

Strengthening Business-to-Business Linkages in Ethiopia

A Guidebook for Chambers and Other Business
Membership Organizations

**CENTER FOR INTERNATIONAL
PRIVATE ENTERPRISE**

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Executive Summary

The establishment of industrial parks near Ethiopian towns presents an untapped opportunity for local businesses and entrepreneurs to supply goods and services to international buyers.

Ethiopian Chambers of Commerce and other business membership organizations (BMOs) can accelerate growth for their member companies and the local economy significantly by supporting local suppliers to increase their sales and strengthen their business-to-business (B2B) linkages with foreign direct investors in industrial parks. BMOs are best positioned to help expand and develop B2B linkages because they are the natural representatives and convenors of the business community. BMOs can support the development of B2B linkages by acting as a point of contact for foreign direct investors and local suppliers and by sharing information and facilitating relationships.

This guidebook provides a three stage, thirteen-step practical process to guide BMOs through helping their members strengthen B2B linkages with foreign direct investors in industrial parks. It aims to give BMOs a toolkit for understanding the requirements of foreign direct investors (as buyers) and local sellers, building connections between each, and assessing progress. Each section provides an overview of best practices and common pitfalls for BMOs supporting the growth of B2B linkages as well as accompanying case studies.

The guidebook is organized into four main sections:

- **What Are B2B Linkages and Why Are They Important?** – briefly introduces the concept and provides a three-stage, thirteen-step framework for how BMOs can help strengthen B2B linkages.
- **Stage 1: Starting Out** – covers the basics of getting started in developing business linkages, with a focus on individual relationship building and forming a strong understanding of what both buyers and local suppliers want.
- **Stage 2: Supporting Suppliers** – takes a closer look at fundamental activities BMOs can do to help suppliers make contact with foreign direct investors, understand their buying needs and requirements, and foster lasting relationships between buyers and suppliers.
- **Stage 3: Follow-Up** – looks to the future and emphasizes the importance of maintaining B2B relationships through consistent follow-up, monitoring and evaluation, and an examination of system-wide challenges in the current business environment that BMOs can address through support of policy advocacy and reform.

Effective Use of This Guidebook

This guidebook offers practical suggestions on how Ethiopian business membership organizations (BMOs) can help their members grow and succeed, with a focus on making or expanding business-to-business (B2B) linkages. Industrial parks are still relatively new to many communities in Ethiopia, but they are reshaping opportunities for local businesses to grow and connect to international supply chains. As representatives of the business community, BMOs, such as chambers of commerce and entrepreneurs' associations, have a unique opportunity to help local businesses work with international investors in industrial parks (frequently called "foreign direct investors") to access the new business opportunities made possible through industrialization.

The steps and approaches outlined in this guidebook tackle the process of fostering engagement between the local business community and international companies in Ethiopia's industrial parks. Throughout the country, BMOs are at different stages in this process: while some have yet to start, others can already boast a strong and thriving linkage program with companies in local industrial parks.

This guidebook 'starts from scratch.' It encompasses the different phases of the overall process. Readers may find it useful to work through the entire guidebook to find ways to improve on what they have already done and to identify pointers on how to review and go forward.

Although the guide focuses on facilitating initial transactions between foreign direct investors and local suppliers, the intent is not that these transactions be one-off sales; rather, it is to jumpstart a process in which the two parties continue to deal with each other over time.

We realize that BMOs themselves are the experts on their own networks and communities, and should trust their judgement and knowledge of their membership to inform which approaches and activities will best support their members to establish robust, long term relationships between local suppliers and foreign direct investors.

What Are B2B Linkages and Why Are They Important?

Image Source: Gavin Houtheusen/Department for International Development

Business-to-business (B2B) linkages are transactions between buyer companies and supplier companies. B2B linkages help match suppliers with buyers for their products and/or services. A successful local B2B linkage is a win-win partnership for both buyers and suppliers. For buyers, they offer the opportunity to localize aspects of their supply chains, potentially reduce costs and/or lead time, and increase their integration into local communities. For suppliers, they expand market access, increase revenue streams, and create potential for local employment opportunities.

The establishment of industrial parks near Ethiopian towns presents an untapped opportunity for local businesses and entrepreneurs to supply goods and services to international buyers. However, local businesses have struggled to connect with these foreign direct investors and often do not have access to information about their procurement requirements or purchasing expectations. At the same time, foreign direct investors in the industrial parks have expressed an openness to purchasing goods and services from local companies, but struggle to find suppliers that can meet their quality, time, and quantity requirements. Against this backdrop, a strong framework for developing and sustaining B2B linkages that focuses on continuous dialogue and learning between local businesses and export-oriented companies in Ethiopian industrial parks stands to benefit international and local businesses alike.

Ethiopian BMOs are best positioned to help expand and develop B2B linkages because they are the natural representatives and convenors of the business community. BMOs can support the development of B2B linkages by acting as a point of contact for foreign direct investors and local suppliers and by sharing information and facilitating relationships. The remainder of this guidebook outlines tangible steps and strategies for BMOs to strengthen B2B linkages in communities across Ethiopia. Below is a process that a BMO could follow to develop B2B linkages. We will take an in-depth look at each activity listed below in the different stages of the guide.

Stages and Steps to Strengthening B2B Linkages

We have developed a three stage, thirteen-step process to guide BMOs through helping their members strengthen B2B linkages with foreign direct investors in industrial parks.

STRENGTHENING B2B LINKAGES: STEPS FOR BMOs

Stage 1: Starting Out

- 1 Meet One-on-One With Companies in the Industrial Park
- 2 Establish Relationships and Understand Investor Requirements
- 3 Develop a Database of Potential Suppliers
- 4 Learn From Other BMOs

Stage 2: Supporting Suppliers

- 5 Organize "Meet and Greet"
- 6 Conduct Groundwork for B2B Linkage Events
- 7 Host Regular B2B Linkage Events
- 8 Accompany Suppliers Throughout Follow Up With Investors
- 9 Create Supplier Problem-Solving and Information Hub
- 10 Support Opportunities for Supplier Collaboration

Stage 3: Follow-up

- 11 Identify and Create Policy Reform Agenda for B2B Linkages
- 12 Create a Framework to Monitor B2B Relationships and Sales
- 13 Evaluate and Re-Strategize As Needed

STAGE ONE Starting Out

As business membership organizations begin to engage in activities to strengthen B2B linkages, a variety of fact-finding activities about key partners, buyer demand, and supplier capacity are important to build the foundation for subsequent stages.

Understanding the Challenge: Knowing Where to Start

Without a strategy to connect with companies in industrial parks, the local business community can lose out on potential market opportunities. For example, even if foreign direct investors may be interested in sourcing a product like clothing labels locally, if they are unable to find a local supplier and instead start importing clothing labels from a supplier in South Africa, it can be hard to get them to switch back a local supplier once the relationship with the international supplier has already been established. Building relationships with foreign direct investors early on that help BMOs understand their buying requirements is one of the most important starting points. While most BMOs already have the tools and resources to do work with industrial parks, commonly observed pitfalls include:



Starting Late: Some BMOs and individual businesses wait for buyer businesses to approach them; others reach out only when a problem has arisen between the local business community and the industrial park.



