant proclamations/regulations related to Business Advisory Services (BAS) and the Service Providers (BASPs) in Ethiopia. In line with this, the scope of this assignment includes:

- Assessing and identifying proclamations/regulations by sector that are either positively or negatively influencing the BDS and service providers, categorized by major sectors.
- Reviewing existing relevant proclamations/regulations and incentives that enable and regulate Business Development Service Providers (BDSPs) in Ethiopia, including a comparative analysis with similar professional service providers in other countries.
- Identifying major gaps and limitations in current proclamations/regulations and incentive schemes that hinder the growth and development of BASPs in Ethiopia.
- Developing a comprehensive proclamation/regulation or policy recommendation document that presents key policy and incentive schemes to enable and regulate BASPs

### **1.6. Limitations**

This study acknowledges several limitations that warrant consideration. The active participation of BASPs proved challenging, hindering the breadth of data acquisition. Furthermore, the absence of a centralized database to identify all relevant BASPs, coupled with the lack of a single governing body responsible for the entire ecosystem, complicated the process of information gathering. Finally, the predetermined project timeline imposed constraints on the scope and depth of the investigation. Despite these inherent challenges, the research team

proactively addressed these potential issues through the development and implementation of contingency plans, mitigating their impact on the overall findings and ensuring the robustness of the study's conclusions.

### **1.7. Organization of the report**

The report is organized in to five parts. Part one presents the introductory part including the background, objectives, empirical questions, limitation and scope of the study. The second part deals with review of related literatures. It offers an overview on the conceptual, theoretical and empirical frameworks of the study. The third part is concerned with the methodology used for this study. It offers detailed accounts on the research design and fundamental methodological underpinnings. The fourth part is concerned with data presentation analysis and discussion of results. Finally, the fifth parts presents the summary, conclusion and recommendation.



**MG CONSULTANCY**

## CHAPTER TWO: REVIEW OF RELATED LITERATURE

This chapter provides bird's eye view on the conceptual, theoretical, empirical and analytical frameworks of BDS. Specifically, it presents a 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. Consequently, this part of the report critically examines key issues, including general concepts of Business Development Services (BDS) and Business Advisory Service Providers (BASPs) specifically within the Ethiopian context. Furthermore, this chapter will briefly explore scholarly perspectives on BDS and BASPs, relevant African practices, and the pertinent legal landscapes governing their operation.

### 2.1. Concepts of BDS and BASP

Business Development Services (BDS) are diverse suite of non-financial offerings crucial for enhancing the operational effectiveness and strategic growth of businesses (UNDP, 2004). These services extend beyond mere advice, encompassing practical training programs designed to improve employee skills, expert consultancy that identifies and addresses specific organizational challenges, and the provision of critical market information enabling informed decision-making. By providing tailored solutions in these areas, BDS aim to foster improved productivity, increased profitability, sound financial management, enhanced market access, advanced technological integration and increased competitive advantage for businesses. In essence, BDS act as catalysts for positive change, empowering businesses to adapt, innovate, and thrive in increasingly competitive environments (Gibson, 2005). The Committee of Donor Agencies for Small Enterprise Development described BDS as the wide array of nonfinancial services critical to the entry, survival, productivity, competitiveness, and growth of small businesses (World Bank, 2001). Njoroge and Kaluyu, (2020) indicated that by accessing business development services (BDS), SMEs may strategically protect themselves against the adverse effects of market turbulences.

As defined by UNDP (2004), Business Advisory Service Providers refers entities or individuals delivering services directly to the businesses so as to improve their operational, technical and financial performance. Thus, BASPs, as specialized constituents within the broader BDS

landscape, furnish expert counsel in strategic planning, fiscal oversight, and operational optimization. In general, Business Development Services (BDS) and Business Advisory Service Providers (BASPs) play vital role in stimulating economic growth by supporting the advancement of Small and Medium Enterprises (SMEs). Consequently, the effective provision of both BDS and BASP support empowers SMEs to overcome challenges, enhance productivity, and contribute significantly to overall economic prosperity (Gibson &., 2008; Hall, 2010; Goldmark, 1996; & EmeraldInsight, 2006).

## **2.2. Types of Business Development Services**

As discussed above, BDS includes a range of services designed to assist the operational and financial performance of businesses. BDS offer a multifaceted approach to bolstering Small and Medium Enterprises (SMEs), encompassing diverse range of interventions tailored to specific needs (OECD, 2004). As Liedholm (1999) observe, these services extend beyond basic training and skills development to include critical components like market research, technology transfer assistance, and facilitation of access to finance.

Based on the size of the business and the national regional and sectoral context, the different sorts of BDS services are included in three broader scopes encompassing operational, advisory and advocacy roles. In its operational services form, BDS address daily routines of the business. As part of the advisory services, BDS focus on medium-term or long-term issues. As part of the advocacy services, BDS work for improving business environment through policy enhancement, which is the main focus of the current assessment. Table 1 highlights the common types of Business Development Services.

Table 1. Main Types of BDS

S.N	Common BDS Types	Advisory BDS Packages	Advocacy BDS Packages
1	Market access & development	Marketing research	Regulatory framework
		Marketing intelligence	Common brand
		Marketing development	Consortium approach.
		Emerging opportunities	Trade missions
		Trade fairs	Trade meetings.
		Product exhibitions	International linkages
		B2B contacts	Free trade agreements.
		Showrooms	Investment agreements.
		Advertising	Non-tariff barriers
		Market information	Subcontracting
		Product packaging	Outsourcing
		New product development	Trade and logistic facilitation
2	Supporting infrastructure	Storage and warehousing	Physical infrastructure
		Transport and distribution	Industrial estates
		Business incubators	Easy money transfer
		Telecommunications	Internet access
		Computer services	
3	Input supply	Creating Linkages	Direct advocacy
		Capacity Building	Information supply
4	Training & Technical Assistance	Mentoring	Exchange visits
		Feasibility studies	Business tours
		Business plans	Framework for franchising
		Franchising	E-commerce policy
		Management training	Legal Services
		Business plan development. Capacity building	
5	Technology & product development	Technology & innovation incubation	Quality assurance program
		Linkage with technology suppliers.	International standards
		Technology procurement	Quality certifications
		Technology sources & pricing	Design centers
		Technology transfer & commercialization	Common tool facilities
		Cost and energy-efficient technologies	National innovation incubation
		Productivity improvement	
		Equipment leasing and rental	

Source Developed based on ILO, 2003

## **2.3. Channels, Actors and Levels for Delivering BDS**

This section of the report presents the distinction, functions, challenge and benefits of the traditional and market-oriented approaches. Finally it presents the different mix of actors for delivering business development services.

### **2.3.1. Traditional versus Market-oriented BDS Channels**

Having a clear distinction between Traditional and Market-oriented BDS Channels is important for selecting the appropriate service delivery channels based on the existing context. In developing countries like Ethiopia, the traditional channel for delivering BDS is dependent on government agencies, donor program, NGOs and SME development support systems. There is rich evidence that although the traditional channel appears to be cost efficient in delivering BDS, but its effect is yet debatable (UNDP, 2004). Consequently, it results in lower quality of BDS due to subsidized services, hinders commercial BDS providers from booming, ignores market signals and develop dependency syndrome at both firm and government levels (ILO,2003).

As recommended by UNCTAD (2005), the remedy against these deficiencies requires quick shift from the traditional business development services approach to market-oriented business development services approach. In this regard, UNDP (2004) underlined that the market-development approach is instrumental to facilitate sustainable increase in both supply and demand of services, while replacing subsidies with private payment for services. According to ILO (2003) the market-oriented approach gives the chance for businesses to select the BDS that is most applicable to their needs and demand from a wide range of products offered by private business development service providers. Thus, the positive competition among the private providers tend to ensure: high-quality services, demand-driven services, user-paid services and sustainable services. In developing countries like Ethiopia, the use of market-oriented business development services approach has many fold benefits such as encouraging SMEs to select services that best meet their needs, promoting innovation and quality among BDS providers and reducing dependency on government and donor subsidies. Despite this fact, the use of market-oriented business development services approach in developing countries requires overcoming critical challenges such as high cost of BDS services, availability of skilled man power and lack

of government commitment to support private providers. For clarity purpose, Table 2 below presents details on the differences between the traditional and market-oriented approaches.

*Table 2 Differences between the traditional and market-oriented approaches*

S.N	Central area	Traditional approach	Market-oriented approach
1	Management	Government-managed.	Private-sector managed
2	Vision	NGOs provide quality BDS	Private sector provide quality BDS
2	Objective	Provide supply-driven BDS	Provide demand-driven BDS
3	Resources	Subsidy and/or donor funded.	Paid for by the users
4	Sustainability	Unsustainable	Sustainable
5	Effectiveness	Monopolistic, not effective	Competitive, effective
6	SMEs payment capacity	Without payment	With payment
	Duration	Permanent:	Permanent
	Starting Point	Need diagnosis	Market assessment

Source: Developed based on UNDP, 2004; ILO, 2003

### **2.3.2. Actors for Delivering BDS**

Business development services require the involvement of both internal and external actors that can play varied roles in the sector. The main actors in the BDS sector include: SMEs, BDS providers, BDS facilitators, Donors and Governments (World Bank, 2001).

- Private BDS providers includes NGOs, for profit companies and industry associations that render direct services to the SMEs.
- BDS facilitators are generally government agencies such as SME development office and extension agencies that offer support services to the BDS providers.
- Donors offer donations, grants and subsidies to the governmental agencies, BDS service providers and SMEs for properly delivering BDS.
- Government as the main actor provides budgetary support, creating enabling environment and basic public goods.
- Small enterprises (SEs) are the actual or potential clients of BDS providers that stand on the demand side of the market including microenterprises and SMEs.

### **2.3.3. Levels of BDS Interventions**

Regardless of location and market context, there are numerous levels for BDS interventions. These include: the Micro, Meso- and Macro-level interventions (ILO, 2003). As the primary area of BDS intervention, the Micro-level intervention consists of the basic BDS support systems such as training, extension, consultancy, counseling, technology development and transfer, access to market information, and business linkages. At the microeconomic level, business development services affect the individual performance and sustainability of businesses (UNCTAD, 2024). The Meso-level BDS interventions aims to improve the capacity of BDS providers to advance better services, add new products, expand target groups, and strengthen organizations or develop networks of providers. Hence, the Meso-level BDS interventions requires the participation of service delivery organizations like EBASPA to provide specific business development services to SMEs. Finally, Macro-level intervention is directly related to the current assignment that refers the legal and regulatory frameworks governing BDS provision and the development of SMEs. The Macro-level intervention attempts to create a conducive environment for BDS based on four key pillars: i) stable macro-economy; ii) competitive micro-economy; iii) global linkages; and iv) investment in people. These pillars are instrumental for building the capacity of SMEs by way of setting up national SME agencies; strengthening the capacity of business associations; creating favorable environment for SME development; and supporting microfinance institutions that can avail funding.

## **2.4. Evolution of Business Development Services: A Historical Synopsis**

As discussed below, Business Development Services evolves following three successive phases:

### **2.4.1. Early Focus Phase (1970s)**

The first phase of BDS covers the period between 1970 and 1990. In this period, BDS emerged as a specialized area of business support with a focus on providing financial assistance and credit to formal SMEs. In the first phase, the link between financial services and BDS was obligatory. Consequently, BDS activities were not successful as it ignores the marketing aspect of BDS.

### **2.4.2. Market Development Phase (1990s)**

The market development phase emerged due to the paradigm shift from a mere focus on financial support to a broader range of micro level BDS interventions; such as market access, training, and technology transfer (World Bank, 2001). The 1990s saw a shift towards market development paradigm, emphasizing commercial BDS providers and their role in supporting enterprise growth. This approach focused on creating sustainable markets rather than just providing financial assistance. This period, as a milestone in the history of business development services has marked a shift from donor-driven BDS approaches to more market-driven models. After two decades, the 1990s saw a total shift from the traditional business development service approach towards market development paradigms, promoting commercial BDS providers rather than direct donor delivery.

### **2.4.3. Modern BDS Phase (Present Day)**

Building on the changes seen in first and the second phases, today, BDS encompasses a wide range of services supported and promoted by international organizations mainly by the UN agencies. Today, Business development services is considered crucial for achieving the Sustainable Development Goals (SDGs) (UN. 2015). In its Modern Phase, BDS can drive economic growth, reduce inequality, and address other global challenges. Today, BDS play a vital role in enabling businesses to align their strategies with the SDGs and contribute to a more sustainable and prosperous future by enhancing market access, training and skills enhancement, Technology Transfer, Market Information and by facilitating access to basic infrastructure.

## **2.4. BDS and BASPs in Africa**

This part of the report carries out a literature review on the nature, characteristic and performance of BDS in African countries. The provision of Business Development Services (BDS) in Africa is a landscape fraught with unique challenges including inadequate infrastructure, a scarcity of skilled professionals capable of delivering high-quality advisory services, and a pervasive lack of awareness among Small and Medium Enterprises (SMEs) regarding the potential benefits of such support. These limitations historically stem from low investment in education and training, compounded by the practical difficulties of reaching geographically dispersed businesses often operating in informal sectors (Teal, 2017).

Despite these considerable obstacles, the demand for BDS and Business Advisory Service Providers (BASPs) is demonstrably growing across much of the African continent (Rogerson, 2004). This surge is primarily driven by an increasing recognition of BDS's pivotal role in fostering entrepreneurship and generating employment opportunities. As governments and international organizations prioritize economic diversification and SME development, the need for effective advisory services to support business growth and competitiveness becomes increasingly apparent. Overcoming the identified challenges through targeted investments in infrastructure, skills development, and awareness campaigns will be crucial to unlocking the full potential of BDS in Africa and achieving sustainable economic progress (UNIDO, 2003) (Mead, 1998) (Omollo, 2025). In this regard, the South African government regards entrepreneurship as one of the vital pillars for addressing poverty and unemployment of the sector (Rambe & Mosweunyane, 2017). In Kenya, BDS enabled SMEs to create a strategic posture, propelling them to respond effectively to market disruptions (Njoroge & Kaluyu, 2020).

#### **2.4. Practices on Exporting Business Advisors in Africa and other Countries**

Business Development Services (BDS) in Africa face significant hurdles, including infrastructural limitations, a shortage of skilled professionals, and limited Small and Medium Enterprise (SME) awareness of their benefits (Teal, 2017). Similarly, Njoroge and Kaluyu, (2020) indicated that Business Development Services is construed as a strategic response to challenges facing SMEs in Africa, specially. Interruptions in the market, rapid growth and survival challenges. Hence, the demand for BDS is increasing, fueled by recognition of its role in entrepreneurship and job creation. Countries like South Africa, leveraging expertise in selected sectors including mining and finance (Rogerson C. , 2004), and India, exporting IT and business process outsourcing expertise (Arora, 2002), are emerging as key exporters of advisory services.

The regulatory landscape for Business Advisory Services (BAS) is complex, often distributed across various bodies (Salami, 2012). However, the importance of Micro and Small-Scale Enterprises (MSEs) as drivers of national development, including economic growth and poverty reduction, is widely acknowledged. Consequently, development partners and donors prioritize MSE advancement, particularly in Africa (LELENAGlobalplc, 2024).

The International Finance Corporation (IFC, 2018) highlights that BAS and BASPs benefit SMEs through improved decision-making, specialized knowledge access, and enhanced competitiveness. For example, advisory services can aid in developing business plans, securing funding, and adopting new technologies. The IFC further notes a 20% higher growth rate for SMEs utilizing advisory services, emphasizing the tangible impact of such support.

The evolving nature of the advisory ecosystem also introduces technological and scalability considerations for SMEs. Digital platforms and AI-driven advisory tools are increasingly democratizing access to business advice, enabling SMEs to tap into cost-effective, scalable solutions. For example, cloud-based financial advisory tools can provide real-time insights at a fraction of the cost of traditional consultancies. However, SMEs face challenges in adopting these technologies due to limited digital literacy or infrastructure. A study by (McKinsey&Company, 2022) suggests that SMEs that integrate digital advisory tools can reduce operational costs by up to 15%, but only if they overcome initial implementation barriers. Thus, while the advisory ecosystem offers significant potential for SME growth, its benefits are maximized when SMEs carefully navigate provider selection and embrace technological advancements

## **2.5. Policy Framework for Effectiveness of BDS and BASPs**

A robust policy framework is crucial for the successful development and operation of Business Development Services (BDS) and Business Advisory Service Providers (BASPs). Such frameworks, addressing quality control, provider accreditation, and a supportive regulatory environment, yield improved access to quality BDS, heightened SME competitiveness, and ultimately, enhanced economic growth (UNIDO, 2003). In the Ethiopian context, the absence of dedicated BDS/BASP regulations within existing legal structures presents a significant challenge. While laws pertaining to business registration and operation indirectly affect the sector, a tailored legal framework is necessary to address its unique needs and opportunities. This is particularly pertinent given the documented barriers to market access, finance, and relevant training faced by Ethiopian micro and small enterprises (MSEs), as revealed in a 2003 study by the Ethiopian Development Research Institute (Ageba W. A., 2003). Although Ethiopia's Ten Years Perspective Plan (Commission, 2020) underscores the pivotal role of SMEs in sustainable

economic development and job creation, explicit strategies for BDS/BASP development remain to be fully articulated. While the plan implicitly supports BDS/BASP expansion through its focus on SME capacity building, further research is needed to ascertain the translation of these objectives into concrete policies and programs supporting sector growth.

## **2.6. The Legal Landscape for BDS and BASPs in Ethiopia**

Business Development Services (BDS) and Business Advisory Services (BAS) are crucial for fostering entrepreneurship and economic growth in Ethiopia. These services provide crucial support to nascent and established businesses, offering expertise in areas ranging from financial management and marketing to legal compliance and operational efficiency. However, the legal landscape governing BDS and BAS providers in Ethiopia is complex and, arguably, underdeveloped.

Currently, no specific legislation comprehensively regulates the BDS/BAS sector. Instead, various proclamations and directives indirectly impact service providers (FDRE Ministry of Trade and Industry, 2012). The Commercial Code of Ethiopia primarily focuses on commercial transactions and business registration, offering little guidance on the specific standards and responsibilities of BDS and BASPs (FDR.Ethiopia, 2021) (NegaritGazeta., 1960). Furthermore, sector-specific regulations, such as those governing microfinance institutions (National Bank of Ethiopia., 2011), may indirectly impact BDS/BAS providers operating within those sectors.

Research by the Ethiopian Development Research Institute (EDRI) highlights the fragmented nature of the legal environment, noting the absence of a clear regulatory framework leads to inconsistencies in service quality and potential for exploitation (EDRI, 2015). The study recommends the development of a dedicated policy and legal framework to address accreditation, ethical conduct, and quality assurance mechanisms for BDS and BASP.

While donor-funded initiatives and non-governmental organizations play a significant role in providing BDS and BASPs (USAID, 2018), their operations are primarily governed by agreements with the government and lack the legal enforceability of national legislation the sector's operations are primarily governed by agreements with the government, lacking the binding force of national legislation, hindering transparency and accountability. Consequently,

establishing a robust legal framework remains paramount to ensure the sustainable development and professionalization of the BDS and BASP sector in Ethiopia, promoting transparency, accountability, and ultimately, fostering economic growth.

