



Innovation for Development

ANNUAL REPORT 2021



Ministry of Labour
and Skills

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ACRONYMS

BDS Business development services

CRGF Credit Risk Guarantee Fund

DBE Development Bank of Ethiopia

EDC Entrepreneurship Development Center

FSP Financial service provider

HETRIL Higher Education, Training, Research Institution, and Industry Linkage

JCC Job Creation Commission

KOICA Korea International Cooperation Agency

MIInT Ministry of Information and Technology

MoSHE Ministry of Science and Higher Education

MoWYC Ministry of Women Youth and Children

NFIS National Financial Inclusion Strategy

SME Small and medium enterprise

UNDP United National Development Programme

1. PROJECT SUMMARY (table)

- Please refer to the following project summary table.

| | |
|----------------------------|---|
| Project Title | Innovation for Development |
| Organization | United Nations Development Programme, Ethiopia <ul style="list-style-type: none"> Gizachew Sisay, Team Leader - Inclusive Economic Transformation Unit gizachew.sisay@undp.org Wudasse Berhanu, Project coordinator wudasse.berhanu@undp.org |
| Date of Submission | January 31 st , 2022 |
| Target Country | Ethiopia |
| Project Location | Addis Ababa and regional capital cities in Ethiopia |
| Beneficiaries | <u>Target Beneficiaries</u> 75 government leaders and technical staff with enhanced awareness on ICT based SMEs and Start-ups support. · Enhanced interaction and collaboration among innovation stakeholders. · Enhanced harmonization among MInT and development partners through innovation working group under the DAG. · 8,500 Enterprises/individuals benefited from training and mentorship program (60% women). · Knowledge and/technologies that can be adapted to Ethiopia identified by twinning arrangement and experience visit. · 2 policy guidelines developed for innovation fund management and loan guarantee scheme. · 50 loans provided to ICT based SMEs and start-ups through the loan guarantee scheme. · 10 Financial Service Providers that use the loan guarantee scheme and leverage 50% of the fund. · 50 training Participants with enhanced awareness on the management of the guarantee fund. (60% women) · 10 FSPs developing ICT-based loan products. · 10 ICT-based Loan Products piloted |
| Project Period | July 2020 – June 2025 |
| Goal and Objectives | <u>Sustainable Development Goals:</u> Goal 1 End poverty in all its forms everywhere Goal 5 Achieve gender equality and empower all women and girls Goal 8 Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all Goal 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation Goal 10 Reduce inequality within and among countries <u>United Nations Sustainable Development Cooperation Framework (2020-2025)</u> Outcome 3 : All people in Ethiopia benefit from an inclusive, resilient, and sustainable economy United Nations Sustainable Development Cooperation Framework (2020-2025) Output(s): Output 3.1: Policies, regulations and institutions strengthened to create decent jobs and to promote equal access to finance for micro, small and medium enterprises to invest in their productivity and competitive. Output 3.2: Access to decent jobs, employment and livelihood opportunities in formal and informal sectors improved particularly for youth and women. Output 3.3: Access to innovation, new technology and finance is increased, fostering an inclusive and diversified green economy. <u>Expected Project Output(s):</u> Output 1. Enabling policy environment for ICT based start-ups and SMEs to innovate is supported Output 2. Institutional |

| | |
|---|--|
| | coordination among innovation ecosystem actors is facilitated Output 3. Capacity of SMEs and start-ups for entrepreneurship and innovation is strengthened Output 4. Capacity of key institutions in the innovation and entrepreneurship ecosystem is strengthened Output 5. Capacity to operate the Innovation Fund and Credit Guarantee Fund is enhanced Output 6. Innovative financial mechanisms are made available to SMEs and start-ups |
| Project Budget | Total Cost: USD 9,610,936.63 · Funded by KOICA: USD3,400,000 · Other Sources: UNDP (USD1,000,000) · Unfunded : USD 5,210,936.63 |
| Plan for Monitoring and Evaluation | In accordance with UNDP’s programming policies and procedures, the project will develop, use, and report on a rigorous results-based management framework. Additional procedures may be developed and agreed by the implementing partners, and UNDP. The project will be monitored by UNDP management throughout implementation. It is also periodically reviewed on a quarterly basis by the Project Management Board composed of UNDP, the implementing partner, donor (KOICA) and other stakeholders. The focus of M&E will be at the outcome and output level to understand the progress and measure performance towards achieving intended objectives and the ultimate contribution of the project to improve the innovation ecosystem in Ethiopia. |
| Changes of the plan | The project modality was changes to accommodate the new UNDP policy on the establishment of the CRGF. Namely, the project had been modified to be a Full CO supported NIM and UNDP has been named a responsible party alongside MINT for the Operationalization of CRGF [Activity 5.4] |

2. PERFORMANCE REVIEW

2.1 Monitoring and Evaluation Activities

- Please explain your organization’s own or joint M & E activities.

