



USAID
FROM THE AMERICAN PEOPLE

2020 DIGITAL FINANCE BRIGHT SPOT

Support for Market Growth with
USAID/Ethiopia



Photo: Thomas Cristofolletti for USAID

SEPTEMBER 2020

INTRODUCTION

USAID's Digital Financial Services (DFS) Team's vision is to support secure, inclusive, and sustainable digital ecosystems in USAID partner countries. This vision is centered on the Agency's priority for helping countries progress along their Journey to Self-Reliance and the objectives of the [USAID Digital Strategy](#). The DFS team pursues this vision by focusing on two main objectives: (1) integrating DFS into USAID projects and programs, as an accelerator of development and humanitarian objectives, and (2) broadening sector- and program-specific efforts to foster inclusive enabling environments, private sector investment, and demand for inclusive financial services. The team works to achieve these objectives in several ways, and the primary mechanism is engaging with USAID Missions around the world. As articulated in the team's ecosystem theory of change, the DFS technical practice aims to identify and reach "tipping points" in the partner country markets through partnership and support to USAID Missions and other market stakeholders, leading to the scaling of digital finance solutions and models that support a country's Journey to Self-Reliance.

Core to the efficacy and efficiency of the team's model is evaluating its work to ensure continuous learning, adaptation, and application of best practices that result in sustained market level change. For example, are team efforts helping USAID reach tipping points in the market that enable public or private sector service delivery models to reach and improve the lives of the most vulnerable populations? In support of this, the team has initiated an annual effort to identify models or examples of success that demonstrate the achievement of DFS team objectives and lessons learned for replication and scale. This case study is one of the bright spots identified and evaluated in 2020, presenting a pathway for catalyzation of development outcomes supported by digital finance. The following provides an overview of the methods, context, verified pathway, barriers and enablers, and key takeaways from the Digital Finance team's engagement with the USAID/Ethiopia Mission from 2017 to present day.

BRIGHT SPOT STORY

CONTEXT

USAID/Ethiopia is the Africa region's largest Mission. The Mission focuses on substantial humanitarian efforts, disaster risk management, resilience, food security, a burgeoning economy, continuous and emergent health concerns, and strengthening democracy and governance. To enhance integration across technical sectors and promote a learning and systems-oriented approach, the Mission embarked on development of their 2019-2024 Country Development Cooperation Strategy (CDCS). This most recent CDCS also reflects the unique generational and historical moment Ethiopia has experienced over the past few years, seeking to strengthen engagement with the partner country in light of the new leadership, a reform agenda, and new opportunities for economic growth and political reform.

Harvard University and the Millennium Challenge Corporation conducted a growth diagnostic for Ethiopia, which highlighted that one of the primary constraints to economic growth was private investments with low returns and a high cost to finance. It determined that Ethiopia would need to address issues around slow profitability for any businesses and investments entering the market. A culmination of these factors led to the current effort to privatize five state-owned enterprises, starting with the telecommunications industry.¹ As the Government of Ethiopia assesses options to partially privatize long-held state enterprises, USAID stands uniquely positioned to provide technical assistance to facilitate Ethiopia's Journey to Self-Reliance.

¹ China has dominated Ethiopia's telecommunications industry to date, making the Government's privatization effort even more important to help ensure competitiveness.

The following narrative details the full USAID/Washington - USAID/Ethiopia engagement from an initial digital agriculture assessment conducted by the Digital Development for Feed the Future (D2FTF) team to the finalization of the activity design for the Market Systems for Growth activity. The milestones below provide a possible, verified pathway for successful Mission engagement to promote a country's Journey to Self-Reliance, support the objectives of the [USAID Digital Strategy](#), and help catalyze a Mission's development outcomes.

