

# Financial Product Profiling

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# Context

# 1

## 1.1 Ethio-Netherlands Trade for Agricultural Growth

Ethio-Netherlands Trade for Agricultural Growth (ENTAG) program is supported by the Embassy of Kingdom of the Netherlands. The program aims to advocate for agribusiness investment in Ethiopia, facilitate growth of SMEs, and promote trade between Ethiopia and rest of the world. ENTAG works on five priority sectors: legumes, spices, sesame, aquaculture and poultry.

The new program is developed based on the experience of the previous program, Agribusiness Support Facility (ABSF). The ABSF has provided invaluable support to local and international investors in providing front office support, organizing trade missions that facilitated market and business linkages, organizing business platforms that also provided space for networking and public-private dialogue forums. The ENTAG program was built on these key pillar services. Over the last two years the program has offered services through its front desk support, innovation fund, business platforms, B2B-facilitation including trade missions, private sector association support and business plan development trainings. To date ENTAG has organized over 22 business platforms and have released 14 innovation funds.

## 1.2 Rationale for this Document

There were over 350 companies who have accessed ENTAG services in the last two years. ENTAG services are inclusive for a wide range of businesses. International investors and large local companies often seek front desk service in business landscape, market linkage and low-hanging business opportunities. Small and medium sized Ethiopian companies usually look for hands on support to access finance, market and technology. Most of these companies have been in business for a few years and have seen the potential opportunities, but either lack the resources or the capacity to seize those opportunities. In particular, the fast growing, medium size and emerging companies prioritized lack of finance as critical bottleneck. As such, member companies have sought documents on available financial products and instruments to gain insights into potential investment options.

# Types of Financial Schemes Addressed

# 2

Four types of financing schemes are addressed in this document: grant, equity, loan and technical assistance. There are four levels of grants categories explored: national, regional, continental and international.

The local grants are those specific to Ethiopian companies. Regional grants refer to those open to companies of few countries (East Africa), while continental and international grants are open for companies from Africa and from any part of the world, respectively. The grant size ranges from USD 20 thousand to USD 5 million.

Three types of equity financing have been addressed based on geographic target and sectorial priorities.

The loan products include both local and international products. However, international loan products are available only for export oriented companies as the national bank regulations do not allow for repayment in hard currency.

Technical assistance provides support in knowledge and advisory organized by different development partners. These are in-kind supports provided to SMEs.

# Key Challenges in Relation to Access to Finance

# 3

## 3.1 Limited Commercial Loans

There are 18 commercial banks and 20 microfinance institutes in Ethiopia. According to the directive of the National Bank, manufacturing, agro processing and export sectors are given higher priorities to access commercial loans. Evidences show that less than 1% of the demand for financing is served by the commercial banks. Most banks claim that access to credit is generally based on the 4Cs:

1. Character of borrower  
(previous track record of borrowing),
2. Collateral  
(fixed assets that can be taken as guarantee),
3. Capacity to repay  
(business performance track record),
4. Capital.

In practice however, having collateral in the form of fixed assets such as buildings and machineries is the major criterion to secure a loan. Though the bigger companies can afford to provide those collaterals, most emerging businesses lack the asset base to guarantee as collateral. In some cases, these businesses may not have built track record to demonstrate continuous performance. A combination of these factors makes it hardly possible to secure loan.

## 3.2 Complex and Hard Requirements

Grant and equity financiers often come with certain sets of preconditions, which may not be easily met or to the best interest by/of small and medium enterprises. For example, grants come with a specific window period, reporting requirement and sets of external/development outcomes that should be achieved.

Most companies find it hard to provide all the required documentations, such as business plan, audited financial statements, profiles of companies within the specified time period, even though they may achieve the outcome expectations. Usually emerging companies do not have these documents ready on hand, or the resource to develop them. The strategic people within the organization are busy with running the day-to-day operations of the business. Even when they know that the opportunities do exist, they rarely pay attention to the deadline and completing all the required formalities. Lately, many grant funds are even coming with co-financing requirements that are not easy to meet for medium companies.

### 3.3 Information Gap about Opportunities

Lack of information is another major challenge for companies to access finance. Though this has been improving recently as result of better internet access and different business and networking platforms, information gap remains a major bottleneck. There are few businesses that have networks with financiers and have easy access to information. However, the majority of the businesses miss the relevant network or the access to online information. Companies that are heavily focused on their day to day business operations might overlook investing time to network by attending meetings and platforms which are critical information sources.

### 3.4 Limited Skills and Competencies

Though companies have information about opportunities, developing a winning project proposal or loan application is difficult especially for medium and small enterprises. It requires previous experience of organizing ideas into a proposal, and focusing on what matters most for the financiers. Most entrepreneurs are good at expressing their ideas verbally, but communicating those ideas through bankable proposals requires some education or training in business fields as well as investment in time. Hiring business plan experts often does not fully address this problem as the experts may not have the same level of in-depth knowledge of the business idea as the owners.

### 3.5 Mismatching Portfolios

Most funds and commercial loans are bigger than what medium companies look for. Medium and small enterprises are looking for working capital or purchase of machineries or equipment. This often falls in the range of USD 50–100,000. In addition, most financial products have restrictive utilization. For example, grants often do not allow purchase of machineries, and loans intended for working capital can't be diverted to other purpose.

### 3.6 Restrictive Financial Policies

The financial sector in Ethiopia is limited to local investors only. Capital remittance in hard currencies is difficult. Companies who want to get loan from international financiers need to get permission from the national bank, and that permit is usually given to businesses engaged in foreign trade.

In the past international bankers such as Rabobank showed strong interest in providing loans to companies in Ethiopia. At the end, the loan could not be disbursed because of the national bank restriction.

Most international organizations provide finance to business through intermediary banks.

# Potential Grant Profiles

# 4

- ▶ *Africa Enterprise Challenge Fund*
- ▶ *Innovation Against Poverty*
- ▶ *Agricultural Fast Track*
- ▶ *African Green Revolution for Agriculture*
- ▶ *Global Innovation Fund*
- ▶ *USAID – Feed the Future*
- ▶ *Farm Service Center and Input Grant*

## Africa Enterprise Challenge Fund

### SHORT PROFILE

The Africa Enterprise Challenge Fund (AECF) is a USD 306 million private sector challenge fund open for investors from over 24 countries within Africa. The fund size is increasing from time to time, as several donor organizations and governments are putting resources into it. AECF started in 2008, and since then has been supported by several donor governments and organizations namely Australia, Canada, Denmark, Netherlands, Sweden, United Kingdom, and international finance institutions such as the Consultative Group to Assist the Poor and IFAD. The available grant size per company ranges from USD 250,000 to USD 1.5 million. AECF is a competitive funding scheme, which is open for new investors once year.

