



# Innovation Fund

## **FUND MANUAL**

### **Ethiopia–Netherlands Trade for Agricultural Growth (ENTAG)**

part of Bilateral Ethiopia–Netherlands Effort for Food, Income and Trade (BENEFIT) with funding from the Government of The Kingdom of The Netherlands

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## 0. Summary

The Bilateral Ethiopian Netherlands Effort for Food, Income and Trade Partnership (BENEFIT) aims to improve sustainable food, income and trade among rural households in Ethiopia. BENEFIT unites four projects under its supportive Coordination Unit. The Ethiopian–Netherlands Trade Facility for Agribusiness (ENTAG), which supports private sector development and trade in Ethiopia, is one of these projects. The Innovation Fund is at the forefront of the activities of ENTAG.

The objective of the Innovation Fund is to promote innovations in various agricultural sub-sectors in Ethiopia that benefit smallholder farmers. The Innovation Fund will provide matching grant funding for innovative projects, with a maximum grant contribution of €25,000. Projects are considered innovative when they introduce new or improved products, services, technology, business models and/or service delivery model to the country. Projects that take place in the poultry, aquaculture, legumes, spices, sesame, potato and dairy subsectors are eligible for co-funding.

The Innovation Fund will be operational from September 2016 to December 2019, with a maximum grant budget of € 0.8 million. Up-scaling of successful innovations will be achieved by stimulating other companies to replicate these innovations. Hereto, ENTAG will draft Innovation Opportunity reports that describe each successful innovation. The Innovation Opportunity reports will be published, and actively promoted during company visits and platform meetings.

The applicant should be a recognized Ethiopian company that is able to present a valid Ethiopian business license. Partnerships of multiple companies, NGOs, research institutions, etc. are allowed to submit an application, as long as this partnership consists of at least one recognized Ethiopian company that is the formal applicant for the grant. The applicant is required to make matching cash and in-kind contributions. At least 20 per cent of the contribution is to be made in cash. Applicants won't receive grants for more than one project at a time. Companies have to successfully implement a project, before applying for another grant. Companies can only re-apply rejected concept notes and proposals once.

A two-stage submission process will be employed to reduce transaction costs for ENTAG and applicants. Applicants first submit a brief concept note. Applicants of promising concept notes will be invited to submit full proposals for formal evaluation. Concept notes are screened by the Innovation Fund Manager against the minimum criteria, and are endorsed by the Project Manager. The Review Panel will evaluate the proposals on technical approach, economic viability, implementation capacity, value for money, additionality and impact, and advises the Approval Committee to either (a) approve the proposal, (b) approve the proposal with amendments to approach and/or budget, or (c) reject the proposal. The Approval Committee is end-responsible for project approval or disapproval, based on advice of the Review Panel and project proposal.

# 1. Background and objectives

## 1.1. BENEFIT

The Government of Ethiopia prioritizes agricultural development as key to accelerating growth, overcoming poverty and enhancing food security. Increasing food and nutrition security, brokering Dutch expertise, and stimulating trade are key priority areas for support of the Dutch Government and the Embassy of the Kingdom of the Netherlands (EKN). With these key priority areas in mind, the Bilateral Ethiopian Netherlands Effort for Food, Income and Trade Partnership (BENEFIT) is established by the cooperation of the Governments of Ethiopia and The Netherlands. BENEFIT aims to improve sustainable food, income and trade among rural households in Ethiopia. BENEFIT unites four projects under its supportive Coordination Unit:

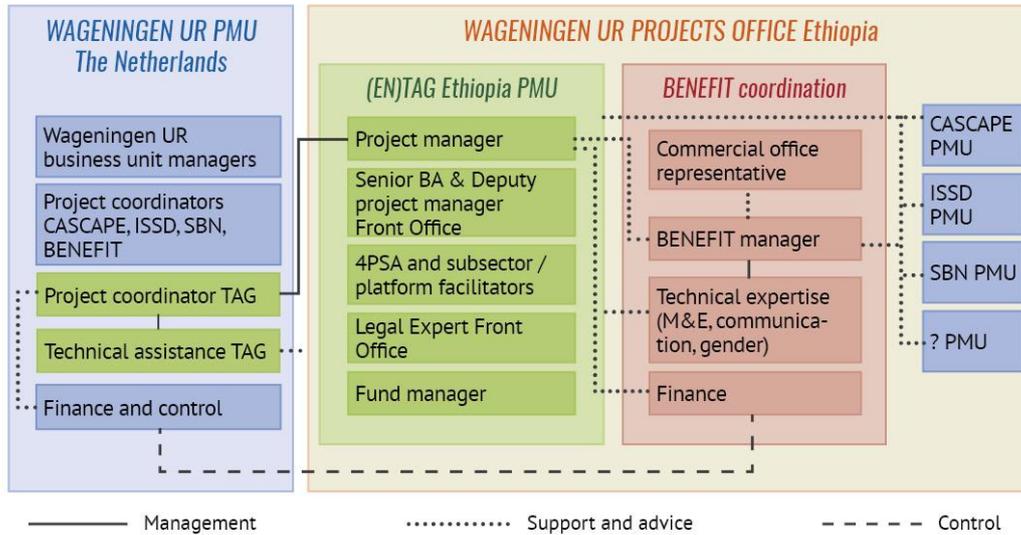
- The Integrated Seed Sector Development in Ethiopia (ISSD Ethiopia) project, which supports the development of a vibrant, pluralistic and market-oriented seed sector in the country;
- The capacity building for scaling up of evidence-based best practices in agricultural production (CASCAPE) project, which improves agricultural productivity through promoting evidence-based best agricultural practices;
- The Sesame Business Network (SBN) Support project, which supports its stakeholders in developing competitive, sustainable and inclusive sesame value chains in Ethiopia; and
- The Ethiopian-Netherlands Trade Facility for Agricultural Growth (ENTAG), which supports private sector development and trade in Ethiopia.

## 1.2. ENTAG

The main objective of ENTAG is to increase agribusiness productivity, trade and foreign direct investment by strengthening the private sector in working more effectively with smallholders by applying new technologies and facilitating access to finance for investment purposes. ENTAG focuses its efforts on the poultry, aquaculture, legumes, spices, sesame, potato and dairy subsectors, as well as on agri-processing, agri-logistics and agricultural financing in any agricultural sub-sector. The specific ENTAG objectives are:

- Increase demand through ENTAG's market information services, and provide hands on support to both domestic and foreign entrepreneurs/investors in the priority subsectors.
- Enhance the performance of selected sub-sectors: raise the volume and value of trade in domestic and high-value international markets of the priority subsectors.
- Attract and engage companies to pursue more inclusive and sustainable value chain development

The different activities and supports to be delivered by ENTAG fall into the following components: front office service, inclusive business support, hands-on support on modalities for working with smallholders in a sustainable manner, subsector platforms, support to the private sector associations and the Innovation Fund. The figure overleaf outlines the organisational set-up of ENTAG.



The Project Manager is responsible for day to day project management and decisions in line with the annual plans. ENTAG will also have four full time platform facilitators. These facilitators, in addition to their assignment in coordinating subsector platforms, will provide technical assistance to Innovation Fund applicants and beneficiaries. The Innovation Fund Manager is responsible for day-to-day management of the Innovation Fund. Together with the Project Manager he will also develop Innovation Fund governance structures, including underlying document.

### 1.3. Objective of the Innovation Fund

The objective of the Innovation Fund is to promote innovations in various agricultural sub-sectors in Ethiopia that benefit smallholder farmers. The Innovation Fund will provide matching grant funding for innovative projects, with a maximum grant contribution of €25,000. Projects are considered innovative when they introduce new or improved products, services, technology, business models and/or service delivery models to the country. Projects that take place in the poultry, aquaculture, legumes, spices, sesame, potato and dairy subsectors are eligible for co-funding.