METHODS

This Bright Spot case study uses a positive deviance evaluative approach that looks at behavioral and social change.² The DFS team uses this approach to identify and better understand exemplary engagement and application of digital finance tools and practices by clients they support. The DFS team selected the USAID/Ethiopia Mission engagement for a case study through regular highlighting of bright spots at weekly team meetings. The case was then further prioritized for a deep dive during selection of the most exemplary and use-focused cases. As this case had a known, discrete outcome, the team then pursued additional data collection to substantiate the outcome and improve understanding of the how, why, and contextual factors that led to the positive deviant. This case used purposive sampling given the limited number of specific actors with detailed knowledge of this engagement between USAID/Washington and the Mission. In total, this case study is informed by various documentation and nine interviews. All narrative process points included have been validated by multiple sources.

STEP-BY-STEP

PRE-ENGAGEMENT (2017)

In October 2017, the D2FTF Lab-Wide Priority in USAID/Washington was considering deepening its approach to Mission engagement to support rollout and implementation of the new Global Food Security Strategy (GFSS) for their third and final year as a matrixed team. As part of their Mission review process, the team had implementing partner (IP) Strategic Impact Advisors (SIA) come and present to D2FTF and the DFS team on digital issues of interest to the Feed the Future (FTF) countries. Shortly thereafter, the Bureau for Food Security, which partnered with the U.S. Global Development Lab to establish the D2FTF team, requested that the team provide a rapid digital agriculture assessment in each of the nine remaining FTF Missions not yet engaged by the team, including Ethiopia. With its forthcoming CDCS and interest in digital, USAID/Ethiopia began planning for a February 2018 assessment. The subsequent trip to conduct the assessment involved a team with technical expertise in digitally-enabled extension services, remote sensing technology, digital finance, and more.

PHASE I (2018)

Step One

After the assessment, USAID/Ethiopia decided to move forward with the recommendation to conduct digital finance training for Mission IPs. Paul Nelson, the DFS point of contact (POC), joined the Mission engagement effort to help refine the training to the context and support discussions around aggregating IP demand for digital services. The training increased interest and demand for improved digital finance capacity and led to the Mission sending a Foreign Service National (FSN) to USAID/Washington for a Lab FSN Fellowship with the DFS team.

² It is based on the concept that, "in any context, certain individuals confronting similar challenges, constraints, and resource deprivations to their peers, will nonetheless employ uncommon but successful behaviors or strategies which enable them to find better solutions."

https://www.betterevaluation.org/en/plan/approach/positive_deviance

Step Two

Distinct from the planned Mission Engagement, USAID/Ethiopia received a request for information from the United States Department of State. The DFS POC, already supporting the Mission, had the expertise and capabilities to inform the Inter-Agency discussions and provide a technical response to the request. The DFS team’s technical insights, responsiveness, and Inter-Agency engagement contributed to establishing a long and fruitful engagement with the Mission.

PHASE 2 (2019 - 2020)

Step Three

The DFS team hosted an FSN Fellow who was part of the Economic Growth and Trade (EG&T) team at the Mission and who managed their financial sector-related activity. The fellowship culminated in preliminary material to develop an activity concept note on digital financial inclusion with support from the DFS team. The motivation for an activity concept note stemmed from a continued desire for further uptake of digital finance by the Mission after the assessment and training. The team’s consistent, expert, and responsive support eventually led to digital finance becoming a timely priority of the Mission during their CDCS development process.

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Step Four

The FSN fellowship also coincided with a leadership transition at the Mission, resulting in a new Office Director for the EG&T team. Due to the level of engagement, knowledge, and trust in the DFS Team POC, the Mission leaned heavily on the DFS POC during this transition. This supported continuity for the Project Appraisal Document (PAD) discussions during a crucial period at the Mission. The DFS POC also helped to onboard new staff to the current design efforts, alongside the Foreign Service Nationals on the EG&T team, by providing briefings and sharing documents in a consolidated manner. This collaborative onboarding effort and consistency in the PAD design team helped accelerate the overall leadership transition and design timeline.

A key expediting factor at this stage was the announcement of the plan for licensing and privatization of telecommunications. The DFS POC had conducted consultations with the Government of Ethiopia, in coordination with the Mission, about their roadmap and was able to provide insights on how best to utilize this transformational moment for Ethiopia for the Mission to best support the growth of the digital and economic ecosystem.