In accordance with UNDP’s programming policies and procedures, the project has undertaken quarterly monitoring and evaluation activities. UNDP has used the results-based management framework to periodically track and record the achievements made at activity level and report both on quarterly and annually to further gauge the results achieved. The focus of M&E was at the outcome and output level to understand the impact the programme has had based on the agreed upon work plan for the year. A monitoring and evaluation specialist worked with project coordinators and implementing partners to ensure that project activities were undertaken according to the rigorous result-based management framework and audited financial expenditures on a quarterly basis in accordance with the project’s plan.

The project team has conducted a spot check which assessed the accuracy of financial records for cash transfers to implementing partners and ensured that the expenditures reported are in line with the project activities and within the rules and regulations of the agreement made with UNDP. The monitoring did not find any irregularities but have asked for some minor adjustments in the procedures to minimize some possible risks.

On the programmatic side, the team did an output verification where an analysis of the

progress towards results, the production of outputs, partnerships, key challenges, and proposed actions were captured. The evaluation highlighted the challenges in achieving activities in output 5 and 6 around the credit guarantee funds but also recognizes the project's achievement in

- fully utilizing experts from implementing partner in each activity and the participation of different government and non-government stakeholders
- interconnecting related activities to be focused and create high impact for beneficiaries
- using different social media platforms for trainers and trainees in capacity building program for frequent follow-up and to create networks.

Based on this evaluation, the project has been found to be performing according to the plan and achieving key goals.

2.2 Overall Project Result

- Please briefly explain the overall result of the project during the target period.

During 2021, the project has made significant progress in enhancing the innovation ecosystem and developing sustainable financial mechanisms for SMEs and Startups, despite some challenges. In the ecosystem, the project has undertaken the development of enabling policy frameworks and better institutional coordination among ecosystem actors and building the capacity of both the market (SME and Startups) and key institutions. The project has supported the development of the startup proclamation that outlines the legal framework for special business registration for startups that simplifies the licensing process and the establishment alternative funding sources like the National Innovation Fund. In addition, the project supported the development of research and innovation directives to incentives and facilitate University Industry linkages for better coordination among ecosystem actors.

On the financial mechanism, while the progress didn't go as planned the groundwork for establishing the credit guarantee scheme and needs assessment for identifying innovative financial tools for SMES have been accomplished. Notably, agreements with financial services providers to use the CRGF has been made and the establishment of guidelines to administer alternative funding sources for SMEs and Startups have been rectified by the government. A detailed description of the activities under each output are discussed below.

2.3 Performance during the target period (ex.2021.1.1.-2021.12.31.)

2.3.1. Key Achievements (by outcome or output level)

- *Please provide brief narrative explanation on key achievements by outcome or output level (Performance should be reported clearly.)*
- *Detailed success stories of activities and(or) beneficiaries need to be provided as Annex 1.*

Output 1. Supported the enabling policy environment for ICT based start-ups and SMEs to innovate

The regulatory framework for doing business is complex and costly for startups and SMEs in Ethiopia which creates an administrative burden to the start and expansion

businesses. Output 1 aims to enhance the institutional capacity of MInT and other government agencies to create an enabling ecosystem, including policy and regulation, for ICT-based startups and SMEs. Therefore, the project set out to undertake a diagnostic report of the start-up ecosystem, develop policy guidelines to encourage innovation by SMEs and start-ups, and enhance awareness of technical staff and government leaders on ICT based startups and SMES.

- The activities began with [a diagnostic study on](#) the readiness and capacity of government ecosystem actors like universities, TVETs and research center to support startups and SMEs and identifying the technical support they need. Completed in July 2021, the study serves as a baseline for the project to measure change across the project life cycle and will be used as a starting point to build an in-depth study to better understand the innovation ecosystem and identifying particular challenges/opportunities of women run start-ups.
- Technical assistance was provided to the then Ministry of Science and Higher Education (MOSHE) and now Ministry of Education (after the restructuring) to develop policy mechanisms to support academia-private sector collaboration and update the guidelines for University Industry Linkage (UIL) departments to strengthen collaboration and coordination with the industry. Through this activity the Higher Education, Training, Research Institution, and Industry Linkage ([HETRIIL](#)) regulation along with [a technology transfer and Internship directive](#) was developed and approved. The directive creates a nationwide interest-driven coordinated network for better implementation and enforcement of all key actors in higher education, training and research institutions and industry. In conjunction with the new policies, there was a capacity building training on technology transfer, intellectual property management and experience sharing visit among HETRIIL Actors for 194 [34 female, 160 males] HETRIIL actors in a collaboration with Bahri Dar and Hawassa University.
- To support government institutions to have better understanding of the policy needs of Startup and SME in ICT sector, a total of 4 capacity building trainings were organized for 153 [31 female, 122 Male] mid-level leaders and technical experts from federal and regional Science Technology and Innovation(STI) institutions. The trainings and workshops covered topics like innovation ecosystem building dos and don'ts, management, and implementation of inclusive programming for innovative startups, and design driven approach to innovation value creation. The participants have taken the lessons back to their respective institutions and spearhead their own working groups to develop better strategies for developing innovation ecosystems within their mandate (see Annex 2 for success stories). All in all, participants showed great enthusiasm in the trainings and expressed interest in having more advanced and continuous training opportunities for all staff highlighting the need and timeliness of the topics discussed.