Misidentifying Requirements: Companies in the industrial parks will have different requirements at different stages of their development. The need for building materials will be greater when companies are starting construction compared to when companies are hiring new employees. The requirement for raw materials will start only when companies start production. Demand for goods may change overtime, and starting with understanding buyer demand is key.



Inconsistent Communication: It may seem as though reaching out to a new contact is the full task at hand; in fact, a lack of consistent follow-up in creating and continuing connections with businesses in industrial parks has been a distinct challenge for some BMOs and their members.

Opportunities for BMOs to Support: First Steps

BMOs often serve as local aggregators of information, promoting knowledge-sharing and connections across their diverse network of members. It is important that BMOs support their membership in connecting with foreign direct investors in industrial parks, acting not only as facilitators of these vital relationships but also as a resource for businesses on both sides of the buyer-supplier relationship. It is essential for BMOs looking to help their members engage with industrial parks to understand what the buyers (foreign direct investors) and suppliers (local companies) both want. Although each industrial park presents a unique set of opportunities and challenges, the tasks outlined below can operate as a jumping-off point for establishing new and reinvigorating existing relationships between international businesses operating in industrial parks and local suppliers.



STEP 1 — Meet One-on-One With Companies in the Industrial Park: The role of individual meetings with companies cannot be overstated; putting in the work to create new connections with companies to find out what is really on their minds can make or break a future business relationship. It is vital to begin having these kinds of conversations as early as possible – in certain situations, it will even make sense to begin this outreach before the industrial park has fully opened or begun operating. As part of this process, BMOs should determine the best point of contact for each foreign direct investor in the park. Some industrial parks already have associations that can represent all the companies in the parks and serve as natural counterparts to local BMOs. The reason for BMO staff to meet with foreign direct investors at the industrial parks is to learn about the companies and clarify the BMO's objective to strengthen linkages between them and their member supplier companies. This process can also help identify the foreign direct investors most interested in creating and maintaining relationships.



STEP 2 — Establish Relationships and Understand Investor Requirements: Following up on initial meetings, it is important for BMOs to maintain regular contact with selected foreign direct investors. This ongoing contact will deepen the BMOs' ability to understand their buying requirements, complementing a variety of fact-finding activities. Understanding what foreign direct investors want as buyers will ensure that suppliers' goods and services

are demand-driven. One way to capture this information is by conducting a buyer quantity survey on the goods and services the foreign direct investors are interested in sourcing locally. Such a survey includes understanding the quantity of goods and services required and how frequently the goods and services are demanded. It can also be helpful for BMOs to map the processes and requirements needed to do businesses with foreign direct investors – procurement requirement and compliance rules, for example. Regular communication and follow-up at multiple junctures – particularly, during a park's construction, launch, and throughout regular operations – will also help ensure that suppliers factor in and tailor their response to the changing requirements and regulations of foreign direct investors.



STEP 3 — Develop a Database of Potential Suppliers: Based on their relationships with foreign direct investors and an understanding of their purchasing requirements, BMOs can start developing a database or list of potential suppliers and the types of goods and services they can provide. This is when BMOs will need to start looking into their member businesses' capacity to supply. Industry experts (such as the Leather Industry Development Institute - LIDI, and the Textile Industry Development Institute – TIDI) and other relevant industry institutes can also be very important sources of information about potential suppliers. This initial database is a critical ingredient in linking potential foreign direct investors and local suppliers through small "meet and greets" later on. If necessary, BMOs can also conduct a supplier quantity survey of what goods/services local businesses can provide to foreign direct investors. Such a survey would include how much of a good or service a supplier can produce, how quickly, and to what quality standard.



STEP 4 — Learn From Other BMOs: Reach out to BMOs in other regions that have interest and experience in supporting B2B linkages to understand what strategies have worked well. Leveraging local and regional networks to share information and experience can be a great tool to support the sharing of lessons learned and help eliminate the replication of mistakes

and/or challenges faced by others. This outreach could include creating a B2B linkages “learning network” with B2B linkage professionals, consultants, and other chambers, institutes, and agencies. It could also include participation in trainings and webinars (locally and internationally) about B2B linkages.

Dos	Don'ts
Prioritize targeted one-on-one meetings with companies in industrial parks.	Don't rely on a foreign direct investor's website, word of mouth, or large group meetings alone to form the basis of your understanding of their requirements.
Spend sufficient time learning about the requirements of both foreign direct investors and local suppliers.	Don't focus solely on one group or the other to the detriment of your overall ability to engage constructively in mutually beneficial connections.
When speaking to your membership, represent and respond to diverse members and their interests accurately and fairly to the best of your ability.	Don't take the interests of a few individuals as representative of everyone, and don't rely on the same people for all of your information.
Understand what questions it is important to answer in each type of engagement (with both foreign direct investors and suppliers) and write down the results.	Don't assume a large-scale assessment is needed. As representatives of the business community, BMOs are well-positioned to collect market information naturally through structured conversations.
Follow-up with members and foreign direct investors.	Don't become discouraged if it takes a while to connect with foreign direct investors.



CASE STUDY

The Benefit of a First Meeting

Ethiopia

The establishment of the first federal industrial park in Ethiopia was widely celebrated in local and national news, but six months into operations, communication between the park and the representatives of the local business community was non-existent. Despite the celebration of the arrival of the industrial park, there had been no contact or communication between representatives of the industrial park investors association, businesses working in the park, or the local city chamber of commerce. The industrial park was akin to an economic spaceship, landing outside the town border with a very different language and set of expectations about “how to do business”.

When the investors association and the chamber finally did connect, following the suggestion of a mutual partner, they realized there were a number of areas of potential mutual benefit. The chamber assigned a single person on staff to be the main point of contact with the industrial park. The point of contact knew the chamber members well, and was able effectively explain the requirements and interests of local businesses. Similarly, the industrial park investors association became the natural counterpart representing companies working in the park. Following initial discussions, the chamber and investors association established a list of the materials that companies in the park would like to source from local businesses. The result was a list of 52 products and services with descriptions and quantities required collectively by companies based in the park. The list ranged from items as specific as approximately 1,000 gallons of water-based glue per year to a variety of types of cardboard boxes and polythene bags on the product side, and catering services for employee meals and machine calibration and maintenance on the services side. With this information, the chamber was able to help its members understand better what products and services they could provide, and work toward helping foreign direct investors and local suppliers work together to strengthen B2B linkages.

STAGE TWO

Supporting Suppliers

There are a range of activities to introduce local suppliers to foreign direct investors, create linkages, and support suppliers in understanding and meeting their buying requirements. The activities for supporting suppliers appear in three sub-sections:

- 2.1 Making the Connection Between Local Suppliers and Foreign Direct Investors
- 2.2 Building Supplier Capacity
- 2.3 Helping Suppliers Work Together

STAGE 2.1: MAKING THE CONNECTION BETWEEN LOCAL SUPPLIERS AND FOREIGN DIRECT INVESTORS

Understanding the Challenge: Connecting Buyers and Suppliers for Business

Identifying foreign direct investors and understanding their buying requirements as covered under Stage 1 are just the first steps in making meaningful connections between potential buyers in industrial parks and local businesses. Foreign direct investors and local businesses alike report running into challenges finding and maintaining consistent relationships with each other, leaving much of the potential of their collaboration untapped. Challenges and barriers that lead to this lack of connectivity can include:



Alienation: Local businesses may begin the relationship with foreign direct investors in an adversarial manner instead of viewing them as potential customers. Alienating incoming investors, seeing them as competition, and becoming easily frustrated by the perception that foreign direct investors receive more attention and incentives from the government erodes trust and weakens the foundation for establishing B2B linkages.