### ACCESS CRITERIA

AECF supports innovative business ideas in agriculture and agribusiness, renewable energy and adaptation to climate change technology sectors; rural finance that supports ideas in the sectors mentioned above. The key selection criteria as stated in their website are

- (1) social impact (number of smallholders, youth and female groups reached)
- (2) innovativeness of the business idea
- (3) matching by the applicant
- (4) commercial viability of the proposal.

It focuses on businesses that are seen as "risky", or those in which the risk for commercial investors is not viable. The fund is open to private sector companies from anywhere in the world to grow or establish innovative agribusiness related projects in Sub-Saharan Africa that benefit rural communities.

### WINNING CHANCE AND PROFESSIONAL ADVICE

Medium to low; this fund attracts many applications.

According to information on their website, AECF has managed 8 funding windows over the last 9 years, conducted 21 competitions, received over 10,000 applications and approved funding to 257 business projects. The application passes through strict guidelines and due-diligence. Moreover, it requires co-financing: 50% of the total project will have to be funded through different means.

AECF would best fit companies that have the resources to match the fund and capable to present their business cases to the highest level. Businesses should think hiring experienced advisors who could take responsibility for the development of the concept, proposal and due-diligence processes. Both start-ups and emerging businesses can apply, but for smaller enterprises the application process could be tedious and costly as the chances of winning, unless the proposal is highly innovative, are low.

### FUND OPENING

January 2018 (1st month of the full year)

### FUND CLOSING

(Dependent on funding type and funding partner)

### CONTACT DETAILS

Website: <http://www.aecfafrica.org/>

E-mail: [info@aecfafrica.org](mailto:info@aecfafrica.org)

## Innovation Against Poverty

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<b>SHORT PROFILE</b>	<p>Innovation against poverty (IAP) is funded by the Swedish Government and managed by SNV in partnership with BoP Innovation Center and Inclusive Business Sweden. The fund is open for companies from Ethiopia, Cambodia, Uganda and Zambia. The available matching grant per companies is between EUR 50,000 and 200,000. The IAP funding focuses on Agriculture, Climate Change, ICT and Water, Sanitation Health (WASH) sectors. The funding started in 2017 and will operate for the next four years but the overall funding will last for two years.</p>
<b>ACCESS CRITERIA</b>	<p>To qualify for IAP grant the business cases must be commercially viable, inclusive, innovative, scalable, and should have positive impact on environment. The applicant company should not have received more than Euro 200,000 from EU and member states. Companies must go through a two-step process of concept screening and proposal development. In addition, there is due diligence interview included in the process. The fund opens twice in a year, and screening and selection process may take four to six months. There is flexible use of the fund: to buy hardware or invest in the system. The number of low income people benefitted, particularly women and youth, is given high emphasis during the evaluation of the proposals.</p>
<b>WINNING CHANCE AND PROFESSIONAL ADVICE</b>	<p>High to Medium</p> <p>This funding is targeted to four countries only and hence the competition is not as high as in case of AECF. In addition, the fund management provides a variety of support to businesses in developing their business plan and business cases. The financiers provide backstopping and coaching for the business plan development through approved coaches. Early applicants have better chance of winning.</p> <p>Medium companies with established track record and sound internal management systems should seriously consider IAP. The funding requires co-investment either in-kind or in cash, but higher cash contributions are evaluated more positively. The IAP network by itself is an opportunity to find other financiers including equity. Companies can consult SNV-IAP team ahead of application.</p>
<b>FUND OPENING</b>	March 2018
<b>FUND CLOSING</b>	July 2018
<b>CONTACT DETAILS</b>	Website: <a href="https://iba.ventures/iap/">https://iba.ventures/iap/</a> E-mail: <a href="mailto:Support@innovationsagainstpoverty.org">Support@innovationsagainstpoverty.org</a>

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## Agricultural Fast Track

### SHORT PROFILE

The Agricultural Fast Track (AFT) fund is financed by multiple donors-US, Swedish, Danish governments and managed by African Development Bank. Currently, AFT is open for investments from Benin, Burkina Faso, Cote d'Ivoire, Ethiopia, Ghana, Malawi, Mozambique, Nigeria, Senegal, and Tanzania. The fund supports projects that are financially sound, environmentally sustainable, and socially beneficial food security investments. It provides grant funds to cover investment preparation costs, such as business plan development, market research, financial modeling, feasibility studies, and environmental and social impact studies. The intention of AFT is to defray investment costs at the initial stage, which investors couldn't bear alone. AFT's target projects can be private or public sector projects (or public/private). The fund can finance up to USD 1.5 million per project.

### ACCESS CRITERIA

The application to AFT funding follows a two-stage processes: concept note submission and proposal development. Projects are evaluated on 11 criteria that include but not limited to social and environmental importance of the investment, bankability of the proposal, track record of the applicant in business performance and management capacity, spillover impact to smallholders etc. The fund does not finance any investment implementation costs such as working capital, employee salary, machinery acquisition or post investment technical support. Activities that can be supported by AFT include:

- ▶ Feasibility studies
- ▶ Market research
- ▶ Business plan development
- ▶ Environmental/social impact assessment
- ▶ Engineering designs and costing
- ▶ Legal and tax advice
- ▶ Advice on investment structuring and financing.