Currently, the regulatory framework governing BAS and Business Advisory Service Providers (BASPs) in Ethiopia is defined by legal instruments that exert indirect influence, rather than specifically addressing the sector (FDRE, 2020). The Commercial Code of Ethiopia (Proclamation 1243, 2021) provides the structural and operational framework for businesses, impacting BAS delivery and utilization. The Authority of Capital Market Proclamation (Proclamation No. 1248/2021), supported by directives, provide mandates specific licensing and regulatory requirements for investment advisory services in Ethiopia's evolving capital market. Furthermore, the Commercial Registration and Business Licensing Proclamation (Proclamation No. 980/2016) and the Investment Proclamation (Proclamation No. 1180/2020) establish general registration and licensing procedures applicable to BASPs. While general advisory services follow standard business registration, investment advisory services face stricter requirements under the capital market framework. A comprehensive understanding necessitates a detailed analysis of these interconnected proclamations.

The existing proclamations and regulations have a multifaceted impact on BAS and BASPs in Ethiopia. The Commercial Code and Investment Proclamation provide the foundational rules for BASP operations. Regulations targeting financial and accounting advisory sectors indicate increasing formalization in specific BAS market segments. The Authority for Civil Society Organizations (ACSO) Proclamation (Proclamation 1113, 2019) governs non-profit BASPs ((MGconsultancy&ETDPA), 2024), imposing distinct operational and compliance requirements. Research highlights the crucial need for effective advisory services to support SMEs, while also identifying challenges in access, quality, and outreach. Government initiatives and policies reflecting a commitment to SME support can stimulate the demand for and development of a robust BAS sector.

The Ethiopian Industry Development Strategic Plan (2013-2025) has both direct and indirect impact to guide and enhance the BDS BASPs in Ethiopia. One of the strategic objectives of Industry Development Strategic Plan focuses on the “enhancement of enterprise cultivation and

entrepreneurship” has paramount impact on the BDS sector (MoTI, 2014). For instance, it has created an environment for the establishment of large number of private entrepreneurs that created jobs for themselves and others.

Another important policy milestone that has impacted the Legal Landscape for BDS and BASP in Ethiopia was the development of the National Entrepreneurship Strategy of Ethiopia 2020 – 2025. Its adoption is seen as an opportunity to design policies and strategies in all the pillars of BDS including training, innovation, and access to finance, awareness and networking. The NES served as tool for grass-roots private sector development, nurturing the entrepreneurial mindset at all level of society.

*Table 3. List of Key policies related to BDS, BASP and Entrepreneurship in Ethiopia*

S.N	Name	Year	Key interventions area	Target groups	Implementing agency
1	Commercial Code of Ethiopia Proclamation № 1243/2021	2021	Streamline business regulations	All business	Ministry of Trade and Regional Integration
2	Proclamation №1263/2021	2021	Defines the powers and duties of executive organs	All executive organs	Each executive organ at the Federal level
3	Right to Employment of PWD Proclamation № 568/2008	2008	Reasonable accommodation and inclusiveness.	Persons with Disabilities	All stakeholders
4	Capital Market Proclamation № 1248/2021	2021	Regulated capital market activities and services	All capital market actors	Ethiopia Capital Market Authority
5	Entrepreneurship Strategy of Ethiopia 2020-2025	2019	Enhancing entrepreneurship	MSMEs	EDI

6	Commercial Registration and Business Licensing Proclamation № 980/2016	2016	Support commercial registration and licensing	All business	Ministry of Trade and Regional Integration
7	Investment Proclamation № 1180/2020	2020	Promotes and facilitates investment	Local and foreign investors	Ethiopia Investment Authority
8	Civil Society Organizations Proclamation № 1113/2019	2019	Regulates CSOs	All CSOs	Civil Society Agency

Source Compiled by MG consultancy (2025)

## 2.7. Analytical Framework

Policy refers to the broad statements of future goals and actions and expresses the means of attaining them (Khan and Khandakr, 2016). It also refers to purposeful course of actions that an actor or set of actors follow in order to remedy a problem or deal with matter of concern (Anderson, 2010). In line with this, A Business Development Services (BDS) policy outlines how BASPs support entrepreneurs and businesses in improving their performance, growth, and competitiveness through non-financial services that aim to enhance productivity, access to markets, and the overall ability to compete in the market (UNCTAD, 2024). In the current study, developing or adopting a legal and regulatory analysis framework helps systematically evaluate the effectiveness and impact of business development policies on BDS and BASPs. Having analytical framework is helpful to consider the various aspects like policy goals, targets, implementation methods, and outcomes, ensuring a holistic understanding of their success to enhance the business ecosystem.

While policy formulation is one step towards addressing BDS ecosystem transformation, its implementation is another critical part to make such transformation sustainable and inclusive. In fact, legal and regulatory frameworks governing BDS and BASPs in Ethiopia have to be

properly implemented to reap benefits for business enterprises. In this regard, the task of analyzing the practicality of the legal and regulatory frameworks governing BDS and BASPs however lacks proper guidance due to lack of grand theories that consider the different specific contexts or the varying political, social, economic, organizational and attitudinal factors that influence how well or poorly the policy or program is implemented.

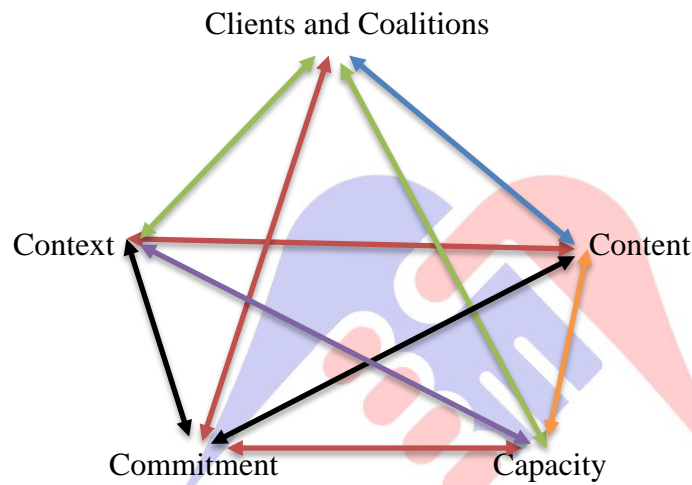
In this regard, the available literature recognizes two broad traditions of assessing policy implementation: the top-down and the bottom up approaches. In the top down perspective, the analysis begins with the central decision maker and proceeds downwards through the hierarchical administrative structure to examine the extent to which the policy objectives were achieved, and procedures (Najam, 1995). The top-down perspective and analysis aim at explaining why Business Development Services (BDS) policies did not have its intended effects in terms of outcomes or exploring better ways to implement policy as designed. In this approach Business Development Services (BDS) policy outcome that differed from the intended outcome were seen as failures, distortions, evidence of lack of willingness of BDS providers and legislative interference to comply with central policy proclamations (Lindquist & Wanna, 2015). The bottom-up perspective in explaining why business development services policy outcomes diverge from intended ones study the behavior of actors in the implementation chain: BASPs and in other government and non-state actors. Najam (1995) explained that the bottom up approach starts with an analysis of the many actors who interact at the local level and works backward to map the outcome and impacts of the policy in terms of the strategies adopted by the relevant actors in response to the particular policy choice.

Many authors have tried to integrate the two approaches and design an implementation assessment framework. Notably, Najam (1995) proposed a 5C protocol and identified those variables which are thought to be critical in influencing business development services policy implementation in a wide variety of policy issues (Figure 1). These are:

- i.** Content: What the policy sets out to do (goal); how the policy problematizes the issue (causal theory) and how the policy aims to resolve the perceived problem (method)
- ii.** Context: The nature of institutional context, the corridor through which policy must travel and by whose boundaries it is limited.
- iii.** Commitment: The Commitment of those entrusted with carrying out implementation at various levels to the goals, causal theory, and methods of the policy.

- iv. Capacity: The administrative capacity of implementers to carry out the changes desired of them.
- v. Clients and coalitions: The support of Clients and Coalitions whose interests are enhanced or threatened by the policy, and the strategies they employ in strengthening or deflecting its implementation.

Figure 1.. The 5C protocol developed by Najam



Source: Najam (1995)

In sum, the current study has contextualized and used the 5C protocol developed by Najam (1995) to assess and analyze the relevant proclamations/regulations related to Business Advisory Services (BAS) and the Service Providers (BASPs) in Ethiopia. The framework has guided the ultimate goal of producing a comprehensive and well-researched document helpful to support and regulate the BDS and Service Providers in Ethiopia.

## CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

This chapter meticulously details the research design, methodology, and methods underpinning this study. It elucidates the specific research methods utilized, encompassing the identification and justification of data sources and the rationale for the chosen study population. Furthermore, the sampling strategy, including the determination of the sample size, is comprehensively presented. The chapter describes the data gathering instruments questionnaires, key informant interviews, and document review protocols alongside a detailed explanation of the data collection procedures and the measures implemented to ensure data integrity. Finally, a thorough outline of the data analysis techniques employed is provided.

### 3.1 Research Design

The success of any study is confined with its research design (Bordens & Abbott, 2011). It serves as a “logical structure of inquiry” and “conceptual structure” within which the research is conducted (Kothari, 2004). Creswel (2014) describes a research design as “... a type of inquiry within the selected research approach...that provides specific direction for the procedures in the research”. Besides, research designs offer directions how to rigorously conduct studies to meet the research objectives, answer the research questions and guides data interpretation. In this study, the research design is considered as a logical structure of the inquiry and policy mapping strategy to articulate and guide all activities performed.

We believe that it is an oversimplification to take for granted that there is one best fit research design. To a certain extent, it is more appropriate to consider what knowledge is already known regarding the legal and regulatory frameworks governing BDS and BASP. We have taken in to account the research questions examined in the current study. Therefore, we argue that what is useful is to use an appropriate research design that better addresses the issue under consideration with adequate reason/s. Hence, in line with all the arguments and rationales discussed above, 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. It has also allowed the the consultant to collect purposfull, relevant, and valid data on the legal and regulatory land scape impacting BDS and BASPs across all sector in Ethiopia. In sum, the descriptive survey design, as noted by Kahn (2003) and Shibeshi (1989), is concerned with

exploring existing conditions, opinions, processes, and developing trends. Therefore, a descriptive survey research design is employed to acquire relevant information pertinent to the stated research objectives.

### **3.2. Unit of Analysis**

One of the preliminary steps and central concept (Long, 2004) in research is to decide on the unit of analysis of the study (Sadoulet & Janvry, 1995). In empirical research like this, the unit of analysis is the social object “about which the researcher wants to obtain information, wishes to draw conclusions and make generalizations” (Blessing & Chakrabarti, 2009). It reveals whether the analysis focuses on individuals, groups, organizations, products and bureaucracy (Creswell, 2012).

Though there are no limits to what can be the unit of analysis (Babbie, 2011), it should be chosen cautiously as it determines the data-collection methods, the nature of the study, external validity, and conclusions drawn (Balnaves & Caputi, 2001; Blessing & Chakrabarti, 2009). Nevertheless, based on the research questions that a researcher seeks to answer, it is possible to gather data from multiple units of analysis (Blessing & Chakrabarti, 2009; Babbie, 2011; Creswell, 2012). In line with this, legal and regulatory framework studies from the lens of BDS and BASP require multifaceted data collected from diverse sources. Thus, the current study has used manifold units of analysis including: BDS providers, consultants, association leaders, nongovernmental organizations, policymakers, and beneficiaries and policy documents.

### **3.3. Populations and Sample Size determination**

The defined population in this study represent all subsets of the total BASP landscape in Ethiopia. Our assessment within the BASPs landscape reveals that there is no exact data on the number of BDSPs in Ethiopia. The reason behind this is due to absence of a centralized, comprehensive database system that is administered under a responsible organization. Thus, this research, while acknowledging the estimated prevalence of over 1,986 certified Business Advisory Service Providers (BASPs) in Ethiopia, faced limitations in exactly defining the research population. Consequently, the study relied on existing records from the Entrepreneurship Development Institute (EDI) and the Ethiopian Business Advisory Service

Providers Association (EBASPA) to establish a reachable population. Within this documented cohort, MG Consultancy was initially considered a potential representative entity which helped us to select appropriate samples for the survey and the key informant interview that was identified and accessed based on verifiable data sources, ensuring a transparent and defensible methodological approach.

As far as sample size determination is concerned, the most important question researchers want to address is “how large the total sample should be” (Corbetta, 2003). Notwithstanding with the importance of the inquiry, scholarly replies reveal as “there is no clear-cut answer to the question” (Cohen, Manion & Morrison, 2005). Besides its importance, sample size determination is hardly an easy task that is affected by several factors. Sample size for instance, depends on the type of research design, the desired level of confidence, population characteristic, estimated precision, cost and time availability (Adams et al., 2007).

Thus, to minimize sampling problems and to keep the representativeness of target samples selected from the population, the current study has employed a criterion called “Current active BDS providers listed by EDI and EBASPA”. Based on this, the consultant purposefully selected 148 current active BDS providers as sample participants. Out of 148 current active BDS providers who participated in the survey, 100 survey participants have successfully completed, filled and returned the survey questionnaire.

In addition to the survey, qualitative data were collected using key informant interview. This approach requires careful identification and selection of informants who are knowledgeable about the legal and regulatory frameworks governing BDS and BASPs and are willing to share their knowledge. Thus, in this study, about 37 key informants representing diverse stakeholder groups were interviewed as key informants. Following Tremblay (1957) to select the ideal informants, basic criteria such as role in the BDS community, knowledge of the issue under investigation, willingness, communicability and impartiality were used. Besides, convenience sampling was used in the selection of informants in consultation with EBASPA and experts working in the area under study who were capable to recommend the most informative, experienced and analytical informants. Accordingly, the key informants were selected from diverse individuals and institutions including policymakers, service providers, and beneficiaries

who formally agreed to participate in Key Informant Interviews (KIIs), thereby enriching the data with varied perspectives. Additionally, the KII data collection included representatives from the EBASPA management team, MG Consultancy, and five regional government bureaus of labor and skill.

### **3.4. Sampling Techniques**

The suitability of the sampling strategy determines research quality (Cohen, Manion & Morrison, 2005). It enables the researcher to select as representative sample as possible (Walliman, 2006). Selection of sampling strategy depends on several factors. For instance, Cohen, Manion & Morrison (2005), identify three key factors (sample size, representativeness and access) that need ultimate judgments before selection of the actual sample. Likewise, Kassmore and Baker (2005) describe sampling as “a tightrope act that requires a fine balance between information and its costs”. Particularly, selection of sampling strategy requires a great deal of care in the present study as its units of analysis are diverse. Thus, 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 team and the research team, purposive sampling techniques was applied to select the 100 survey participants and 37 key informants.

### **3.5. Data Types and Sources**

Policy studies from BDS and BASPs perspective require the use of multiple data types and sources to show the role of legal and regulatory frameworks in enhancing the ecosystem. Likewise, the descriptive research design used for this study under mixed methods approach requires the use of manifold data sources. To comprehensively address the research objectives, the present study makes use of empirical data both from primary and secondary data sources. Such methodology leverages the strengths of each to provide a robust and nuanced understanding of the topic at hand.

Primary data was mainly generated through a combination of diverse methods including structured and semi structured questionnaires of open and close ended type and key informant interview. The sources of primary data are diverse notably BDS providers, consultants, association leaders, nongovernmental organizations, policymakers, and beneficiaries. The data

collected from such diverse sources enabled the consultant to investigate and analyze the role of legal and regulatory frameworks in enhancing the BDS ecosystem. Thus, the primary data sources were substantiated by the secondary data.

The use of secondary sources in this study was found to be crucial in establishing a foundational understanding of Business Development Services (BDS) and Business Advisory Service Providers (BASPs). In line with this, secondary data needed for the study were collected from relevant documents such as books, articles, and magazines, specifically addressing BDS and BASPs. Besides, secondary data were collected from documentary and electronic records, online resources, social media platforms, recorded broadcasts such as radio programs, government reports and industry analyses results so as to gain insights into the broader context and policy implications. While these non-traditional data sources are instrumental to offer valuable real-time insights and perspectives, due care was taken by the consultant to insure their reliability and validity using established source evaluation techniques. By triangulating information from diverse secondary sources, the study build a comprehensive knowledge base that informs the collection and interpretation of primary data, ultimately contributing to a more rigorous and insightful analysis.

### **3.6. Data Gathering Instruments**

In this research there are 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” as stated by (Denscombe, The Good Research Guid , 2007, p. 133). Therefore, to fulfill the stated objectives of this research the researcher use the previous instruments to collect relevant information from sample size population of the research. In this study the researcher intensively used questionnaire - to address and collect the relevant information from the broader population, semi-structure key informant interview - to explore in depth the thoughts from small selected groups, to get the information from documents like proclamations, books and others.

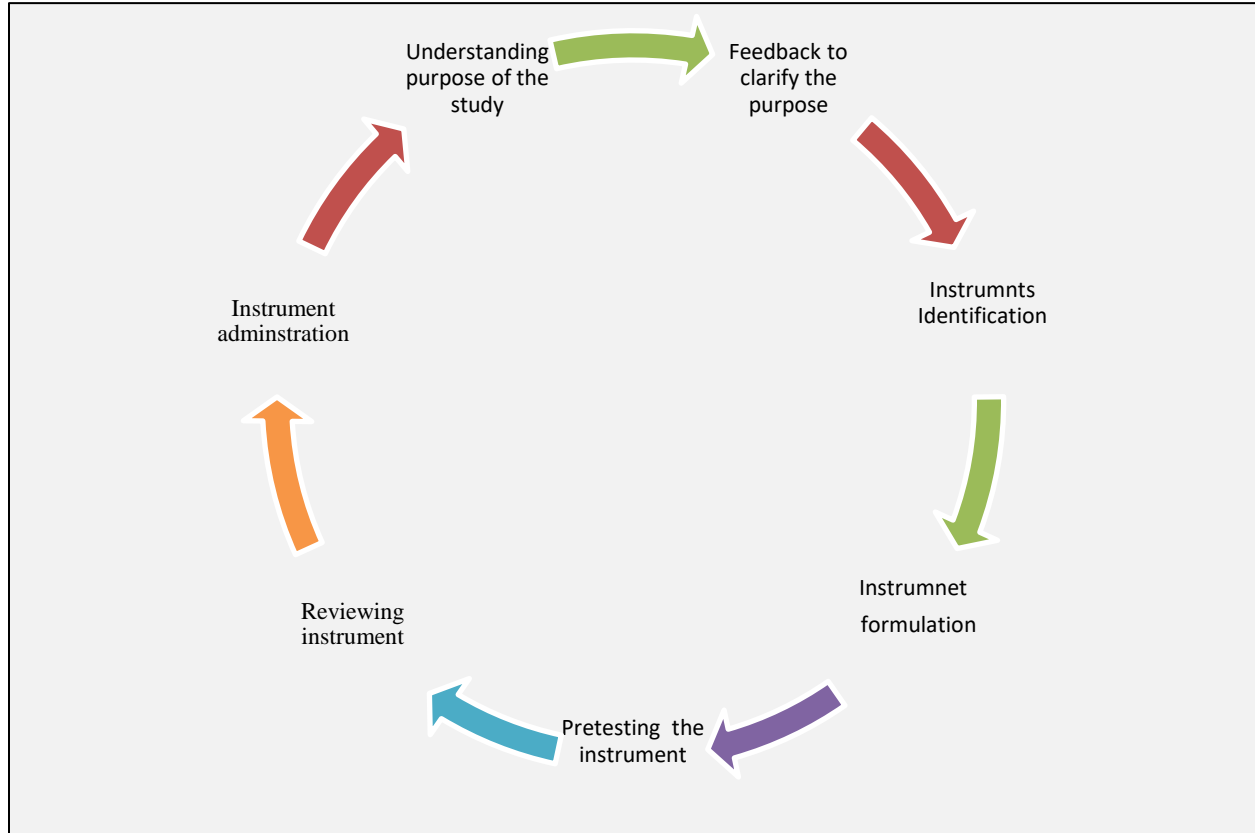
### **3.7. Data Collection Procedures**

This section of the report presents a grained account of instruments used to collect usable data. The empirical data was generated using diverse data collection techniques. As Colton and Covert (2007) note “...no instrument is perfect, as there are many ways to question it, nevertheless, the researcher can create an instrument that effectively meets information needs, standards and guidelines”. Thus, the decision to use data collection instruments and item formats is typically dictated by the scope and purpose of the present study, the research design, resource availability and consultants’ expertise. The process of constructing the strategies of data collection for the current study follows an iterative process with continual refinement and revision in consultation with EBASPA experts.

