



RESULTS FOR
DEVELOPMENT

Ethiopia Market Shaping Capacity Improvement Project (EMSCIP)

Market Shaping Approach to Address Critical Market Barriers

August 2025

ACKNOWLEDGEMENTS

This project was conducted by Results for Development (R4D) in collaboration with the Ethiopian Pharmaceutical Supply Service (EPSS), with financial support from the Gates Foundation. The R4D team is grateful for the strategic guidance provided by EPSS leadership for this work and particularly Dr. Abdulkadir Gelgelo, Director General, Solomon Nigussie, Deputy Director General, and Haftu Berhe, Director, Quantification and Market Shaping Directorate (QMSD), as well as the collaborative support and advice from Saran Ellis and Dr. Kalkidan Lakew (Gates Foundation). Views expressed in this document are those of the project team and should not be taken to reflect the institutional positions of EPSS or the foundation.

PROJECT OVERVIEW

In response to a request from the Ethiopia Pharmaceuticals Supply Service (EPSS)* Director General in 2019, R4D proposed the *Ethiopia Market Shaping Capacity Improvement Project* (EMSCIP) to provide support for development of system-level market shaping approach in Ethiopia. In this project, R4D collaborated with EPSS to co-design a comprehensive market shaping strategy and to catalyze the capacity of the then Quantification Market Shaping Directorate (QMSD) to play a lead “market manager” role. The lead market manager role is conceptualized as the ability to proactively identify and address market inefficiencies and therefore improve access to high quality and affordable essential health and nutrition products in the public health system.

Implemented from September 2019 to December 2024, the project focused on three broad activities: assessment of key market shortcomings and design of market shaping interventions to address these challenges; optimizing the QMSD structuring and catalytic capacity building through coaching, mentorship, and on- and off-job trainings.

THE CHALLENGE

As noted in the Pharmaceutical Supply Transformation Plan (PSTP II) document, EPSS has made significant achievements supporting the rapid expansion of healthcare services in Ethiopia. However, the rapid growth has also brought challenges. The planned expansion of the number of hospitals and health facilities nationwide over the coming decade also points to demand growth continuing into the foreseeable future.

Internal strengths noted in the PSTP II document include commencement of procurement based on a predefined procurement list, the introduction of framework agreements, improved management of warehouse functions, ownership of network of warehouses equipped with necessary materials and transportation vehicles and increased stakeholder management. Weaknesses noted include the lack of a robust system that best handles all the operations, weak demand planning and less emphasis on market shaping, long procurement lead time, and inadequate management of medical equipment. Significant wastage was also reported (with some variance across programs) due to inefficiencies in demand forecasting and distribution. Ultimately, all these contribute to poor availability of critical health commodities for those who need them at different levels of the health system. At the time, EPSS did not conduct market shortcoming assessments, and no cross-cutting market shaping strategies were in place at the national level.

While many actors contribute to these market outcomes,

EPSS has a unique strategic imperative to drive improvements in access to critical commodities. EPSS is involved in all aspects of the commodity supply system and has the potential to wield significant power to improve market outcomes. With market shaping approaches, EPSS can maximize their positive impact through strategic use of their market power.

THE MARKET SHAPING APPROACH IN ETHIOPIA: RATIONALE, HISTORY AND FUTURE

Market Shaping is a Comprehensive Approach to Drive Improved Market Outcomes

EPSS in its Business Process Reengineering (BPR) study stated that “market shaping is designed to improve a market’s health outcomes by targeting the root causes of market shortcomings.” Market shaping, as a systematic approach, enables key market actors to holistically identify shortcomings across the key market aspects of supply, demand, financing and regulation. Market shaping strives for improved health outcomes by addressing the root causes of pharmaceutical market shortcomings and influencing markets through designing and implementing transformative market shaping interventions which aim to increase efficiencies and effectiveness towards improving sustained access of lifesaving health and nutrition products. Designed and implemented correctly, market shaping interventions can achieve a range of benefits by addressing either chronic issues underpinning these market shortcomings or acute issues that lead to periodic market instability, as outlined in ‘the challenge’ section above. Market shaping can disrupt current practices or transform existing market structures, creating efficiencies that lead to better health outcomes in terms of availability, affordability, awareness, quality, and design of health commodities.