### FUND OPENING

May 2018

### FUND CLOSING

May 2018

### CONTACT DETAILS

Website: <http://www.aftfund.org/en/content/home-creative>

E-mail: [aft@aftfund.org](mailto:aft@aftfund.org)

## African Green Revolution for Agriculture

<b>SHORT PROFILE</b>	<p>African Green Revolution for Agriculture (AGRA) grants focuses on agricultural input supply. Typical intervention areas include seed supply, fertilizer value chains, farmer awareness, markets, finance and capacity building. The fund supports both private and public sector initiatives.</p> <p>Recently, AGRA has reached a partnership agreement with AECF. AGRA has a proactive approach of soliciting for potential applicants. According to information on their website, nearly all organizations funded by AGRA are identified and contacted by Program Officers. They often have intensive and collaborative planning between AGRA and the institutions that will receive the funding. This is an integral and mandatory step prior to receiving an award.</p>
<b>ACCESS CRITERIA</b>	<p>According to information on their website; AGRA undertakes demand driven interventions that leverage donor, private sector, and government investments in agriculture. Smallholder farmers are at the center of AGRA grant. The organization makes different calls for proposal, application and concept notes. Only organizations that have the operational capability, technical expertise, adequate internal controls and experience to implement AGRA transformative agenda are targeted. As stated above, there are AGRA program officers on the ground who undertake due-diligence. Companies that have previous working track record with AGRA are given priority.</p>
<b>WINNING CHANCE AND PROFESSIONAL ADVICE</b>	<p>Medium</p> <p>AGRA has several grant options ranging from USD 25,000 to 3 million. Recently, they have launched Partnership for Inclusive Agricultural Transformation in Africa. This fund targets 11 countries: Ghana, Nigeria, Mali, Burkina Faso, Rwanda, Uganda, Kenya, <b>Ethiopia</b>, Tanzania, Malawi and Mozambique. The best way to start for AGRA grant application is to contact their local program office. In Ethiopia, AGRA office is located at ILRI Campus.</p> <p>AGRA is suitable for companies engaged in upstream part of the value chain (input and production). They fit very well with small and medium size companies who have sound track record of working with smallholder farmers.</p> <p>Ethiopia is among the priority countries for AGRA, offering country specific funding instruments. Though AGRA claims they support all types of organizations, there is a general inclination for research and public institutions in Ethiopia mainly because of limited private sector applicants.</p>
<b>FUND OPENING</b>	N/A
<b>FUND CLOSING</b>	N/A
<b>CONTACT DETAILS</b>	<p>Website: <a href="https://agra.org">https://agra.org</a></p> <p>E-mail: <a href="mailto:info@agra.org">info@agra.org</a></p>

## Global Innovation Fund

<b>SHORT PROFILE</b>	Global Innovation Fund (GIF) is a hybrid investment fund that supports the piloting, testing, and scaling of innovations targeted at improving the lives of the poorest people in developing countries. The fund is earmarked by the UK government, and has total fund size of over USD 200 million. Funding per application varies from USD 50 thousand to 15 million. The funding schemes are flexible-grants, equity, debt, hybrid capital. For profit companies that have a market route to scale are well suited to apply for equity or debt. However, the fund may give grants to companies with large social impact in case that the investment is not crowding-out private capital.
<b>ACCESS CRITERIA</b>	The fund is open year round: there is no specific application window. The GIF focuses on business ideas that are exceptionally innovative, proven evidence of value for poor people (USD 5 PPP per day; preferably USD 2 PPP per day); internal capabilities of the applicant to deliver the results and potential to scale up. GIF funding is highly competitive and less than 10% of the applicants are invited to submit proposal. The funding size increases for more proven concepts. The maximum companies can get for piloting is USD 230,000 while for scale-up companies can get a maximum of 15 million. There are rigorous due-diligence checks.
<b>WINNING CHANCE AND PROFESSIONAL ADVICE</b>	<p>Medium to Low</p> <p>This funding seems strongly competitive, and is open for applicants from all over the world. All types of organizations-private, development and government can apply as long as they have social impact as an important business case. We couldn't find evidence of an Ethiopian company who secured GIF finance.</p> <p>Applicants should consider public-private partnership.</p>
<b>FUND OPENING</b>	Fund is open all round the year
<b>FUND CLOSING</b>	N/A
<b>CONTACT DETAILS</b>	Website: <a href="https://globalinnovation.fund/apply/about/">https://globalinnovation.fund/apply/about/</a> Facebook: <a href="https://www.facebook.com/GlobalInnovationFund">https://www.facebook.com/GlobalInnovationFund</a>

## USAID – Feed the Future

**SHORT PROFILE** USAID's Feed the Future (FtF) Ethiopia Value Chain Activity is part of the US government's Feed the Future initiative and the Government of Ethiopia's (GoE) Agricultural Growth Program (AGP II). The initiative provides support to six value chains: chickpea, coffee, maize, dairy, poultry, meat and live animals. They seek partnership with Ethiopia-based private sector companies, farmer's unions and cooperatives, non-governmental organizations, and financial institutions working in agriculture or nutrition to partner through a grants mechanism, supplemented by partner contributions. There is no specific fund size allocated per call for proposal, but it generally ranges between USD 25,000 and 100,000.

**ACCESS CRITERIA** FtF is looking for enterprises that have significant engagement in the six priority value chains with meaningful investment and expansion plans in the four target regions: Oromia, Amhara, SNNPR and Tigray. Major focus areas as stated in their recent call for expression of interest are:

- ▶ Development or expansion of company business in which smallholder farmer engagement, including women and youth is fundamental pillar of growth.
- ▶ Scale-up and replication of small/medium technologies and innovations to improve small-holder productivity and income.
- ▶ Provision of goods and services (agricultural inputs and equipment).
- ▶ Buying, distributing, packing, processing, value addition, exporting in the six value chains.

**WINNING CHANCE AND PROFESSIONAL ADVICE** High to Medium

This is Ethiopia based opportunity restricted to companies operating in the six value chains. There is a two-step application process; first, companies should express interest, which then will be followed with full proposal development for those companies who have been selected in the first round. Lead implementing partner for AGP 2 is Fintrac. They provide backstopping and further information. Call for expression of interest and proposals are announced.

The private sector has been given high priority in the AGP 2 program and companies who are active in export or food processing should give it a serious go. In addition to grant, they have other instruments such as technical support and market linkage.

This fund is on going on yearly basis, however open for revisions.

**FUND OPENING** March 2018

**FUND CLOSING** Usually around June, however not specified for this year

**CONTACT DETAILS** Website: <http://www.fintrac.com/projects/ethiopia>

E-mail: [EVCA\\_grants@fintrac.com](mailto:EVCA_grants@fintrac.com)

## Farm Service Center and Input Grant

**SHORT PROFILE** The Cultivating New Frontiers in Agriculture (CNFA) Farm Service Center Project (FSCP), under GIZ Ethiopia's Green Innovation Centers for the Agriculture and Food Sector (GIAC)-Ethiopia portfolio have been actively supporting development of Private Farm Service Centers in Ethiopia for the last few years. USAID and GIZ are the financiers for the fund. The initiative gives around USD 40,000 grant in matching funds for businesses that submit a competitive business plan to provide one-stop-shop for farmers. The Farm Service Center and Input Grant operates in partnership with Agricultural Transformation Agency. To date, they have disbursed over 30 grants.