Accordingly, following the formalization of an agreement with EBASPA, a meticulous work plan was established and ratified by the management team, outlining a comprehensive roadmap for the impending research. This involved strategically identifying and securing participation from relevant organizations. Specifically, email addresses and phone numbers of potential survey participants were compiled, and official letters of invitation, endorsed by EBASPA, were dispatched to Key Informant Interview (KII) participants and other pertinent entities.

Upon obtaining the necessary permissions, experienced data collectors and a call center coordinator were recruited and rigorously trained to ensure the efficient and effective pursuit of data from respondents. Progress updates were consistently shared and discussed during weekly meetings involving both EBASPA management and MG Consultancy representatives, optimizing research performance. This was followed by a thorough review of existing literature then provided a robust guiding framework and established foundational principles for the study. Subsequently, questionnaires, interview questions, and checklists for document review were developed in consultation with EBASPA management to ensure the collection of requisite information. This has enables the consultant to construct the strategies of data collection for the current study using an iterative process with continual refinement and revision (Figure 1).

Figure 2. Steps in the instrument construction process



Source: Adopted from Colton and Covert (2007, p.18)

### 3.9. Methods of Data Analysis and Interpretation

Several interrelated steps were used in the process of analyzing the data collected using the preceding techniques. These are:

- i. First, we prepared the data for analysis. At this stage, the data was cleaned to identify any missing value and to take corrective measures by crosschecking the corresponding questionnaires and KII checklists. Numeric codes were assigned to the qualitative data so as to systematically re-organize raw data into a format that is easy to analyze. To make the analysis straightforward, response gathered from close and open-ended questions were edited and coded.

- ii. Second, data preparation was followed by the actual data analysis. Data analysis was conducted based on the analytical framework to answer the research questions. Descriptive statistical tools were used to analyze the diverse data collected from samples. To this end, we use simple descriptive statistics such as percentages, mean, and frequency to analyze and describe the data. Besides, content and thematic analyses were used to analyze and present the qualitative data. More specifically, data gathered through key informant interview, open-ended questions and consultative discussions were analyzed using interpretative approach based on content and theme.
- iii. Third, the analyzed data was reported in a meaningful way using appropriate data presentation tools like tables, figures, charts and graphs. The result from the data analysis was adequately interpreted and summarized.

### **3.9. Reliability and Validity:**

In a comprehensive policy analysis, reliability and validity are applied to ensure instruments provide credible and accurate information (Howitt & Cramer, 2011). In line with this assertion, the consultant was concerned about quality at some point in the design, data collection, and analysis to judge validity and reliability and followed iterative steps to check for the accuracy and credibility of findings. Thus, as indicated in Figure 1 above, 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. Based on the pilot study findings, necessary revisions were implemented. To insure content validity in this research, the consultant conducted content domain evaluation through expert reviews and pilot testing.

### **3.11. Ethical Considerations**

Ethical concerns in legal and regulatory framework research are both important and ambiguous (Babbie, 2011) that emerge at all research stages. Scholars like Creswel (2014) suggest issues akin to informed consent such as beneficence, confidentiality, opportunity to withdraw, and advocacy as ethical concerns that need to be considered at all stages of research. In this research, the consultant considered appropriate steps to adhere to strict ethical guidelines in order to

maintain participants' privacy, confidentiality, dignity, rights, and anonymity. Accordingly, MG Consultancy implemented rigorous protocols to ensure both data reliability and ethical conduct throughout the study. These protocols included comprehensive documentation for each participant, beginning with a formal agreement with data collectors to ensure consistent and standardized data acquisition. Furthermore, an official invitation letter meticulously outlined the study's purpose, explicitly detailing participant rights and guaranteeing data confidentiality. Complementing this, a consent form was provided, mandating participants' explicit acknowledgement of their voluntary participation and informed agreement to the anonymized use of their data solely for research purposes. This multi-faceted approach prioritized both the integrity of the data and the ethical treatment of all participants.



**MG CONSULTANCY**

## CHAPTER FOUR: DATA PRESENTATION, INTERPRETATION AND ANALYSIS

---

This section presents the data presentation, analysis and interpretation of results of the survey, KII and documents. The findings are organized into five themes including (a) profile of respondents; (b) participants role in the BDS ecosystem; (c) categories of BDS; (d) Awareness and Impact of Proclamations/ Regulations; (e) challenges and opportunities, and (f) the role of intuitional stakeholders in enhancing the BDS ecosystem.

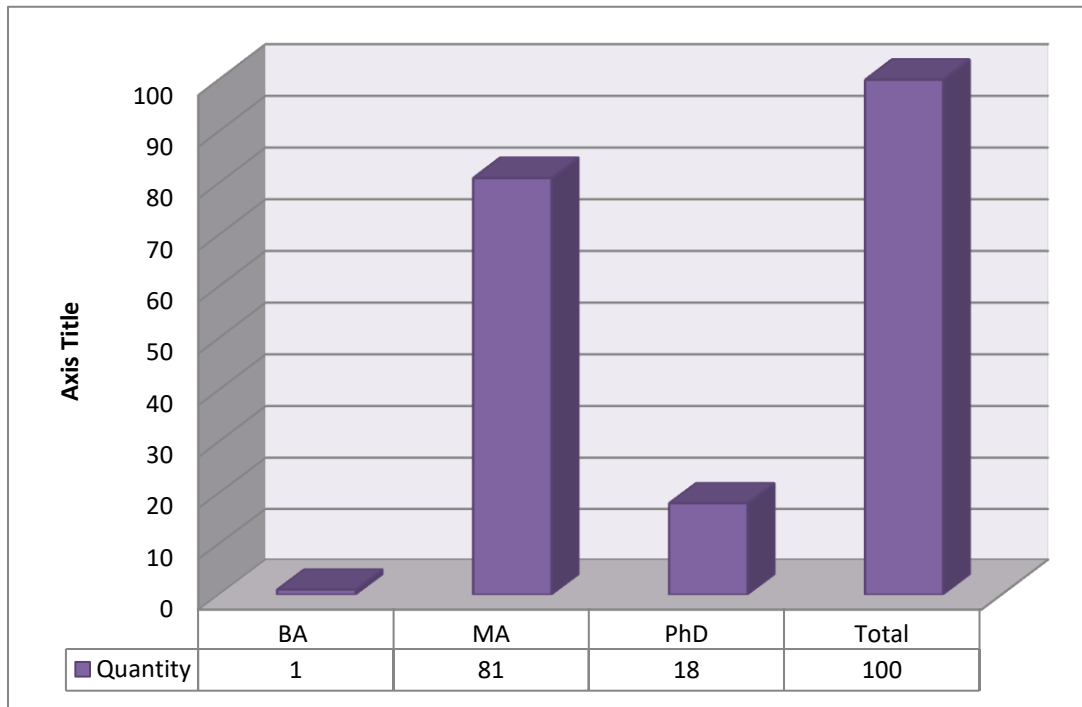
### 4.1. Socio-Demographic Characteristics

Respondents' sex is the most important variables that needs to be assessed while designing business development service advisory programs. As to sex, there is imbalance between the number of male and female participants included in the sample. In this regard, about 22% of the respondents are females while the remaining 78% are males. This skewed representation necessitates careful consideration within the context of researching the legal and regulatory landscape impacting business advisory services business development service providers (BDS) across all sectors in Ethiopia. While the data alone provides no direct insights into the legal or regulatory factors, the observed sex disparity may itself be a consequence of existing legal or cultural biases hindering female participation in the BDS sector. Future research should explore whether the legal and regulatory environment inadvertently creates or perpetuates barriers to entry or advancement for women entrepreneurs and BDS providers, thereby contributing to this uneven representation. Further investigation should correlate this gender distribution with different factors based on gender, potentially indicating systemic inequities within the Ethiopian BDS landscape.

The educational level of target groups is another variable that needs to be examined for any form of business development policy interventions. Indeed, there are various forms of education. In this assessment we consider formal education as an important variable and hence respondents were asked to report the highest level of education completed so far. Accordingly, as shown in Figure 3 below, the majority (81%) of respondents are master holders. A smaller cohort (18%) possess PhD, while only one individual reported a Bachelor's degree. This distribution suggests a workforce with a generally high level of academic training, potentially reflecting the specialized

knowledge and analytical skills required to navigate the complexities of the Ethiopian regulatory environment and provide effective business advisory services. Further research is needed to investigate the specific roles and responsibilities associated with each educational level and to understand the implications of this educational profile on the overall quality and accessibility of business advisory services in Ethiopia.

Figure 3. *Participants Educational Background*



Source: *Field survey (2025)*

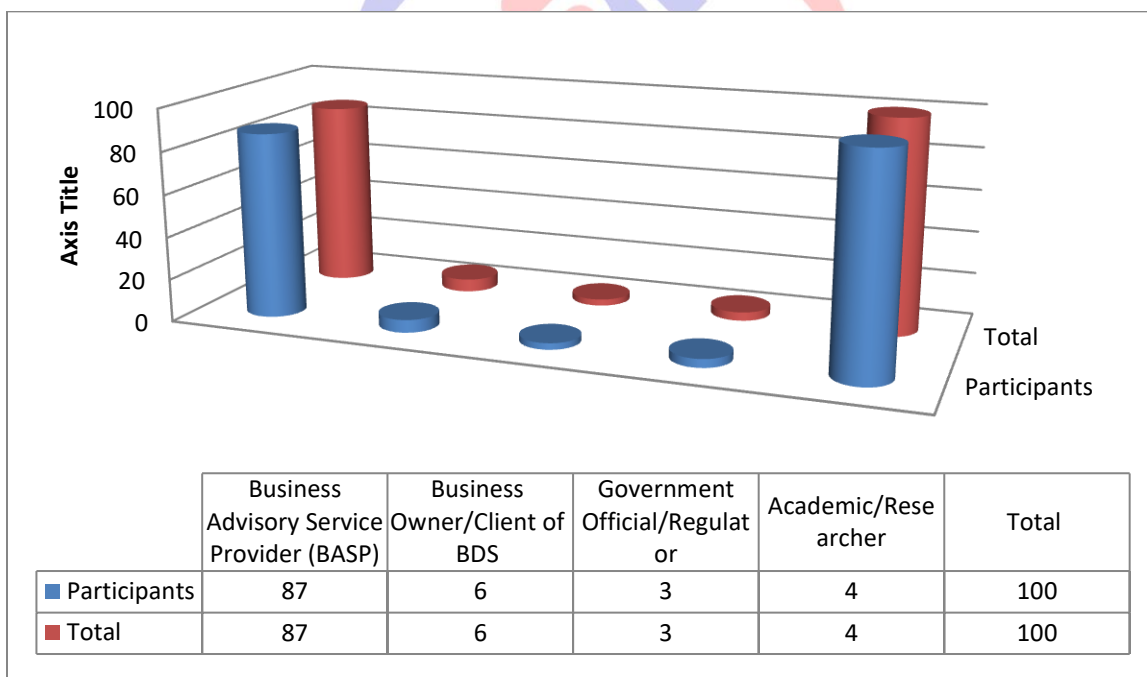
#### 4.2. Participants’ Role, Responsibility and Experience in BDS Ecosystem

ILO (2024) noted that BDS ecosystem encompasses the network of support services, resources, and actors that collectively help entrepreneurs and businesses prosper. The BDS ecosystem involves various actors like government agencies, financial institutions, non-governmental organizations, private service providers, and the businesses themselves. These actors play various roles, responsibilities and experience in BDS ecosystem. Though it is clear that an actor can play a combination of BDS roles (providing technical assistance, creating enabling environments, facilitating access to finance and market) (ILO, 2024), in the survey respondents included in this study were asked to describe their dominant role in BDS Ecosystem. As

indicated in Figure 4, the majority (87%) of survey participants confirmed that their role in the in the BDS ecosystem is provision of Business Advisory Services (BASs), followed by business owners/clients (6%), and academic/researchers (4%) and government officials/regulators (3%).

From the result in Figure 4 and the forgoing discussion, it can be inferred that the dominance of BASPs in the BDS ecosystem suggests a strong supply-side focus in the sector. The result potentially indicates a need to strengthen demand-side awareness and engagement. The limited representation of government officials and regulators warrants further investigation into the extent of regulatory oversight and enforcement impacting BDS providers. Moreover, the relatively small presence of academic researchers highlights a potential gap in empirical evidence informing best practices and policy decisions related to BDS development and sustainability in Ethiopia. This distribution underscores the importance of understanding the specific legal and regulatory challenges faced by BASPs to ensure a conducive environment for their operations and the effective delivery of business development services across all sectors.

Figure 4. Survey Respondents' role in the BDS ecosystem

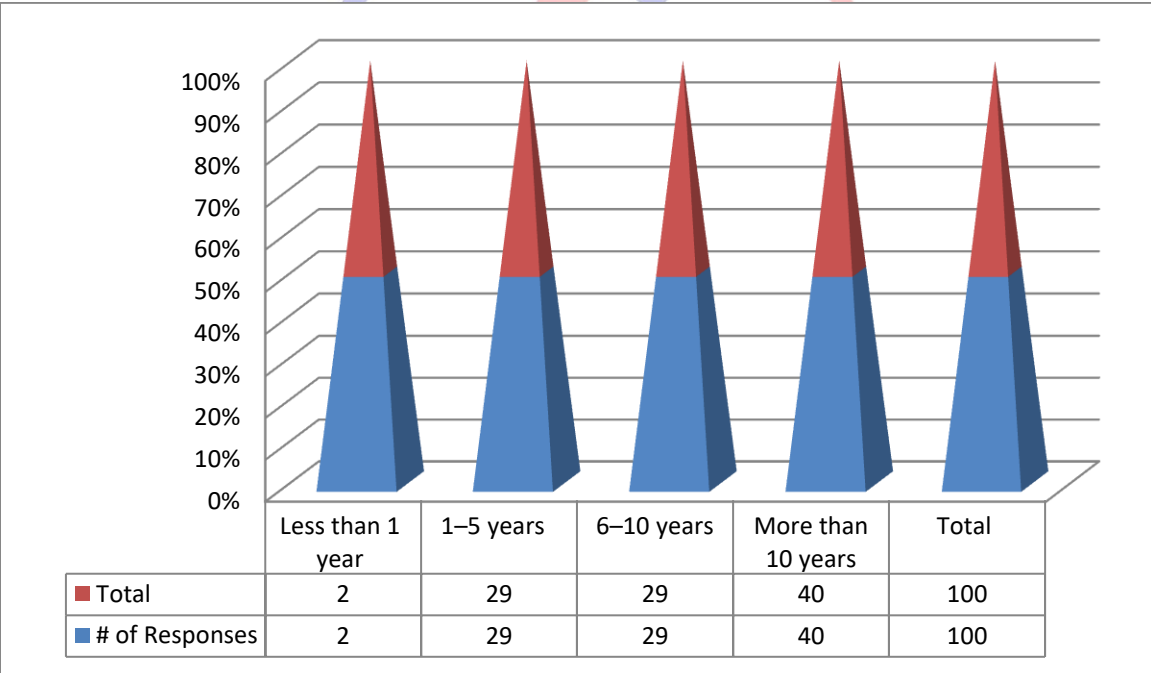


Source: Field survey (2025)

Actors' experience in the in the BDS ecosystem is critical to properly segment SMEs according to their capacity, need and nature and tailor BDS delivery based on that segmentation. In line

with this, survey respondents included in this study were asked to describe their years of experience in the in the BDS ecosystem. The result in Figure 5 reveal a significant range of experience levels among participating experts. In view of that, a substantial majority (69%) of professionals have over five years of involvement in Business Advisory Services (BAS) and Business Advisory Service Providers (BASPs) ecosystem. This suggests the presence of high degree of maturity within the sector. Insignificant number (2%) of respondents have less than one year of experience in Business Advisory Services (BAS) and Business Advisory Service Providers (BASPs) ecosystem. This result highlights a potential need for targeted initiatives to facilitate entry and professional development for new practitioners. This distribution of experience underscores the importance of evaluating the impact of Ethiopia's current legal and regulatory framework on practitioners at varying stages of their careers. A comprehensive understanding of these regulations and their differential effects on seasoned experts and new entrants alike, is crucial for fostering a sustainable and effective BAS/BDS ecosystem capable of supporting both growth and innovation while ensuring regulatory compliance.

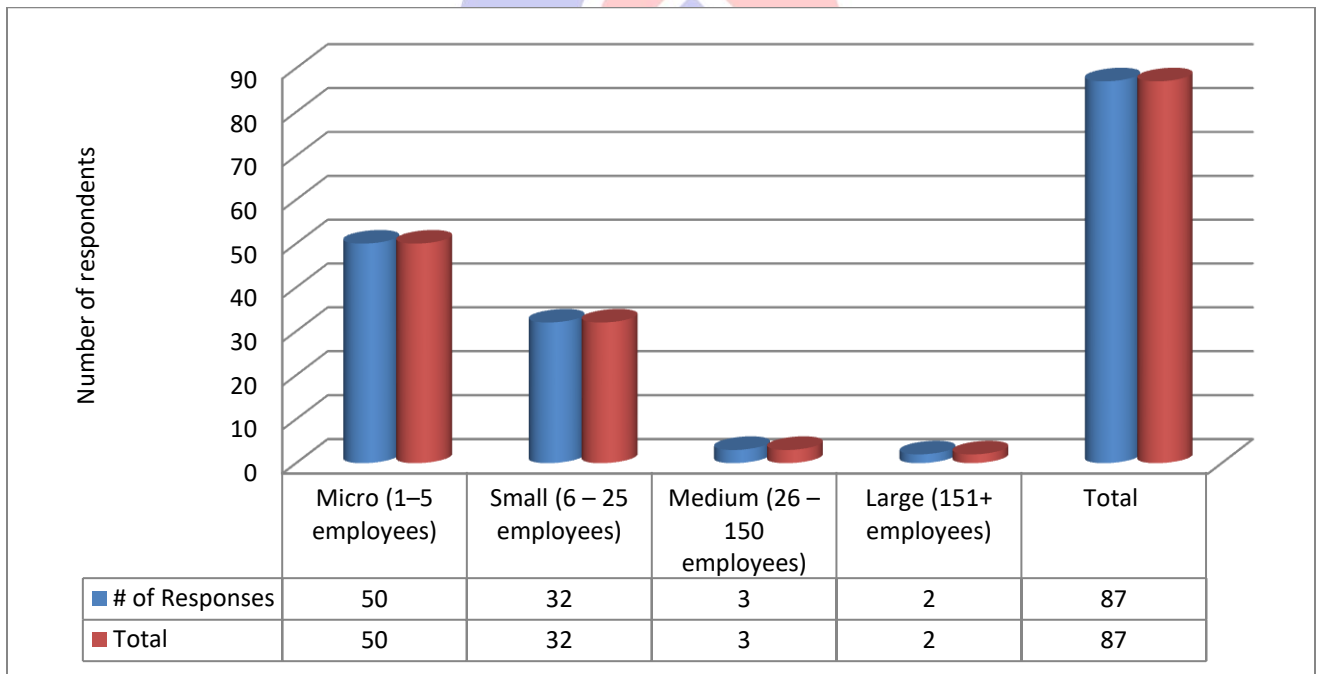
Figure 5. Survey Respondents’ experience (Years) in the BDS ecosystem



Source: Field survey (2025)

Out of the 100 samples included in the survey, 13 of them do not own their own business and the question on business ownership was not applicable for them. Thus, as indicated in Figure 6, there is a significant skew in the distribution of organizational sizes within the respondent pool. Micro-organizations, defined as those with 1-5 employees, constitute the vast majority (50%) of the respondents. This suggests a strong representation from very small businesses, potentially indicating a focus on entrepreneurs, freelancers, or emerging companies. Small businesses (6-25 employees) represent the next largest segment at 32%. This further emphasizes the prevalence of small organizations within the data set. Medium and large businesses, with 26-150 and 151+ employees respectively, account for a small proportion (3% and 2%) respectively. This stark contrast highlights a potential underrepresentation of larger organizations or a specific focus on smaller business demographics within the data collection process.