The Innovation Fund will be operational from September 2016 to December 2019, with a maximum grant budget of € 0.8 million. Up-scaling of successful innovations will be achieved by stimulating other companies to replicate these innovations. Hereto, ENTAG will draft Innovation Opportunity reports that describe each successful innovation. The Innovation Opportunity reports will be published, and actively promoted during company visits and platform meetings.

### 1.4. Objectives of the Fund Manual

The principal objective of this manual is to provide stakeholders with all relevant information in relation to governance of the Innovation Fund. The guideline will help them to clearly understand minimum criteria, procedures, selection criteria and timeframes.

## 2. Minimum Criteria

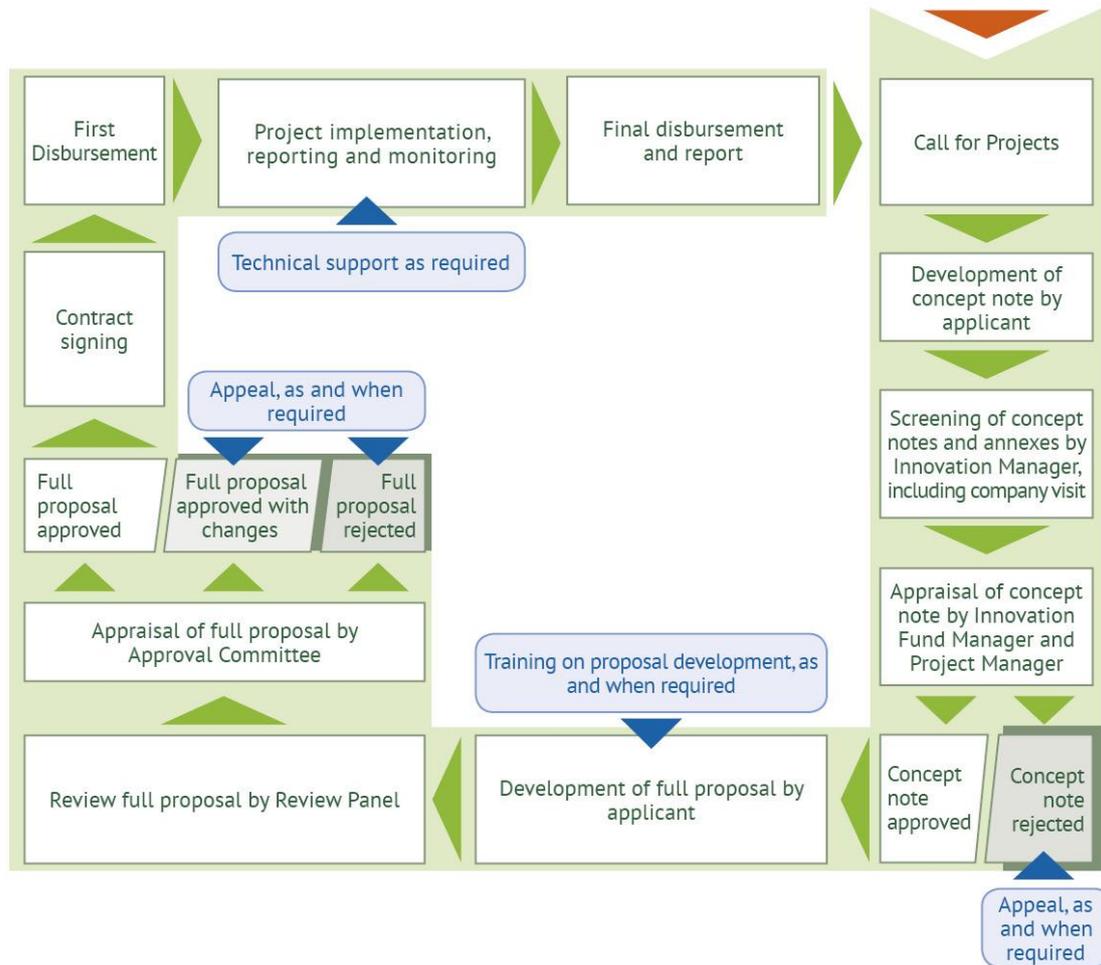
In order to be eligible for the Innovation Fund, applicants and projects need to meet the following minimum criteria:

- The Project should take place in the poultry, aquaculture, legumes, spices, sesame, potato or the dairy subsector.
- The projects should introduce new or improved products, services, technology, business models and/or service delivery models to Ethiopia.
- The Project should directly or indirectly benefit smallholder farmers.
- The Project should be implemented within one year.
- The maximum amount of grant per project is €25,000. Applicants are required to make cash and in-kind contributions towards the project, whereby this contribution is equal to or larger than the grant amount. A minimum of 20% of the own contribution should be in cash. In-kind contributions should be directly associated with project requirements, such as agri-inputs, machinery and tools, as well as (part of) salaries of staff that are involved in project implementation. The own contribution must come from other sources than grants, especially not from grant programmes of the Embassy of the Kingdom of the Netherlands or the Dutch Ministry of Foreign Affairs.
- The applicant should be an Ethiopian company that is able to present a valid Ethiopian business license. As such, there is no restriction on shareholder nationality of applicant companies.
- Partnerships of multiple companies, NGOs, research institutions, etc. are allowed to submit an application, as long as this partnership consists of at least one recognized Ethiopian company. In this case, (one of) the recognized Ethiopian company(ies) will be the applicant for the grant, and will be end-responsible for project implementation.
- Foreign companies without Ethiopian business license are only allowed to apply in partnership with a company that possesses an Ethiopian business license. In this case, the Ethiopian company will be the applicant for the grant, and will be end-responsible for project implementation.
- Applicants can't receive grant funding for more than one project at a time. Companies have to successfully implement a project, before applying for another grant.
- Partner companies, NGOs, research institutions, etc. can be involved in more than one project at a time.
- Companies can only re-apply a rejected concept note once. After the second rejection, the same project idea cannot be submitted again.
- Companies can only re-apply a rejected proposal once. After the second rejection, the same project idea cannot be submitted again. Please note that re-applications still need to follow the regular procedure, including submission of a concept note.
- The applicant should complete the concept note and full proposal format with all its requirements, as outlined in underlying document and relevant Call for Projects.
- Applicants should agree with terms and conditions as outlined in underlying document and grant contract.
- Applicants should be willing to host ENTAG staff on company premises during project evaluation and implementation.

### 3. Procedures

#### 3.1 Overview

The Innovation Fund application process is structured around Call for Projects. A two-stage submission process will be employed for each Call for Projects to reduce transaction costs for ENTAG and applicants. The procedures for project selection and management are outlined in a graph below:



### **3.2 Awareness creation**

ENTAG will use various means of communication to create awareness with potential stakeholders. One of the mechanisms to reach the stakeholders is mass media. The Innovation Fund and Call for Projects will be promoted in different newspapers at the start of the program. The program will also be advertised on specific internet sites including ENTAG and BENEFIT Partner Projects and AACCSA websites. More targeted communication at (sub-sector) platform meetings will also be carried out. Relevant Sector Associations will be contacted, so that they can pass on the information to their members. Face-to-face contact will be made with entrepreneurs that are planning to implement innovative projects that meet the Fund's objectives.

Up-scaling of successful innovations will be achieved by stimulating other companies to replicate these innovations. Hereto, ENTAG will draft Innovation Opportunity reports that describe each successful innovation. The Innovation Opportunity reports will be published, and actively promoted during company visits and platform meetings.

### **3.3 Two-stage submission process, stage 1: concept note**

During the first stage a concept note will be submitted, including business license. Overall eligibility of the concept note will be checked against the minimum criteria as laid out in corresponding Call for Projects and underlying Fund Manual. Technical and financial capacity of the applicant to implement intended project might be assessed via a company visit. Applicants that fulfil the minimum criteria will enter the second stage, and will be invited to submit a full proposal. Companies can only re-apply a rejected concept note once.