Output 2. Facilitated institutional coordination among innovation ecosystem actors

While inter-governmental coordination is a key pillar of the Ethiopian STI Policy, there is currently a dearth of coordination mechanisms or instruments to guide the government innovation agenda and collaborate on innovation priorities, needs, and programs. There is an insufficient collaboration between the academia and the industry; and most importantly, lack of coordination among government departments,

private sector, and development partners. Therefore, the project set out to enhanced interaction and collaboration among innovation stakeholders through the innovation council and set up an innovation working group under the DAG to harmonization among MInT and development partners.

- The project has spearheaded the re-establishment of a national innovation council, consisting of key government officials that are engaged in the planning and execution of innovation policies, leading academic researchers, and business leaders. A consultation meeting was held between the council members and private sector leading to the establishment of proclamation; that in turn is expected to be ratified along with the New STI Policy. To continue the support beyond the federal level, technical assistance was provided to regional science and technology agencies and 5 Regional STI Councils were established as a result.(see Annex 2 for details)
- To support the coordination between the government of Ethiopia, represented by MInT, and key development partners, the project supported the establishment of an innovation working group under Development Assistance Group (DAG) to act as a platform in bringing together Ministry of Innovation and Technology (MInT) with its major multi and bi-lateral Development Partners. The objective of the IT-SWG is to host policy dialogue and consultations to ensure that a government-led strategy to deliver on aspects of technology and innovation will be effectively supported by donors – that is aligned, harmonized, and adequately resourced.
- Following the restructuring of the government after the election, the Ministry of Innovation and Technology has some changes in its mandate, specifically related to the organizations that it has to work with, and it administers. In order to be fit for purpose and to create institutional coordination among innovation ecosystem actors, MInT needed to understand its new mandate in relation to institutional coordination. Therefore, this project supported the institution in a mandate analysis to help better position itself as a coordinator and driver of the innovation ecosystem in Ethiopia.

Output 3. Strengthened the capacity of SMEs and start-ups for entrepreneurship and innovation

There is a clear necessity to enlarge the entrepreneurial community in Ethiopia and support the development of competitive and innovative SMEs and start-ups. This output used a variety of approaches and mechanisms to strengthen the capacity and motivation of SMEs and start-ups to innovate and enhance their productivity.

- One of the core objectives of this project is to promote innovation and create a platform where talented young generation would be identified, incubated, and nurtured towards addressing development challenges in Ethiopia and ultimately supporting the development efforts in Ethiopia. The #ETdeeds competition series was launched to identify promising ICT based startup and SMEs. In the first cohort, 100+ applicants went through a multiple evaluation process and pitching session to finally [identify 10 finalists](#)(finalist are highlighted in Annex 3). The finalist Startups and SMEs who participated in mentorship and business development at an incubation process have developed their ideas and/or business models further to become investment ready. They took part in experience sharing visits at ICT park, entrepreneurship networking events and were assigned one-on-one mentorship. They

also pitched their ideas to the Israeli embassy for an opportunity to be twinned with startups in Israel that are working on similar ideas. However, this has been challenging to arrange due to COVID-19 travel restriction over the past year. The project is now exploring other ways of conducting the exercise such as virtual mentoring and attending expos and conference until better traveling conditions come by.

- Aside from a tailored support programs to SMEs and startups, the project launched a bootcamp. The aim with the 15-day rigorous bootcamp was to give training opportunities to large group but use multiple rounds of pitching sessions to identify and select viable businesses that would be eligible for seed funding. Rather than only providing business development support to winners, this set up allows for the entrepreneurs to develop their ideas, design their business models and learn to communicate their concepts before they get evaluated for the final award. The bootcamp kicked off on December 12th with 153 (32 female, 121 male) entrepreneurs, who have submitted 100 ideas that were selected through the initial application process. The 15-day trainings including entrepreneurship mindset training, business modeling, financial planning, and communication skills. After 7 days of Training, the first-round pitching session identified 75 business ideas to progress to the second round. The second phase was for 4 days after which the second pitching session identified 50 finalists for the last round of a 4-day training and final pitching. A panel of 5 judges, evaluated the finalists to select top 30 business ideas to be [awarded seed funding](#) through the Ministry of Labor and Skills (previously jobs creation commission). A list of the winners is attached in Annex 3. Lessons learned from this process are reflected on [a blog post](#) and annexed.
- Information regarding all aspects of the innovation process is missing in the country. There is currently no organized platform that provides structured information about innovations, programs to support or fund innovation. To address this, the project [has launched a website](#) with MInT that serves as a portal for information on doing business regulations and requirements, available business development services provided by government and private sector institutions, entrepreneurship training and capacity building opportunities, programs that provide grants and subsidized loans, and conferences on innovation, etc. The platform will be officially launched in early 2022 to showcase how stakeholders can use it for their projects as well.

Output 4. Strengthening the capacity of key institutions in the innovation and entrepreneurship ecosystem is

There were no activities planned under this output during 2021.