**ACCESS CRITERIA** Businesses currently active in agri-input distributions are the principal targets. The funding requires a minimum matching requirement of 1:1. Corporate capability, business strategy and potential impact are the major scoring criteria. Independent market analysis of proposed locations to verify local demand and appropriately tailor farm service center design is made by the implementing organizations. These grants help demonstrate the viability of the farm service center model as a platform for large-scale partnerships through the supply of a range of high-quality and affordable farm inputs and implements, technical knowledge, and services that link smallholder farmers with new agricultural technologies, innovations and best practices to improve on-farm productivity.

**WINNING CHANCE AND PROFESSIONAL ADVICE** High to Medium

Businesses engaged in supply of agricultural inputs for smallholder farms. This funding is intended for a specific purpose, and only companies in input supply service should apply. The fund is solely for Ethiopian entrepreneurs, though collection applications through open call for concept and proposal.

Established businesses are the key targets for the grain, but green field applicants are also accepted. Small and medium enterprises can qualify as long as the businesses have strong case for working with large number of smallholder farmers. Bear in mind that this fund is limited. The fund is operational until TBD.

**FUND OPENING** January / the beginning of the year

**FUND CLOSING** Usually around March

**CONTACT DETAILS** Website: <https://www.cnfa.org/program/commercial-farm-service-program/>  
E-mail: [ramha@cnfaethiopia.org](mailto:ramha@cnfaethiopia.org)

# Other Possible Grants

# 5

- ▶ *Sustainable Water Fund Program (FDW)*
- ▶ *D-Prize*
- ▶ *Nestle Foundation*
- ▶ *Common Fund for Commodities (CFC)*
- ▶ *Smallholders Finance Facility (SFF)*
- ▶ *The Global Agriculture and Food Security Program (GAFSP)*

### The Sustainable Water Fund Program (FDW)

FDW is a private-public partnership funding facility managed by RVO on behalf of the Dutch Government. Consortium members can apply for a 50% matching grant. As the name indicates, the fund focuses on water sector and requires a Dutch Lead applicant. For more details visit <https://english.rvo.nl/subsidies-programmes/sustainable-water-fund-fdw>

### D-Prize

D-Prize is interested in ventures that can scale up inclusive businesses to the poor. The fund is open for any applicant from around the world. They finance a maximum of USD 20,000 in grant. For more information visit [www.d-prize.org/extension](http://www.d-prize.org/extension)

### Nestle Foundation

Nestle Foundation offers different awards and grants for pilot and scale up mostly for research. They have flexible schemes open for applicants from all over the world. They provide grant maximum of USD 100,000. For more information visit <http://www.nestlefoundation.org/e/research.html>

### Common Fund for Commodities (CFC)

CFC is an intergovernmental financial institution established by the United Nations. The CFC provides a range of financial and technical instruments in support of business activities contributing to commodity sector development in developing countries. Examples include agriculture, commodity value addition and trade, minerals and metals. Besides generating a viable financial return, eligible activities should also deliver a measurable social and environmental impact. They announce an open call for proposal for private and public projects to match up to 50% of the fund. For more information visit <http://www.common-fund.org/about-us/>

### Smallholders Finance Facility (SFF)

SFF offers technical assistance funding needed for the organizing and training of farmers within a financing program. Furthermore, grants can be used for the testing of new interventions which can subsequently be scaled within the financing program. Technical assistance work can be carried out directly by the SCM or by other organizations. Grants are limited to a maximum of 50% of the cost of the technical assistance program, with the SCM providing the balance. For more information, visit <https://www.idhsustainabletrade.com/initiative/smallholder-finance-facility/>

### The Global Agriculture and Food Security Program (GAFSP)

GAFSP is a multilateral mechanism to assist in the implementation of pledges made by the G20 in Pittsburgh in September 2009. The objective is to improve incomes and food and nutrition security in low-income countries by boosting agricultural productivity. On March 30, 2017, the GAFSP Steering Committee allocated USD 160 million in new grant funding to seven countries – Burkina Faso, **Ethiopia**, Haiti, Myanmar, Nepal, Rwanda, and Tanzania. For more information, visit <http://www.gafspfund.org/content/about-gafsp>

# Profiling of Equities

# 6

- ▶ *African Agriculture Fund*
- ▶ *Acumen Fund*
- ▶ *African Agriculture Trade Investment Fund*
- ▶ *Ascent Rift Valley Fund*
- ▶ *NovaStar Ventures*
- ▶ *RENEW*
- ▶ *Other Possible Equity Financers*

## African Agriculture Fund

### SHORT PROFILE

The African Agriculture Fund (AAF) is focused on agri food and aims at resolving chronic fund shortage in the sector. The program has over USD \$ 285 million managed by Phatisa. The AAF is funded primarily by the European Commission (EU) and managed by the International Fund for Agricultural Development (IFAD). It is co-sponsored by the Italian Development Cooperation, United Nations Industrial Development Organization (UNIDO), Alliance for a Green Revolution in Africa (AGRA) and implemented by Techno Serve. The minimum investment requirement is USD 5 million and maximum is USD 24 million from AAF but for the SME sub fund AAF has USD 150,000 minimum investments.

### ACCESS CRITERIA

Information on their website indicates that AAF targets three subsectors of food and agriculture: primary, secondary and tertiary (services and infrastructure): primary agriculture, including cereals, dairy, poultry, aquaculture, fruits and vegetable, edible oil for local consumption. At secondary and tertiary level AAF finance milling, processing, warehouse, seed, input finance and fertilizer. The specific investment areas include:

- ▶ management buy-outs and buy-ins,
- ▶ acquisitions,
- ▶ expansions,
- ▶ early-stage equity (minority/majority) and
- ▶ out-grower and smallholder developments.

### WINNING CHANCE AND PROFESSIONAL ADVICE

Medium to High

Companies that have an experienced management team, proven financial and operational track record and high level long term industrial competitiveness with ability to achieve profitable liquidity in the mid-term have sound chance for this financing schemes.

