

STRUCTURED SUMMARY

BUSINESS MODEL INNOVATION FOR BEHAVIOUR CHANGE WITHIN THE GOAT VALUE CHAIN IN ETHIOPIA

Implications for policy and investment

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Motivation

Livestock contributes 12%–15% of Ethiopia's gross domestic product (GDP) and underpins rural livelihoods. Fragmented markets, limited finance, poor infrastructure, and weak networks between actors in marketing chains result in high transaction costs and little interest in business innovation. Donor-led cooperatives and subsidies brought short-term benefits and limited sustained change. With shrinking aid budgets, policy must focus on scalable, cost-effective models. The Resilience in Pastoral Areas (RiPA) project aimed to embed incentives within existing goat-trading networks to strengthen trust between buyers and sellers, increase access to credit, and connect small-scale producers to higher-value end markets. Evidence shows that \$1 invested in livestock market integration generates \$3–\$5 of extra GDP, underscoring marketing's importance for rural employment, exports and government revenue.

Purpose

This study examined whether embedding incentives in the goat value chain could change behaviour of goat producers and primary, secondary and end-market traders to improve market efficiency and reduce transaction costs along the marketing chain. The aim was to identify 'best buys' that deliver durable change in behaviours and relationships to reduce transaction costs, improve marketing efficiency, and strengthen competitiveness in higher-value end markets in North Africa and the Middle East. Our hypotheses were that: low-cost digital applications and communication tools, such as WhatsApp™ and SMS, can reshape sales planning by suppliers; trust-based credit can fill gaps, but is fragile without formal mechanisms such as supply or pricing contracts or financing through formal bank or micro-credit facilities; and that better feeder roads, livestock holding grounds and loading ramps can reach into rural areas and benefit women who have less mobility and access to markets than men.

Key questions are:

- How do market actors adopt new practices with information, credit and transport support?
- What mechanisms sustain trust and partnerships between buyers and sellers along the marketing chain?
- Which interventions offer best value for donors and policy-makers?

Approach and methods

Some 81 respondents – regional traders, village collectors and producers – were purposively sampled across Somali and Oromia regions of Ethiopia. Interviews and focus group discussions (FGDs) were held with them to learn their experiences with market information, credit and transport. Behaviour change matrices mapped practices to outcomes and challenges. Thematic coding identified adoption patterns for innovations, such as mobile phone-enabled sales for efficient livestock aggregation and timing of collection. Findings were summarised in a cost–benefit framework to assess relative value to each market actor along the goat marketing chain.

This approach captured relational and behavioural shifts often missed in quantitative studies, especially in fragile pastoral economies where trust and reciprocity underpin transactions.

Findings

Digital messages (using WhatsApp™ on mobile phones) helped producers and traders to align sales with demand and livestock quality requirements (e.g. size and sex of animals needed); although the lack of mobile phone connections (i.e. low phone ownership or network access) limited reach.

Credit – from buyers to livestock herders for inputs and from herders to traders in the form of livestock – was based on trust, which sustained relationships but at the risk of heavy losses in cases of default. Women collectors were usually creditworthy and reliable but lacked risk management mechanisms (e.g. savings, social safety nets, insurance) to prevent defaulting when faced with a household emergency (e.g. medical bills, crop failure, livestock death).

Transport support, though rare, enabled scale, reduced costs and improved women's participation; poor roads and high fuel costs limited impact.

National buyers invested little in new services to their suppliers. A few national buyers use veterinarians as intermediaries to prevent purchasing sick animals or animals that don't meet body condition requirements.

Policy implications

Best buys included low-cost digital communication tools, veterinary checks and improved feeder road networks. Use of trucks to collect livestock from rural areas was beneficial to both buyers and sellers in keeping stock in good condition but often prohibitively costly due to the poor quality or complete absence of rural roads.

Donors and policy-makers should prioritise three best buys:

1. Expand rural telecom and energy to increase uptake and use of digital communication technologies that allow herders and collectors to align timing, quantity and quality of livestock supplied with demand.
2. De-risk trust-based credit with escrow funds, blended finance or guarantee funds, particularly to benefit women traders.
3. Invest in feeder roads to align with public and private investment in market centres and trucking services to reduce costs of transport, minimise losses and expand market access by women and other marginalised groups with limited mobility.

These measures can improve trade efficiency and capture greater economic value by actors along the goat marketing chain. RiPA's approach shows that specific embedded services, or business-model innovation in trading, can deliver durable change and strengthen Ethiopia's goat value chain.

Funded by



This material has been funded by UK aid from the UK government; however the views expressed do not necessarily reflect the UK government's official policies.