Market Shaping in Ethiopia Has Historically Relied on Donors and NGOs

As in most countries in Sub-Saharan Africa, most of the core market shaping activities in Ethiopia continue to be performed by donors and NGO partners. These activities are largely project-based, short-term in nature, and focused primarily on deliverables related to the introduction or scale-up of a specific product/product category. The government has been dependent on these partners to play a “market manager” role to support entry of new lifesaving products into the Ethiopian market and to take actions to address demand, supply, regulatory and financial aspects. While these activities have had some short-term impact, in the long run this dependence significantly hinders the sector from owning and driving the

market shaping role by itself.

Nonetheless, EPSS Has the Ambition to Become a Trailblazing Leader in Market Shaping

In response to the BPR and PTSP findings, EPSS has established a Quantification and Market Shaping Directorate (QMSD) as a responsible unit for owning, leading and coordinating market shaping activities across the health sector and, ultimately, to have a vital role as a pharmaceutical market manager in Ethiopia. As part of the overall value chain, EPSS's market shaping approach can be seen in two interrelated processes: upstream and downstream market shaping functions. The upstream market shaping function takes a holistic approach that spans suppliers, financiers, regulators and centralized procurement agencies. The downstream market shaping function spans the in-country supply chain including distribution, storage and transportation from the central level to health facilities and end-users. The approach taken to identify and resolve cross-cutting barriers to product introduction and scale-up proactively under country leadership in an iterative manner and in establishing a directorate responsible for market shaping represents not only a new approach for the Government of Ethiopia, but a unique model in Sub-Saharan Africa. As such, EPSS cannot easily follow examples from others, but instead must blaze its own trail in developing an appropriate strategy.

THE EMSCIP PROJECT: SUPPORTING QMSD TO BECOME THE MARKET MANAGER

Project Overview

The EMSCIP project supported EPSS by building the capacity of QMSD to own, standardize and effectively execute market shaping interventions towards reducing key market inefficiencies and improving continuous availability of high quality and affordable health and nutrition products in the public health system. The core set of project activities that were implemented includes co-conducting a holistic assessment and analysis of market shortcomings and co-developing a comprehensive market shaping strategy; codesigning a QMSD organizational blueprint to optimize the mandate, structure and role of QMSD; and catalyzing capacity building support to QMSD staff and leadership through coaching, mentorship, targeted TA and training.

R4D implemented these activities in close collaboration with EPSS and QMSD leadership, and through active engagement of QMSD staff throughout the entire process, to ensure strong ownership and coaching along the way around key market shaping techniques and skills. R4D collaborated with other key government sectors such as the Ministry of Health

(MOH) and the Ethiopia Food and Drug Authority (EFDA) to effectively address specific cross-cutting issues underpinning market failures. All the Market Shaping activities were also well coordinated with ongoing efforts through other development partners.

Major Project Achievements

The project recorded the following achievements that lay the foundation of a strong market shaping function within EPSS and addressed immediate priority actions.

Jointly identified areas for improvement based on insights from a market assessment EPSS and R4D jointly conducted a comprehensive baseline and endline market shortcomings assessment in 2020 and 2023 respectively. The assessments captured critical shortcomings across the financing, supplier registration, forecasting, procurement process, tender management, and local manufacturers support and incentives aspects of the market at the upstream level. The assessment findings identified improvements across key EPSS corporate KPIs such as procurement lead time, purchase order (PO) approval lead time, wastage rate, number of products with adequate registered suppliers, credit sale collection and total budget allocation to RDF. The assessment also identified poor progress in reducing stockouts, significant decline in donors funding, and increased demurrage cost and penalty. The findings from this assessment were very useful in engaging the EPSS director generals, directorates directors, branch managers and technical team to create a common understanding of the critical market issues in the EPSS's supply system landscape and how market shaping practices and tools can be best leveraged to address them. The assessment findings were also useful for the development of the various evidence-informed market shaping solutions and tools. Based on the findings of the two assessments, a three year (2023-2025) comprehensive market shaping strategy document was prepared through a co-creation process.