No Regular Platform for Dialogue: The absence of consistent B2B linkage events or opportunities for dialogue means there are few opportunities for foreign direct investors and suppliers to discover potential business opportunities and learn from each other.



Poor Event Planning: Limited to no advance work prior to B2B events and similar engagements can lead to confusion and frustration for participants.

If there is no clear structure to an event, or if participants have misaligned objectives or interests, it is easy for foreign direct investors and suppliers to believe that B2B events are not helpful.



Lack of Supplier Discoverability: The limited online presence of local suppliers and foreign direct investors, as well as the absence of a central way to find suppliers, makes it challenging for potential buyers in industrial parks to find suppliers and see their products easily.



Language: Language barriers between foreign direct investors and suppliers can discourage them from meeting and can prevent them from understanding how best to do business together.

Opportunities for BMOs to Support: Create Pathways for Meaningful Connection and Relationship Development

BMOs can help address the challenges above by supporting opportunities for consistent and friendly communication and relationship building between foreign direct investors and local businesses. When an industrial park is new to the community, BMOs can support positive communications with members and initiate engagement with foreign direct investment companies early-on to begin the relationship on a positive note. Activities for BMOs to consider include:



STEP 5 — Organize “Meet and Greet”: A BMO can organize a small “meet and greet” to create a connection between a specific foreign direct investment company and a potential supplier company and, thus, combat any sentiment of alienation between the two. It is wise for such meetings to focus initially on the basic products or services that the foreign direct investment company requires, concentrating on the less complicated “low hanging fruit” to build trust between the two parties. These “meet and greets” are also a way to test approaches for going forward, building on the foundation created during the one-on-one meetings discussed under

Stage 1. By establishing connections early with companies in the industrial parks, BMOs can serve as a reliable partner for creating future linkages and tailored connections.



STEP 6 — Conduct Groundwork for B2B Linkage Events: Laying the groundwork for a B2B linkage event can play a significant role in making the event productive and upping the probability of success in bringing about actual business deals. Tasks to kickstart the planning for such events include: (1) developing an in-depth assessment of foreign direct investors and their buying requirements; (2) developing a list of potential suppliers to meet foreign direct investment companies’ buying requirements; (3) understanding the “audience” at B2B events – identifying who should participate, developing proper pre- and post-event communication strategies, understanding and mitigating any potential language barriers, etc.; (4) organizing orientation sessions independently with foreign direct investors and suppliers beforehand to help understand their objectives and set expectations.

- **The Importance of Setting and Aligning Agendas To Address Supplier Concerns Before B2B Linkage Events:** Some local suppliers alienate foreign direct investors by considering them competition and voicing their discontent with the government incentives they receive. Such complaints can lead to foreign direct investors avoiding confrontation with local suppliers and staying away. BMOs can play a crucial role in helping businesses define their grievances with government policy properly – taking them directly to the government rather than ranting during buyer-supplier events. Separating out these agendas can help ease some of this potential tension at B2B linkage events.



STEP 7 — Host Regular B2B Linkage Events: BMOs can host regular B2B linkage events to introduce suppliers and foreign direct investors as forums where multiple foreign direct investment and supplier companies convene with the goal of promoting buyer-supplier familiarity, understanding

requirements and capabilities, and advancing toward concrete purchasing agreements. In these situations, the BMO’s senior management and staff can play a crucial role in the facilitation of introductions. At this point, all the understanding of foreign direct investors obtained under Stage 1 can come in handy. It is wise for BMOs to require suppliers to bring sample products, provide clear communication about what they produce/service, include information about any certifications they have, and if possible, showcase videos of their production facility. BMOs should also encourage foreign direct investors to bring a few samples of what they are looking for. Separate rooms should be available when and if foreign direct investors and suppliers decide to take conversations further. One key to the success of sustained B2B linkages is the regularity of these forums rather than one-off events. Some BMOs have also observed it is helpful to host B2B linkage events at the Industrial Park facility itself to help potential suppliers understand better the scale at which foreign direct investors operate.

Dos	Don'ts
Start organizing B2B “meet and greets” as early as possible when foreign direct investors are at the stage of setting up.	Do not wait until foreign direct investors start operations and/or production.
Take time and resources to do the pre-work in organizing a B2B event.	Do not just send invitations and expect the rest will happen on its own.
Help facilitate conversation; make introductions at B2B events and continue to be aware of any language barriers and/ or challenges.	Do not just sit back and wait for foreign direct investors to approach local suppliers.
Make sure to maintain regularity when organizing B2B events.	Do not do one-off events or hold them irregularly.
Have a communications strategy and follow-up plan to gather feedback and provide additional support as needed.	Do not think the work is over once the event is complete.



The MAGIC tradeshow is one of the largest week-long global marketing events designed to connect contemporary buyers and suppliers of men’s and women’s apparel and footwear. It is the most comprehensive destination for fashion buyers and brands in the world to source new suppliers. Formerly known as the Men’s Apparel Guild in California, MAGIC was founded in 1933 as an association of Los Angeles area menswear manufacturers. In 1942, the association, known then as the Men’s Wear Manufacturers of Los Angeles, produced its first show, The Roundup, in Palm Springs, CA. In that same year, the association also began producing “Market Weeks” in Los Angeles, and eventually moved to Las Vegas. In 1979, MAGIC opened its doors to manufacturers worldwide.

By maintaining consistency in running high-quality opportunities to connect suppliers and buyers, organizing regular events, and setting expectations, by 2005 MAGIC had managed to attract over 95,000 attendees from around the world. Buyers and sellers of men’s, women’s and children’s apparel and accessories converge twice a year in Las Vegas for one of the most influential business events in the fashion industry. MAGIC has now established a well-recognized international B2B event that attracts millions all over the world.

CASE STUDY

Moving B2B Events Online

Ethiopia

No matter what challenges arise, virtual B2B events will be part of the post-COVID world. Some regular international B2B events have already gone online. Despite technology and connectivity challenges, it will be essential to explore the possibilities of virtual events in Ethiopia. Some BMOs have already gone virtual to increase linkages between businesses in local industrial parks and their members. For example, following the onset of the COVID-19 pandemic, a Chamber of Commerce in the Oromia region created a platform to link local businesses with companies in the industrial park to supply sanitizer and other sanitation items. Not only did this engagement solve the immediate need of access to sanitation products, it also created a mechanism for future working relationships between suppliers in the local business community and buyers in the industrial park.

STAGE 2.2: BUILDING SUPPLIER CAPACITY

Understanding the Challenge: Meeting Buyer Expectations

Potential buyers, be they foreign or local, have expectations. They want suppliers they can rely on to deliver the goods and services they require while meeting quality, quantity, and delivery-time requirements reliably. For example, if a clothing company based in an industrial park contracts a local supplier to produce packaging to ship a product, the supplier must be able to deliver the entire order on the buyer's schedule with the same size, design, and color packaging for all the boxes ordered. When starting to work with international buyers, some local suppliers are not accustomed to the requirements of foreign direct investment companies while others do not have the technical skills or processes to meet their purchasing requirements. In Ethiopia, even when potential suppliers have identified buying needs of foreign direct investors, many cannot satisfy their expectations. Some of the frequently observed challenges facing suppliers include:



Mismatch of Production and Demand Volume: Many suppliers cannot produce in large volumes, thereby limiting them to buyers with small orders. In some cases, foreign direct investors' volume requirements may be too small for suppliers to achieve economies of scale.