Businesses that have out-grower scheme have strong chance of securing this fund. Their financial instruments seem more appropriate for medium and large companies.

### CONTACT DETAILS

Website: <http://www.phatisa.com/funds/aaf/>

E-mail: [investorrelations@phatisa.com](mailto:investorrelations@phatisa.com)

## Acumen Fund

### SHORT PROFILE

Acumen fund invests in early-stage companies. They seek for innovative entrepreneurs, who are committed to achieving social impact. Acumen gives them the capital and tools to grow and scale their businesses into long-term, sustainable solutions.

Acumen has four priority sectors – agriculture, clean energy, education and healthcare. The fund focuses on inputs, markets for end products and branding. The fund started in 2001. Since then, it has invested over USD 100 million in 102 companies across 13 countries mostly in East Africa. The available investment funds ranges between USD 200,000 and 1 million per company.

Besides their equity financing, acumen has leadership development fellowship program for promising entrepreneurs plus idea generation and acceleration programs. The fund is supported by several international and regional business organizations, such as Unilever, Barkley, Safaricom, Forbes, Ikea and American Express.

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### ACCESS CRITERIA

In East Africa, Acumen invests in companies focused on integrating smallholder farmers into global supply chains and providing them with access to better products that allow them to sustainably increase production and sell more crops. Home grown solutions and opportunities that create large number of employment are seen as critical steps to transform the social and economic landscape. They look at the internal organizational capabilities and can also induce management take over.

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### WINNING CHANCE AND PROFESSIONAL ADVICE

High to Medium

Acumen Fund has an East African window. Thus far, they have invested in one company in Ethiopia in the poultry sector. The direct and indirect impact of the business on smallholder farmers (as they call it the poorest of the poor) is one of the key investment decision factor. Acumen Fund also looks for profitable ventures to support.

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### CONTACT DETAILS

Website: <https://acumen.org/east-africa/>

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## African Agriculture Trade Investment Fund

### SHORT PROFILE

The African Agriculture Trade Investment Fund (AATIF) aims at improving food security and providing additional employment and income to farmers, entrepreneurs and laborers. It targets small, medium and large scale agriculture and agribusinesses. The three objectives of the fund as stated in their website are

- (1) driving local value addition
  - (2) spurring economic sustainability
- attracting private and public capital for agri-finance.

AATIF is financed by the German Government (Initiated by KfW and Managed by Duesche Bank Asset management). ILO and UN Environment are partnering as compliance managers, while Common Fund for Commodities is involved in the due diligence advise. To date, they have invested in 11 countries with a total capital of USD 176 million. AATIF provides direct and indirect financing. Direct Investments are targeted at cooperatives, commercial farms, processing companies; Indirect Investments relate to investments into local financial institutions and other intermediaries (such as large agribusinesses) which then lend to the agricultural sector to fund. smallholders or small and medium enterprises, etc.

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### ACCESS CRITERIA

The AATIF provides debt and equity financing for a wide variety of investments. Typical instruments include senior debt, mezzanine instruments and equity. Debt instruments can have a maturity of up to 10 years and only in exceptional cases up to 12 years (infrastructure investments); equity (available for Direct Investments) can be adapted to the various needs of investment phases. The AATIF can co-invest as part of a consortium and can participate in risk-sharing modalities with local banks and intermediaries.

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### WINNING CHANCE AND PROFESSIONAL ADVICE

Medium to Low

The selection process for AATIF goes consists of four stages: screening, due diligence, investment preparation, and monitoring and reporting. In Ethiopia, this fund thus far has provided indirect financing. However, there is there is a good chance of accessing this funding as it focuses on Africa, and Ethiopia remains one of the priority countries under the German development cooperation.

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### CONTACT DETAILS

Website: <https://www.aatif.lu/home.html>

E-mail: [investors@aatif.lu](mailto:investors@aatif.lu)

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## Ascent Rift Valley Fund

### SHORT PROFILE

Ascent Rift Valley Fund Ltd (the Fund) is multi-sector investment fund operating in **Ethiopia**, Kenya and Uganda. The mission of the fund is to develop and nurture a league of enterprise champions that set the bar for business standards in their respective markets. The focus is on consumer related businesses, where the capital and competencies of the fund managers can contribute to branding, distribution, storage or consolidating. The most important sectors are healthcare, fast moving consumer goods, (FMCG), processing of agricultural products and financial services.

The Fund targets transactions of US 2 to 15 million. Ascent Rift Valley Fund is managed by Trident Trust Company based in Mauritius. They have a total fund of USD 80 million raised from different organizations such as Common Wealth Development corporation (CDC) of the UK, Netherlads Development Finance Company (FMO)(the Netherlands), Norfund (Norway), and Development bank of Austria (OeE)(Austria). Since they started operations in 2014, the Fund has invested in 40 businesses in three countries in the greater East African Region. The Fund has its office in Addis Ababa.

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### ACCESS CRITERIA

Unlike many other funding, the ambition of Ascent seems more of business than development. Its primary target is experienced and ambitious entrepreneurs that have the courage and drive to grow a best in class enterprise. The primary focus areas are investments with proven track record of success with high prospect for scalability. Ascent claims that it has strong experience in nurturing internal management and systems without threatening existing organizational cultures.

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### WINNING CHANCE AND PROFESSIONAL ADVICE

Ascent seems more interested in businesses, that are most likely to get financing by other parties, usually businesses that have consistent high return on investment and are also favored by banks. In Ethiopia, they made their first investment laboratory diagnosis in 2015, but it seems that their operations have slowed down since. This could partly be the result of growing uncertainty following the unrest over the last two years. The fund size seems suitable for medium and large companies.

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### CONTACT DETAILS

Website: <http://ascent-fund.com/>

Office: Abyssinia Mall, 11th Floor; Namibia St Addis Ababa, Ethiopia  
Tel. +251 911 340 034

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## NovaStar Ventures

### SHORT PROFILE

NovaStar is open for all high-potential business ventures. They invest in early stage businesses led by entrepreneurs with the ambition to transform low-income consumer markets and alleviate severe social issues by deploying innovative business models with the potential of growing rapidly, notably by widening access, improving quality and/or lowering costs of basic services or goods.