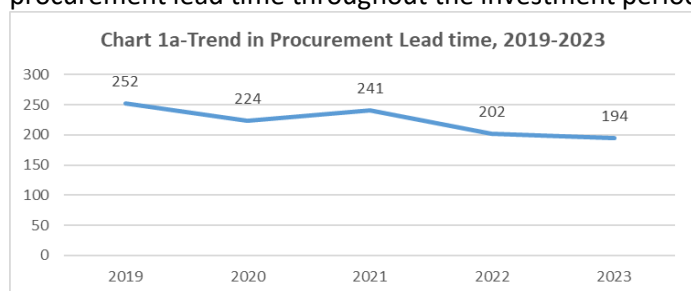
Improvement in procurement lead times. R4D in close collaboration with the Ethiopian Pharmaceutical Supply Service (EPSS) strengthened the market shaping practice within EPSS through co-creation and co-implementation of strategic and targeted market shaping actions that contributed to improvement in EPSS corporate KPIs such as procurement lead time and product wastage rate.

Significant progress was recorded in the EPSS procurement lead time between 2019 and 2023 except in 2021 due to COVID-19 and associated disruptions in the global shipping industry (refer chart 1a below). EPSS's procurement lead time reduced to 194 days in 2023 from 252 days in 2019. The average procurement lead time during the investment

Table 1: Summary of Major Project Achievements

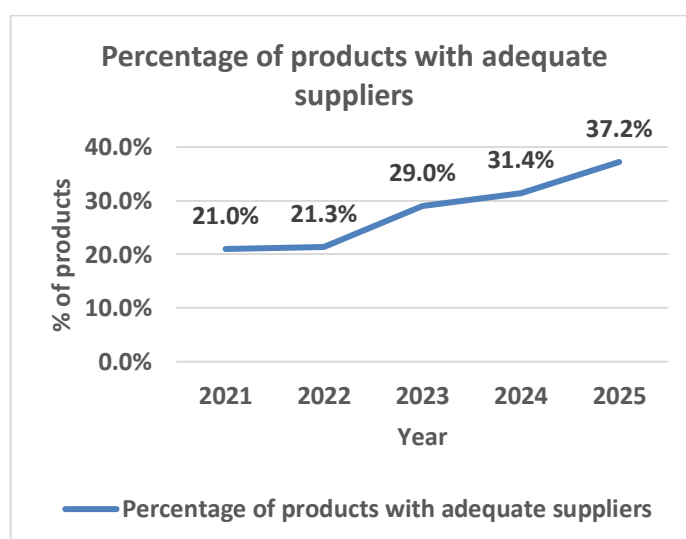
Key Market Aspects	Progress Made across the Years 2020 - 2023
Procurement Process	Procurement Lead Time: <ul style="list-style-type: none"> Reduced from 252 days in 2020 to 194 days in 2023 Purchase Order (PO) Approval reduced from 60 days in 2020 to 10 days in 2023
Supply Base (product registration)	The number of products with <i>adequate registered suppliers</i> in the country (i.e. ≥ 5 suppliers) increased from 21% in 2020 to 37.2% in 2025
Capacity building	In 2023, a total of 112 government staff were trained nationally with accredited market shaping training materials.

period was 215 days. Though the average lead time was higher than the EPSS's 2023 target (160 days) and 2024 target (140 days), the overall progress in the last 4 years was promising and noteworthy. Despite challenges in securing hard currencies to source commodities from the international market, improvements in internal procurement processes and enhanced coordination and collaboration among key stakeholders (MOH, EPSS, EFDA, Federal Public Procurement and Property Authority, National Bank of Ethiopia, Commercial Bank of Ethiopia, Ethiopian Customs Commissions, Ethiopian Shipping and Logistics Service Enterprise and Ethiopian Airlines), regular suppliers performance analysis and recognizing best performing suppliers, and timely expedited customs clearance have contributed to the improvement in procurement lead time throughout the investment period.