Technological Limits to Production Capacity: A lack of technological prowess and current infrastructural facilities can prevent local suppliers from producing to foreign direct investors' standards.



Lack of Verifications or Compliance Requirements: Even when they can meet international standards, some local suppliers do not have the required certifications, while the facilities of other suppliers may not meet the health, safety, or environmental standards of foreign direct investment companies.



Production is Too Slow: International buyers often need to fill an order quickly. Many local suppliers cannot meet the short lead times and deadlines foreign direct investors establish for delivery without advance notice.



Limited Negotiation Experience: At times, local suppliers report not having the experience needed to negotiate with foreign direct investors. This challenge can be exacerbated by language barriers, or different cultural expectations of how to do business.



Time-Cost of Procurement Process: Local suppliers may be hesitant to go through the long process of sampling, approval, pricing, and negotiation for uncertain deals. One of the most reported challenges facing suppliers was the complexity of the bureaucracy and lack of clarity about who to communicate with at buyer companies in industrial parks and how to connect with them.

Opportunities for BMOs to Support: Problem Solving and Follow-Up Tailored to Suppliers' Requirements

Building supplier capacity to respond readily to the buying needs of foreign direct investors can be a long-term process, but the benefits can be enormous. As suppliers navigate this process, many are left on their own to solve make-or-break problems as they arise. As BMOs support their members in solving their problems, it is vital that they tailor solutions to the specific problems their members face in meeting foreign direct investor purchasing requirements. That, plus assiduous follow-up, is the best way for BMOs to foster lasting B2B relationships and make a difference for their membership. The steps outlined below offer tips for BMOs to help local companies engage more meaningfully with foreign direct investors and successfully troubleshoot problems as they arise.



STEP 8 — Accompany Suppliers Throughout Follow Up With Investors: Immediate follow-up with foreign direct investors and suppliers after B2B linkage events is critical to successful deal making. After an event, a BMO can offer a great service by “accompanying” buyers and local suppliers to make sure projected deals actually come to fruition. In fact, experience suggests that such accompaniment – that is “being there” when problems arise – may be the most important service BMOs can provide. BMOs can

accompany suppliers in organizing follow up meetings with foreign direct investors, and can even attend those meetings. BMOs can also identify gaps in supplier and buyer follow-up, and help troubleshoot suppliers' challenges in bringing sales to closure.



STEP 9 — Create Supplier Problem-Solving and Information Hub: In response to increasing demand for accompaniment by supplier companies, BMOs can consider creating a problem-solution information hub by developing a database of accumulated experience and information gained in “meets and greets”, B2B linkage events, follow-up meetings, and other engagements with foreign direct investors and suppliers. The database can serve as a foundation for an information hub for suppliers and foreign direct investors. Initially, it could take the form of a Frequently Asked Questions (FAQ) page on a BMO's website to help guide problem-solving for supplier companies. To be effective, BMO staff must stay up to date on business regulations, policies, and procedures in order to be prepared to answer common questions focused on the nuances of conducting B2B transactions. Frequently asked questions could include: (1) What are the standard terms of payment for foreign direct investors? (2) What are standard procurement terms? (3) What facilities for trade financing are open to suppliers? (4) Whom should I approach to build a procurement relationship at the industrial park? (5) Do foreign direct investors require a supplier to be a legal entity, or are there specific certifications required in order to sell to foreign direct investors? Eventually, the information hub could include profiles of foreign direct investors and suppliers, lists of detailed product and service requirements, and links to opportunities in other regions, among other features. As the information hub gets off the ground, a BMOs could also offer other types of services to help build supplier capacity and strengthen B2B linkages. Examples include:

- **Business Consulting Services:** BMOs can support members by providing business consulting services. For example, a business owner may not know how to prepare a business plan to present to a bank for a loan to cover its cash flow requirements. The BMO may have on staff a financial analyst who could guide the supplier

through that process, or be able to tap into its roster of local contacts to identify the right person to come up with the solution. Similarly, a BMO may know – or could find relatively easily – an industrial process expert to help a local company streamline procedures on its factory floor and become more cost-effective. As in all such cases, BMOs must zoom in on what the members’ specific problems are and jointly come up with cost-effective solutions.

- **Buyer-Supplier Matchmaking:** As part of the follow up process and solidification of buyer-supplier relationships between foreign direct investors and local companies, BMOs can also support their members through targeted “Matchmaking”. By understanding foreign direct investors and local suppliers, BMOs are well positioned to help suppliers meet the expectations of foreign direct investors. In the “Matchmaking” process, it is important to take into consideration what each side of the buyer-supplier “match” is trying to achieve. More often than expected, companies may entertain a transaction for reasons beyond immediate profit. For example, suppliers may make transactions with foreign direct investors for the purposes of creating a relationship, even when the initial transactions do not have much financial gain. Similarly, foreign direct investors looking to establish vendor relationships may source small quantities of products to test the possibility of working with a given supplier.

Some of the challenges suppliers face in meeting the expectations of foreign direct investors may call for action by other parties, like government, banks, or foreign direct investors themselves. For example, for businesses to acquire needed foreign exchange may require changes in government policy. How BMOs can help their members deal with these kinds of problems appears under Stage 3.

Dos	Don'ts
Focus on solving the supplier's specific problem(s) and let the problem(s) determine the solutions.	Do not give generic, one-size-fits-all advice and do not become a pre-packaged solution looking for a problem.

Dos	Don'ts
Insist that the supplier invest its own resources and take the lead in solving its problem(s).	Do not solve the problem(s) for the business.
Give priority to suppliers with a good chance of meeting foreign direct investor requirements, and verify that a business has a buyer before helping it build supply capacity.	Do not spend a lot of time on businesses unlikely to succeed and do not do capacity building in a vacuum.
Do the groundwork to build and maintain relationships with both foreign direct investors and suppliers to understand their requirements; use this alignment to bring about strong matches.	Do not come to foreign direct investors or suppliers only with demands, and do not make assumptions about which B2B linkages are best for both foreign direct investors and suppliers.
Learn from other BMOs on how to solve problems and follow up to help with unforeseen problems that arise.	Do not always start from scratch; leverage existing experience in different part of the country; do not do one-off assistance.

STAGE 2.3: HELPING SUPPLIERS WORK TOGETHER

Understanding the Challenge: Supplier Collaboration

Local supplier companies mostly operate individually in making sales to foreign direct investment companies. They typically act in competition with other similar companies vying for procurement orders from the same industrial buyer companies. Still, they are part of an interconnected value chain of competing and complementary companies with common interests that can be the basis for collaboration. Even as competitors, local supplier companies often face similar challenges, capacity gaps, and binding constraints in meeting the expectations and requirements of foreign direct investment companies in industrial parks. For instance, whether the specific challenge of a supplier of buttons is the high cost of imported inputs, too high a rate of imperfections, difficulty in meeting a buyer’s volume requirements, challenges

in hiring skilled operators, or lack of certifications, many other business suppliers are likely to face similar challenges. Similarly, many other supplier companies – knitted fabric suppliers, printed labels and tags makers, and polybag producers, for example – share common capacity gaps and binding constraints in making sales to foreign direct investment companies. These binding constraints are usually related to one or more of the following areas: management, production, logistics, quality, marketing, finance, legal, certification, and environmental and social compliance. While supplier collaboration could solve many of these shared problems, collaboration among competing companies is extremely difficult in Ethiopia (and elsewhere) for a variety of classic issues, many of which revolve around a lack of trust:



Lack of Awareness About Collaboration Opportunities: The idea of joint purchasing or production may not be familiar to local companies. When companies are unable to see collaboration as a way to solve shared problems it can be challenging to find opportunities to work together.