The purpose of the concept note is for applicants to demonstrate how their innovation meets the objectives of the Innovation Fund. Applicants can also send a video, maximum 10 minutes, as optional addition to the Concept Note. The Innovation Fund Manager will disburse the Concept Note format on request. The Innovation Fund Manager will undertake screening for eligibility. He/she summarises the screening process, and report to the Project Manager for approval. The Innovation Fund Manager will communicate the results of the concept note phase to the applicants.

If the number of concept notes is large and/or the content of the concept note is complex, expert advice of the Deputy Project Manager and/or expert Subsector Platform Facilitator will be obtained to assist with screening of the concept notes. The field appraisal will not only serve to verify the information supplied by the applicant, but also to identify the need for technical assistance for developing the full proposal.

### **3.4 Providing project development support for applicants**

Applicants that passed first screening (minimum criteria and due diligence) may be supported by ENTAG to develop their capacity in proposal development. Workshops and one-to-one trainings will be used as capacity building mechanisms. Moreover, the applicants can get technical support from the Innovation Fund Manager and Platform Facilitators.

### 3.5 Two-stage submission process, stage 2: proposal

Companies that have passed the concept note stage will be invited to submit a full proposal. The Review Panel is responsible for proposal evaluation, and advises the Approval Committee to either (a) approve the proposal, (b) approve the proposal with amendments to approach and/or budget, or (c) reject the proposal.

Each proposal is evaluated on the basis of the minimum criteria and five Selection Criteria as laid out in corresponding Call for Projects and underlying Fund Manual. Technical and financial capacity of the applicant to implement intended project might be assessed via a company visit. Companies can only re-apply a rejected project proposal once. Please note that re-applications still need to follow the regular procedure, including submission of a concept note.

The proposal is to be prepared by using template, which will be provided by the Innovation Manager. The proposal is to be prepared in English language in not more than 10 pages, excluding signature page and annexes. The full proposal will be reviewed and evaluated by a panel of two members. Members of the Review Panel are as follows:

- ENTAG Project Manager, who will be responsible for technical evaluation of the proposals, as well as assessment of implementation capacity of the company and partnership (if applicable).
- External Business Advisor, who will be responsible for financial and economic evaluation of the proposals, as well as assessment of impact, additionally and value-for-money.

The ENTAG Project Manager will act as Chairman of the Review Panel. He/she has final say in recommendation to the Approval Committee, if a dispute arises between him/her and the external Business Advisor.

### 3.6 Proposal approval

The Approval Committee is end-responsible for project approval or disapproval, based on project proposal and advice of the Review Panel. The Approval Committee will consist of two members. The Embassy of the Netherlands appoints one representative for the Approval Committee, and the ENTAG Project Coordinator from Wageningen UR is the second member of the Approval Committee. Decisions in the Approval Committee will be made unanimously by the two members. If a decision can't be reached, applicants are requested to re-submit an application for the next tender. The ENTAG Project Manager will serve as Secretary to the Approval Committee without voting rights. His/her main task is to clarify recommendations of the Review Panel.

The recommendation of the Review Panel will be submitted by ENTAG Project Manager to the two Approval Committee members. The Approval Committee has full right to accept, reject or alter the recommendations made by the Review Panel. The committee, if the need arises, can investigate proposals. The decision of the Committee, including all interpretations made, is final. The Innovation Fund Manager will communicate the results to the applicants in a letter, whereby rejected projects will receive a short clarification why their project was not accepted.