Output 5. Enhanced the capacity to operate the Innovation Fund and Credit Guarantee Fund

The National Financial Inclusion Strategy (NFIS) sets out to “achieve universal access to and use of affordable and high-quality financial products and services in Ethiopia by 2025” through innovative and convenient channel to promote economic growth, poverty reduction and financial stability. The project planned to establish a policy guideline for innovation fund management and loan guarantee scheme, provide loans to ICT based SMEs and start-ups through the loan guarantee scheme and provide capacity development to financial service provider and SME to access the loan

guarantee scheme.

- The legal framework required for the management of innovation funds that are transparent, accessible, and reputable was formulated through technical assistance to MInT. The fund established from government budget and donor funding will serve as alternative financial mechanisms for start-ups and innovative businesses through grants, loan subsidies and capital investment. Currently MinT is planning to use the guidelines to administer the 20-million-birr grant from the Khalifa fund.
- Technical assistance was provided to the Development Bank of Ethiopia (DBE) to establish a Credit Risk Guarantee Fund (CRGF) scheme. Namely, a detailed operational manual that specifies the management procedures of the guarantee fund was developed and approved. A due diligence was conducted on Financial Service Providers (FSP) that resulted in 18 eligible FSPs that will be able to use the CRGF. It is expected that, once the Credit Risk Guarantee Fund is established, all ICT based start-ups and MSMEs will access the fund through the financial service providers identified in the due diligence.
- The selected FSPs through the due diligence process were expected to participate in a pre-investment capacity development on how to use and administer the CRGF. However, due to the security situation that developed in November of 2021 that resulted in restriction of non-essential travel, the training for financial service providers was postponed to 2022. The possibility of conducting the training virtually was considered if the situation didn't continue.
- The finalist from the #ETdeeds first cohort, have went through a financial needs assessment to identify their needs to become investment ready with particular focus on detecting their financial standings. This was then used to design the training tools for financial service providers on how they can better meet the needs of startups and SMEs with their financial products along with using the CRGF.

Output 6. Make innovative financial mechanisms available to SMEs and start-ups

In Ethiopia, funding for innovation is limited and financial service providers lack the capacity and incentives to experiment with innovative financial products and risk management tools that would respond to the needs of SMEs and start-ups. Therefore, through UNCDF the project planned to pilot 3 innovative loan products for SME and Startup and provide training on them with 60% women target for participants.

- The project has deployed an innovation finance expert to assess the existing capacities, policies, and products available at financial institutions to meet the needs of SMEs and startups. Following the assessment, and the needs identified from SME and Startups, the expert has developed a saving and credit prototype the financial institutions can use in conjunction with the CRGF. The prototype is based on the expressed needs of SMEs and start up on capital loans which are short terms loans and will be good for testing and piloting which will be undertaken in the coming year.
- UNDP has also signed an agency-to-agency agreement with UNCDF to provide technical support and guidance in the area of access to finance. UNCDF is a mandate institution among the UN to provide such support and once the CRGF is established, it will play a significant role in implementing the access to finance

component of the project.

2.3.2. Challenges and Counterplans (by output or activity)

- If actual performance (of an output or activity) is lower than planned, please explain reasons and how it will be managed within the project period.

COVID-19, the associated travel restriction, and the subsequent discoveries of new variants of the virus greatly limited the opportunities for planning twinning and exchange visits to Israel and other developed countries that were planned in 2021. Alternatively, the project decided to utilize the budget specifically under the exchange visit to design and execute a 15-bootcamp in December 2021. The bootcamp reached 153 entrepreneurs and contributes to the project's target of 8,500 Enterprises/individuals benefiting from training and mentorship program. This activity allowed to cast a wider network to reach different types of entrepreneurs and work closely with them to understand their needs.

Operationalizing the Credit Risk Guarantee Fund has also faced unforeseen challenges for transferring of the 1-million-dollar fund to the Development Bank of Ethiopia (DBE). UNDP's new guarantee establishment policy that was enacted after the start of this project required additional procedures and project design requirements to establish a UNDP supported guarantee schemes. Therefore, the project team has made the necessary amendment in consultation with KOICA, the implementing partners and the project managing board in October 2021. The amended project document and other supporting documents have been submitted to UNDP headquarter to get approval to establish the CRGF. We are expecting to get approval in the first quarter of 2022 upon which the fund will be eligible for transferring to DBE and made accessible to SME and Startups.

Establishing innovative financial mechanisms and innovative instruments were not started due to the banning of non-essential travel for UN staff to Ethiopia after the declaration of state of emergency in the last quarter. UNCDF's Innovative Finance Expert who have been engaged to conducting needs assessment and workshops to identify possible financial mechanisms for SMEs and Startups couldn't traveling to Ethiopia. A digital option to deliver the trainings virtually is being considered if the situation doesn't improve and the activity has been postponed to the beginning of 2022.

2.4 Achievement(s) in Cross-Cutting Issues

- Based on the considerations in the Project Document (PD), please mention the achievement regarding the Cross-Cutting Issues in terms of gender mainstreaming and environment during the project.