Lack of Communication: Without clear channels of communication between suppliers, it can be difficult for them to stay up to date for collaboration. For some suppliers, a closed company culture or ‘company pride’ can contribute to such lack of information sharing, leading to missed opportunities.



Jealousy, Rivalry, and Competition: For some, competition between supplier companies stemming from existing rivalries or jealousy can hinder collaboration. When a company fears that others are copying or stealing proprietary knowledge, they may exhibit resistance to sharing information and access to lists of buyers, clients, and/or other suppliers.



Competition Over Resources: Scarcity of resources can also contribute to a lack of collaboration and constructive communication between suppliers, as local businesses can view one another as direct competition in their ability to achieve their individual business objectives.

Opportunities for BMOs to Support: Building Commitment Around Common Concerns

BMOs can act as key leaders to support supplier companies as they join forces to cut costs, create critical mass, and access resources to address their binding constraints. When supplier companies are resistant to collaborating, or simply are not aware of or in communication with other similar or complementary supplier companies, BMOs have an important role to play. BMOs can help individual and isolated companies overcome communication or collaboration challenges and begin to take joint action to address their common constraints.

Collective action among businesses in the same value chain has emerged as a response over the past 30 years with varied success in addressing these challenges. The fundamental activity is to bring similar and diverse companies in a value chain together to collaborate. “Co-opetition” – a combination of the words “collaboration” and “competition” – offers new ways for companies to overcome trust and collaboration barriers. Companies coming together and collaborating by themselves or supported by business development organizations, government, or consultants are often able to overcome common individual challenges. They take joint action to overcome shared individual company binding constraints, such as:

Binding Constraint (Common Problems)	Joint Action
High costs of material inputs	Joint purchasing (i.e., achieving 5-50% bulk purchase price discounts)
Poor quality of products/services	Shared trainings and certification programs
Insufficient volume, variety, and reliability	Joint sales (to meet supplier requirements)
Access to buyers (foreign direct investors)	Shared costs of marketing agent or broker
Lack of technical knowhow and talent	Shared training costs
Weak management	Shared access to business management advisory services



STEP 10 – Support Opportunities for Supplier Collaboration: Because BMOs naturally work with many companies, support the creation of deals between buyers and suppliers, and have an overview of a range of opportunities and problems, they are centrally positioned to have insights about how suppliers can successfully collaborate through joint action

initiatives to meet buyers' needs, particularly the buying needs of foreign direct investors. With BMO support, suppliers can collaborate to: (1) meet buyer's high volume or delivery time requirements by organizing joint production with multiple suppliers; (2) initiate joint purchasing/sourcing of raw materials and inputs to reduce production costs; (3) jointly book international audit firms to obtain required certifications; and (4) participate in joint training programs to support technology transfer or skill building. By leveraging their knowledge of supplier companies and industry needs, BMOs can group suppliers together into value chain groups to kickstart the process of joint action initiatives. Examples of activities to support supplier collaboration can include:

- **Supplier Constraints Survey:** BMOs can conduct a survey of supplier companies to help identify common constraints. The survey prepares BMOs to connect companies that share similar challenges and help them engage in joint problem solving.
- **Value Chain Matchmaking:** For individual suppliers or suppliers in the same value chain that face specific capacity challenges, BMOs can provide brokering and linkage support as well as information about and connection to networks of business development service providers.
- **Host Supplier Sectoral Meetings:** BMOs can also conduct "supplier sectoral" meetings that bring together suppliers operating in similar sectors (e.g., button makers, polybag producers, cardboard carton producers) or facing shared challenges, to increase awareness, communication, and trust, identify and expand on common challenges, and brainstorm joint action initiatives to solve shared problems.
- **Partnerships With Industry-Specific Experts:** To ensure BMO members have access to relevant industry information, it is wise for BMOs to develop and maintain strong partnerships with industry experts and sector-specific associations. These relationships can also be a step toward technical assistance to support joint supplier actions.

Dos	Don'ts
Clearly identify each individual company's specific binding constraints (e.g., quality control of button color, buyer is demanding 3x more labeling tags than our capacity, etc.).	Don't be general in identifying constraints and lump them into a catch-all problem (e.g., quality control, insufficient production capacity, unskilled labor, access to capital).
In preparation for matchmaking events or one-on-one engagement with suppliers in the value chain identification process, pre-qualify so that invited supplier companies share common binding constraints; encourage them to sign-up in advance.	Don't just randomly invite supplier companies and assume that everything will work out.
Share cases of successful joint action initiatives, and illustrate success factors.	Don't assume that companies know how to avoid the pitfalls of collaboration.
Broker and support individual companies in implementing their joint action plans.	Don't fall into the "lack of follow-through" trap—implementation is never easy. Trust challenges can easily come up, often requiring an honest broker/intermediary.
Develop strong partnerships with staff from industry experts and institutions such as the Textile Industry Development Institute (TIDI), the Leather Industry Development Institute (LIDI), and other industry experts to supplement BMO knowledge and networks about individual and collective binding constraints and possible joint action.	Don't be overly theoretical in approaching companies about developing joint action initiatives.

CASE STUDY

Supplier Collaboration in the Greening Ethiopia Manufacturing Project

Ethiopia

As part of the EU-funded Greening Ethiopia Manufacturing (GEM) project, a Green Textile Sectoral Group was formed, which brought together more than 30 small and medium-sized textile and apparel firms. One local supplier company had a buyer (foreign-owned textile plant) for recycled cotton fiber, fabric, and apparel, but was limited in its ability to collect sufficient recycled cotton fabric to meet the buyer's request. By identifying other local companies interested in selling their unused cotton scraps and waste, a joint action initiative was developed to support joint collection of textile waste. The solution was to establish a new company, which served as an intermediary for collecting and consolidating the textile scrap waste from SMEs and sell the waste to the buyer company, ETUR Textile. As part of the joint action initiative, an on-site training about proper collection and separation of textile waste at source firms was organized for participating local textile firms. Four experienced recycling trainers worked with these local textile companies on-site to teach employees best practices and procedures for sorting their textile waste before selling it to the intermediary company. This joint initiative was successful in creating the intermediary scrap waste collection company and generated sufficient sorted waste fiber and garments to sell to the buyer, which crushed the waste into cotton fiber, and made yarn that is then sold as recycled cotton.