Figure 6. Size of Business owned by survey participants



Source: Field survey (2025)

### 4.3. Categories of Business Development Services Provided by Respondents

As discussed in the literature part of the report, BDS includes a range of services designed to assist the operational and financial performance of businesses. These services extend beyond basic training and skills development to include critical components like market research,

technology transfer assistance, and facilitation of access to finance. In line with this, respondents were asked to identify the common categories of business development services they provided so far.

*Table 4, Categories of Business Development Services Provided by Survey Participants*

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

*Source: Field survey (2025)*

The data in Table 4 confirm that respondents are engaged in across various categories of Business Development Services (BDS), revealing a notably heterogeneous representation among the sectors. On average each participant is engaged in at least four categories of BDS services. The largest proportion of responses was recorded from Training Providers, with 98 respondents, underscoring both the prominence of this segment and its potential as a focal area for further research and intervention.

Significant participation was also observed in Management Consulting (70 respondents) and Marketing and Sales Support (55 respondents), highlighting these areas as critical to the current BDS landscape. Their substantial representation suggests that these domains are both highly active and closely aligned with the interests or needs addressed by the research.

In contrast, certain specialized or niche sectors exhibited minimal engagement. Mining Investment Consulting (5 respondents), Engineering Consulting (6 respondents), and Art and Entertainment Consulting (2 respondents) were among the least represented. This disparity may stem from the relatively limited size or narrow scope of these sectors within the broader BDS ecosystem, or may indicate a lower level of relevance or awareness regarding the research focus within these fields.

The dataset further reflects the breadth of the BDS domain, with responses spanning both conventional areas such as Legal Advisory (8 respondents) and Financial Advisory (45 respondents), and more sector-specific services like Garment and Textile Consulting (22 respondents) and Health and Wellness Consulting (12 respondents). This diversity enriches the research by enabling a more comprehensive analysis of the challenges and opportunities across a wide array of service areas.

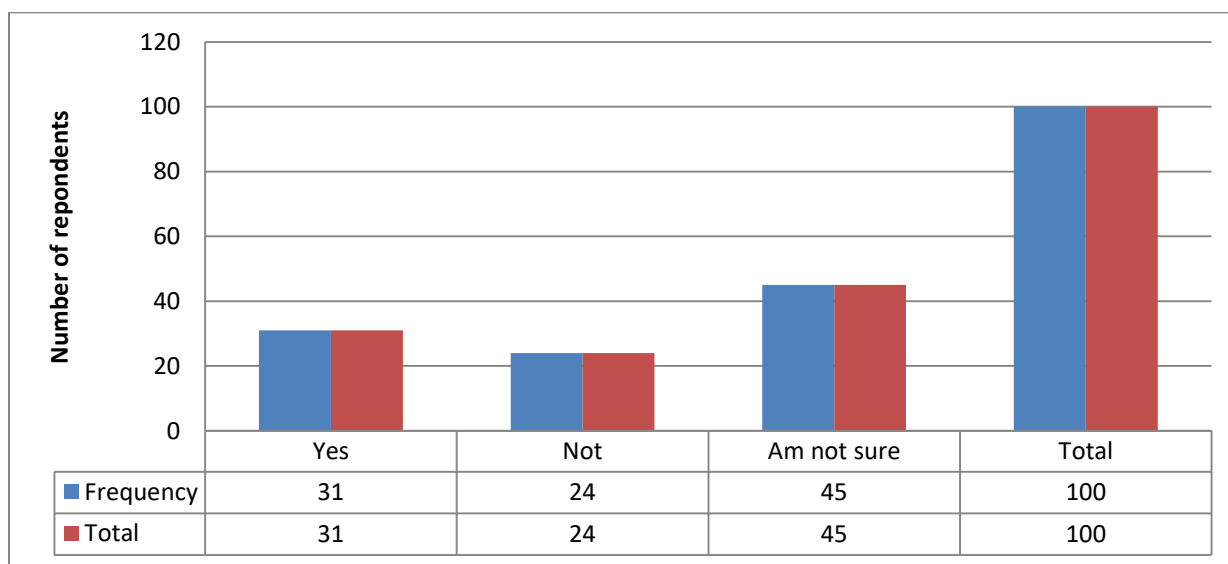
The "Other" category, accounting for 4 responses, points to potentially unclassified or emerging BDS areas. These warrant further qualitative exploration to identify whether new service types are emerging or if current classification frameworks require revision.

Given the uneven distribution of responses across BDS categories, careful attention need be paid to analytical methods. Overall, the diverse respondent profile provides a valuable foundation for a nuanced understanding of the BDS landscape. It enables the formulation of targeted, sector-specific recommendations and strategic interventions tailored to the unique characteristics and needs of each BDS category.

In addition to identifying the categories of business development services they provide, survey participants were asked to state their perception if there are BDS categories that are underrepresented or unsupported by current regulations in Ethiopia. As indicated in Figure 8, the survey results show a diverse range of perceptions. Accordingly, 31% of respondents indicated that the existing policies in Ethiopia have clear regulatory impact on their operations. On the other hand, 24% of respondents indicated that the existing policies in Ethiopia do not have clear regulatory impact on their operations; suggesting minimal or no perceived influence. A notable 45% of respondents are not sure whether the policies in Ethiopia have regulatory impact to scale up the BDS ecosystem; significant knowledge or awareness gap. This mixed response

underscores the complexity and uneven visibility of the legal and regulatory environment within the BDS ecosystem. The high level of uncertainty suggests a need for improved communication, regulatory clarity, and capacity-building efforts to ensure that service providers understand and can effectively navigate relevant policies. Meanwhile, the affirmative responses point to tangible legal and administrative challenges or enablers that merit deeper exploration. Overall, these findings reveal the importance of strengthening regulatory engagement and awareness among BDS providers to foster a more supportive and transparent business environment.

Figure 7. Participants view about underrepresented BDS categories by current regulations in Ethiopia.



Source: Field survey (2025)

#### 4.4. Respondents’ Awareness and familiarity on Regulations Governing BDS

Awareness creation on legal and regulatory frameworks governing BDAS generally includes increasing concern, informing the targeted audience, creating a positive image, and attempts to bring behavioral change. Awareness-raising on the specific legal and regulatory frameworks is an important strategy for changing attitudes and behavior for gaining policy makers and business community support for change. Communication and dissemination activities can be thought of as events for increasing the public visibility of the proclamations and their results using mass media campaign. Accordingly, survey participants were asked whether they are aware about the legal

and regulatory frameworks<sup>1</sup> governing BDAS in Ethiopia. The result in Figure 9 indicates varying levels of awareness among respondents regarding proclamations and regulations affecting Business Development Services (BDS) in Ethiopia, such as the Investment Proclamation No. 1180/2020 and the Commercial Registration and Business Licensing Proclamation No. 980/2016.

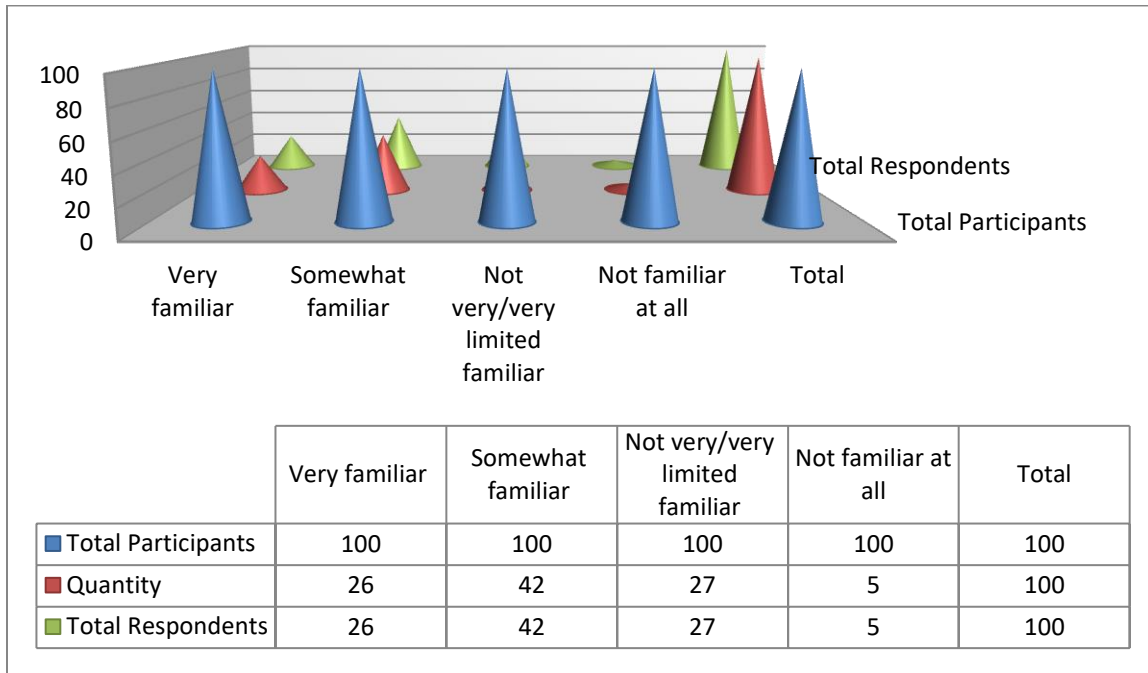
The result confirmed that a little more than a quarter (26%) of respondents reported being “very familiar” about the Proclamations suggesting a strong level of awareness within the group. About 42% of respondents reported being "somewhat familiar" with these legal frameworks, suggesting a moderate level of awareness within the group surveyed. However, a significant 32% expressed limited or no familiarity—27% being "not very/very limited familiar" and 5% "not familiar at all"—highlighting a considerable knowledge gap that could hinder compliance, engagement, and the effective utilization of BDS-related opportunities. This underscores the need for targeted awareness-raising initiatives and capacity-building efforts to improve understanding of the legal and regulatory environment, especially among those with limited exposure. Bridging this gap would enhance informed participation and strengthen the operational capacity of BDS providers and users alike. Besides, it is instrumental to for the design and delivery of scalable BDS that can be expanded to reach a larger number of businesses, often leveraging technology and standardized approaches to improve efficiency and impact in the ecosystem.

MG CONSULTANCY

---

<sup>1</sup>Some of the specific proclamations and regulations affecting BDS in Ethiopia include: Investment Proclamation No. 1180/2020, Commercial Registration and Business Licensing Proclamation No. 980/2016, TAX Proclamations (Income Tax Proclamation No. 979/2016, Value Added Tax (VAT) Proclamation No. 1341/2024, and Directive No. 1006/2024: VAT Exemptions) and others.

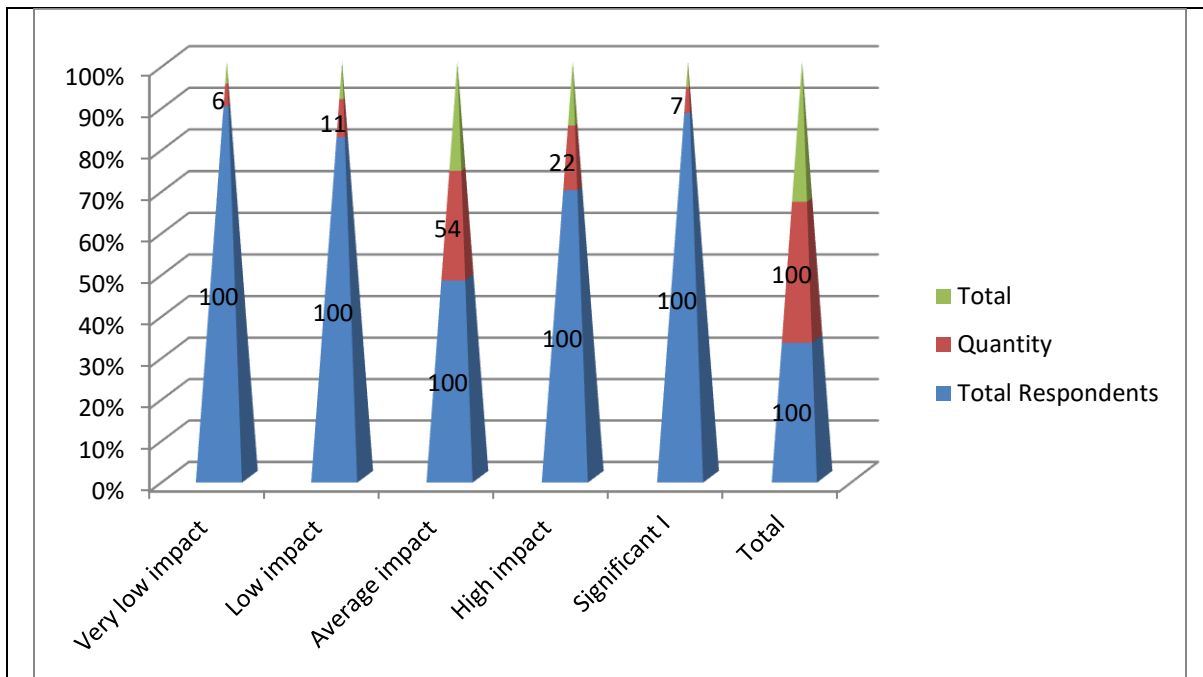
Figure 8. Respondents' Level of Awareness and familiarity on Regulations governing BDS



Source: Field survey (2025)

In addition to the data collected on their level of awareness about the legal and regulatory frameworks governing BDAS in Ethiopia, respondents were also asked to rate the negative impact of current proclamations/regulations on BDS/BASPs. The data Figure 10 reveals respondents' perceptions of the negative impact that current proclamations and regulations have on Business Development Services (BDS) and Business Advisory Service Providers (BASPs) in Ethiopia. The majority (54%) rated the impact as "average," indicating a general perception that while these legal instruments may pose some challenges, they are not overwhelmingly restrictive. However, a combined 29% of respondents rated the impact as either "high" (22%) or "significant" (7%), signaling notable concerns within nearly one-third of the surveyed group. In contrast, 17% perceived the impact as either "low" (11%) or "very low" (6%), suggesting that a smaller segment of stakeholders sees minimal regulatory interference. These mixed perceptions suggest that while the regulatory environment is not seen as outright detrimental by most, it does present moderate constraints that may affect the operational effectiveness and growth potential of BDS/BASP actors. Therefore, there is a need for regulatory review and stakeholder consultation to identify and amend specific provisions that may be hindering BDS sector development, while also strengthening regulatory clarity and support mechanisms.

Figure 9. *Participants' Ratings on Proclamations Negatively Impacting BDS/BASPs*



**How do you rate the negative impact of current proclamations/regulations on BDS/BASPs**

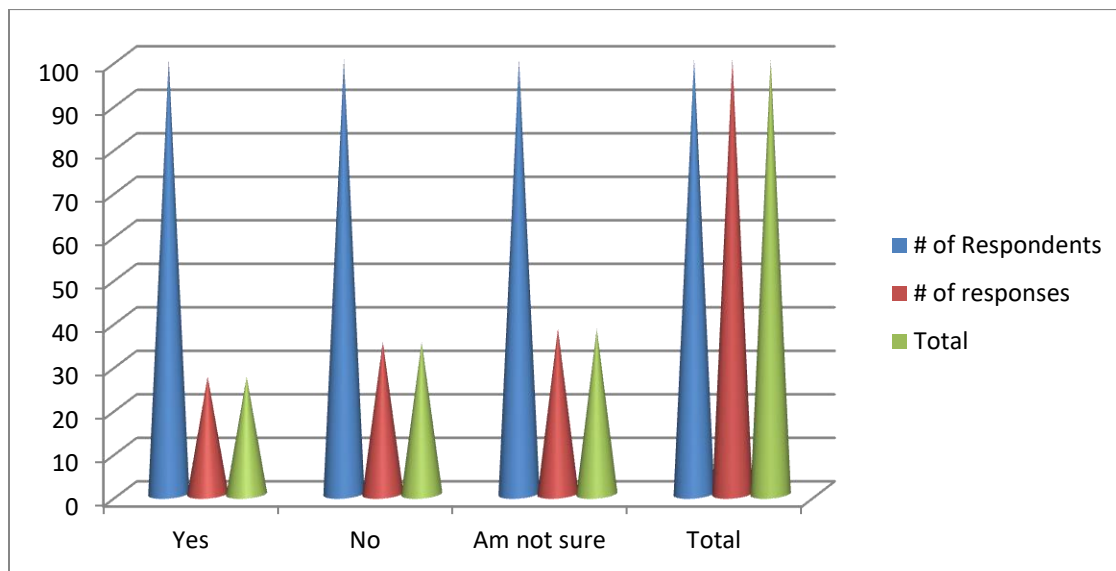
Rating	Percent
Very low impact	6
Low impact	11
Average impact	54
High impact	22
Significant impact	7
Total	100

Source: Field survey (2025)

Respondents were also asked to explain to what extent current regulations adequately support BASPs to serve Micro, Small, and Medium Enterprises (MSMEs). The data in Figure 11 indicate that 27% of respondents have agreed that the existing regulatory framework sufficiently enables BASPs to support MSMEs. On the other hand, a larger segment, about 35% of respondents indicated that the existing regulatory framework do not sufficiently enables BASPs to properly support (MSMEs). This suggests that more than one third off respondents view current regulations as inadequate or even obstructive. Notably, the largest proportion—38%—indicated they are "not sure," reflecting a significant level of ambiguity or lack of awareness regarding the regulatory provisions. This distribution points to potential gaps in both the content and communication of existing policies. The high level of uncertainty may stem from

complex, unclear, or poorly disseminated regulations, which can weaken BASPs' ability to navigate and leverage the legal framework to effectively assist MSMEs. This finding underscores the importance of enhancing regulatory transparency, promoting policy awareness among BASPs, and engaging them in regulatory reform processes to ensure that the legal environment is responsive, enabling, and inclusive.