Innovation for development, doesn't have a particular focus on the environment. However, due to the growing need to create an environmentally sustainable economy, the project is considering environmental sustainability in the evaluation criteria for startups in #Etdeeds competition so that project and ideas that either addressing the environmental issue or consider environmental suitability get special consideration.

The project has particular focus on gender in addressing the barriers that are faced by women entrepreneurs in accessing capacity development opportunities,

establishing, and growing their businesses. Gender mainstreaming was undertaken both in the innovation ecosystem building and access to finance. In particular the following were achieved in regard to gender mainstreaming.

- The assessment conducted by UNDP IN 2019, identified the lack of an innovation fund management directive that the government can use to support startups and MSMEs. Therefore, the project undertook the development of an innovation fund administration directive with MInT to provide alternative financial support for innovative startups nationally. The directive give emphasis and encourages Women led startups and MSMEs as beneficiaries recognizing that women face more barriers in accessing formal credit and fall into a “missing middle” trap.
- The Project also supported the MInT on conducting an initial diagnostic of the startup ecosystem. The report outlined the status and challenges of women led startups specific to government and higher education. However, the findings highlighted the need for an in-depth national startup’s diagnostic with focus on women entrepreneurship for next year(2022).
- As part of the capacity development for government leaders and technical staff on innovation ecosystem, a day is dedicated to how to create an inclusive innovation ecosystem for women and marginalized population and increase participation of women in training programs. The Ministry of Women, Youth and Children (MOWYC) has also been participating in these programs to ensure the work they are doing in economic support includes the innovative agenda.
- Recognizing the limited participation of women in ICT based start-ups and SMEs, the evaluation committee for the #Etdeeds competition considered team composition as part of the evaluation criteria. Mixed gender or women led- SMEs and SMEs were given 5 extra points in the first-round evaluations to encourage these startups. From the first cohort of 10 finalist, one is a woman led startups and two others are mixed gender.

A gender breakdown of participants on various activities in the project can be found in Annex 3.

2.5 Communication and Partnership with KOICA

- *Please mention your organization’s effort to communicate and cooperating with KOICA such as regular meetings and events, etc., mentioned in PD.*
- *Please explain publicity activities related to KOICA’s contribution and project’s key achievement*

As outlined in the project document, there have been two project management board meeting held in 2021. On the first meeting in March, the Annual Work Plan, TOR the project management board and the operational manual for the CRGF was presented and approved by the board. In October 2021, the second meeting was held where project progress reports were presented by UNDP and KOICA. An amendment to the project modalities was also presented and approved by the board for the establishment of the credit risk guarantee fund. Both meetings were minuted and

signed as part of the documentation for the project. In addition to the official project board meeting, the project team has also had ad hoc meeting with KOICA to introduce the new project manager from UNDP and the new deputy country director from KOICA. The project team has also submitted bi-annual report reflecting on the progress and financial report in the first half of the year. Additionally, the project team has submitted bi-weekly progress and plan reports as assigned by KOICA PMC.

Through UNDP's official communication channels, the project has highlighted the contribution of KOICA and the project achievement through a [social media post](#) on the activities regarding the #Etdeeds competition and a [blog post](#) learning from the entrepreneurship support journey on UNDP Ethiopia's website. The project aims to increase the communications about the projects work, achievements, and the support of KOICA in the coming year.

2.6 Risk Management

- Please elaborate specific challenges and risks confronted throughout the project and explain how your organization managed and what lessons-learned were attained.

During 2021 key risks that threaten the achievement of results in this project emanated from contextual and programmatic conditions. Project activities have been designed in a way that mitigates risks that were identified during the program period such as the COVID-19 pandemic and restructuring of the government. Unforeseen risks such as the expansion of the war in the northern regions have brought delays of project activity. The contextual and external risks confronted throughout the project period are discussed below.

COVID-19 pandemic

The global COVID-19 pandemic affected Ethiopia with the first confirmed case in March 2020. Since then, the government has declared a second State of Emergency in April 2021, followed by various restriction in gathering as an effort to limit the spread of the COVID-19. While this has not greatly affected the project progress, global travel restriction such as mandatory quarantine for example have made it challenging to organize twinning and experience sharing arrangements in developed countries. The first cohort of #ETdeeds could not travel to the originally planned countries of Korea and Israel due to this reason. Therefore, the project is looking at arranging virtual mentorship opportunities with the embassy of Israel and using current resources to expand the entrepreneurship programs to reach more beneficiaries.

Restructuring of government after election September 2021

After the election, a new government was formed in October 2021 that saw restructuring of key government institution and formation of 22 ministries. In regard to this project's implementation partners, the Jobs Creation Commission's legal mandate was transformed to the new Ministry of Labor and Skills. The ministry is made up of the job creation part from the previous Urban Job Creation and Food Security Agent, the labor part from the Ministry of Labor and Social Affairs as well as the technical and vocational part from Ministry of Science and Higher Education. The previous JCC commissioner has become State Minister, where his excellency will be overseeing job creation and market development. This transformation has not affected the project technical team and promises to be complemented by the connection and coordination of the job and employment agenda across the ministry.