CASE STUDY

Suppliers Working Together to Respond to Large Order Sizes

Mexico

In an apparel sector initiative in Chihuahua, Mexico, many small and medium apparel producers complained about their lack of access to buyers and an inadequate production scale to meet the large orders of international buyers. A subset of sectoral SMEs collaborated with a sales broker to develop an online system to aggregate production orders. When SMEs could clearly see the quantities of goods requested by buyers, SMEs were able to jointly respond to orders, thus combining capacities to meet the large size of production orders. Staff from the project diplomatically and consistently intervened on occasion to support clear communication among the more contentious SMEs involved and supported follow-through by the broker to ensure initial success of the joint action. This ultimately led to a tripling of sales by the SMEs participating in the online order aggregation in the first year of the initiative.

STAGE THREE Following-Up

It is important for BMOs to track the progress of their B2B initiatives and find ways for continual learning and upgrading to grow the success of local suppliers and local industrial park linkages. Stage 3 involves two main activities:

- 3.1 Addressing Business Environment Challenges
- 3.2 Monitoring, Evaluation, and Program Improvement

STAGE 3.1: ADDRESSING BUSINESS ENVIRONMENT CHALLENGES

Understanding the Challenge: The Need for Policy-Level Change

Not all challenges and opportunities can be addressed at the individual level. Collaboration can be a powerful tool to combine voices across businesses to support policy change. As representatives of the business community, BMOs can easily collect information about local challenges, develop solutions, and meet with key actors to bring about change within existing policy, investment, and institutional arenas. Two of the main challenges observed by Ethiopian BMOs are:



Uncompetitive Pricing: When local suppliers can produce to foreign direct investors' specifications, they may not be able to compete on price compared to imported inputs as foreign direct investors can import their own inputs duty free.



Limited Access to Foreign Currency (Hard Currency): Suppliers may have difficulty accessing foreign exchange to acquire raw materials.

While there are a number of pending policy issues in Ethiopia that could help strengthen B2B linkages, conversations between BMOs and suppliers have identified two corresponding policy solutions, which could significantly strengthen B2B linkages:

- Removing value-added tax (VAT) requirements for local suppliers to foreign direct investors in industrial parks.
- Allowing local suppliers and foreign direct investors to buy and sell using US Dollars.

Opportunities for BMOs to Support: Creating a Common Business-led Policy Agenda

To strengthen B2B linkages, BMOs must: i) identify and understand collective policy issues that create obstacles to successful B2B linkages, ii) propose policies that can create a more level playing field for local suppliers, and iii) further work to secure policies that will incentivize transactions between foreign direct investors and local suppliers. While individual businesses often lack the visibility, time, and influence to bring forward policy challenges with representatives of local and regional governments, BMOs are well positioned to advocate for policy change that improves the enabling environment for business. While the practice of business-led policy reform and public-private dialogue is well established in Ethiopia, it is important to remember that the process of policy reform is not always straightforward or easy. There is no single solution for how to bring together stakeholders and bring about policy change. When thinking about policy change, it is important for BMOs to remember the following to support business-led policy reform:



STEP 11 — Identify and Create Policy Reform Agenda for B2B Linkages:

Throughout the process of working with foreign direct investors and local suppliers in strengthening B2B linkages, BMOs are well-positioned to understand issues that require policy reform. BMOs can play a role in organizing and facilitating foreign direct investors and suppliers to identify, prioritize, research, and create policy solution recommendations. BMOs should also engage experts with experience in and understanding of government to help frame the “economic-case” for policy changes outlining winning/positive impacts as well as alignment with existing government policy. Communication is an essential part of the policy change process. One of the most important factors to keep in mind when communicating and advocating policy change is that messaging should show the full picture of what the change is, why it is important (i.e., what are the positive wins), who will be affected, as well as possible negative impacts and their mitigation. For more information about the advocacy process, please see Annex A.

Below is an example framework for communicating policy changes for the issues identified above:

What? Policy Change	Why? Potential Impact of the Change	Who? Parties Affected
<p>1. Remove VAT (Value Added Tax) Requirements for Local Suppliers to the Park</p> <p>Local companies that supply inputs or services are required to add a 15% VAT in their selling price. Local companies supplying to the industrial parks have reported that the requirement to include VAT in their prices disadvantages local suppliers when competing for contracts from foreign direct investment companies who can import goods internationally without paying the VAT. The price differential can discourage foreign direct investors in the industrial parks from buying from local suppliers. Though the VAT is refundable for industrial park companies, the process of seeking reimbursement for VAT is bureaucratic, time consuming, and receiving the refund takes a significant amount of time.</p>	<ul style="list-style-type: none"> Helps create price competitiveness for local suppliers Encourages foreign direct investment companies to source locally Enhances local economic integration with international companies Creates market opportunities for local suppliers Helps reduce foreign currency spending on raw material imports, further helping to reduce foreign exchange shortages 	<ul style="list-style-type: none"> Local suppliers Foreign direct investors Ethiopian Ministry of Revenue Government Institutions that are responsible for building local economic integration with international companies

What? Policy Change	Why? Potential Impact of the Change	Who? Parties Affected
<p>2. Allow Local Companies to Use US Dollars in Transactions with Foreign Direct Investors in the Industrial Parks</p> <p>Currently, local companies are not able to use US Dollars when transacting with foreign direct investment companies in industrial parks. This puts local companies at a disadvantage when they need to purchase traded inputs that require foreign exchange.</p>	<ul style="list-style-type: none"> Helps alleviate foreign currency shortages for local companies Creates strong incentives for local companies to do what it takes to meet foreign direct investors' buying standards and requirements so they can access foreign currency Stands to increase ability of local companies to manufacture imported goods domestically because currencies like the US Dollar help facilitate transactions local companies need for business operations Enhances local economic integration with international companies Creates market opportunities for local suppliers Increases profitability of local companies as their market expands, thereby increasing taxes collected 	<ul style="list-style-type: none"> Local suppliers Foreign direct investors Government Institutions that are responsible for building local economic integration with international companies National Bank of Ethiopia

Dos	Don'ts
Position the business community as a key ally to local government and arrive at meetings with government prepared with possible solutions.	Do not encourage "shame-and-blame" tactics when engaging with government and avoid combative conversations or expressing grievances without also having a potential solution.
Do your "homework": stay on top of changes in local government policies, regulations, and service delivery.	Do not expect your membership to have all of the answers when it comes to recent changes to the policy and regulatory environment.
Make sure that policy change priorities are determined by an inclusive and representative group.	Do not only seek out the "usual suspects" or only listen to the loudest voices in the room when setting your priorities.
Maintain positive and consistent relationships with relevant government stakeholders and ensure city and regional government officials are engaged.	Do not only engage with government when you need something.
Engage in advocacy and strategic communications to advance the priorities established in the B2B linkage policy agenda.	Do not develop an agenda and then leave it on the shelf, or forget to continue advocacy after public-private dialogue events.



CASE STUDY

How Listening to What Businesses Want Can Lead to Policy Reform

Peru

To focus its policy work, a USAID business support program in Peru first canvassed its clients, asking each to indicate what policies were of most concern. Government road policy — both national and local — surfaced as policy and institutional reform priority number one. The program first looked at a 350 kilometer stretch of road in the Department of San Martín on the lower eastern slope of the Andes. The road was in such poor shape that transporters had to take a circuitous route to get to Lima, Peru's main city, boosting production costs and lowering competitiveness substantially. Previous studies had suggested that rehabilitation of the road would yield an internal rate of return of at least 26 percent. So, when a broad cross-section of local public officials, businesspeople, and non-governmental organizations — the Tocache Group — approached the USAID program for help, it was glad to support.