### 3.7 Appeal

An applicant who is not satisfied by (part of) the proposal evaluation process can appeal to ENTAG. Appeals should be directed in a letter to the BENEFIT Manager within 7 days after receiving communication from ENTAG. The BENEFIT Manager will process the appeal within 15 days by evaluating the appeal letter, concept note, proposal, and advice of the Review Committee and written motivation of the Approval Committee. He/she will provide a recommendation to the Embassy of the Netherlands to provide the requested grant fund fully or

partially, reject the appeal, or invite the applicant submit the proposal for the next round. The person of the Netherlands Embassy that will handle the appeal isn't part of the Approval Committee. The decision of the Embassy of the Netherlands, including all interpretations made, is final.

### 3.8 Contract signing

After grant approval by the Approval Committee, the beneficiary will sign the contract before initial grant disbursement. The contract will stipulate responsibilities of ENTAG and the company, including reporting, disbursement modalities and consequences of inappropriate contract implementation. The purpose of the contract is not to command the beneficiaries, rather, to motivate them to implement their projects in accordance with the accepted proposal. The grant contract will be prepared by the Legal Officer in conjunction with the Innovation Fund Manager, and approved by the Project Manager. Beneficiaries will get insight of the contract before signing. Accordingly, they will be made aware of each article in the contract.

### 3.9 Disbursements

Fund disbursement to the beneficiaries will be carried out in two instalments. The first disbursement is 80% of the grant amount, and will be released after signing of the grant agreement. The second disbursement will be held until the final report is approved, including proof of payment of expenditures. The second disbursement can be made effective in exceptional cases, such as critical financial shortage of the beneficiary. The Innovation Fund Manager and Project Manager are responsible for handling these situations. In any case, beneficiaries should provide proof of project progress and proof of payment of the expenditures related to the first disbursement, before receiving the second disbursement. If a beneficiary has a dollar account, the company will be given the opportunity to receive the funds on the dollar account. If a beneficiary doesn't have a dollar account, the company will receive ETB.

The Innovation fund Manager will appraise each disbursement request, and report to the Project Manager with appropriate recommendations. The project Manager, after evaluating the request for disbursement by the beneficiary and recommendations by the Innovation Fund Manager, approves, rejects or instructs for changes. Once the disbursement is approved by the Project Manager, request for payment will be sent to Finance and control at Wageningen UR PMU in The Netherlands.

### 3.10 Reporting

Grantees are required to submit a short 3-monthly narrative and financial progress update as determined by the award agreement (maximum 2 pages). Other briefings, task reports and success stories may be requested where necessary. The Innovation Fund Manager is responsible for assessment of progress reports and annexes. If a project isn't implemented in accordance with the grant agreement, he/she will take appropriate actions with the Project Manager to get the project back on track. This may include company visits, adjustments of deliverables, second payment and timelines, as well as recuperating of funds.

If the project is completed within 3 months, the Grantee only needs to submit the Final Report. The Final Report that activates the last disbursement of 20% of the approved grant budget is subject to:

- submission of the final activity and financial reports 30 days after the end of the grant period, as well as other deliverables as described in the grant agreement,
- proof of payment of project expenditures, and
- an official request for the remaining 20%.

### **3.11 Project management**

ENTAG will closely monitor project implementation. Besides the reporting structure as described in previous section, the Innovation Fund Manager will visit grantees every 6 months and/or at the end of the project to discuss project achievements. If a project isn't implemented in accordance with the grant agreement, the Innovation Fund Manager will take appropriate actions with the Project Manager to get the project back on track. This may include additional company visits, adjustments of deliverables, second payment and timelines, as well as recuperating of funds.

The long term objective of the Innovation Fund is to scale up successful innovations by stimulating other companies to replicate these innovations. Hereto, ENTAG will draft and promote Innovation Opportunity reports that describe each successful innovation. Grantees will also be asked to provide input for the Innovation Opportunity reports during/after project implementation.