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Step Five

In October 2019, the DFS POC returned to Ethiopia with colleagues from the Bureau for Economic Growth, Education, and Environment (E3) to further develop the EG&T PAD for USAID/Ethiopia’s CDCS Development Objective #3. This trip consisted of various whiteboard sessions looking at the activities across the Mission, assessing how they connect, identifying gaps, and determining how possible activities relate to the CDCS theory of change. From those sessions, the PAD team worked towards further defining an overarching PAD and a flagship activity. Digital became a core component from the early conceptualization of the flagship activity that would contribute to Ethiopia’s market systems.

The DFS POC became a de facto, virtual member of the team and helped coordinate Inter-Agency and USAID/Washington inputs into the development of the EG&T portion of USAID/Ethiopia’s CDCS, Project Appraisal Document, and activity design. The POC effectively conveyed how digital finance could help the Mission achieve their objectives in the PAD. For example, the POC clearly connected how digital finance could contribute to

	<p>women’s economic empowerment, which was a key priority for the Mission. </p>
<p>Step Six</p>	<p>The Mission held a theory of change workshop in January 2020 to finalize the activity design. The DFS POC provided ongoing, remote support during this time, including drafting a statement of objectives that served as the basis for the activity design. Subsequent conversations further flushed out the details, identifying complementary activities and the appropriate mechanism for procurement.</p>
<p>Outcome!</p>	<p>The DFS team’s support to USAID/Ethiopia, in collaboration with E3, resulted in the design and procurement of the flagship Market Systems for Growth (MS4G) activity. The activity objective for MS4G is to foster enterprise-driven growth and to cost-share and leverage USAID’s investments with the private sector to maximize impact. Digital is a core component of the MS4G activity. One of the activity objectives is: "private sector-led digital economy advanced that is open, inclusive, and secure." Overall, MS4G will contribute to the Mission’s Private Enterprise Project objective to foster private enterprise development, primarily in the food and fiber system, in order to create jobs and increase household incomes, improve access to healthy diets, and broaden the revenue base for essential public services.</p> <p>The integration of digital as a core priority in a five-year, strategic investment by USAID/Ethiopia demonstrates sustained prioritization and attention to digital issues throughout implementation of the current CDCS. This enhances the likelihood of continued investments and uptake of catalyzing digital services more broadly at the Mission, especially if the MS4G activity generates early positive outcomes, as expected.</p>

Looking Forward

Moving forward, the DFS team POC’s engagement with the Mission will transfer primarily to the Digital Development Advisor covering the region.³ This will facilitate quicker turnaround given the time zone similarity with USAID/Ethiopia, as well as the ability to align regional digital investments.

For the MS4G activity, the Mission’s EG&T team will be looking to identify quick wins from early implementation to share with the Government of Ethiopia to continue the momentum of enterprise privatization and continued Mission investment in digital and related market ecosystem activities that will help catalyze progress towards Ethiopia’s Journey to Self-Reliance.

BARRIERS

- The initial ideas around aggregating IP demand for digital financial services did not receive sufficient uptake and momentum from the Mission. Missions are busy and often have competing priorities. It can be challenging for USAID/Washington staff to get a Mission’s attention when the Mission staff is focused internally on their design processes. If an idea or a scope is not responsive to Mission priorities at the moment or there is a lot going on at once, it can be difficult to break through. The DFS team had established feedback loops concerning the USAID/Ethiopia engagement and was able to identify this lack

³ Under the Digital Strategy, there is a push to increase the number of Digital Development Advisors at Missions to further strengthen and integrate support for digital development. Continued support for digital initiatives at Missions will be streamlined and coordinated between USAID/Washington and an in-country or regional Digital Development Advisor in the future, providing more intensive, localized, and continuing support.

of momentum early on and pivot to other digital investments that aligned better with Mission and other Agency priorities.