After the Tocache Group applied some pressure, the Ministry of Transportation agreed to help search for a solution, and three local businesses hired a manager to spearhead the initiative. When it became clear that the government would not reallocate central budget funds to fix the road, the group started thinking for more creative solutions. For years San Martín had enjoyed an exemption from taxes applied elsewhere in the country. The exoneration was intended to promote development in the region, but by all objective analysis, had not worked. Little by little the understanding took root that San Martín would benefit more from paying the taxes and earmarking the funds for the road than by continuing to have a road that was difficult for transporters to use. Over the next couple of years, consensus grew in the local community that paying taxes to support public services was a good thing. Finally, the results became codified in law, and the highway now counts on approximately \$14 million a year, allowing previously isolated businesspeople to access markets cost-effectively.

This Peru example points up some important collective action lessons for BMOs. For instance: listen to your members — encourage your members to organize themselves around concerns of common interest, support what members will support themselves, and recognize that most policy reforms take time and see the process through to the end.



CASE STUDY

BMO-Supported Policy Collaboration

Ethiopia

In Tigray, Ethiopia, it can be difficult for small and medium-sized manufacturers to purchase equipment or upgrade machinery because of barriers to accessing finance for equipment. Lease financing allows manufacturers to access new equipment and financing for their work without requiring the up-front capital needed to purchase equipment directly or the high-value collateral frequently required by traditional financial institutions. By listening to members, the Tigray Chamber of Commerce and Sectoral Associations identified access to lease financing as one of the most pressing issues facing the growth and development of manufacturing SMEs and initiated a public-private dialogue process to support policy-level changes to increase access to lease financing for SME manufacturers.

As part of the process to address these challenges, the Tigray Chamber of Commerce and Sectoral Associations and Mekelle University collaborated on an evidence-based analysis to understand the barriers to SME manufacturers. The analysis placed a particular emphasis on manufacturers operating in key sectors including producers of wood, metal, textiles, and construction materials — many of whom have strong potential for success as industrial park suppliers — in Mekelle and their ability to access equipment via lease financing. Through this study and subsequent public-private dialogue process, they were able to involve the local business community and key stakeholders, such as lease financing institutions, in the policy process through focus groups, interviews, and desk research to develop policy recommendations to improve access to lease financing.

By involving local businesses from the onset of the problem-solving process, stakeholders were able to arrive at community-driven strategic solutions to reduce eight binding constraints to accessing lease financing identified during the research process. At the public-private dialogue event, representatives of the SME community were able to work collaboratively and speak directly with policymakers, government officials, and scholars about their struggles accessing lease financing and the drastic impact it has had on their ability to grow and sustain their small businesses. The Tigray Chamber has continued to monitor commitments from the public sector and is continuing to advocate for policy reform.

STAGE 3.2: MONITORING, EVALUATION, AND PROGRAM IMPROVEMENT

Understanding the Challenge: How To Know If Your Work is Successful

The ultimate goal of B2B processes is to increase sales from local suppliers to foreign direct investors. But how do BMOs or companies answer questions like “By how much have supplier sales increased as a result of efforts to strengthen B2B linkages?” and “What type of activity or interaction has increased supplier sales the most?”. Monitoring, evaluation, and learning (MEL) can help answer these types of questions. MEL is a system of tracking, understanding, and learning from the results of activities and programs. An effective process of MEL allows BMOs to adjust their strategy in order to help members increase sales, and to communicate the impact of their work to both members and donors. While some BMOs in Ethiopia have an established MEL practice for understanding the impact of their work, many do not. Some common reasons that organizations may not have a regular practice of MEL include:



Competing Priorities: Tracking data and monitoring success of individual companies’ interactions and sales can seem like a time consuming and onerous exercise compared to other programmatic and operations priorities.



Lack of a Clear Process: Many organizations may not be clear about the benefits, process, or needed tools and resources to conduct monitoring and/ or evaluation of their own initiatives. Even for organizations that have some experience with MEL, it can be difficult to develop a clear and easy process for integrating the practice into everyday work.



Lack of a Central Information Aggregator: While tracking individual initiatives can be helpful, without a centralized way to collect and communicate information, BMO staff and local businesses alike may find themselves doubling up on work and trying to track their successes in a vacuum. This deficit can also lead to the repetition of common mistakes due to a lack of sharing “lessons learned”.

Opportunities for BMOs to Support: Tracking Success and Learning From Setbacks

BMOs are in a unique position to collect data and evaluate successes and setbacks for local suppliers from a much more holistic perspective than individual businesses can do alone. For B2B initiatives, strong monitoring and evaluation practices are crucial for performance management (understanding the successes and pitfalls of the initiative(s) as well as the role played by the individual companies and BMO in the process), learning, and accountability. These practices enable BMOs to understand what factors and approaches lead to change, be accountable to partners, including internal and external stakeholders, and refine their strategies for strengthening B2B linkages to best deliver value for members. It is particularly important for BMOs to engage in ongoing monitoring and real-time information gathering during B2B initiatives as opportunities can change quickly, requiring BMOs to react and adjust their strategies swiftly. The followings steps outline international and local best practices for BMO support of monitoring, evaluation, and program learning for B2B initiatives:



STEP 12 — Create a Framework to Monitor B2B Relationships and Sales:

Monitoring results is a primary way to track if B2B support activities are moving in the right direction. There are three stages for monitoring and evaluation in the context of strengthening B2B linkages:

- 1. Understand the Starting Point** – Collect baseline information on sales to foreign direct investment companies from each local supplier participating in the program. This could be as simple as asking and recording responses to questions like:
 - What are your monthly/quarterly/annual sales in ETB to foreign direct investment companies in the industrial park?
- 2. Monitor the Process** – Initial process indicators help monitor the activities carried out to support the development of B2B relationships. Initial process targets could include:
 - Number of linkage events held
 - Number of meetings between local suppliers and foreign direct investors held
 - Number of business relationships formed

3. Monitor the Results – The activities described in this guidebook are a means to achieve the real results desired—sales. Monitoring results is the ultimate way to understand if the activities and process are creating impact for stakeholders. Results-focused targets could include:

- Amount of total increase in monthly/quarterly/annual sales between local suppliers and foreign direct investors (as compared to the baseline)
- Number of local suppliers selling to foreign direct investors
- Number of new jobs created as a result of increased B2B sales
- These indicators can help BMOs monitor the progress of supplier firms in developing their relationships and growing their sales with foreign direct investment companies. Data collection should be a regular part of the process for each activity and BMOs should consider collecting information from stakeholders to respond to the questions described above on a consistent basis based on the MEL framework.



STEP 13 — Evaluate and Re-Strategize As Needed: Evaluation helps answer the critical overarching questions of “Is our work actually increasing supplier sales?” and “What is the most impactful way to support suppliers?”. Understanding the successes and shortcomings of any B2B linkage strengthening process is key to ensuring that activities deliver maximum value for stakeholders. BMOs should continuously assess and evaluate the impact of their support activities to learn what works best and re-strategize on areas that need improvement. Evaluation should be transparent and based on data collected. The following questions can be used by BMOs as a reference point to understand and evaluate the relative success of B2B initiatives towards achieving the goals mentioned above:

- What are the most important success factors? What is working?
- What upgrades have supplier companies made to satisfy the requirements of foreign direct investment companies?
- What specific actions/activities of the BMO has contributed most

to increasing sales and supporting relationships between local suppliers and foreign direct investors?