Figure 10. *Participants view on current regulations adequately support BASPs to serve MSMEs*



Do current regulations adequately support BASPs to serve MSMEs?	
Responses	Percent
Yes	27
No	35
Not sure	38
Total	100

Source: Field survey (2025)

#### 4.5. Challenges and Opportunities in the BDS Ecosystem in Ethiopia

The BDS ecosystem in Ethiopia faces several challenges related to limited access to finance, markets, infrastructure, and a lack of skilled personnel. Understanding those challenges is helpful to improve the quality and sustainability of BDS providers and enhance the coordination between different stakeholders in the ecosystem. To identify the critical factors constraining the BDS Ecosystem in Ethiopia, survey participants were asked to rank the first three critical constraints out of five common factors in an ascending order as per of their severity. The most critical constraint is given the first rank and continues up to the fifth. As indicated in Table 5, the

likely constraints as perceived by respondents based on the sum of the first five ranks identify limited incentives/support , with 69 mentions as the first main constraints affecting the proper implementation of the BDS-related regulations in Ethiopia. A further analysis on the result in terms of specific ranks provided by respondents identified “lack of clarity in regulations” with 59 mentions, as the second most critical constraint; followed by “competition from unregulated providers”, with 57 mentions; “complex licensing processes” (38) mentions, and “high compliance costs” with 31 mentions.

This result need to be evaluated based on the analytical framework developed in the first part of the report. Thus, when we evaluate the result in the lenses of the 5C protocol developed by Najam (1995), these findings indicate that the regulatory environment is not only insufficiently supportive but also poorly communicated, creating confusion and administrative burdens for BDS providers. For example the institutional context expected to serve as a corridor through which the legal and regulatory framework governing BDS must travel is found to be limited. There is also lack of commitment of those entrusted with carrying out implementation of the proclamation at various levels in the BDS ecosystem. As a result, competition from unregulated BDS providers with 57 mentions emerged as the third significant concern, pointing to an uneven playing field where compliant providers are disadvantaged. Moreover, "High compliance costs" (31) further intensify operational pressures, particularly for smaller service providers. The combination of these challenges suggests that the regulatory framework may be inadvertently stifling formal BDS growth rather than facilitating it. Addressing these issues—through streamlined procedures, clearer guidelines, improved enforcement mechanisms, and better-targeted incentives—presents an important opportunity for policymakers to foster a more enabling environment for BDS providers to effectively serve MSMEs and contribute to broader economic development.

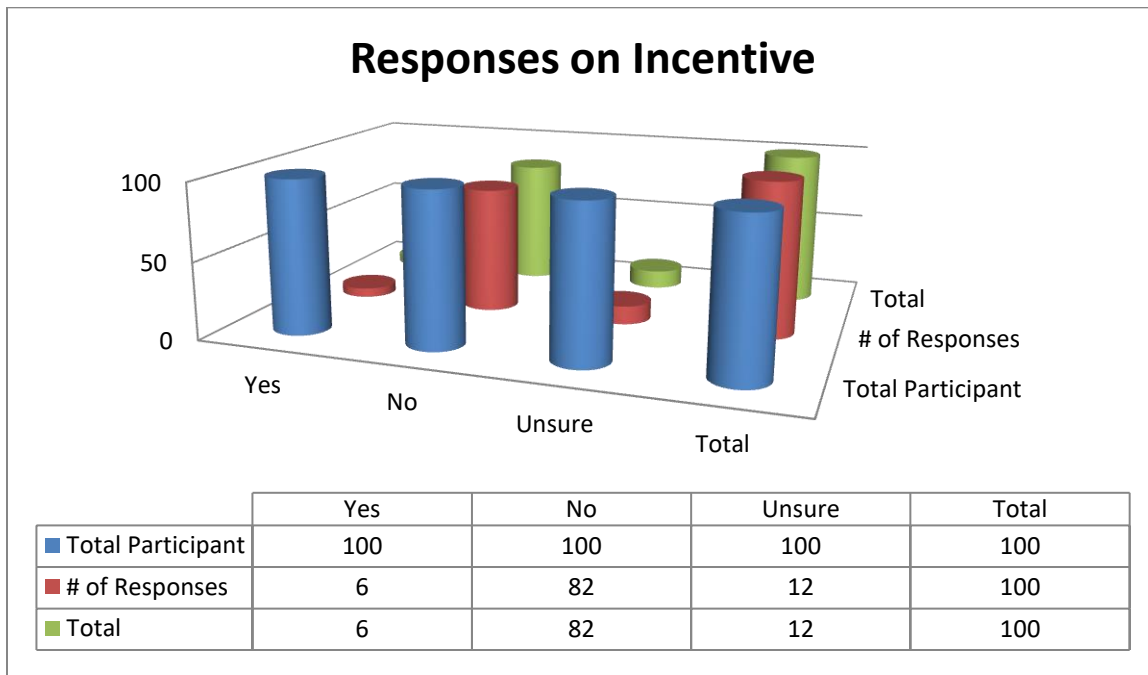
*Table 5. Constraints of BDS and BASP as perceived by sampled respondents*

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

*Source: Field survey (2025)*

Besides identifying the challenges facing the BDS ecosystem, respondents were asked to express their opinion regarding the benefit. As indicated in Figure 12, there is a stark gap between policy intention and practical impact. In this regard, an overwhelming 82% of respondents indicated they do not have benefited from any incentives or support mechanisms under current BDS regulations. This clearly suggest that the vast majority of BDS actors have not experienced any tangible benefits from existing regulatory support mechanisms. Surprisingly, only 6% reported receiving some form of incentive or support, while 12% were "unsure," which may indicate either limited engagement with the system or a lack of awareness about available provisions. This data underscores a critical challenge within the regulatory framework: while support mechanisms may exist on paper, their accessibility, effectiveness, or visibility is severely limited in practice. The findings suggest an urgent need to reassess how support measures are designed, communicated, and implemented. Enhancing transparency, simplifying application processes, and conducting targeted outreach to BDS providers could significantly improve utilization rates and help bridge the gap between regulatory design and actual service enhancement for MSMEs.

Figure 11. *Benefited Participants from the current BDS regulations*



Source: Field survey (2025)

#### 4.6. Suggestions for designing Sustainable and Scalable BDS

As discussed above, the BDS ecosystem is troubled by critical challenges related with limited incentives/support, lack of clarity on regulations, competition from unregulated providers, complex licensing processes and high compliance costs. Consequently, BASPs are not getting proper coverage from the legal and regulatory frameworks governing the BDS sector. This indicates that there is a need for improvement. Accordingly, respondents were asked to select at least one or more policy measures will designing sustainable and scalable business development services in Ethiopia.

The data in Table 6, offer valuable insights into the priority areas for regulatory and institutional reform. Among the 316 total selections made by 100 participants (indicating multiple responses were allowed), the most frequently recommended measure was the introduction of training and certification programs (72 responses), reflecting a strong demand for capacity building and professionalization within the BDS ecosystem. This was followed by calls for tax incentives for

BASPs (66) and subsidies or grants for BDS providers (62), highlighting the financial pressures faced by service providers and the need for tangible economic support. Equally important were simplified licensing and registration processes and stricter regulation of informal/unregulated providers, each receiving 54 responses. These recommendations indicate a dual need: reducing administrative burdens for formal providers while ensuring fair competition through better enforcement against informal actors. A small number of respondents (8) suggested other unspecified measures, pointing to potential additional areas for exploration. Overall, the data underscores the importance of a comprehensive policy approach that includes financial incentives, streamlined procedures, quality assurance, and fair market regulation to strengthen and scale the BDS sector’s role in supporting MSME growth in Ethiopia.

Table 6. Suggestions for designing sustainable and scalable business development services

Recommendation areas	Frequency	Rank
Simplified licensing and registration processes	54	4
Tax incentives for BASPs	66	2
Subsidies or grants for BDS providers	62	3
Training and certification programs	72	1
Stricter regulation of informal/unregulated providers	54	4
Other	8	6
Total	316	

Source: Field survey (2025)

#### 4.7. Qualitative Results

Drawing on Key Informant Interviews (KIIs) and insights from multi-stakeholder consultative workshops, the findings reflect a concerted national effort to strengthen the Business Advisory Services (BDS) ecosystem in Ethiopia. This momentum is underpinned by policies and operational programs led by government ministries, higher education institutions, regional labor and skills bureaus, incubation centers, NGOs, financial actors, SMEs, and Business Advisory Service Providers (BASPs).

Stakeholders underscored the alignment of these efforts with national investment and industrial strategies, emphasizing enterprise development and extension programs as key delivery vehicles.

Ongoing policy revisions aim to modernize BDS frameworks in line with evolving enterprise needs.

Government ministry participants emphasized the state's strategic shift toward private sector led BDS delivery. This includes fostering legally recognized BASPs, supporting professional associations, and facilitating certification and outsourced training mechanisms. Public-private collaboration platforms were cited as essential to formalize engagement, develop national BDS standards, and enhance coordination.

However, several systemic constraints persist:

- **Fragmented standards:** A lack of standardized frameworks hampers service quality.
- **Provider deficits:** There is an insufficient pool of qualified and industry-specialized BASPs.
- **Weak sectoral infrastructure:** The manufacturing sector, in particular, faces acute structural and logistical limitations.

To address these, participants advocated for a multi-pronged capacity-building approach focused on:

1. Developing and enforcing national BDS quality standards;
2. Advancing the professionalization and accreditation of BASPs;
3. Strengthening coordination among actors across sectors and regions.

Measurement of BDS effectiveness is increasingly structured. Key performance indicators such as SME productivity, job creation, investment mobilization, and uptake of certifications are tracked at both enterprise and sector levels. Mechanisms are in place to audit SME transitions across growth stages and maintain enterprise registries. A recognized linkage exists between BDS quality and enterprise progression; delayed transitions are interpreted as signals of service inefficiencies.

While the integration of private-sector BASPs into the delivery model is still maturing, there remains strong institutional commitment to institutionalize BDS and implement comprehensive

monitoring systems. These efforts are seen as critical to enhancing the long term developmental impact of BDS on Ethiopia's SME sector.

#### **4.7.1. Results from Higher Education Institutions**

Results from Key Informant Interviews (KII) with participating from Higher Education Institutions (HEIs) reveal divergent yet valuable approaches to integrating Business Advisory Services (BDS) into their academic and outreach efforts. One HEI embeds BDS concepts within its existing entrepreneurship curriculum through case studies, project-based learning, and the support of a dedicated Career Development Center. While not directly partnering with Business Advisory Service Providers (BASPs), the institution leverages employer partners and guest lecturers to bridge the gap between theoretical knowledge and practical application. Addressing identified SME skill gaps – specifically concerning soft skills and networking capabilities – the HEI employs expert-led training and communication skill-building exercises. Graduate student success is evaluated through case-based assessments, with plans to extend evaluation methodologies to SME beneficiaries.

Conversely, another participating HEI leverages its incubation center to provide comprehensive BDS to startups. This includes business planning, financial forecasting, marketing, HR training, and legal/innovation support. The institution strategically selects BASPs based on their expertise and alignment with mentee needs. Recognizing barriers faced by startups – such as limited awareness, funding constraints, and bureaucratic challenges – the center employs targeted awareness campaigns, subsidies, and advocacy for procurement reform. Furthermore, the HEI fosters networking and collaboration through formal partnerships with financial institutions and permanent mentorship programs, culminating in demonstrable successes in sectors like renewable energy and mobile technology. These distinct approaches highlight the diverse potential of HEIs to contribute to entrepreneurial growth through targeted and strategically implemented BDS initiatives.

#### **4.7.2. Results from Quasi Government Institutes**

Key informant interviews (KIIs) reveal that quasi-governmental institutes in Ethiopia are instrumental in bolstering the business development services (BDS) ecosystem for entrepreneurs

and SMEs. These institutions, operating with mandates focused on specific sectors, employ structured processes to identify and train Business Advisory Service Providers (BASPs), enhancing their capacity through targeted training programs, mentorship, and collaborative partnerships. While one focuses on promoting broad-based SME development, encompassing training, access to finance, and market linkages, the other emphasizes agricultural transformation through tailored BDS offerings for agro-entrepreneurs, concentrating on value chain development and cooperative strengthening.

Challenges faced by SMEs, such as limited access to finance, inadequate market linkages, and inconsistent advisory quality, are addressed through customized BDS models. Fragmentation within the broader BDS ecosystem, attributed to the absence of standardized service delivery, is being mitigated through integrated business diagnostics and coaching, and through customization to address sector-specific barriers.

Collaboration is a crucial element in these institutes' strategies. They actively partner with government ministries, regional bureaus, NGOs, and donors to enhance BDS reach and impact. The need for a nationally mandated institute to oversee certification and service standardization is advocated to resolve role ambiguities and ensure consistent service delivery. Impact is measured using indicators mainly on BDS contributions and others like enterprise growth, job creation, financial access, product quality, and client satisfaction, with long-term outcomes tracked through tracer studies and linkage to national economic indicators. The overarching aim is to create a more coordinated and effective BDS environment that drives sustainable SME growth and contributes to Ethiopia's economic development.

#### **4.7.3. Results from Incubation Centers**

Key Informant Interviews with Ethiopian incubation centers reveal diverse, yet synergistic approaches to Business Development Services (BDS). The centers uniformly provide direct advisory services, including shared workspace, licensing support, and consulting, to aid nascent entrepreneurs in developing robust business plans. One center innovatively incorporates AI technology, deploying a chatbot to facilitate idea articulation and document preparation, directly addressing the challenge of transforming abstract ideas into tangible business models. The oldest incubator offers a comprehensive suite of services encompassing incubation, acceleration, legal

and financial guidance, and prototype development, leveraging mentorship and industry partnerships to bridge the gap between theory and practical application. Conversely, another center functions primarily as a facilitator, prioritizing policy advocacy, member coordination, and strategic matchmaking between startups and external BDS providers based on specific needs, thereby avoiding duplication and conflict within the ecosystem.

Across the board, the centers acknowledge common obstacles: regulatory hurdles, licensing delays, a lack of standardized startup stage definitions, and limited access to high-quality advisory services. To overcome these challenges, one center establishes sector-specific partnerships and consortiums. Another strategically delays licensing requirements during initial testing phases and employs a referral system to connect startups with relevant experts. The third actively cultivates networks spanning corporations, donors, and academic institutions to bolster startup support. While one center highlights specific startup success stories using one-year market survival as a basic metric, the long-term engagement and ecosystem-building efforts of another suggest a wide and lasting positive influence on the Ethiopian startup landscape.

#### **4.7.4. Results from NGO's**

The NGO representative highlighted their organization's role in strengthening Business Advisory Services (BAS) in Ethiopia through a progressive, demand-driven approach tailored to the diverse needs of entrepreneurs. Their support spans various stages of business development, with a focus on micro, small, and medium enterprises (MSMEs). The organization delivers certified training programs integrated with ongoing coaching and mentoring to promote sustainable business growth.

Recognizing the diverse backgrounds of participants, the NGO offers customized training tracks that address the specific needs of women, individuals with low literacy levels, and highly educated aspiring entrepreneurs. Inclusivity is a central focus, with deliberate efforts to reach marginalized populations—including refugees, women, and persons with disabilities—through collaborative initiatives with like-minded organizations. These efforts are particularly concentrated in underserved regions to address regional disparities.

While participants have demonstrated tangible improvements in business performance, several persistent challenges were identified. These include limited access to sustained funding, insufficient recognition and support from government bodies, and bureaucratic burdens—especially from institutions such as the Ministry of Revenue. These constraints impact both the supply and demand sides of the Business Development Services (BDS) ecosystem. The representative emphasized the urgent need for systemic reforms, improved regulatory frameworks, and dependable financing mechanisms to ensure the long-term sustainability of entrepreneurship and advisory service delivery in Ethiopia.

#### **4.7.5. Results from Financial Institutions**

Financial institutions in Ethiopia participated in KII mainly offer a range of Business Advisory Services (BDS) to SMEs aimed at strengthening financial management, business planning, and growth. These services include pre- and post-loan advisory, financial literacy, cash flow management, marketing analysis, and entrepreneurship training, with a focus on both financial and non-financial support. Banks partner with BASPs deliver training, market analysis, and fundraising support through both in-person and digital channels. Key financial challenges facing SMEs include poor financial documentation, limited access to finance, lack of collateral, and mismanagement of business loans. Banks address these by co-financing BDS programs, linking loans to suppliers, and offering tailored loan products, particularly for women and rural entrepreneurs. To ensure accessibility, banks leverage their widespread branch networks and digital platforms to deliver BDS even in remote areas. Positive outcomes have been observed, including high loan repayment rates, especially among women-led SMEs, improved financial behavior, business expansion, and formalization of enterprises. Some financial institutions, in particular, emphasized the importance of integrated support through financing, advisory services, and market linkage as a model for sustainable SME development.

#### **4.7.6. Results from SME's Representatives**

Small and Medium Enterprises (SMEs) representatives and their chambers in Ethiopia have engaged with a broad spectrum of Business Advisory Services (BDS), including entrepreneurship training, technical support, and management development. These services are primarily accessed through public-sector initiatives and intermediary institutions that support

enterprise development. Structured BDS offerings commonly include packages focused on productivity enhancement, best practice promotion, entrepreneurship skills, technology facilitation, and technical assistance. These are often complemented by activities such as trade fairs, market intelligence dissemination, and business training sessions organized by business associations and support entities.

During recent stakeholder engagements—including forums featuring SME representatives, academics, and policy makers—participants underscored the expanding role of BDS in advancing technology adoption, digital transformation, and smart manufacturing. BDS was recognized as a powerful non-financial enabler of innovation, competitiveness, and operational efficiency in SMEs.

Despite this progress, significant challenges remain. A persistent gap exists between the theoretical content of many training programs and the practical, actionable support needed by SMEs. Additionally, access to international markets, financing opportunities, and high-quality service providers remains limited. Forum participants further emphasized that many SMEs lack the capacity to implement advanced technologies such as artificial intelligence (AI), the Internet of Things (IoT), and lean manufacturing practices—largely due to inadequate advisory support tailored to their specific needs.

To address these shortcomings, stakeholders called for stronger follow-up mechanisms, closer alignment of advisory services with evolving market demands, and improved access to market linkages and digital financing tools. When selecting Business Advisory Service Providers (BASPs), SMEs and support actors prioritize providers with strong reputations, practical expertise in core business functions—such as financial management and strategic planning—and a proven track record of delivering relevant, high-quality advisory services.

In addition to technical support, some service providers also offer conflict resolution services—such as negotiation and arbitration—demonstrating the broader value of advisory support in enterprise development. Panelists stressed the importance of BASPs who can bridge the gap between knowledge and execution by integrating sector-specific guidance, hands-on coaching, and tailored technological recommendations.

Looking forward, both institutional representatives and SME stakeholders identified several priority areas that BASPs must address to accelerate SME growth. These include support for legal formalization, digital marketing, and workforce engagement—particularly in areas such as ergonomic workplace design and staff development. SMEs are also in need of guidance on market expansion, access to finance, and navigating complex regulatory environments. Stakeholders concluded that BDS should play a dual role: not only supporting business growth at the enterprise level, but also contributing to broader policy advocacy aimed at building a more inclusive, digitally enabled, and competitive SME ecosystem in Ethiopia.