NovaStar is focusing on the East Africa market. Their priority sectors are education, healthcare, small agri-businesses, and access to food, water and critical information. The total fund size is USD 80 million and partly financed by European Investment Bank, FMO, JP Morgan and Commonwealth Development Cooperation (CDC) NovaStar invests between USD 100 thousand and 5 million per venture. As of August 2017, Novastar has backed 13 businesses that focus on mass-market scale potential, business model innovation, and outstanding entrepreneurial leadership. They are also managing USD 10 million FMO fund.

### ACCESS CRITERIA

The key selection criteria for the NovaStar are Entrepreneur character, market potential and innovativeness of the business model. They claim that entrepreneurs with character, competence and ambition to build a business that can transform markets and grow rapidly to scale by addressing latent demand for basic goods and services in East Africa are their preferred partners. The business model should be innovative to widen market access, reduce cost and price and improve quality. The Fund invests as little as USD 100,000 in unproven business models with high potential. Following initial small funding rounds, NovaStar can then fuel the rapid growth stage of portfolio companies with more than USD 1 million through multiple capital rounds.

### WINNING CHANCE AND PROFESSIONAL ADVICE

High to medium

NovaStar focused on the East African market. The fund has experience in financing businesses in Ethiopia. They have invested in an energy saving project before, but evidence of investment in agriculture and agribusiness in Ethiopia can not be obtained. NovaStar has staff in Ethiopia.

### CONTACT DETAILS

Website: <http://www.novastarventures.com/>

E-mail: [Steve@novastarventures.com](mailto:Steve@novastarventures.com)  
[Andrew@novastarventures.com](mailto:Andrew@novastarventures.com)

## RENEW

### SHORT PROFILE

RENEW is an impact investment and advisory firm that connects angel investors, who seek to make both social impact and financial returns on their investments in Africa. They have an office in Addis Ababa. They are already linked with ENTAG and asking for few companies who could be interested in equity financing schemes. The fund is focusing on East Africa with a financial support between USD 200,000 and 3 million investment for expansion/growth capital in high growth, domestic firms with a full exit in 3–7 years via management.

RENEW connects investors in multiple sectors, including clean energy, agro-processing, manufacturing and healthcare. According to the information on their website, RENEW reduces the costs and risks of investing in developing and emerging countries by partnering with the development community, having a dedicated presence on the ground, managing an exceptional local network, using innovative structures and investment instruments and providing hands-on consulting to investments. The operational cost of the RENEW team is sponsored by Global Affairs Canada to develop the equity investment ecosystem.

### ACCESS CRITERIA

RENEW focuses on medium size companies. They target businesses with IRR of 25% and above in multiple sectors. The RENEW country team deals with investment services (deal origination, due diligence, structuring, closing, monitor and evaluation and consulting). Internal management capabilities, entrepreneur profile and market potential for the product are seen as critical decision factors. The networking team based in Addis Ababa recruits potential members, and those members will not pay any management fee. RENEW invest their own money on clients and hence the due diligence process is often rigorous.

### WINNING CHANCE AND PROFESSIONAL ADVICE

High

Companies that meet the criteria above should seriously consider RENEW network. There are 8 companies who got funding from Renew in Ethiopiain different sectors, including injera baking, food processing, coffee export, ambulance service and garment. Even those who do not meet can still connect to RENEW, as the network by itself gives experience and knowledge of what those angel investors are seeking. In addition, RENEW also gives CFO and Leadership Trainings for companies with high prospect. They aim to train at least 100 local partners.

### CONTACT DETAILS

Website: <https://renewstrategies.com/about-renew/about-renew>

E-mail: [shung@renewstrategies.com](mailto:shung@renewstrategies.com)  
[tdemissie@renewstrategies.com](mailto:tdemissie@renewstrategies.com)

## Other Possible Equity Financers

### Norfund

Norfund is a Norwegian private equity fund focusing on food and agribusiness operations in Africa. They require a minimum of USD 4 million investments with maximum ownership share of 35%. Can be reached at [post@norfund.no](mailto:post@norfund.no) or visit <https://www.norfund.no>

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### Voxtra

Voxtra is another Norwegian funded equity finance active in 9 countries in Eastern and Southern Africa with focus on agribusiness. Voxtra invests USD 500,000 to 3 million per company. They can be reached at [kd@voxtra.com](mailto:kd@voxtra.com) or visit <https://voxtra.org/about-us/>

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### Inclusive Invest

Inclusive Invest is set by Oxfam Novib to support companies in Africa and Asia that have specific impact focus in the social, environmental or governance (ESG) related areas. It focuses on

- (1) more and better-quality jobs for employees and smallholder suppliers, especially women and youth;
- (2) products and services for low-income customers (the bottom of the pyramid or 'BoP');
- (3) positive environmental, social and governance (ESG) impacts in the wider communities of the companies.

For more information visit <https://www.inclusive-investments.com>

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### Schulze Global

Schulze Global has been operating in Ethiopia for a while. They have been active in the energy sector and also have investments in agribusiness. Recently, their investments in Ethiopia have slowed down but businesses can still contact them to find out if there is any interest. Schulze Global can be reached at <http://schulzeglobal.com> or call at +251 11 662 2683

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# Profiling of International Loan Products

7

- ▶ *Rabobank Rural Fund*
- ▶ *Common Fund for Commodities*
- ▶ *International Finance Corporation*

## Rabobank Rural Fund

### SHORT PROFILE

Rabobank Rural Fund currently operates in 10 African countries, including Ethiopia. They give priority to Agribusinesses and cooperatives that have outgrown donations and microcredit, but are not yet eligible for standard bank loans. The size of the loans generally varies between USD 200,000 and 2 million per client with terms from 3 to 12 months.

The fund gives middle term loan (1–5 years) only for investment in machineries and asset. Alongside short-term trade finance, the Rabobank Rural Fund also provides guarantees. A guarantee helps a project partner to obtain a loan elsewhere, often in one of the commercial banks. The Rural Fund shares the credit risk with a local bank, by granting a part of the loan itself or by (partially) acting as a guarantor for the loan of the bank. The Rabo Rural Fund is financed and supported by Rabobank Foundation, Cordaid and ICCO.