- What needs to be improved in the current approach?
- Has the BMO support encouraged local suppliers to diversify their customer base?
- Has the BMO supported foreign direct investors to find suppliers?
- To what extent is the B2B Linkage program better able to provide entrepreneurs – particularly SMEs and female led businesses – with tools, solutions, and information on business opportunities?

Dos	Don'ts
Employ MEL best practices to collect data and conduct evaluations of B2B initiatives.	Do not work in a vacuum or assume that initiatives on their own are sufficient to maximize success and impact.
Create an MEL framework early on in the B2B initiative to create a shared understanding of goals and tracking methods.	Do not wait until the evaluation stage of the initiative to set targets.
Support individual companies as an aggregator of information and lessons learned.	Do not leave supplier companies on their own in assessing the success of their individual interactions with foreign direct investors.
Adjust initiative strategies and approaches throughout the process following evidence-based evaluation.	Do not assume that the best strategy at the initiative's onset will always be the best approach.
Ensure that all MEL efforts are transparent and supported by evidence.	Do not selectively evaluate only specific aspects of the initiative or let bias influence evaluation findings.



Annexes & Contributors

Annex A: Understanding the Policy Advocacy Process

There is no single approach to policy advocacy that guarantees success. Instead, engaging in advocacy is a process that requires creativity and learning to understand the most effective path to policy change and implementation. Here are some common steps of the advocacy process for BMOs to consider in the context of supporting policy change to strengthen B2B linkages.

- 1. Issue Identification and Prioritization:** Consult with foreign direct investors and local suppliers to understand the most pressing issues and the current policies affecting B2B linkages. At this stage, critical thinking and guidance is required from BMOs to unpack the details of policy issues to help stakeholders better understand and align on priorities for policy change.
- 2. Coalition Building:** It is especially important for understand if the identified issue is important to members and relevant stakeholders. For instance, are local suppliers and foreign direct investors, and other relevant organizations in the community or region willing to invest their time and energy to advocate for a policy change? If the answer is yes, then this is the start of a coalition that can help work towards changing policy. If the answer is no, then you may need to go back to the drawing board in order to identify an issue that is important enough to stakeholders that it mobilizes them to take action.
- 3. Developing an Advocacy Strategy:** In collaboration with coalition leaders, determine the best plan to bring about policy change. Key questions at this stage should include, "How can we best raise awareness about the issue and connect with the right decisionmakers?", "What is the best way to present the information and communicate to decisionmakers?" Key parts that should be included in an advocacy strategy include:
 - Conducting evidence-based research to assess the current policies and issues affecting the business community through policy-focused research and critical thinking as well as focus groups and surveys with stakeholders.
 - Developing possible solutions and writing them down in a format that can be shared with policymakers. This could a short policy paper that states the recommended policy changes and presents the case for why the changes are called for, what the positive impact would be, and how it would dovetail with government development policy.

- Having a plan to communicate the information to policymakers. This could be as a group at a public-private dialogue event, or through a single group representative informally meeting with officials, or raising awareness of the issue within the community through a media or information campaign.

4. Take Action and Learn From Feedback: Once the strategy is ready and agreed upon, it is time to implement. When developing a reform agenda or engaging in advocacy, it is important to find the best way to explain to policymakers why an issue matters, and convince them that a change of policy is critical. In this process, it is important to constantly evaluate which strategies or messages work, which do not, and re-strategize as needed.

Annex B: Further Reading and Resources

Further Reading – Business Linkages and Enterprise Development

- [Access to Lease Financing for Ethiopian SME Manufacturers](#) – This article, referenced in the guidebook case study “BMO-Supported Policy Collaboration – Ethiopia” is an example of the kind of research and recommendations that are part of the policy process.
- [Business Linkages: Lessons, Opportunities, and Challenges](#) – A publication that explores the corporate perspective on developing linkages with SMEs, complete with examples of opportunities and common challenges.
- [Local Economic Development, Cities, and Clusters](#) – A website from the Donor Community for Enterprise Development with information on approaches, tools, and case studies to support local economic development by helping businesses grow.
- [Science, Technology, Innovation, and Policy Review of Ethiopia, UNCTAD](#) – A recent review of the science, technology, and innovation policy framework in Ethiopia with a specific focus on industrial parks and value chains in the apparel and pharmaceutical sectors.
- **We Do Know How: A Buyer-Led Approach to Creating Jobs for the Poor** – This book, written by guidebook contributor James Riordan, lays out how business service providers can help companies solve the key problems that prevent them from selling more and includes overall guidance on how outside organizations can facilitate linkages between buyers and suppliers.

Resources for Business Membership Organizations in Ethiopia

- [How to Advocate Effectively](#) – Advocacy efforts must adapt to the internal environment in a given country. This guidebook draws on successes from around the world to present a detailed guide on how to advocate effectively to help local organizations identify constraints to business and develop policy recommendations to improve the business climate.
- [Technical Assistance and Training For Ethiopian BMOs](#) – For training on advocacy or organizational management, BMOs can reach out to CIPE via the CIPE Civic Engagement Hub, which provides regular, free training events. (www.civicengagementhub.cipe.org)
- [The Virtual Business Association](#) – An online tool for business membership associations and chambers of commerce that addresses best practices in organization governance, management, survey development, and advocacy. (www.cipe.org/vba)

Contributors

About CIPE

The Center for International Private Enterprise (CIPE) has developed this guidebook to help Ethiopian Chambers of Commerce navigate the current environment of business-to-business (B2B) linkages as a solution to growth barriers for local companies. CIPE has a long history of engagement with Ethiopia's Chambers of Commerce and has worked with more than eighty business membership organizations (BMOs) in all nine regions and two federal city administrations of the country. In 2016, CIPE initiated a pilot program in Hawassa – the home of Ethiopia's first industrial park – which brought together investors, local businesses, and the city administration to see the industrial park and local companies as parts of a common business ecosystem. Under this program, a working group at the Hawassa Chamber has held several B2B activities as well as dialogue events with the local authorities. Throughout the development of this guidebook, CIPE worked closely with several Ethiopian BMOs to ensure that their input appeared in the proposed solutions.

About ETG and Audacia Consulting

The Economic Transformations Group (ETG) is a US-based consulting firm focusing on sustainable economic development activities globally. ETG has been working in Ethiopia on a variety of projects since 2010, including enterprise competitiveness, public-private dialogue, design and implementation of the Ethiopia Sustainable Agribusiness Incubator, Greening Ethiopian Manufacturing, and design and pilot implementation of the B2B Linkage Program for Bole Lemi Industrial Park with the IPDC and The World Bank. The B2B Linkage program adopted a buyer-led approach, directly involving the foreign “buyer” companies in Bole Lemi Industrial Park to identify local supplier companies, and supporting those local suppliers to increase sales to the buyer companies. During the pilot phase, the project identified sixteen companies for matching grant support to address their binding constraints to increasing sales and jobs. Audacia Consulting, based in Addis Ababa, is a consulting firm with professionals with extensive experience in private sector development, investment facilitation, and management consulting. The Audacia team has experience working with companies in the Hawassa and Adama industrial parks to create B2B linkages with local suppliers.

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