#### **4.7.7. Results from Business Advisory Service Providers (BASPs)**

Selected senior Business Advisory Service Providers (BASPs) participated in key informant interview in this research. All KII participants were with decades of experience emphasized the essential role of Business Advisory Services (BAS) in catalyzing the growth and sustainability of small and medium enterprises (SMEs) in Ethiopia. Participants described BAS as a comprehensive and strategic tool that supports production efficiency, market alignment, financial modeling, and legal compliance. These providers deliver a wide range of services—including export readiness, feasibility studies, investment advisory, and value chain analysis—anchored in national legal frameworks such as enterprise development proclamations and commercial regulations.

As they mentioned and stressed, effective BAS, must be demand-driven and market-responsive. Technical training alone is insufficient; rather, advisory support should be holistic and continuous—integrating training, coaching, and mentoring to address SME challenges in a practical and sustainable way. Historically, many capacity-building efforts in Ethiopia have failed due to a lack of market orientation, resulting in limited long-term impact.

A critical assessment of Ethiopia’s BDS landscape revealed systemic barriers hindering service effectiveness. Key concerns include the absence of a specialized licensing system for BASPs, low public trust due to inconsistent service quality, and market distortions caused by unethical with poor knowledge and experiences service providers and free advisory services from NGOs that lack technical capacity. The current consultancy licensing structure does not distinguish between general and specialized service providers, allowing under qualified actors to enter the

market and dilute professional standards. In addition, regulatory ambiguities particularly around taxation and certification create confusion and discourage investment in the sector.

Advocacy efforts have been made to push for regulatory recognition of advisory services, including securing tax exemptions for export-oriented support. Despite these challenges, experienced providers have demonstrated impact by helping SMEs improve internal systems, access international markets, and secure financing. Success is measured through improved business acumen, expanded market reach, and enhanced employment outcomes among clients.

Looking forward, providers see significant opportunities for BASPs in emerging areas such as capital market advisory, transaction support, and risk analysis. However, they caution that realizing these opportunities requires policy coherence, institutional reform, and formal recognition of private advisors as strategic partners in national development. Recommendations include refining licensing standards, clarifying the roles of public and private actors, and institutionalizing long-term support mechanisms that value the contribution of professional advisory services.

Additionally, insights were shared on the historical evolution of consulting in Ethiopia from informal advisory roles during state-led economic regimes to the gradual formalization of consulting with the emergence of a market economy. Despite this progression, many consultancy functions remain underutilized or are handled internally by SMEs and financial institutions, often in a superficial manner that prioritizes regulatory compliance over meaningful business growth.

Concerns were also raised about the inadequacy of Ethiopia's legal and regulatory framework in supporting effective BDS delivery. Policies related to taxation, labor, and professional certification are often inconsistently applied and poorly communicated, contributing to inefficiency, corruption, and mistrust. A unified approach is needed one that promotes better collaboration between government bodies and BDS providers, encourages clarity in regulations, and supports the growth of locally driven enterprises.

Finally, the interviewees emphasized the need for a nationally anchored private sector that prioritizes local innovation, ethical business practices, and economic self-reliance. They cautioned against monopolistic behaviors and external interference, advocating instead for a

vibrant, patriotic, and inclusive business ecosystem that can drive sustainable development and job creation in Ethiopia.

#### **4.7.8. Results from Regional Labor and Skill Bureaus**

The regional Labor and Skill Bureaus of Amhara, Oromia, Sidama, Somali, and Addis Ababa are actively involved in facilitating Business Advisory Services (BDS) for SMEs through various programs, although their implementation and alignment with national proclamations vary. Most bureaus support BDS delivery by assigning TVET trainers, preparing regional manuals and guidelines, and aligning with directives from the Industry Extension Service. The Federal Ministry of Labor and Skills (MoLS) has also introduced a national SME development policy and proposed a dedicated BDS organogram, with BDS counselors trained and deployed at one-stop service centers. However, several regions lack formal organizational structures or clear regulatory boundaries between BDS and other support systems, such as industry extension services. Some, like Addis Ababa and Somali, reported significant efforts in identifying investment opportunities, conducting supervision, and collaborating with development partners like JICA and WEDEP. Despite these efforts, regions still report fragmented delivery and insufficient institutional clarity on BDS.

Collaboration between the bureaus and Business Advisory Service Providers (BASPs) remains limited due to weak linkages, lack of trained personnel, and insufficient incentives for TVET trainers serving as BDS providers. Regions noted that while universities and trained counselors are potential BASPs, their services are often impractical or poorly matched to SME needs. Common challenges faced by SMEs include low awareness, poor infrastructure, limited access to finance, and inadequate skills among BDS providers. To address these, bureaus are attempting capacity building and field-level supervision, though systemic issues persist, such as unclear regulations, fragmented markets, and unsustainable BDS programs. Monitoring and evaluation mechanisms exist in some form like monthly follow-ups, feedback tools, and impact assessments but success stories are rare. Some promising practices include using documentary films, conducting interviews, and organizing bazaars to showcase effective SMEs. Most bureaus agree that updated regulations and clearer organizational mandates would significantly enhance the effectiveness of BDS in supporting SME growth and investment attraction.

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

This section of the report presents the findings from document analysis regards to the content of the proclamation, context, capacity, coordination and gap in reference to the BDS/BASPs.

##### **4.8.1. Income Tax Proclamation № 1395/2016**

- i. Content/Goal:** Ethiopian Federal Income Tax Proclamation No. 979/2016 (currently amended on July 2025) aims to create a modern, fair, and efficient income tax system that aligns with the country's current economic realities. It establishes a comprehensive legal framework for taxing income derived from various sources, including employment, rental, business, and investment activities. By doing so, it seeks to enhance domestic revenue mobilization, support public service delivery, and promote equitable tax contributions from individuals and businesses across the economy.
- ii. Context:** The enactment of the proclamation emerged from the need to reform Ethiopia's outdated tax laws, which no longer reflected the country's economic structure and growth. As Ethiopia undergoes rapid urbanization, diversification of income sources, and expansion of the private sector, the older frameworks were insufficient to capture these developments. The new proclamation addresses this misalignment by clearly defining taxable income, categorizing taxpayers by income thresholds, and streamlining tax processes. It reflects a policy shift toward modernizing fiscal governance, increasing transparency, and promoting accountability in the administration of public revenues.
- iii. Commitment:** Ethiopian government demonstrates a strong commitment to fiscal equity and administrative reform through this proclamation. It mandates regular updates to taxpayer categories and income thresholds at least every five years, based on economic analysis. The law promotes a progressive taxation model, assigns specific responsibilities to both the Ministry of Finance and the Revenue Authority, and reinforces the obligation of taxpayers to maintain proper records and comply with tax declarations. Through these measures, the government underscores its intent to

- build a responsive and fair tax system that evolves with the country's economic progress.
- iv. **Capacity:** The successful implementation of the proclamation depends heavily on the institutional capacity of tax authorities. The law outlines extensive administrative responsibilities, such as taxpayer registration, income classification, compliance auditing, and enforcement of penalties. It also introduces simplified tax regimes for small taxpayers to reduce the compliance burden. However, the real challenge lies in operationalizing these provisions particularly in regions with limited digital infrastructure and technical personnel. Strengthening the tax administration's capacity, digitizing services, and investing in human resources are essential to ensure the effective delivery of the law's provisions.
  - v. **Impact on SMEs and BDSPs:** The impact of the proclamation on small and medium enterprises (SMEs) and BDSPs is twofold. On the positive side, SMEs benefit from categorization into Category A and B taxpayers, allowing for simplified tax procedures and, in some cases, presumptive taxation. This reduces compliance costs and makes tax obligations more predictable. However, the thresholds for categorization (e.g., gross income below Birr 2,000,000 for Category A) may still be too high for operating informally or with low margins. Furthermore, compliance requirements such as bookkeeping, reporting, and adherence to tax schedules may pose challenges for SMEs lacking financial literacy or access to advisory support, potentially discouraging formalization.
  - vi. **Policy Gap:** Despite its reform objectives, the income tax proclamation reveals key policy gaps that hinder its effectiveness for SMEs and Business Development Service Providers (BDSPs). The lack of enforcement of periodic income threshold reviews exposes SMEs to outdated tax brackets, creating unfair burdens and discouraging formalization. Additionally, 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. Addressing these gaps

requires coordinated policy adjustments, investment in digital infrastructure, and stronger institutional support for the SME advisory ecosystem.

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

- vii. Content/Goal:** The purposes of the 2021 Commercial Code is to streamline business regulations, fostering a more attractive investment environment. It addresses key areas related to BDS including company structures, creditor protection, and merger/acquisition procedures, promoting transparency and accountability in business operations. The analysis made by Renew Capital on the new code reveals that, the commercial code of Ethiopia is changing how the country does business. In terms of content/goal, the 2021 Commercial Code of Ethiopia, represents a significant step towards modernizing the country's BDS/BASP environment. In this regard, by way of providing clear and comprehensive legal framework, it aims to stimulate economic growth, attract investment, and promote fair and transparent business practices including the BDS sector. Nevertheless, successful implementation and ongoing clarity on certain provisions related to BDS/BASP will be vital to realizing its full potential for the development of sustainable and scalable BDS sector. If need arise, future revision needs to focus on reasonable accommodation and proper protection of business advisory service providers.
- viii. Context:** In terms of institutional context, the Ministry of Trade and Regional Integration is given the mandate to drive the proper implementation of the code. Since the commercial code recognizes consulting as a formal trade activity, the Ministry of Trade and Regional Integration need to give due emphasis to ensure that the commercial code serves as key regulatory framework in governing the BDS ecosystem.
- ix. Commitment:** In line with Article 22(a) of Proclamation No. 1263/2021 which defines the Powers and Duties of the Executive Organs, tenable commitment is required from those entrusted with carrying out the implementation of the commercial code (Ministry of Trade and Regional Integration and the Ministry of Labor and Skills (MoLS)) to collaborate with all BDS actors and steer the sector.

- x. **Capacity:** As discussed above, the Ministry of Trade and Regional Integration is responsible for the implementers to the policy. The ministry has adequate structure across all administrative levels in the country including at the national/federal level/ regional level/ Zonal level, Woreda level, city and sub city level. Thus, as far as capacity is concerned, capacity building initiatives on how to use the commercial code for scalable BDS need to be done at the lower level of the government offices.
- xi. **Clients and coalitions:** The main actors are of the proclamation are traders such as sole proprietors and business organizations, partnerships and companies, shareholders, and creditors and business development service providers. The involvement of these actors is helpful develop strategies to practically implement the regulation to strengthen the BDS sector.
- xii. **Policy Gap:** The new code addresses the inadequacies of the 1960 code. The Commercial Code represents a significant step towards modernizing the legal framework for business and commerce in Ethiopia, addressing the shortcomings of the previous code and creating a more robust environment for economic growth and global integration. Governs trade and commercial activities including the BDS sector in Ethiopia. But, 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.

#### 4.8.3. Ministry of Labor and Skills (MoLS) Proclamation No1263/2021

- i. **Content/Goal:** Proclamation No.1263/2021 defines the powers and duties of the executive organs of the Federal Government, including the Ministry of Labor and Skills (MoLS). This proclamation establishes the organizational structure and designates BDS as the responsibilities of MoLS, for ensuring coordinated and efficient BDS operations.
- ii. **Context:** In the due process of defining the powers and duties of the executive organs of the Federal Government, the proclamation have given the mandate to drive the proper implementation of the BDS sector to the Ministry of Labor and Skills (MoLS).Ministry of Labor and Skills (MoLS).
- iii. **Commitment:** Article 25(t) of the proclamation recognizes that The Ministry of Labor and Skills shall have the power ensure, in collaboration with concerned organs, the

provision of business development services and entrepreneurship training and support to promote job creations and employment opportunities; establish a system of alternative financial sources for micro, small and medium entrepreneurs. So far, there is strong commitment from The Ministry of Labor and Skills to develop the BDS ecosystem.

- iv. **Capacity:** As per article 25(t) of the proclamation, MoLS is capacitated for delivering BDS to support entrepreneurship and job creation. Entrepreneurship Training and Support: The ministry is tasked with providing training and support to entrepreneurs, aiming to enhance skills and promote sustainable employment opportunities.
- v. **Clients and coalitions:** Though the main actor that is empowered in article 25(t) of the proclamation is MoLS, article 86 of the proclamation identified executive organs that are accountable to the Ministry of Labor and Skill in developing the BDS sector. These are: 1/ Technical and Vocational Training Institute; 2/ Agriculture Technical and Vocational Education and Training Colleges; 3/ Tourism Training Institute; and 4/ Entrepreneurship Development Institute.
- vi. **Policy Gap:** The proclamation properly defined the powers and duties of the Ministry of Labor and Skills (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.

#### 4.8.4. Ministry of Industry Proclamation №1263/2021

- i. **Content/Goal:** Proclamation No.1263/2021 defines the powers and duties of the executive organs of the Federal Government, including the Ministry of Industry. This proclamation establishes the organizational structure and indirectly designates BDS as one of the main responsibilities of Ministry of Industry for ensuring development and competitiveness of the industrial sector
- ii. **Context:** In the due process of defining the powers and duties of the executive organs of the Federal Government, the proclamation have given the mandate to drive the proper BDS provision to create an enabling system for enhanced participation and role of the private sector in the industry
- iii. **Commitment:** Article 21 (m-n) of the proclamation recognizes that The Ministry Industry shall have the power ensure, in collaboration with concerned organs, devise

mechanism for providing incentives, capacity building supports and advisory services in order to make small and medium enterprise effective and provide support for the same. So far, there is strong commitment from The Ministry Industry to incorporate some forms of BDS activities such as the provision of assistance including industrial extension services, technology, inputs, marketing and manufacturing methods and thereby ensure growth and productivity of the industry in particular in the manufacturing sector and monitor the effectiveness.

- iv. **Capacity:** As per article 21 (e) of the proclamation, The Ministry Industry is capacitated for delivering business development service to support create conducive conditions for the participation of domestic and foreign investors in the investment of manufacturing industry sector in accordance with the investment laws.
- v. **Clients and coalitions:** Though the main actor that is empowered in article 21(1) of the proclamation is the Ministry of Industry, article 82 of the proclamation identified two main executive organs that are accountable to the Ministry of Industry in developing the BDS sector. These are: 1) Manufacturing Industry Development Institute and 2) Ethiopian Enterprise Development.
- vi. **Policy Gap:** The proclamation properly defined the powers and duties of the Ministry of Industry regarding the provision of business development service in the manufacturing sector. In line with this, Ministry of Industry need to develop specific strategies and procedures that will guide the provision of business development service in the manufacturing sector.

#### **4.8.5. Right to Employment of Persons with Disabilities; Proclamation № 568/2008**

- i. **Content:** In reference to Article 27 of the Convention on the Rights of Persons with Disabilities (CRPD), the proclamation covered the major elements that need to be included in any disability related policy framework to manage the social and economic dynamics for reasonable accommodation and inclusiveness. Even though the main issue rose in Proclamation № 568/2008 emphasis on the Protection of the Right of Persons with Disability to Employment during recruitment, promotion, placement, Transfer and Participation in a training program. In particular, the

- Proclamation, has given special coverage on protecting Persons with Disability from any form of discrimination to employment and work including the BDS sector.
- ii. **Context:** In the due process of defining the right of Persons with Disability, though not mentioned visibly, the proclamation has given legally defined right for Persons with Disability to participate in the provision of BDS services.
  - iii. **Commitment:** One of the key issues in the proclamation is the Right to Institute an Action if rights are infringed due to non-observance of the provisions of the Proclamation. Though not practical, the proclamation focuses on reasonable accommodation and proper protection regarding the right to employment of persons with disability in the BDS sector.
  - iv. **Capacity:** So as to enhance the capacity and engagement of Persons with Disability in the BDS sector, some emerging technologies that need be used to assist persons with disabilities at BDS work place.
  - v. **Clients and coalitions:** as far as the issue of willingness and coordination to engage persons with disabilities as BDS providers is concerned, there is lack of coordinated initiatives for training to insure the full participation of Persons with Disability in the BDS sector.

#### 4.8.6. Capital Market Proclamation № 1248/2021

- i. **Content:** In Article 36(a-c) the Capital Market Proclamation defined “Investment Adviser” as a person who: a) carries out the business of advising others concerning investments; b) as part of a regular business, issues or promulgates analyses or reports concerning investment; or c) a financial institution licensed to provide investment advice on particular type of investment such as bonds, commodities, mutual funds, and stocks.
- ii. **Context:** In Article 55(1c), the Capital Market Proclamation identified the regulated capital market activities and services. Thus, it set a context that “investment advice” as part of the BDS sector that shall be regulated under this Proclamation.
- iii. **Commitment:** According to article 79 of Proclamation No.1263/2021 that defines the powers and duties of the executive organs of the Federal Government, the Ethiopian Capital Market Authority is accountable to the Prime Minister. Thus, being one of the key organization that is under the immediate supervision of the Prime Minister, the

Capital Market Authority in collaboration with concerned organs can create enabling environment for investment advisory services as one of the regulated capital market activities.

- iv. **Clients and coalitions:** The proclamation has provided full power to the Capital Market Authority to closely work with Capital Market and Business Development Service Providers.
- v. **Policy Gap:** The proclamation properly defined the powers and duties of the Capital Market Authority regarding the provision of Capital Market advisory services. The authority is enacting directives that are helpful for the proper provision of capital market advisory services notably the Capital Market Service Providers Licensing Directive No. 980/2024. The directive is instrumental to fill gaps in licensing. It provides details 1) licensing requirements for firms offering investment advisory services, 2) establishes ethical standards, qualification criteria, and operational guidelines for advisory service providers, and 3) enhances professionalization and accountability in the advisory services sector.

#### 4.8.7. National Entrepreneurship Strategy of Ethiopia 2020-2025

- i. **Content:** The main components of the Ethiopian National Entrepreneurship Strategy related to BDS includes optimizing the regulatory environment, enhancing entrepreneurship education and skills development, facilitating technology exchange and innovation improving access to finance, promoting awareness and networking cross-sectional issues such as women and youth entrepreneurship.
- ii. **Context:** The objective of the strategy is to optimizing the regulatory framework, enhance entrepreneurship education and skills development, facilitate technology exchange and innovation, improving access to finance and Promoting awareness and networking.
- iii. **Commitment:** BDS Program is one of the flagship initiatives of the EDI. The strategy is designed to strengthen Ethiopia's entrepreneurship and innovation ecosystem by enhancing the delivery and quality of business support services for Micro, Small, and Medium Enterprises (MSMEs), startups, corporates, and

public/private institutions. Sets guidelines for governance, funding, transparency, and accountability.

- iv. **Clients and coalitions:** EDI's BDS Program builds the capacity of entrepreneurs, enterprises, and institutions to manage and grow sustainable businesses. Through empowering both businesses and the institutions that support them, in the due process of implementing the strategy, EDI ensures a more dynamic and effective ecosystem capable of driving innovation, efficiency, and sustained growth of MSMEs, startups, and Institutions/Corporates

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

- i. **Content:** Accompanied by Directive No. 937/2022 (IGA Directive), the proclamation allows Civil Society Organizations to engage in Income-Generating Activities and to conduct business as per relevant business licensing and registration requirements.
- ii. **Context:** Regulates the formation, registration, and operation of non-governmental and nonprofit organizations.
- iii. **Commitment:** Sets guidelines for governance, funding, transparency, and accountability.
- iv. **Clients and coalitions:** Relevant for nonprofit entities that provide business development or advisory services.

