



Ministry of Foreign Affairs of the Netherlands



INNOVATION FUND

LESSONS LEARNT AND RECOMMENDATIONS

The objective of the Innovation Fund is to promote innovations in Ethiopia that benefit smallholder farmers in the poultry, aquaculture, legumes, spices, sesame, potato or the dairy subsector, and/or target agri-processing, agri-logistics and agricultural financing in any agricultural sub-sector.

The Innovation Fund provides matching grant funding for innovative projects, with a maximum grant contribution of EUR 25,000 and maximum duration of 1 year. Projects should introduce new or improved products, services, technology, business models and/or service delivery models to Ethiopia.



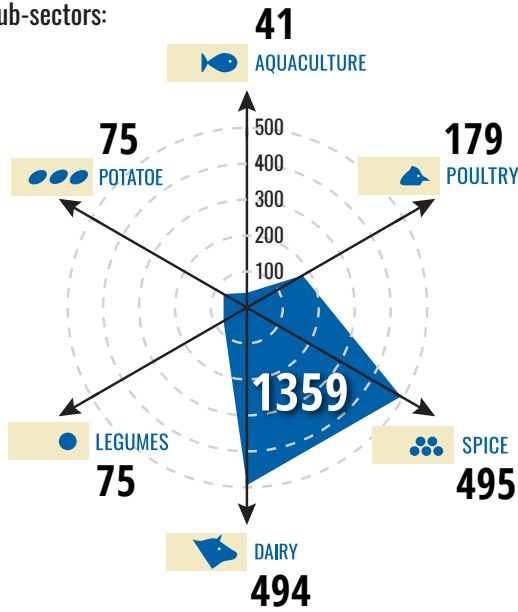
Table 1: Overview of disbursement of Innovation Fund

	Number of application	Number of proposals contracted	Disbursed amount (€)
Round 1 (2017)	134	15	271,765*
Round 2 (2017)	147	4	93,145
Round 3 (2018)	45	4	45,503
Round 4 (2019)	41	2	34,095
Total	367	25	444,508

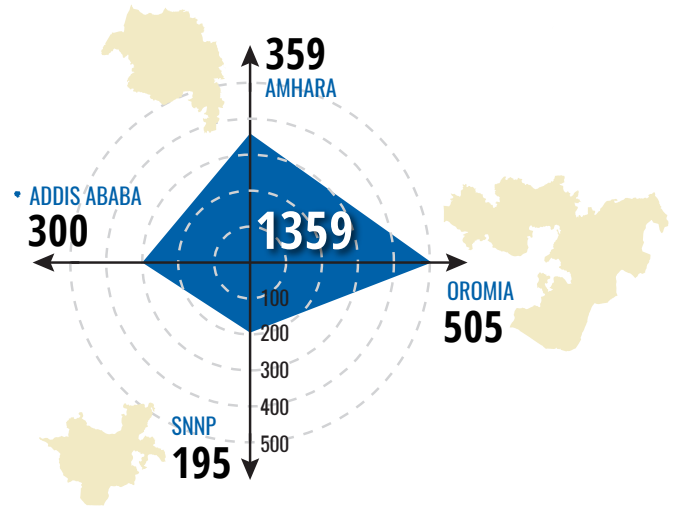
* additional EUR 9,420 are under disbursement

NUMBER OF IMPACTED SMALLHOLDER FARMERS

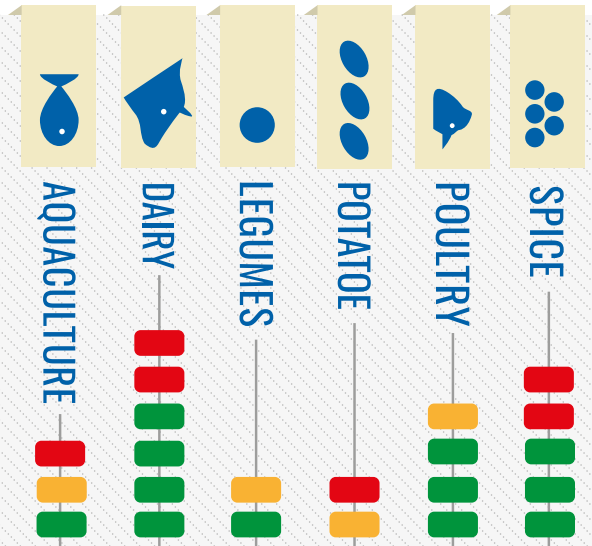
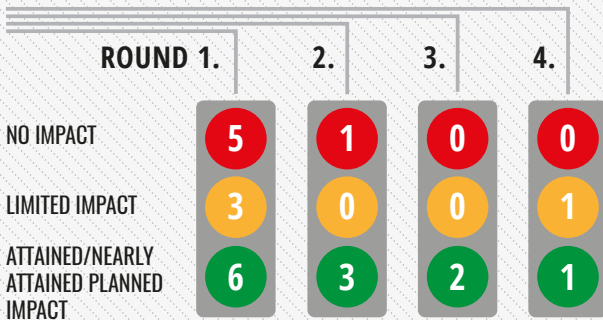
by sub-sectors:



by regions:



INNOVATION FUND IMPACT ASSESSMENT



Be more strategic with the calls for innovation

More strategic thinking is needed on where ENTAG puts the money to transform the sector. Until now and open call approach has been used, when companies can submit ideas for any kind of innovation for the sector.

In the future, it is advisable to assess the challenges on the sector (VC), identifies priorities where innovations are needed, and develop a specific call requesting companies to submit innovative ideas to solve those challenges.

Increase available co-funding and duration of implementation

Currently the available co-funding of EUR 25 000 and 1 year implementation time is not sufficient for many innovation ideas that would contribute to removing bottlenecks in the sector. Therefore, it would be advisable to increase the co-funding up to EUR 100 000, and with the increase co-funding also extend the implementation period to 2 years. As comparison, SNV offers EUR 200 000 as equity in the business, and AECF is giving out up to 750 000 co-funding (50% of proposed budget). However, the increased co-funding will lead to the need for more thorough due diligence and increased costs for M&E as more monitoring will be required.

If budget is bigger, extend project duration should be extended for the following reasons:

- Bigger innovative ideas will need more time for implementation.
- Seasonal production: if company misses planting season because the call was in the wrong time of the year, they may run out of time to implement the project (e.g. turmeric).
- Access to FOREX: import take times, getting foreign currency takes minimum 6 months if somebody wants to import machinery.
- Due diligence of companies takes a lot of time.
- Duration of projects is too short to be able to measure impact.

Develop more flexible co-funding mechanisms

The amount of co-funding should not be fixed either in terms of amount or percentage, but should be based on:

- business idea – innovation potential
- project quality
- capacity of the team
- impact
- scalability
- experience of the team in project implementation and scaling
- projects helping smallholders (?) – not only company

Introduce flexible disbursement

Disbursement schedule should be based on specific condition of each project to ensure timely and full implementation. In addition, beneficiaries should be required to utilize some portion of their contribution before grant disbursement.

Facilitate access of companies to hard currency

The received EUR co-funding is automatically changed to EBT in the bank. Companies, therefore get co-funding in ETB as default. If they need hard currency to import machines, they need to request it from the bank, which can take months. Agreement is needed with bank to provide priority to innovation fund winners if they need hard currency to implement the project.

Enhance communication during proposal development phase

Winning innovative ideas from previous rounds have to be communicated so that during the next round the same project idea is not repeated during proposal development.

Reaching female entrepreneurs is a challenge as they a many of them do not read newspapers, do not do search on the internet for funding opportunities and are not part of social groups e.g. WhatsApp group.

Utilize Ethiopian technical experts during the evaluation process

Involve Ethiopian technical experts in the evaluation committee (MoTI, MoA) or at least to make recommendation to the committee on the merits of the innovation idea, as they are more aware of the local context.

Provide technical support companies to companies during implementation

The assumption that companies can implement the project on their own is wrong. In previous round of innovation funds about 80% of companies required technical expertise after they have won co-funding. Company owners are often not technical experts; therefore, they need guidance during implementation. Modalities should be explored to provide technical expertise while keeping in mind that companies tend to want to cut costs.

Enhance due diligence process

Some of the companies could not implement project due to lack of access to farm land (1), or couldn't raise own contribution according to the worked out budget due to low level of financial capacity, or head electricity problem (1).

Enhance monitoring of projects to ensure proper implementation

Some projects are far away from Addis posing a challenge for ENTAG staff to monitor projects on regular basis. In the future, it should be evaluated if extra staff is needed for M&E purposes especially if co-funding and duration of projects will be extended.