Improvement in supply base. The type and volume of products EPSS manages has significantly increased over the years and the service is now supplying 86.3% of the national pharmaceuticals need. However, the supply base and number of in-country registered global suppliers are not growing proportionally. Effective supply base optimization can help reduce costs, and improve product availability, affordability and quality. R4D in close collaboration with EPSS and EFDA completed five rounds of supply base analyses since 2021, with the purpose of monitoring the

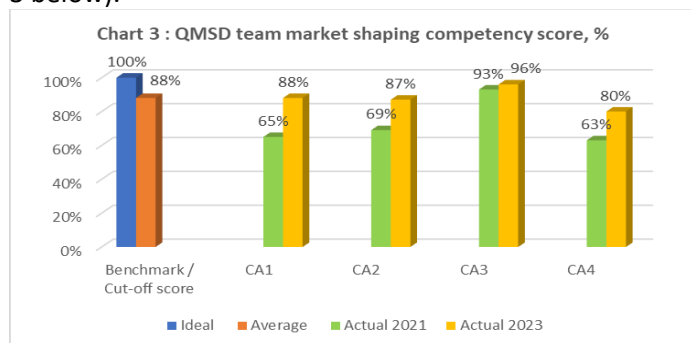
progress in supply base expansion efforts and demonstrate the significance of the need for more concrete efforts by EPSS and EFDA leaders to attract and incentivize suppliers to register their products for items with no or limited suppliers. EPSS' supply base steadily increased during the project period. The latest analysis showed that only 37.2% (n=313) of the pharmaceuticals have an adequate number of suppliers (i.e. items that have 5+ registered suppliers), which is higher than the status in the previous four years' supply base analyses. However, the EPSS supply base was still narrow with 62.8% (n=528) of products having an inadequate number of registered suppliers. Anti-cancer and all health program commodities have relatively very low supply base as compared to RDF pharmaceuticals. The latest analysis also showed steady improvement in the supply base of all product categories. The improvement ranged from 2.44% for RDF medicines to 22.57% for regular laboratory commodities.



Market shaping capacity strengthened within EPSS towards owning, standardizing and continuously playing "market manager" role. R4D appropriately leveraged the various co-creation processes over the last four years to help EPSS understand what it takes to design and execute market shortcomings analysis and develop and catalyze implementation of market shaping solutions to address them. The development of the EPSS comprehensive market shaping strategy (2023-2025) and the various market shaping analysis tools, SOPs and guides provided a clear guide to the EPSS / QMSD leaders and technical team to play a lead market manager role and manage the efforts to address major market challenges in a strategic manner. More importantly, the development and accreditation of the standard market shaping training materials and the subsequent training of QMSD and other EPSS Directorates on this standard market shaping training course enhanced EPSS's in-house capacity to appropriately implement the various market shaping guides

and tools to continuously identify and address market shortcomings.

QMSD staff capabilities to conduct market shortcomings assessments, develop solutions and implement interventions increased. R4D leveraged the various market shaping analysis platforms as major capacity building methods to strengthen the QMSD team's knowledge and skills of market shaping practices. In 2023, R4D focused on training and facilitating the application of the market shaping strategy and tools developed in previous years as major capacity building approaches to strengthen market shaping capacity within EPSS. The QMSD team competency assessment completed by R4D at the end of 2023 identified improvements across all four key market shaping competency areas (CAs) compared to 2021. These competency areas include CA 1: Analysis of commodity demand and supply; CA 2: Commodity planning and life cycle management; CA 3: Key competencies related to quantification; and CA 4: Key competencies related to tender management. The QMSD competency for all competency scores except CA3 (quantification) was below the average¹ cut-off competency score in 2021. In 2023, QMSD showed remarkable improvements across all competency areas and scored above the average competency score (refer to chart 3 below).



Market shaping training program continuity and expansion facilitated through integration into EPSS' overall workforce competency development strategic plan. Informed with the comprehensive market shortcomings assessment and competency assessment completed in 2020 and 2021 respectively, R4D with technical support from an international consultant developed a package of standard market shaping training materials (i.e. facilitator guide, participants training manual and supporting Power Point slides). The standard training courses covered key topics important to understanding and applying market shaping skills, tools and practices. These topics include an overview

¹ **Ideal Score:** Highest level of competencies. This means the team has and exhibits fully all the required levels of knowledge and capabilities for a competency area; **Average Score:** Median score. This means the team has and exhibits the average level of knowledge and capabilities for a

of the pharmaceutical markets, market shaping concepts and definition; new product introduction; and market shaping approaches and tools important to undertaking basic market shaping analyses such as supplier landscape analysis, forecast accuracy analysis, pharmaceutical price analysis, cost effectiveness analysis, procurement lead time analysis, and analysis of framework agreements. In 2023, R4D in close collaboration with EPSS facilitated and completed the accreditation of the market shaping standard package of training materials by MOH as one of the continuous professional development (CPD) courses. As part of the accreditation process, the training courses were further reviewed and validated by key stakeholders based on the comments provided by the accreditor team at the MOH. QMSD staff are equipped with skills and techniques needed to scope and address market shortcomings.