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

- Promotes and facilitates investment in Ethiopia, including in the service sector.
- Specifies minimum capital requirements for foreign investors in consultancy and advisory services.
- Provides incentives and protections for both local and foreign investors.
- Regulates the capital market and introduces licensing for securities investment advisors.
- Enables structured financial advisory services as part of capital market development.

#### **4.8.10. Ethiopian Standard Industrial Classification Directive № 17/2019**

- It outlines the classification of trade licenses and commercial activities.
- It provides a framework for categorizing businesses based on their activities
- It establishes guidelines for obtaining, renewing, and managing business licenses
- The directive also emphasizes the use of an online system for service delivery related to commercial registration and licensing, aiming to create a more efficient and modern system.

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

- Support commercial registration and licensing activities with modern technology
- It aims to create a fair, modern, and accessible system for businesses.
- It outlines registration and licensing procedures.
- It addresses amendments and new offenses related to commercial registration and business licensing.
- Enable the business community and the society obtain the services businesses require and expect from the commercial system

In summary, this part of the report presented the socio-demographic characteristics, participants' role, responsibility and experience in BDS ecosystem, categories of business development services provided by respondents, respondents' awareness and familiarity on regulations governing BDS, challenges and opportunities in the BDS ecosystem in Ethiopia, suggestions for designing sustainable and scalable business development services, qualitative results from key informants, and results from review key proclamations, directives and strategies related to BDS/BASPs.

## CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

---

This study presents a comprehensive analysis of the demographic profile, institutional engagement, regulatory awareness, service delivery models, and policy frameworks shaping the Business Development Services (BDS) ecosystem in Ethiopia, with a specific focus on how the legal and regulatory landscape impacts Business Advisory Service Providers (BASPs) across sectors. In this section of the report, the summary, conclusion and recommendation are presented below.

### 5.1. Summary of Key Findings

The Key findings on the assessment of the legal and regulatory frameworks governing Business Advisory Services (BAS) and the Service Providers (BASPs) in Ethiopia are summarized below.

- Respondents included in the study is characterized by a notable gender imbalance, with 78% male and 22% as female participants. Educational attainment within the sector is high—81% of respondents hold a master’s degree, while 18% possess a PhD, signifying a well-qualified workforce. A significant majority (87%) of respondents are engaged as BASPs, with minimal representation from business owners (6%), government officials (3%), and academics (4%). Additionally, 69% of the participants have over five years of experience, indicating a mature professional landscape dominated by micro and small enterprises (82%), while medium and large enterprises are underrepresented.
- The BDS sector is heavily oriented towards training, with 98% of respondents involved in capacity-building activities. Other frequently cited areas include management consulting (70%), marketing and sales support (55%), and financial advisory (45%). While sector-specific services such as those in garments, leather, and wellness are gaining ground, niche areas like mining and engineering consulting remain underrepresented. Notably, 31% of respondents believe that some areas of BDS are unsupported by current regulatory frameworks, while 45% remain unsure pointing to significant uncertainty and possible regulatory invisibility.

- Respondents' awareness on key the legal and regulatory frameworks governing Business Advisory Services (BAS) and the Service Providers (BASPs) in Ethiopia is found to be moderate. In this regard, only 26% of the respondents confirmed that they are aware of the legal frameworks. However, about 32% reported that they have limited or no awareness, highlighting a regulatory knowledge gap that could hinder compliance and informed service delivery.
- Respondents' perceptions on the impact of the regulatory environment on BDS sector are mixed. The result indicated that 54% of respondents consider the impact of current regulations on BASPs as average, 29% perceive a significant negative impact, while 17% downplay its effect.
- The result indicated that about 27% of respondents have agreed that the existing regulatory framework sufficiently enables BASPs to support MSMEs. On the other hand, more than one-third (35%) of respondents indicated that that the existing regulatory framework do not sufficiently enables BASPs to properly support (MSMEs).
- The result confirmed that limited incentives/support, lack of clarity in regulations, competition from unregulated providers, complex licensing processes and high compliance costs are the first five critical challenges affecting the proper implementation of the BDS-related regulations in Ethiopia.
- Regarding the positive impact of benefit of the legal and regulatory frameworks governing Business Advisory Services (BAS) and the Service Providers (BASPs), the majority 82% of respondents indicated that the BDS sector and the actors do not benefited from any incentives or support mechanisms.
- Participants recommended several policy interventions, with a strong emphasis on capacity building through training and certification programs (72 responses), tax incentives (66), and targeted subsidies (62). Simplified licensing procedures and tighter regulation of informal actors were also among the most frequently suggested reforms, underlining a dual challenge of bureaucratic inefficiency and market distortion caused by unregulated service delivery.
- Government actors such as the Ministry of Industry (MoI) and the Ministry of Labor and Skills (MoLS) are gradually institutionalizing support mechanisms for BDS. The MoI, through the Ethiopian Enterprise Development (EED), and MoLS, via its draft SME

policy, prioritize private sector-led service delivery and standardization. However, both ministries face challenges including fragmented service delivery, absence of unified frameworks, and shortages of sector-specific advisory professionals. Current monitoring and evaluation mechanisms focus on indicators such as job creation, SME graduation, and productivity gains, yet standard-setting remains a work in progress.

- Higher institutions play a growing role and they integrate BDS into entrepreneurship curricula and offers soft skills coaching through its Career Development Center. Meanwhile, other some university's incubation center delivers comprehensive BDS through external BASP partnerships, despite facing challenges related to awareness, finance, and bureaucracy. The effectiveness of university-led models is evidenced by tangible startup success stories and innovation outputs.
- Institutional models provide valuable insights into tailored BDS delivery. Some serves cross-sectoral MSMEs, while others focuses on agribusiness. Both institutions apply stringent BASP vetting and quality assurance mechanisms, supported by targeted training and network-building. Challenges such as poor financial access and fragmented advisory markets are addressed through integrated service delivery, while performance tracking and policy engagement are embedded in their institutional models.
- Incubation centers in Ethiopia are pioneering innovative approaches to Business Development Service (BDS) delivery through the use of digital tools, adaptive support models, and strategic partnerships within the entrepreneurial ecosystem. Some centers utilize artificial intelligence solutions—such as the Admas Chatbot—to support early-stage ideation, while others offer comprehensive, end-to-end incubation services that guide startups through every stage of development. Additionally, certain centers play a broader role as strategic coordinators and policy advocates, working to shape a more conducive environment for entrepreneurship.
- The result confirm that despite these advancements, systemic challenges remain. Regulatory barriers, inconsistent service quality, and institutional fragmentation continue to hinder the effectiveness and scalability of incubation-led BDS efforts.
- The involvement of NGOs and donor-funded actors further complicates the landscape. While these entities deliver critical services, their lack of recognition by regulatory authorities and tendency to offer subsidized services creates unfair competition for

private BASPs. Meanwhile, the Ethiopian Capital Market Authority (ECMA) is beginning to embed BDS within its investment-readiness framework for SMEs, focusing on financial literacy and ethical standards for BASPs.

- Financial institutions also offer hybrid BDS models, combining pre- and post-loan advisory services with access to tailored financial products. However, challenges such as limited SME financial literacy, poor records, and collateral constraints continue to hinder effective service uptake. Nevertheless, improved loan performance and SME growth suggest that integrated financial and non-financial advisory models are gaining traction.
- From a historical and political perspective, expert insights reveal deeper structural issues. The absence of a specialized licensing regime for BASPs, lack of national competency standards, and ambiguity in tax and legal frameworks all contribute to market distortion. Fragmented policies and regulatory inconsistency further erode trust and professional integrity within the advisory space. The influence of political agendas and reliance on externally driven programs have historically undermined efforts to build a sovereign, market-aligned BDS ecosystem.
- Finally, 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, a coordinated national effort is required—rooted in standardized professionalization, transparent licensing, supportive fiscal policies, and a clear division of roles among public, private, and civil society actors. Advancing the BDS sector will not only enhance SME competitiveness but also contribute to inclusive economic development and the broader national reform agenda.

## **5.2. Conclusion**

Based on the key findings summarized in section 5.1, the feasible conclusions drawn below synthesize the major thematic insights and provide direction for policy and institutional reform.

### **5.2.1. Structural Imbalances in the BDS Ecosystem**

- The Business Development Services (BDS) ecosystem in Ethiopia reveals significant structural imbalances, most notably a concentration of service provision among Business Advisory Service Providers (BASPs), with insufficient engagement from clients,

regulators, and other ecosystem actors such as persons with disabilities. This supply-side dominance undermines the development of a responsive, demand-driven, and evidence-based BDS framework. Additionally, the predominance of micro and small enterprises (MSEs) among BASPs highlights the limited operational scale and financial resilience of service providers underscoring the urgent need for a legal and institutional environment tailored to the realities of small-scale actors.

- Gender disparity also persists as a critical challenge, with low levels of female participation across the BDS landscape. This points to underlying institutional, cultural, and regulatory barriers that must be addressed to ensure greater inclusivity and gender equity. Moreover, the sector is marked by an aging workforce and a limited pipeline of young professionals, suggesting structural entry barriers, a lack of clear career pathways, and inadequate institutional support for nurturing emerging talent. Addressing these systemic gaps is essential for building a more balanced, inclusive, and sustainable BDS ecosystem that can effectively support enterprise growth and national development.

### **5.2.2. Inconsistencies in Regulatory Awareness and Perceived Effectiveness**

- The findings highlight a concerning decline in regulatory awareness among Business Advisory Service Providers (BASPs). A mere 26% of respondents demonstrated adequate understanding of the relevant legal frameworks governing the business advisory ecosystem, a significant decrease from the 54% recorded in previous research of EBASPA. This lack of clarity contributes directly to operational inefficiencies and increased compliance risks, while simultaneously hindering the capacity of BASPs to capitalize on available incentives designed to foster SME growth.
- Compounding the issue is a perception of the regulatory environment as outdated and cumbersome. Respondents cited inefficient licensing systems, complex administrative processes, and a lack of clear demarcation between different types of business development services (BDS), particularly between training and other advisory functions. These criticisms point to a fundamental disconnect between policy objectives and practical implementation.
- While government recognition of the crucial role BASPs play in supporting SME development is evident, the regulatory framework remains fragmented, inconsistently

enforced, and institutionally underdeveloped. This regulatory deficit necessitates urgent attention and reform to ensure BASPs can effectively contribute to economic growth and industrial development. Further research and policy intervention are crucial to bridge the knowledge gap and streamline the regulatory landscape.

### **5.2.3. Institutional Fragmentation and Policy Gaps**

- The research underscores the fragmented nature of Ethiopia’s BDS governance. Multiple actors including universities, NGOs, incubation centers, government agencies, and institutions play vital roles, yet their efforts are often uncoordinated. For instance, institutions and incubation centers demonstrate strong potential to deliver impactful, sector-sensitive support. However, the absence of centralized accreditation, clearly defined mandates, and unified quality standards diminishes their systemic effectiveness.
- Higher education institutions, while actively engaged in capacity building and innovation incubation, operate without formal integration into national BDS frameworks. This results in missed opportunities for academic-industry synergies and scale-up of quality advisory services.

### **5.2.4. Regulatory Constraints on Startups and Informal Competition**

- Startups and entrepreneurial support organizations face additional barriers due to the lack of stage-specific licensing and legal clarity. The absence of defined frameworks for early-stage businesses inhibits innovation, while unregulated competitors diluted the impact and credibility of formal BASPs. As a result, compliance is discouraged, and incentives for quality improvement are weakened.
- Despite there exists many obstacles in the BDS sector, entrepreneurial hubs and incubation centers have demonstrated adaptive strategies such as multi-sector partnerships, AI-enabled support, and referral systems that can inform future regulatory design.

### 5.2.5. Stakeholder Demand for Legal and Institutional Reform

The findings of this study reveal a strong and widespread consensus among stakeholders on the urgent need for comprehensive legal and institutional reform to strengthen the Business Development Services (BDS) ecosystem in Ethiopia. Key areas of reform include:

- **Capacity Development:** The institutionalization of standardized training and certification frameworks is critical to ensuring consistent service quality and professional accountability across BDS actors.
- **Regulatory Streamlining:** Simplifying and harmonizing licensing procedures can significantly reduce compliance burdens, encourage formalization, and foster the growth of legitimate service providers.
- **Financial Incentives:** The introduction of targeted subsidies and operational support mechanisms—particularly for small BASPs and startups—is essential for sustaining quality service delivery in a competitive yet underfunded environment.
- **Market Regulation:** Establishing and enforcing quality standards while formalizing informal providers will help level the playing field and protect service recipients from substandard or exploitative practices.

These points are aligned with broader government initiatives aimed at building a more structured, transparent, and accountable BDS system. Nonetheless, achieving meaningful reform will require more decisive and coordinated action to address persistent challenges such as institutional fragmentation, regulatory ambiguity, and weak stakeholder alignment. Without these measures, the transformative potential of BDS in driving inclusive economic development and SME competitiveness will remain constrained.

### 5.2.6. Institutionalize BAS and BASPs ecosystem

The research findings confirmed Institutionalizing Business Advisory Services (BAS) and Business Advisory Service Providers (BASPs) offers significant benefits for both the private sector and the broader economy. It ensures the delivery of consistent, high-quality, and ethically grounded support to micro, small, and medium enterprises (MSMEs), fostering improved business performance, resilience, and sustainability. Through standardized certification,

regulated licensing, and professional development frameworks, institutionalization enhances the credibility and competence of BASPs, which in turn builds trust among clients and encourages greater uptake of services. It also facilitates better coordination among stakeholders—government, private sector, development partners, and academia—by creating clear roles, accountability mechanisms, and quality benchmarks. Moreover, institutionalization promotes inclusivity by enabling targeted support for marginalized groups such as women, youth, and persons with disabilities, and ensures that advisory services are aligned with national economic priorities. Ultimately, a well-institutionalized BAS ecosystem contributes to job creation, innovation, formalization of informal enterprises, and the development of a dynamic, competitive, and inclusive private sector.

Finally, the findings of this study affirm that BASPs in Ethiopia are under-leveraged not due to capacity deficits but because of structural and legal constraints that limit their scalability and effectiveness. Without a coherent, enabling regulatory framework, the potential of BASPs to support MSME growth, drive innovation, and contribute to inclusive economic transformation will remain unrealized. Strategic reform efforts—grounded in collaboration, standardization, and responsiveness—are critical for unlocking the full value of Ethiopia’s BDS ecosystem and achieving its development ambitions.

### **5.3. Recommendations**

Evidence gleaned from diverse stakeholders within Ethiopia's Business Development Services (BDS) ecosystem underscores the urgent need for comprehensive reform. The current landscape, characterized by legal and regulatory fragmentation, hinders effective service delivery and impedes the potential of Business Advisory Service Providers (BASPs) to drive SME transformation. Addressing these challenges through structured legal reform, strategic capacity development, and deliberate multi-stakeholder alignment is paramount. Success hinges on the ability to not only elevate service quality but also to unlock the capacity of BASPs to act as pivotal catalysts for inclusive economic growth.

The realization of these recommendations, however, necessitates a pragmatic assessment of existing institutional capacities and a concerted effort to secure stakeholder buy-in for the proposed changes. Ultimately, political commitment, dedicated resource mobilization, and an

inclusive implementation strategy represent the indispensable next steps towards realizing a more robust and impactful BDS ecosystem in Ethiopia. In relation this, in its previous research (2024), EBASPA argued that “...addressing BDS should be a priority so that, BDS can in turn help address constraints limiting MSMEs in economic development realization”.

### **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), in collaboration with 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. This should reflect specialization areas, service types, clarify role conflicts among accreditors and service providers, and experience thresholds.
- Enhance the operational and technical capabilities of government officials to effectively implement policies and programs, ensuring efficient governance and sustainable development outcomes on BDS ecosystem.
- Develop a national competency framework including:
  - Standardized qualifications and ethical codes,
  - Tiered certification levels aligned to sector-specific needs,
  - Requirements for continuous professional development (CPD) through accredited institutions.
  - Develop standardized document which can serve as reference guidance for advisory service provision.

#### **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.

### **Feasibility and Justification:**

- Given the existing institutional infrastructure a specialized BASP framework can be piloted and scaled with minimal restructuring. This will enhance credibility, service quality, and market transparency.

### **Future Research Directions:**

- Assess the effectiveness of implemented licensing systems and monitor uptake across rural and urban BASPs, with attention to gender and sectoral diversity.

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

**Lead (Suggested) Office:** Ministry of Finance (MoF), in collaboration with the Ethiopian Revenue Authority (ERA).

### **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.

### **Policy or Practical Changes:**

- Collaborate with the Ministry of Revenue to develop a BASP-friendly taxation guide and compliance toolkit.
- Introduce preferential VAT status for services in job-creating sectors like agriculture, ICT, and manufacturing.

### **Feasibility and Justification:**

- Implementing simplified tax compliance procedures and targeted incentives is both feasible and economically justified, as it will reduce informality and encourage more BASPs to formalize and institutionalize their operations. This, in turn, strengthens the

support ecosystem for SMEs, enabling them to access higher quality advisory services. As SMEs receive better guidance on financial management, compliance, and growth strategies, their productivity and competitiveness are likely to improve. Over time, this will contribute to a more dynamic and inclusive private sector, while also expanding the national tax base and fostering sustainable economic growth.

#### **Future Research Directions:**

- Study the impact of tax incentives on BASP market entry and SME adoption rates.

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

**Lead Office:** ACSO, in collaboration with the Ministry of Planning and Development (MPD).

#### **Actionable Suggestions:**

- Establish coordination mechanisms for NGO-provided BDS, with enforced quality assurance standards.
- Require donor programs to partner with local BASPs to ensure domestic capacity development and market alignment.

#### **Policy or Practical Changes:**

- Create a national BDS registry inclusive of NGOs, private actors, and development agencies.
- Introduce compliance checklists and harmonization protocols under the leadership of current responsible bodies or a future BDS authority.

#### **Feasibility and Justification:**

- This will mitigate market distortion and create consistency in service delivery, particularly in underserved regions where NGOs dominate.

#### **Future Research Directions:**

- Examine the comparative effectiveness of NGO-led vs. local BASP-led services in fostering long-term SME growth.

#### **5.3.4. Empower BASP Representation and Improve Stakeholder Engagement**

**Lead (Suggested) Office:** Ministry of Trade and Regional Integration (MoTRI), in collaboration with ACSO.

##### **Actionable Suggestions:**

- Establish formal Public-Private Dialogue (PPD) platforms that allow BASPs to contribute to policy design and ecosystem governance.
- Strengthen EBASPA’s initiatives and other similar organization’s role in advocacy, accreditation, and research.

##### **Policy or Practical Changes:**

- Ensure BASP associations are represented in regulatory reforms, SME development boards, skill councils, and donor program steering committees.

##### **Feasibility and Justification:**

- Enhanced representation fosters accountability and ensures that policies reflect sector realities.

##### **Future Research Directions:**

- Track the outcomes of PPD platforms on policy responsiveness and regulatory alignment.