At the Ministry of Innovation and Technology MInT, the state minister leading the division on Innovation Technology Development and Management Sector which this project is under was replaced in the new leadership while the director general and technical staff remained the same. There was a short adjustment period, but the new state minister has been briefed about the project and project activities have continued smoothly. The Ministry of Science and Higher Education, a collaborator on the project, has been merged with the Ministry of Education, with a new director general of Institutional Linkage and Community Service. After a briefing on the project, activities have continued smoothly with the new ministry.

Change in leadership has to a certain extent resulted in delays. New leadership had to be introduced and caught up with the project to continue work smoothly. To mitigate the risk of ongoing restructuring, the project will invest in the creating institutional coordination and collaboration platforms that would be sustainable even if individual government officials leave or change their positions.

State of Emergency November 2021

The expansion of the war in the northern regions has resulted in a nationwide State of Emergency in November 2021 due to increasing security issues and conflicts across the country. While the capital has remained relatively stable, restriction in movement in the country and the issuing of travel restriction into the country by other countries has disrupted some project activities. Namely, UNCDF's technical experts on innovative finance could not travel to Addis to conduct training to financial service provider and SMEs in relation to Activities 5.3, 5.5, 6.1 and 6.2. Therefore, alternative arrangements such as virtual engagements were considered to accommodate the challenges. In addition, regional science and technology institutions in the war affected regions were not able to participate in the training and other support mechanisms by the project.

If the ongoing political instability continues, it may lead to lack of government priority on the planned project activities creating delays. In addition, mobilizing resource for the unfunded activities of the project might be challenging due to reservation from donors. However, the technical and project staff remain committed to achieving the project goals.

With these challenges the project team has learned to continuously assess the risk environment and identify emerging issues. The implementing context can be dynamic at times but by creating contingency plans and alternate activities, we can keep moving the project goals forward.

3. ANNUAL WORK PLAN FOR YEAR 2022

- Please explain your organization's plan for Year N+1 by outcome or output level. Plans for delayed activities should also be included.

In 2022, the project will continue to deliver on key activities as well as speed up on delivering the delayed activities under the financial mechanisms. A new AWP is being developed and here are some of the major activities.

Output 1. Enabling policy environment for ICT based start-ups and SMEs to innovate is supported

- The unmet potential of women entrepreneurs hinders not only the livelihoods of women, but also the potential for poverty alleviation and growth at national level. Thus, there is a pressing need to understand the structural constraints that impede women entrepreneurship and address them. Therefore, as a follow up to the initial diagnostic study on the startup ecosystem, the project will undertake an in-depth study on barrier for youth and women entrepreneurs with emphasis on identifying concrete action and steps needs to address both the structural and financial constraints.
- To continue the work the project has done on establishing the legal frameworks for university industry linkages, there will be activities in supporting practical models for joint ventures. The project has secured £140,000 from Foreign, Commonwealth and Development Office to launch a grant program for 20 university-industry joint innovation research projects and provide training for the research teams on financial management. The activity will bridge the gap in technology transfer that is missing in Ethiopia's industries, provide practical engagement on applied research that is crucial for innovation in industry and nurture a culture supporting high-quality research and innovation.
- The capacity training for government leadership and technical teams will continue to help them better understand the needs of an innovation ecosystem, SME, and startups (especially ICT ones), and understand their role as individuals and institutions.

Output 2. Institutional coordination among innovation ecosystem actors is facilitated

- With the ratification of the national STI council through the support of this project, periodic joint meetings of innovation and technology council, including stakeholder consultation will be held in 2022 to ensure the continuity of the council as well as its strategic impact in the ecosystem.
- Following the establishment of the new government in October 2021 that resulted in some reconfiguration of mandates and the political instability at the end of the year, there needs to be a refocusing on the innovation agenda and the close collaboration of the development partners and the government. Therefore, project will continue to hold sessions and support the innovation working group under the DAG structure.

Output 3. Capacity of SMEs and start-ups for entrepreneurship and innovation is strengthened

- The second #ETdeeds competition will be launched to identify high growth ICT based startups and SMEs for tailored mentorship and incubation. They will also be linked to twinning arrangements as learning opportunities and will be connected to working spaces with mentorship from foreign(Korean) experts for 2 weeks. The project will also be following up on the twinning arrangement with Israel embassy for the first cohort that was delayed due to the state of emergency.
- For the experience exchange programs to incentivize and encourage innovators to improve their performance and allow leadership to learn and share experience in countries of similar the project is planning on holding to experience sharing trips to south- south corporation countries.

- To create concrete market linkage opportunity for ICT based startups and SMEs that have been identified, the project will hold a startup exhibition to showcase their ideas for investment opportunities and create a network in the ecosystem. This will provide the SMEs and Startups with avenues for marketing, establishing partnerships and identify the right markets for their products.
- Following the success of the first bootcamp in reaching a considerable number of entrepreneurs and providing quality training, the project will hold a bootcamp training session in the coming year. With this activity, the project will also look at increasing the participation of women and provide tailored outreach programs to accomplish the goal of reaching the 60% goal for the participation women in training opportunities.