- Missions experience significant turnover at regular intervals due to the nature of Foreign Service Officer duty lengths and other staffing contracts. This regular staff turnover can lead to shifting priorities and delays in work as new staff onboard to their positions and existing portfolio development. At USAID/Ethiopia in summer 2019, there was significant leadership-level turnover. This can make it difficult to maintain institutional knowledge but is also an opportunity for USAID/Washington staff to engage in the transition by bringing new staff up to speed and providing continuity of support.

ENABLERS

- USAID/Ethiopia and the DFS team intentionally brought in different skill sets and areas of expertise on the extended PAD team (digital finance, transparency, public finance, and urbanization) for an integrated and systems approach to project and activity design. Rather than bringing in only one person and expecting them to know everything, this approach better enabled comprehensive technical input for the Mission and was less burdensome for the technical advisors. The Mission leadership had a good understanding of the support they needed and actively engaged the USAID/Washington technical staff throughout the PAD design process as part of the extended team. Continuity in support is important to maintain institutional knowledge, relationships, context, and background. Regular POC turnover or disparate support between USAID/Washington and a Mission can dramatically affect efficiency of design processes and deplete momentum and understanding for worthwhile initiatives. USAID/Washington support should be provided as one-voice to a Mission-- this approach will be further strengthened by the implementation of the Agency Approach to Field Services. The approach taken by the DFS team in its engagement with USAID/Ethiopia exemplifies the importance of bringing different voices and expertise together, and ultimately contributed to a well-conceived and broad-based activity that will be effective in addressing the Mission's and Ethiopia's needs and priorities.
- Washington staff supporting Missions need to remain informed of the country context and engage with the Mission and partners to assess how shifting or upcoming contextual factors will influence their work. For Ethiopia, the emergence of the privatization of various Government of Ethiopia enterprises made it an opportune time for private sector engagement and digital finance activities. The DFS POC conducted consultations with relevant government and private sector actors to better understand the opportunity and remained abreast of the dynamics throughout his support to the Mission, ensuring technical support was appropriately contextualized.
- Collaboration is key, especially when the majority of support may be provided remotely. The DFS POC created a virtual whiteboard on Google Slides to capture early conversations and the Mission team still uses it to take live notes, rearrange ideas, and collaborate on a shared document. Additionally, the ability to leverage Google Docs for ongoing development and refinement of the PAD and MS4G activity enabled all the engaged USAID/Washington technical experts to provide timely feedback to the Mission.
- The DFS POC, through targeted technical assistance, was instrumental in identifying how digital finance and the broader digital economy implicate or are responsive to Mission priorities. The DFS POC conveyed how digital finance could help the Mission achieve their PAD objectives. According to the Mission, the DFS POC was extremely responsive, articulate in his writing, collaborative with other Agency colleagues, and able to bring in support beyond his sectoral expertise.

KEY TAKEAWAYS

The DFS team's engagement with USAID/Ethiopia presents a few key takeaways for USAID/Washington client services to Missions when seeking to drive change in the digital ecosystem. When considering these types of efforts or opportunities to replicate this approach, reflect on the following learnings from this example:

- 1. Provide dedicated support, sustained until it can be transitioned effectively.** USAID/Washington can provide more binary and transaction-like services, and often these interactions facilitate quick reviews and cohesive technical feedback on broader design efforts, like the Country Development Cooperation Strategy Washington feedback process. However, building activities from scratch or delving deeper into how a Mission might expand its work in a technical area where USAID/Washington technical assistance is requested requires a different client services approach. It is important to remember that USAID/Washington Mission engagement is always relational and requires dedicated service to achieve mutually beneficial results. Under the new Bureau for Development, Democracy and Innovation (DDI), Mission engagement with USAID/Washington will have improved structure and systems to ensure streamlined and consistent technical service delivery to Missions. Dedicated service, including relationship building, is crucial to the success of any engagement that seeks to catalyze development outcomes and contribute to ecosystem level change, even though this type of support requires an increased level of effort and dedicated and consistent expertise.
- 2. Take an ecosystem approach to tackle ecosystem barriers.** When tackling complex problems and trying to change systems, it is essential to take an ecosystem approach. USAID/Ethiopia brought together multiple sectoral expertise from E3, as well as digital expertise to determine how best to build an activity that would address gaps and leverage the opportunity of the privatization of Government of Ethiopia enterprises. For USAID/Washington staff, leveraging country support systems within and across Bureaus for a particular Mission or region can ensure Missions receive coordinated and comprehensive technical support.
- 3. Remain flexible and responsive to Mission and emergent context priorities.** Successful Mission engagement focuses on aligning with Mission priorities and leveraging contextual opportunities. Initial engagement with a Mission often results in a list of recommendations. Work with the Mission to prioritize what recommendations are actionable and in what time frame. More importantly, be willing to pivot to address emergent needs or adapt to working on a different recommendation throughout the engagement.
- 4. Be proactive.** Follow-up with the Mission, and share ideas and new opportunities. Help the Mission identify alignment with Agency priorities. Help coordinate Washington technical expertise and be willing to go back to Washington and identify and bring in additional expertise as needed. Successful Mission engagement is about the partnership and ensuring the best development programming, which often requires proactive, continued engagement and collaboration to design activities that can catalyze development outcomes.

ANNEX I: BEST PRACTICES FOR WASHINGTON & MISSION ENGAGEMENT

The following is a distilled capture of best practices that led to this bright spot. They provide ideas and guidance for future USAID/Washington Mission engagement that are in line with existing evidence from the [Sustained Uptake Developmental Evaluation Mission Engagement Playbook](#), as well as other client services approaches across the Agency.

Outreach and Communication	Technical and Contextual Expertise
<ul style="list-style-type: none"> ● Be responsive. Follow-up and stay relevant to the Mission. Explain why and what you are doing is important and can help achieve Mission priorities. ● Writing abilities are most useful to the Mission when responses are quick, of high quality, clear, and detailed to the appropriate level. ● Take initiative. Go beyond emails in communication. Use GChat or pick up the phone. Maintain strong working-level contacts. ● Make sure there is an agreement on terminologies. Aligning rhetoric can facilitate smooth engagements. ● Use Google Suite to collaborate, including Google slides for virtual whiteboarding, and Google docs for simultaneous editing and feedback. 	<ul style="list-style-type: none"> ● When you can, it is helpful to provide information and data on more than your technical area. ● Technical/subject matter experts from USAID/Washington should also bring an understanding of the Washington political dynamics that influence policy. Have a grasp of political sensitivities and know what is in USAID's lane, where Washington teams can plug into something, and when to disengage. ● Remain up to speed about Agency and broader USG guidance and policies, as well as those of the partner government. This allows you to align priorities, use similar language, and offer a clear value proposition.
Engagement Approach	In-person support (TDYs)
<ul style="list-style-type: none"> ● Get a Mission's attention by asking how you can help instead of presenting pre-cooked scopes or ideas. ● Understand the country context and make clear links between Washington ideas and Mission priorities. Work closely with IPs and Washington to make the key messages and details receptive to the audience who needs to review, clear, etc. ● Coordinate with other Washington expertise for the Mission. Be the connective tissue to other folks in the Agency. Be inclusive, seek out, and be ready to receive input from different offices. This inclusive attitude will help bring different thoughts and voices to the process and effectively respond to Mission needs. 	<ul style="list-style-type: none"> ● Especially at the early conceptual stage of any design effort, there is no replacement for having someone come to the Mission on TDY or embedding a Digital Development Advisor directly with the Mission. Mission staff should facilitate trips to the field so Washington staff can learn more about the country context- this allows them to understand more about what is going on the ground and what will / will not work when providing technical expertise. ● USAID/Washington staff need to take charge in organizing a TDY - do not put too much burden on the Mission. Work together to get clarity on the desired results or deliverables of the TDY. ● It helps if the USAID/Washington staff has some funds for a TDY. This makes things easier for the Mission and allows for greater flexibility.