#### **5.3.5. Build Local Capacity and Expand Professional Development for BASPs**

**Lead (Suggested) Office:** Ministry of Labor and Skills (MoLS), in collaboration with the Ministry of Education (MoE).

##### **Actionable Suggestions:**

- Establish and or strength training and accreditation schemes in critical areas including:
  - Investment readiness and capital markets,
  - Existing proclamations,
  - Digital transformation advisory.
- Support early-stage BASPs with innovation funds and matching grants.

**Policy or Practical Changes:**

- Institutionalize structured certification programs through professional associations, and government institutes.
- Develop performance-linked funding instruments for emerging BASPs.

**Feasibility and Justification:**

- Such investments will professionalize the sector and mitigate the current capacity gap, especially in underserved areas.

**Future Research Directions:**

- Evaluate return on investment of capacity-building programs and their impact on service quality, SME outcomes, and professional ethics development.

**5.3.6. Enhance Digital and Market Linkage Services**

**Lead (Suggested) Office:** Ministry of Innovation and Technology (MInT), in collaboration with MoTRI.

**Actionable Suggestions:**

- Scale digital tools for SMEs, including e-commerce support, digital payments, and online compliance platforms.
- Expand advisory services for export readiness, trade logistics, and international certifications.

**Policy or Practical Changes:**

- Strengthen EBASP’s mandate to provide trade facilitation and digital market access services.
- Leverage incubation platforms to disseminate digital tools.

**Feasibility and Justification:**

- Digital inclusion reduces geographic barriers and enhances the scalability of BDS provision.

**Future Research Directions:**

- Study digital adoption rates and their correlation with enterprise performance.

**5.3.7. Create Tailored Regulatory Frameworks for Incubation Centers and Startups**

**Lead (Suggested) Office:** Ministry of Innovation and Technology (MInT), in collaboration with the 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.

**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.

**Future Research Directions:**

- Assess the impact of tailored incubation policies on startup survival and scale.

### **5.3.8. Promote Public-Private Coordination and Policy Coherence**

**Lead (Suggested) Office:** Ministry of Planning and Development (MPD), in collaboration with MoTRI and Ministry of Industry.

#### **Actionable Suggestions:**

- Align legal instruments (Commercial Code, MSE Proclamations, and Labor Law) with BDS policy objectives.
- Formalize joint planning, implementation, and monitoring mechanisms involving government, SMEs, BASPs, academicians, NGOs, and other sector actors.

#### **Policy or Practical Changes:**

- Develop a unified BDS policy framework that delineates responsibilities, quality benchmarks, and enforcement procedures.

#### **Feasibility and Justification:**

- Coordination reduces duplication, improves accountability, and ensures efficient use of public resources.

#### **Future Research Directions:**

- Map stakeholder overlaps and inefficiencies to inform future policy design.

### **5.3.9. 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:** BASPs should collaboratively establish and adopt competency standards aligned with global best practices and local

business needs. This can include technical, managerial, digital, and sector-specific advisory skills.

- **Implement Continuous Professional Development (CPD) Programs:** Encourage ongoing training, peer learning forums, and certification schemes to ensure advisors stay current with evolving market demands and advisory methodologies.
- **Promote Ethical and Professional Commitment:** Establish and enforce a code of ethics and professional standards that prioritize client value, confidentiality, transparency, and respect for the advisory profession.
- **Institutionalize Self-Assessment and Business Planning Practices:** BASPs should regularly evaluate their service delivery capacity, invest in their own organizational development, and prioritize strategic business planning to enhance sustainability.

### Policy or Practical Changes

- **Work closely with regulatory Recognition and Support Framework:** with government agencies and relevant authorities to create policy incentives for BASPs that meet competency and ethical standards—such as access to public procurement, incubation programs, or tax incentives.
- **Integrate into National SME and Startup Ecosystems:** this embed BASPs into formal business development and incubation programs to be recognized as critical enablers of entrepreneurship, particularly for MSMEs and youth-led startups.
- **Work closely with Professional Associations:** To lead capacity building, lobbying, and professional standardization among BASPs.

### Feasibility and Justification

- **Feasibility:** These actions will facilitate policy attention to entrepreneurship and private sector development in Ethiopia. Development partners, CSOs, and government stakeholders have shown interest in improving the quality of business development support services.
- **Justification:** Many BASPs in Ethiopia operate informally, with inconsistent quality and low accountability. Improving their competence and professionalism will enhance their

credibility, expand their market, and improve the outcomes for clients especially startups and SMEs thus contributing to broader economic development goals.

### **Future Research Directions**

- **Map the Capacity Gaps and Training Needs:** Conduct a comprehensive national assessment of BASPs to identify gaps in technical skills, business management, and ethical practice.
- **Assess the Impact of Advisory Services on MSME Growth:** Research the tangible benefits BASPs provide to MSMEs and startups in terms of productivity, access to finance, and market growth.
- **Explore Digital Transformation of BASPs:** Investigate how BASPs can integrate digital tools and platforms to improve service reach, cost-efficiency, and data-driven advisory support.

#### **5.3.10. 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:** Encourage EBASPA and similar professional associations to design a national export strategy focused on promoting Ethiopian BASPs in regional markets such as East Africa, the Horn of Africa, and other emerging economies.
- **Open Regional Branches:** Allow and support CSO-led organizations such as EBASPA to legally establish representative offices in countries with demand for affordable and culturally relevant business advisory services (e.g., South Sudan, Somalia, and Djibouti).
- **Build a Competency-Based Accreditation System:** Ensure Ethiopian BASPs meet internationally recognized standards through certification and accreditation. This increases trust and credibility in international markets.

- **Create Export Incentives:** Work with responsible government minister offices and others to develop incentives (e.g., tax waivers, grants, or technical assistance) for BASPs that provide services abroad.

#### **Policy or Practical Changes:**

- **Legal Recognition for Cross-border CSO Operation:** Revise and advocate the CSO Proclamation to explicitly allow civil society-led professional associations to operate transnationally, provided they meet compliance standards.
- **Integrate BASPs Export into National Trade Policy:** Include BASPs as a key service export sector in Ethiopia's broader trade, investment, and diaspora engagement strategies.
- **Strengthen Institutional Capacity:** Provide technical and financial support to EBASPA and similar organizations to build the institutional systems needed for cross-border coordination, quality assurance, and marketing.
- **Enhance Digital Infrastructure:** Promote digital platforms that allow Ethiopian advisory firms to deliver virtual consulting and capacity-building services internationally.
- **Considering the tax exemption laws** granted to foreign direct investors, similar tax incentives should be extended to BASPs. Granting tax exemptions to BASPs would encourage and strengthen local service providers, enhancing their capacity to support the growth of domestic enterprises and contribute to a more vibrant business ecosystem.

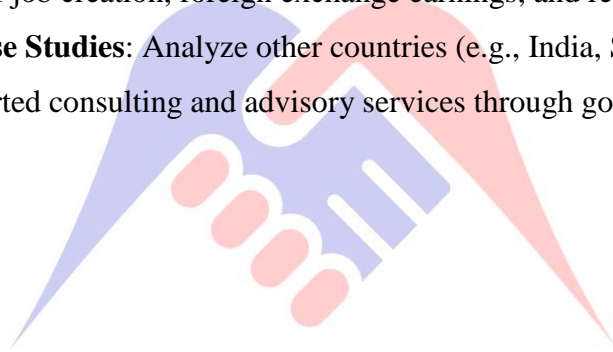
#### **Feasibility and Justification:**

- **Comparative Advantage:** Ethiopia has a large pool of skilled professionals in business development, microenterprise support, and cooperative development, especially with contextual knowledge of the region (e.g., language, culture, development context).
- **Regional Demand:** Neighboring countries face similar developmental challenges and have a shortage of affordable, context-sensitive advisory services. This creates a ready market for Ethiopian BASPs.
- **Cost-Effectiveness and Language Proximity:** Ethiopian advisors may offer services at a lower cost compared to Western firms and are more culturally and historically aligned with the needs of other African countries.

- **Alignment with Pan-Africanism and Regional Integration:** The move supports the African Continental Free Trade Area (AfCFTA) by encouraging inter-African service trade.

#### **Future Research Directions:**

- **Market Mapping:** Conduct a comparative analysis of demand for business advisory services in neighboring countries to identify priority export markets.
- **Policy Review:** Investigate existing Ethiopian trade and CSO laws to identify legal barriers or enablers for BAS export and cross-border CSO operation.
- **Impact Assessment:** Assess the potential economic and diplomatic impact of exporting BASPs in terms of job creation, foreign exchange earnings, and regional influence.
- **Best Practice Case Studies:** Analyze other countries (e.g., India, South Africa) that have successfully exported consulting and advisory services through government-CSO collaboration.



**MG CONSULTANCY**

## References

### A). Books, Proclamations and Journals:

1. Gebriel Hegab, (2025). Ethiopia's Tax System: Structure, Performance, and Benchmarking. International Monetary Fund, SIP/2025/108
2. Ageba, W. A. (2003). Business development services (BDS) in Ethiopia. *Emerald Group Publishing Limited, vol. 1(4)*, , pages 305-328.
3. Ageba, W. A. (2006). Business development services (BDS) in Ethiopia: Status, prospects and challenges in the micro and small enterprise sector. *International Journal of Emerging Markets*.
4. FDRE, F. D. (2020). *A Homegrown Economic Reform* . Addis Ababa: FDRE.
5. Goldmark, L. (1996). *Bussiness Development Service*. Washington DC.
6. Gov.UK. (2025). *Ding Business in Ethiopia*. England: Department for Business and Trade.
7. IFC, I. F. (2018). *IFC SME Ventures - Investing in Private Equity in Sub-Saharan African* . Washington DC: IFC.
8. LELENAGlobalplc. (2024). *EBASPA Final Research Report for Influencing PolicyinSupport of Enabling BDS Market Ecosystem*. Addis Ababa.
9. McKinsey&Company. (2022). *McKinsey Technology Trends Outlook*. New York: McKinsey & Company.
10. OECD, O. f.-o. (2020). *Financing SMEs and Entrepreneurs* . Paris: OECD.
11. Proclamation No.1180/2020, E. G. (n.d.). *Investment Proclamation*. Addis Ababa: Birhanena Selam.
12. Proclamation No.980/2016, G. o. (n.d.). *Commercial Registration and Business Licensing Proclamation*. Addis Ababa: Birhanena selam.
13. Proclamation1113, E. G. (2019). *Civil Societies Organization Proclamation*. Addis Ababa: Negarit Gazeta.
14. Proclamation1243, E. G. (2021). *Comercial Code Proclamation No. 1243/2021*. Addis Ababa: Birhanena Selam.
15. ProclamationNo.1248/2021, E. G. (n.d.). *Capital Market ProclamationNo.1248/2021*. Addis Ababa: Birhanena selam.

16. Salami, I. (2012). *Financial Regulation in Africa: An Assessment of Financial Integration Arrangements in African Emerging and Frontier Markets*. England: Routledge.
17. Amha, W. and Ageba, G. (2006), "Business development services (BDS) in Ethiopia: Status, prospects and challenges in the micro and small enterprise sector", *International Journal of Emerging Markets*, Vol. 1 No. 4, pp. 305-328. <https://doi.org/10.1108/17468800610703360>
18. First Consult (2024). From Theory to Practice. The Effect of Business Development Services on Enterprises A Rapid Assessment Report. The MESMER Programme - Knowledge Piece. Addis Ababa, Ethiopia.
19. UNDP (2004). Business Development Services. How to Guide.
20. World Bank (2001). Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention. Washington, DC 20043 USA.
21. Njoroge, M., & Kaluyu, V. (2020). Business Development Services Access as a Strategic Response to Market Disruption among Small and Medium Enterprises. *American Journal of Industrial and Business Management*, 10, 1340- 1359. <https://doi.org/10.4236/ajibm>.
22. Rambe, P., & Mosweunyane, L. (2017). A Poverty-Reduction Oriented Perspective to Small Business Development in South Africa: A Human Capabilities Approach. *African Journal of Science, Technology, Innovation and Development*, 9, 289-302. <https://doi.org/10.1080/20421338.2017.1322749>
23. UNCTAD (2024). Business development services for conducive business ecosystems in support of sustainable development.
24. ILO (2024). A Rough Guide to Inclusive Entrepreneurship Ecosystem Development.
25. Khan, A.R and Khandakar, S (2016). A Critical Insight into Policy Implementation and Implementation Performance. *Public policy and administration*, Vol. 15, No 4, p. 538–548.
26. Anderson, J. E. 2010. Public policy making-An introduction. Boston MA: Wadsworth.
27. Lindquist. E and Wanna, J (2015) Is Implementation Only About Policy Execution? Advice for public sector leaders from the literature. In *New Accountabilities, New Challenges*, edited by John Wanna, Evert A. Lindquist and Penelope Marshall, ANU Press, The Australian National University, Canberra, Australia. Available at <http://www.press-files.anu.edu.au>.
28. Najam, Adi (1995) Learning from the Literature on Policy Implementation: A Synthesis Perspective, IIASA Working Paper. IIASA, Laxenburg, Austria. Available at <http://www.pure.liasa.ac.at/id/edprint/4532>
29. Bordens, K. S., and Abbott, B. B., 2011. *Research design and methods: a process approach*. 8th edition. The McGraw-Hill Companies, Inc. New York, USA.
30. Kothari, C., 2004. *Research methodology: methods and techniques*. 2nd ed. New Delhi: New Age International (P) Ltd.
31. Creswell, J. W., 2014. *Research Design: qualitative, quantitative, and mixed methods*. 4th ed. Sage publications Inc. Thousand Oaks, California.
32. Long, K., 2004. Unit of Analysis. In: Michael, S. Beck, L. Bryman, A. & Liao, T. (eds), *Encyclopedia of Social Science Research Methods*. Thousand Oaks: SAGE Publications, Inc.
33. Sadoulet, E. and Janvry, A., 1995. *Quantitative development policy analysis*. Baltimore and London: The Johns Hopkins University Press.
34. Blessing, L.M. and Chakrabarti, A., 2009. *DRM, a design research methodology*. London: Springer-Verlag London Limited.
35. Creswell, J. W., 2012. *Educational research: planning, conducting, and evaluating*

36. Babbie, E., 2011. *The Basics of Social Research*, 5th ed. Wadsworth, Cengage Learning. Belmont, USA.
37. Corbetta, P., 2003. *Social research: theory, methods and techniques*. Translated from the Italian by Bernard Patrick. London: SAGE Publications Inc.
38. Cohen, L. Manion, L. and Morrison, K., 2005. *Research methods in education*. 5th ed. London: Taylor and Francis Group.
39. Admasu, S. Söderbom, M. Eyerusalem, S. and Getnet, A., 2012. *Road Networks and Enterprise Performance in Ethiopia: Evidence from the Road Sector Development Program*. International Growth Centre. WP 12/0696 September 2012. Accessed on 31/01/2013 and available at [www.theigc.org](http://www.theigc.org).
40. Walliman, N., 2006. *Social research methods*. London: SAGE Publications Ltd.
41. Kassmore, D. and Baker, R., 2005. *Sampling Strategies and Power Analysis*. In: Swanson, R. A. and Holton, E. F., eds. *Research in Organizations: foundations and methods of inquiry*. San Francisco: Berrett-Koehler Publishers, Inc, pp. 45-56.
42. Colton, D. and Covert, R. W., 2007. *Designing and constructing instruments for social research and evaluation*. San Francisco: John Wiley and Sons, Inc.
43. Howitt, D. and Cramer, D., 2011. *Introduction to research methods in psychology*. 3rd ed. Edinburgh Gate: Pearson Education Limited.
44. Babbie, E., 2011. *The Basics of Social Research*, 5th ed. Wadsworth, Cengage Learning. Belmont, USA.

## **B). Media – Radio, TV, Social Medias and AI**

1. Ahadu Radio, 94.3 FM, Afternoon news, May 12/2025
2. Sheger Radio 102.1 F.M,
3. Tik tok, WhatsApp and Telegram
4. Artificial Intelligence (AI) – Copilot, Grok, ChatGPT and Toggle ChatGPT sidebar

## Annexes

1. ToR
2. Questionnaires
3. Consent note attendance

Annexes - Table 1: Key Ethiopian Proclamations and Regulations Relevant to BAS/BASPs

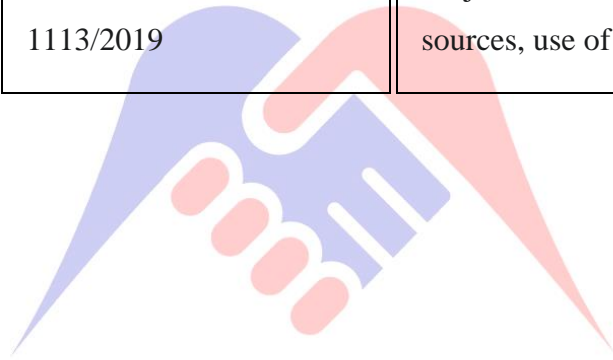
Title of the Proclamation/Regulation	Year of Enactment	Brief Description of Relevance to Businesses/BASPs
Commercial Code of Ethiopia Proclamation	2021	Governs trade, defines business organizations, includes regulations for partnerships (including LLPs suitable for consulting), share companies, and private limited companies; lists consulting as a trade activity. <sup>7</sup>
Investment Proclamation No. 1180/2020	2020	Promotes and facilitates investment, including in the service sector; outlines minimum capital requirements for foreign investors in specific consultancy areas. <sup>9</sup>
Capital Market Proclamation No. 1248/2021	2021	Establishes a framework for the capital market and the Ethiopian Capital Market Authority; regulates and licenses securities investment advisors. <sup>14</sup>
Civil Society Organizations Proclamation No. 1113/2019	2019	Governs the establishment, registration, and operation of non-governmental and non-profit organizations, including those potentially providing business support; sets

		rules for funding, governance, and accountability. <sup>16</sup>
Capital Market Service Providers Licensing Directive No. 980/2024	2024	Outlines the qualifications, ethical standards, and operational criteria required for firms seeking to offer investment advisory services. <sup>22</sup>
Banking Business Proclamation No. 1360/2024	2024	Opens the banking sector to foreign investment, potentially impacting financial advisory services related to banking; sets conditions for foreign banks to establish subsidiaries, branches, or acquire shares. <sup>51</sup>

Table 2: Impact of Specific Regulations on Different Types of BASPs

Type of BASP	Relevant Regulation	Specific Impact
Financial Advisor (Securities)	Capital Market Proclamation No. 1248/2021; Capital Market Service Providers Licensing Directive No. 980/2024	Requires licensing and adherence to ethical standards, investor protection principles, and reporting requirements by the Ethiopian Capital Market Authority. <sup>22</sup>
Accounting/Auditing Firms	Financial Reporting Proclamation No. 847/2014; Directive No. AABE 805/2013	Mandates registration and licensing of professionals and firms by the Accounting and Auditing Board of Ethiopia; sets criteria for qualifications and professional development. <sup>27</sup>

<p>Management Consultant (For-profit)</p>	<p>Commercial Code of Ethiopia Proclamation; Investment Proclamation No. 1180/2020</p>	<p>Governed by general business registration and licensing requirements; potential for operating as an LLP under the Commercial Code; foreign investment may be subject to minimum capital requirements.<sup>7</sup></p>
<p>Business Support Provider (Non-profit)</p>	<p>Civil Society Organizations Proclamation No. 1113/2019</p>	<p>Requires registration with the Agency for Civil Societies Organizations; subject to rules regarding funding sources, use of funds, and reporting.<sup>15</sup></p>



**MG CONSULTANCY**