Output 4. Capacity of key institutions in the innovation and entrepreneurship ecosystem is strengthened

- Under this output the project plans to reach to a different segment of the youth population through science cafes and youth centers. Despite the promise of these platforms for the advancement of innovation, the majority of the Science Cafés in the regions are still not operational, and there is no systematic usage of “youth centers” to promote entrepreneurship and innovation among the youth. This project will support Science Cafés and youth centers, and aim to leverage them for innovation and entrepreneurship among the youth, showcasing local innovations and examples of technology adaptation, meetings with mentors and role models, knowledge exchange on priority areas for innovation (e.g., based on regional needs and priorities), trainings and seminars on entrepreneurship and innovation, etc.

Output 5. Capacity to operate the Innovation Fund and Credit Guarantee Fund is enhanced

- Upon approval to establish the Credit Risk Guarantee fund (CRGF), an agreement with the guarantee issuer, the Development Bank of Ethiopia, will be signed to operationalize the CRGF and make it available through the financial service providers. Following the prepared operational manual, the fund will be made available to start up and SME that have gone through business development and financial readiness trainings.
- Pre investment support to the 18 financial service institutions who will be using the CRGF scheme will be conducted in the first quarter. If any additional institutions are interested and pass the due diligence, they will also be provided with capacity development through the year. can qualify for the project
- Identified SMEs and startups will be given capacity development to access the CRGF based on the needs they have on becoming bankable and developing their financial strength.

Output 6. Innovative financial mechanisms are made available to SMEs and start-ups

In the coming year, the project will be focused on achieving the delayed activities under the financial mechanisms such as support to financial service providers (FSP) to develop and pilot ICT-based loan products for SMEs and capacity building for FSPs to integrate innovative financial products into their existing offerings.

- The first activity of the year is to hold a training for FSP on how they can develop innovative financial tools for SMEs and startups. This session will also be used to get feedback on the saving and credit prototype designed for SMEs and startups. After the feedback the prototype will be piloted by the FSPs for a limited time, and it will be accompanied by tools to integrate the product into the existing services of the financial institutions and strict monitoring and evaluation procedures to assess the viability of the prototype. Following the completion of the pilot there will also be activities undertaken to scale up the prototype. The project will also be prototyping other innovative tools and also looking at incentives for women led entrepreneurs in the ICT sector to bridge the gap in access to finance.

4. ANNEX

1. Biannual Report (Workplan, Financial Report, Project Performance)
2. Include success stories of activities and(or) beneficiaries
3. Charts, tables and visual aids including photos

Annex 1: Biannual Report

The Workplan, Financial Report, Project Performance are reported in the accompanying Xcel document as per KOICA's reporting template.

Annex 2 : Success stories

Government capacity building technical staff training activity story

In 2021 the project held 2 capacity development training for government leader and 2 for technical staff on how to build and support an innovation ecosystem through better policies, better doing business environments and better understanding of the needs of SMEs and startups. The trainings were met with great enthusiasm and participants emphasized the timeliness and the urgent need for the trainings both at the federal and regional level. The trainings helped to create a common understanding of the ecosystems needs and the work that the participating institution needs to do in order to play their part.

The second batch of technical staff trainees from MInT have taken their training into a practical step by taking the initiative to hold brainstorming and planning session on how they can create a better innovation ecosystem, identified the needs of their organizations and outlined their role as individuals and a collective. These sessions were turned into a concrete action plan which has been submitted by their senior management to the Minister to get approval to be processed. Through these trainings we are seeing technical teams get empowered to contribute to the strategic direction of their organization and take ownership of their role in creating a better doing business environment.

Establishment of regional coordination platforms

The project's activity in creating a better coordination among institutions was exercised through the reestablishment of the Science, Technology, and Innovation (STI) council at the federal level and the introduction of regional STI councils for better coordination between bureaus and ensure the priority of the innovation agenda in regional governments. The original assumption was that it was enough to have it at the federal level. However, after a series of capacity development and trainings on the need for and importance of establishing STI councils and sharing of lessons learned from the federal government, regional governments recognized the need for the establishment of regional level STI council.

So far, STI council in four regions [Somali, Amhara, Gambela and SNNRP] have been established and as a consequence more emphases have been given to the STI agenda from higher level of government and resulted in improved budget allocation and directorate and offices have been empowered to do more by becoming agencies and commissions. Notably, the Somali region STI council have been actively working in the past few months and holding multiple discussion session that have allowed decision making on major challenges in cross sectoral issues. For example, the region STI council has established an integration and collaboration platform to review annual plans and

performance of the innovation sector. In Gambela region, the STI council has mobilized stakeholders and workshops to popularize the Science, Technology, and Innovation agenda.