### ACCESS CRITERIA

This fund commonly finances sustainable value chains such as coffee, cocoa, honey, cotton, spices, nuts, peppers, soya and canned and dried vegetables. They finance working capital as well as income generating assets. Farmer organizations and SME are the primary target beneficiaries for this scheme. The key criteria as stated in their manual are:

- ▶ demonstrate strategic social impact
- ▶ active in food and agri sector
- ▶ track record in sales of agricultural products and able to demonstrate long term (export) trading relationships
- ▶ profitable results over the last three years with future growth prospect
- ▶ financially sound and able to produce audited statement.

### WINNING CHANCE AND PROFESSIONAL ADVICE

High to Medium – particularly for exporting businesses

The major bottleneck for the non-export business in Ethiopia is that the national bank has restrictions for payments in hard currencies. If companies get permit to make payments in hard currencies from the national bank they can get professional support from Rabobank Funding partners in either business development or project design.

### CONTACT DETAILS

Website: [www.raboruralfund.com](http://www.raboruralfund.com)

E-mail: [raboruralfund@rabobank.nl](mailto:raboruralfund@rabobank.nl)

## Common Fund for Commodities

### SHORT PROFILE

As stated earlier under the grant section, the Common Fund for Commodities (CFC) is an intergovernmental foundation investing in organizations and enterprises pursuing SDG Agenda in commodity value chains in its member countries. They consider themselves as an impact investor, and look for proposals aiming to generate sound financial return, and provide measurable social and environmental impact. CFC loan products are announced through an open call for proposal. Funding is targeting mainly for-profit organizations and social enterprises for production, value chains, and marketing across a wide group of commodities (e.g. agricultural crops, tree crops, timber, bamboo and rattan, minerals, and others).

### ACCESS CRITERIA

Ethiopia is one of the priority countries for the CFC financing despite the major challenge of restrictive financial policy, limited applicants and poor quality of incoming proposals. Companies applying for CFC loan should keep the following requirements in mind.

- ▶ The loan amount ranges from USD 300,000 to 1,500,000 (or EUR equivalent).
- ▶ The loan amount requested from CFC must be matched with at least the same amount of co-financing provided by the applicant and/or by other defined co-financiers.
- ▶ The loan period can be up to 7 years with maximum grace period of up to 2 years, depending on the financing needs of the project to be financed
- ▶ The loan is to be collateralized with a pledge or mortgage over assets or with a third party guarantee.
- ▶ CFC's indicative interest rates range between 5% and 10% per annum, depending on the risk profile of the project.

### WINNING CHANCE AND PROFESSIONAL ADVICE

High to Medium – particularly for exporting businesses

There are a few Ethiopian companies who have already won support from this fund. If companies don't have export; this fund is probably not relevant. The fund requires high-quality proposals as the competition is strong. Companies should consider hiring a professional international advisor to have a reasonable chance for this fund.

### CONTACT DETAILS

Website: <http://www.common-fund.org/about-us/>

E-mail: [managing.director@common-fund.org](mailto:managing.director@common-fund.org)

## International Finance Corporation

### SHORT PROFILE

International Finance Corporation (IFC) is part of the World BANK Group focused exclusively on the private sector in developing countries. According to information on their website, IFC has invested over USD 25 billion in African businesses and financial institutions over the last six years. It finances companies and projects through loan with typical term of seven to twelve years' repayment period. It also works with loans to intermediary banks, leasing companies and other financial institutions for on-lending. They claim to have given out USD 8.1 billion loan in 2016 alone. They have range of priority sectors including agri food, energy and logistics.

### ACCESS CRITERIA

IFC does not lend directly to micro, small, and medium enterprises or individual entrepreneurs, but many of its investment clients are financial intermediaries that on-lend to smaller businesses. However, big companies that are making multi-million USD investments can apply directly.

To qualify for IFC funding, a project must meet a number of criteria:

- ▶ be located in a developing country that is a member of IFC
- ▶ be in the private sector
- ▶ be technically sound
- ▶ have good prospects of being profitable
- ▶ benefit the local economy
- ▶ be environmentally and socially sound, satisfying our environmental and social standards as well as those of the host country.

### WINNING CHANCE AND PROFESSIONAL ADVICE

High to Medium

In Ethiopia IFC is currently financing the lease finance through development bank of Ethiopia. In the past, they have funded companies such as Africa Juice. ENTAG businesses are strongly advised to link with IFC local office to check available instruments through financial intermediaries.

### CONTACT DETAILS

Website: [http://www.ifc.org/wps/wcm/connect/corp\\_ext\\_content/ifc\\_external\\_corporate\\_site/about+ifc\\_new](http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new)

E-mail: [sayele@ifc.org](mailto:sayele@ifc.org) (Representative in Addis Ababa)

# Profiling of Local Loan Products

# 8

- ▶ *Development Bank of Ethiopia-SME Lease Financing*
- ▶ *Export Loan by Commercial Banks*
- ▶ *Loan for Women*

## Development Bank of Ethiopia-SME Lease Financing

### SHORT PROFILE

Development Bank of Ethiopia is currently offering lease financing for Small and Medium Enterprises. This financing scheme is intended to purchase new machinery based on 80% (bank) / 20% (applicant) contributions. A total of USD 200 million fund is earmarked by the World Bank, and the Ethiopian Government has put additional USD 76 million into this scheme. Under the lease financing, ownership of the leased equipment shall be registered in the name of the Bank until final settlement of the loan. For companies who cannot make upfront contribution “hire-purchase” principle is applied, i.e. ownership of the machinery will be transferred proportionally to the SME when they settle their loan. The priority sectors for lease financing are agro-processing, manufacturing, tour industries and mining.

### ACCESS CRITERIA

In order to access SME lease financing by DBE, the applicant must be creditworthy and they should be project viable. The applicant should submit a business plan and feasibility study that requests up to ETB 10 million (USD \$ 350,000). According to DBE rule SME means business that have at least 6 people and capital of ETB 500,000 up to 7.5 million. Business that substitute import and create large number of employment AND promote export are the primary targets. The Bank finances only new machineries and the current interest rate is 11%.

### WINNING CHANCE AND PROFESSIONAL ADVICE

High

ENTAG members should seriously consider this funding. The DBE is currently soliciting applicants and the businesses have strong chance of success for being early movers. Businesses can consider hiring professionals, who can assist them in business plan and feasibility study.