In 2023, following the accreditation of the standard package of market shaping training materials, R4D in close collaboration with EPSS organized training of trainers (TOT) and four-day cascade trainings in four rounds. A total of 112 EPSS central and hub staff completed the four-day training on the standard and accredited market shaping courses. Pre- and post-training evaluations were administered to assess the level of knowledge and understanding of the trainees. Of the 112 trainees who completed the training, 106 scored above the minimum acceptable score and were certified.



Figure 1. Market Shaping TOT Training Participants

The development of strategy documents, EPSS senior management engagement and commitment, and the capacity building activities were the major success factors that contributed to the project's achievements.

The development of a market shaping strategy document and its inclusion in other national strategy documents has ensured the sustainability of the practice, particularly around clarifying the roles and responsibilities of different actors who are actively involved in market shaping efforts. In addition to supporting EPSS to address major and systemic market challenges in a strategic manner, the strategy documents define and clarify the roles and responsibilities of

competency area; **Actual Score:** This is the actual competency score for the QMSD team as a group.

government agencies, donors, stakeholders and partners who are actively involved in the market shaping practice.

Senior management engagement and commitment have been key to the success of national market shaping practices.

Staff competency has improved via continuous capacity-building activities. This has been a major contributor to many of the tremendous gains seen during the investment period.

Looking Ahead

Encouraged by the success of the first phase of the market shaping project, the government, donor and R4D all strongly agreed that the work should continue in order to build skills in a sustainable manner, improve EPSS operations, and expand the supply base for key health products to improve their availability within the system. As a result, the second phase of the project was launched in 2024. This phase focuses on institutionalizing and capacity building beyond EPSS, with particular attention to engaging national market players and supporting sustainable financing. A key

component of this phase is the development and use of a maturity model to measure progress in domestic financing and to link this work with other ongoing efforts — particularly, broadening the use cases for exempted services financing. Additionally, R4D will support the knowledge base on last mile commodity availability bottlenecks by conducting data triangulation and end user monitoring exercises. These efforts will generate insights that can inform the design of facility-level grants in the future.

R4D will continue its partnership with EPSS, other local organizations and development partners to strengthen the system level capacity and improve the availability of essential medicines.

About Results for Development

Results for Development (R4D) is a mission-driven global nonprofit working to improve access to high-quality, affordable healthcare, improve educational opportunities for children, and reduce malnutrition. We work with change agents — government, civil society and private sector leaders — to build strong systems and institutions that deliver lasting and large-scale impact. We do this in two ways: By providing tailored support to country leaders as they navigate complex systems-change, and by building a more supportive ecosystem of individuals, institutions and networks that is responsive to country leader priorities. We work alongside change agents and institutions to identify innovative solutions that are built on evidence and stakeholder input and that work in the local context. Our global network of staff, fellows and local partners are pioneering approaches that center country leaders and elevate local expertise, forging new ways of working that push the entire sector forward.

R4D has supported improved health and nutrition in Ethiopia since 2014 using market shaping, health financing and capacity strengthening approaches. For example, R4D is helping to address malnutrition — the leading underlying cause of child mortality in Ethiopia. And R4D's longest standing work in Ethiopia — focused on improving access to child health commodities — has supported the government- to scale up amoxicillin dispersible tablets for the treatment of pneumonia, the leading infectious cause of death among children under five. From 2016 to 2019, availability of this lifesaving medicine increased from 56% to 93% at health centers and from 57% to 86% at health posts.

R4D also leverages market shaping approaches to align priorities and incentives of key market actors, including policymakers, procurers, manufacturers and financiers at the global and country levels, to improve access to key services and commodities. R4D is supporting the Ethiopian Pharmaceutical Supply Service (EPSS) to develop in-house market shaping capacity in order to play a market manager role — proactively identifying and addressing key market shortcomings and then working to ensure uninterrupted availability of high-quality and affordable health products.

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