## 4. Selection Criteria

In addition to the minimum criteria as outlined in chapter 2, the following set of selection criteria are leading in evaluation of the project proposals:

- **Technical approach:** This is the degree to which the proposed project:
  - offers new or improved products, services, technology, business models and/or service delivery models to Ethiopia;
  - is feasible for implementation in the Ethiopian context, whereby projects should be well thought through, with logical linkages between inputs and expected outputs;
  - is demand-driven, private sector-led and addresses constraints faced by the sector, preferably as articulated during platform meetings;
  - provide input for easy and cost-effective replication at other locations.
- **Economic viability:** Proposed project must show a cost-benefit analysis indicating a roadmap towards profitability in the short to medium term (1-3 years). This should be calculated taking into account the injection of the grant support, and consider the total project cost, cash flow projections and profitability.
- **Implementation Capacity:** The extent to which the applicant and possible partners are capable of undertaking and accomplishing the proposed activities, based principally on the company profile, financial standing and past achievements, as well as qualifications of key staff involved in the project.
- **Value-for-money and additionality:** The relationship between requested grant and significance/quality of project outcomes. The criterion looks at:
  - the overall ambition level of the project, given the requested inputs, envisaged outputs, Innovation Fund minimum criteria and ENTAG objectives.
  - the level of interest expressed by the company and possible partners to share their project results in the platform meetings and/or the commitment to produce publications arising from the project are also assessed in this criteria.
  - justification for the need of using public funds to co-finance the project: how is the own contribution financed, would the project take place without Innovation Fund financing, would it take place on a different scale without Innovation Fund financing, what activities have been taken place to source funding from other sources, and why isn't it possible to source funding from other sources?
- **Impact:** The criterion assesses to which extent the proposed project is likely to have positive sustainable impact on employment, smallholder farmers, women, youth, food security and climate.

During the proposal stage, companies are requested to elaborate further on the above criteria, making clear projections on:

- Employment generation (direct and indirect)
- Involvement of smallholder farmers
- Company sales and turnover

Each proposal is evaluated on the basis of the five assessment criteria as outlined above. Each criterion carries 20 points, summing up to 100 points for the five criteria. The evaluation result will be considered by the Review Panel from two directions. The first consideration is that a proposal has to score more than 10 points for each criterion. The second consideration is that the total score should not be less than 67% (i.e. two-third) of the maximum (5X20=100) points. Thus, to pass to the Approval Committee, each proposal must satisfy both conditions.

If the total remaining Innovation Fund budget at the start of a Call for Projects is below the amount of money required for approved projects, ranking of projects will take place, based on the total score of each proposal. Projects will be ranked from highest score to lowest score. First, grants will be awarded to the proposal that ranked highest. Grants will then be awarded to the applications that ranked next highest, and so on until the available resources are exhausted.

## 5. Timeframes

### 5.1 Timeframe per activity

The Innovation Fund approval process formally commence with Call for Projects. The Call for Projects shall be disseminated through brochures, newspapers and websites. The various activities during the approval process are outlined below:

- Announce Call for Projects.
- Companies have +/- 4 weeks to submit a concept note.
- The Innovation Fund Manager has +/- 4 weeks to review concept notes, and visit project sites (if necessary)
- Companies that have passed the concept phase have +/- 4 weeks to submit a proposal.
- The Review Panel has +/- 3 weeks to review proposals, visit project sites (if necessary), and forward recommendations to the Approval Committee.
- The Approval Committee has +/- 3 weeks to approve projects.
- Proposal adjustment after comments of Approval Committee (if necessary), contract preparation and signing will take +/- 4 weeks.
- Release first tranche of the grant will take +/- 2 weeks.

Total days from Call for Projects to first disbursement = 24 weeks  $\approx$  5.5 months

### 5.2 Second Call for Projects

- Announcement Call for Projects: 16 July 2017
- Deadline for submission of concept notes: 18 August 2017, 5:00 PM
- Announcement of selected concept notes: 29 September 2017
- Deadline for submission of proposals for selected concept notes: 27 October 2017
- Deadline for review of project proposals and submission of recommendations to Approval Committee: 17 November 2017
- Deadline for announcement of approved projects: 1 December 2017
- Signing of contract & disbursement of first tranche of the grant: 29 December 2017