### CONTACT DETAILS

Website: <http://www.dbe.com.et/homenew/>

E-mail: [dbe@ethionet.et](mailto:dbe@ethionet.et)

Tel: +251 115 51 11 88/89

## Export Loan by Commercial Banks

### SHORT PROFILE

Export finance is relatively easily accessible in Ethiopia. All commercial banks give collateral-free loan for export businesses. Commercial banks offer pre-shipment and revolving export credit facilities. Pre-shipment export credit facility is a loan meant for purchasing, processing, packing and transporting export products. The financing scheme ranges from 70% to 90% depending on the types of goods to be exported. Pre-shipment export credit has a maximum of one-year term.

Whereas the revolving export credit facility is an advance extended to exporters upon presentation of acceptable export documents except bill of lading. It is intended to solve working capital problems of exporters with continuous export transaction emanating from money tied up in goods in transit of shipment. Revolving export credit facility has a term of one year and a maximum of 80% bank financing.

### ACCESS CRITERIA

Pre-shipment export credit facility can be granted to businesses able to present receipts of export proceeds at least USD 300,000 or equivalent in other currencies, or engaged in viable business at least for two years or offer collateral. For revolving export credit, businesses should submit export documents indicating the goods are in transit of shipment to port. In particular:

- ▶ The applicant shall present valid sales contract/a bona-fide order from a foreign buyer.
- ▶ The selling price of the exportable item shall be within acceptable range.
- ▶ The facility shall require opening of irrevocable letter of credit for each advance.
- ▶ New exporters should produce property or other collateral equivalent to at least 40% for producer exporters and 50% for other exporters of the amount of the loan requested.
- ▶ Existing exporters shall produce from local banks documentary evidence about receipt of export proceeds in the 12 months preceding the date of application for export loan under export credit guarantee scheme.

### WINNING CHANCE AND PROFESSIONAL ADVICE

High

Export finance is relatively the most accessible form of finance in Ethiopia. Businesses should provide sufficient evidence that they have the market and the ability to source and serve the market. In some cases, banks might ask collateral when they think that the applicant is not creditworthy in case of new exporters. Businesses with sound credit history and export track record have generally good chance to access these loans.

### CONTACT DETAILS

Check all commercial banks

## Loan for Women

**SHORT PROFILE** Enat Bank SC is a commercial bank owned by majority women. The bank particularly advocates for women participation in business and hence has financial products that can help women owned businesses. The bank claims it has the vision, innovation and perseverance of Ethiopian business women in SMEs. They have financial and non-financial services to support women owned businesses. Currently, they are providing “Enat loan to women”. The “Enat Loan to women” is served against cash collateral deposited by willing individuals. It is a loan for women-owned SMEs, where the lack of collateral is a bottleneck to the growth of the business.

**ACCESS CRITERIA** The applicant must be a woman or a business owned and managed by women only. Applicant must be able to produce a certificate showing that she/they does/do not have any property registered in her/their name, or husband’s name.

This loan is granted to women after training for six days on document preparation, business recording and basic accounting for literate women, and saving money, business planning and balancing incomes and expenses, for those who are not able to read and write. The training for the latter group takes around two to three days.

The women are expected to decide what businesses they want to engage in. The bank will then provide them with loans depending on their proposal. The minimum amount of money to be given out as loan will be ETB 20,000.

**WINNING CHANCE AND PROFESSIONAL ADVICE** High

Most of ENTAG related business are more or less already established businesses, and this loan product focuses on start-ups.

**CONTACT DETAILS** Website: <http://www.enatbanksc.com/products-services/women-financing.html>

E-mail: [info@enatbanksc.com](mailto:info@enatbanksc.com)  
Tel: +251 115 158278

# Profiling of Technical Assistances

# 9

- ▶ *Grow Africa*
- ▶ *PUM Experts*
- ▶ *BlueMoon*

## Grow Africa

### SHORT PROFILE

Grow Africa is a network of private and public partners working in the agricultural sector in Africa. The aim of Grow Africa is to enable countries to realize the potential of the agriculture sector for economic growth and job creation, particularly among farmers, women and youth. It facilitates collaboration between high-level actors in the agricultural sector to lower the risk and cost of investment in the sector.

Grow Africa has working groups, among which Finance Working Group is one. According to the information on their website the Grow Africa Finance Working Group comprises experts from across banks, agri-businesses, NGOs and international bodies to incubate specific initiatives aimed at addressing systemic finance issues and to share and disseminate new innovation. Currently, organizations such as Rabobank, YARA, International Fund for Agricultural Development (IFAD) are members. The working group is open to members from:

- ▶ Financial service providers
- ▶ Technical advisory service companies
- ▶ NGOs
- ▶ Development organizations.

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### PROFESSIONAL REFLECTION

Grow Africa might not be directly relevant for individual agri-businesses. It might however be relevant for organizations that are working on agribusiness.

For more information companies can visit <https://www.growafrica.com/groups/finance-working-group>

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## PUM Experts

### SHORT PROFILE

PUM is a non-profit organization based in the Netherlands, dedicated to provide technical and business support services to businesses in developing countries. PUM experts are volunteers who wish to share their knowledge and skills to businesses in developing countries. In Ethiopia, PUM has been active since 1990. PUM experts provide a range of services that include but not limited to business plan or strategy advice, technical support in good manufacturing or farming practices, product development or certifications, etc.

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### PROFESSIONAL REFLECTION

Several companies have benefited a lot from PUM experts. ENTAG members are strongly advised to request for this service either through ENTAG front desk support or apply direct on their site <https://www.pum.nl/about-us> PUM has a local representative and can be reached at [kalkidan.gebreegziabher@pum.nl](mailto:kalkidan.gebreegziabher@pum.nl)

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## BlueMoon

### SHORT PROFILE

BlueMoon Agribusiness Incubation is established and run by former ECX founder. They support young agribusiness entrepreneurs in shaping their ideas and facilitating and/or providing seed capital. Their start-up incubator runs for 4 months and they accept 2–3 entrepreneurs into their schemes annually. They aim to reduce risk for high impact investors by bearing part of the risk and providing options for the start-ups to obtain their next rounds of financing after the seed funding.

### PROFESSIONAL REFLECTION

Bluemoon seems useful for young entrepreneurs who are struggling in shaping their ideas into practice. For ENTAG businesses the idea of the incubator might be a bit less interesting. Thus said it is good to keep track of the opportunities at <http://www.bluemoonethiopia.com>