Capacity development of SME and Start ups

The project has supported the provision of innovative entrepreneurship trainings to kindle the entrepreneurial spirit in aspiring entrepreneurs, improve the competencies of existing entrepreneurs, and encourage the integration of innovative products, practices, and services in new and existing SMEs and start-ups. One way the project has done that is through the 15-day rigorous and multiple round training and evaluation bootcamp for 156 entrepreneurs. Throughout the bootcamp entrepreneurs had the opportunity to test their ideas, develop business models, communicate their ideas and finally pitch for seed funding. A Slack channel was created for the bootcamp participants as a digital connection platform for continuous networking and exchange of information.

Some of the teams that participated in the bootcamps have drastically changed their ideas and presented much better business models on the final rounds than when they started. The practical and exercise driven training allowed the teams to test the feasibility, viability and desirability of their products as well as work out the financial projections so that they are developing market driven innovations. In addition, the testimony from the participants was that they appreciate being able to present and practice pitching multiple times before their final round that they were comfortable and prepared to communicate their ideas at the final very well.

Annex 3 : Visual Aids

Tables

Table 1: Finalist of the Burh bootcamp

| No | Name of Founders | Business Idea Name |
|----|-------------------------------------|-------------------------------------|
| 1 | HOHEYAT BERHANU | Husky Energy & Technologies |
| 2 | Anteneh BelayAyana Muche | Akuri Glue |
| 3 | Misgie MengistYonas Kindu | Plasto Abyssinia Plc |
| 4 | Fekadu Engida TebejeGedamnesh Molla | Ecoal Green Energy |
| 5 | Afomia AndualemYohannes Ababu | Agelgle Ecopackaging |
| 6 | Boaz Berhanu Tulu | Omishtu Joy |
| 7 | Soressa Dereje | Quad Copter Drone |
| 8 | Rewla Ephrem Abreham Dessie | Ray Cosmetics |
| 9 | Achenef TarekegnGirma Tsegaye | Hibret Agro Machinery Manufacturing |
| 10 | Daniel Tessema | Meka Cnc |
| 11 | Tigabu Tasie Enyew Amare | One Card System |
| 12 | Petros Tariku Misganaw Mhiretu | Chinetalle Freight Plc |
| 13 | Semira Jemal Lidiya Tadesse | Pomace Pulp |
| 14 | Mulunesh Getie Addisalem Belay | Ediget Compressed Earth Block |
| 15 | Lamesgen AyeleSitotaw Abera | Wub Duket |
| 16 | Kirubel Mengistu, Dawit G/ Mariam | Ethio Hulum |
| 17 | Eden BogaleNebiyu Nuri | Lameda Academy |
| 18 | Fekadu Fenta Teshome | Bros Animal Feed Production |
| 19 | Amanuel Solomon | Enzirt Engineering |
| 20 | Batiso Beyene Gabiso | Converting Waste Plastic Into Fuel |
| 21 | DANIEL GETACHEW | Ethio-Credit Shop |

| | | |
|-----------|-------------------------------------|---|
| 22 | Nathan GetachewBekalu G/Mariam | Chnet Express |
| 23 | Betrework Worku | Sturdy Tile |
| 24 | Robel Teshome EshetuRediet Wondater | Eco-Bricks |
| 25 | Walelign Fikre Surafel Tamiru | Aura Designs |
| 26 | Yohannes AyalewAmanuel Girma | Blaze Technology - Mobile Waste Incinerator |
| 27 | Firaol Kebede Olana | Kikole Audio Book |
| 28 | Berhanu Kefyalew Azemeraw Getaneh | Mechal |
| 29 | Daniel Jissa Yoseph Noha | Daae Bushu Animal Feed |
| 30 | Yohannes Solomon | Efoy Baby Monitoring System |

Table 2: Gender breakdown for activity participants

| Activity | Male | Female | Total |
|--|-------------|---------------|--------------|
| 1.3 Training on Technology Transfer, IP Management and HETRIL Policy framework | 160 | 34 | 194 |
| 1.4 Capacity development for Government leaders | 57 | 16 | 73 |
| 1.5 Capacity development for Technical experts | 65 | 15 | 80 |
| 3.6 #ETdeeds competition finalists | 7 | 3 | 10 |
| 3.7 Burh bootcamp | 121 | 32 | 153 |

Picture

Institutional capacity development for technical experts, two rounds in Adama by EDC



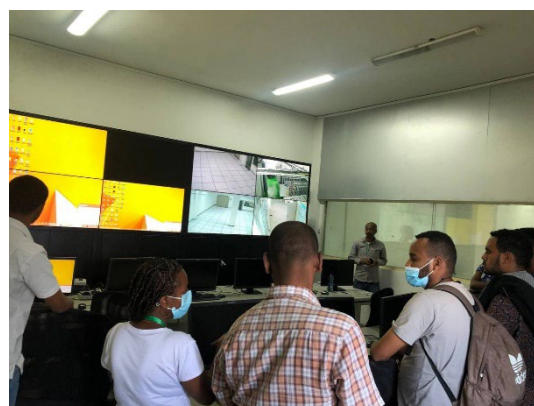
Institutional capacity development for mid-level officials in Adama and Addis Ababa by EDC



Capacity development for SME and Startups at Burh bootcamp by EDC in Bishoftu



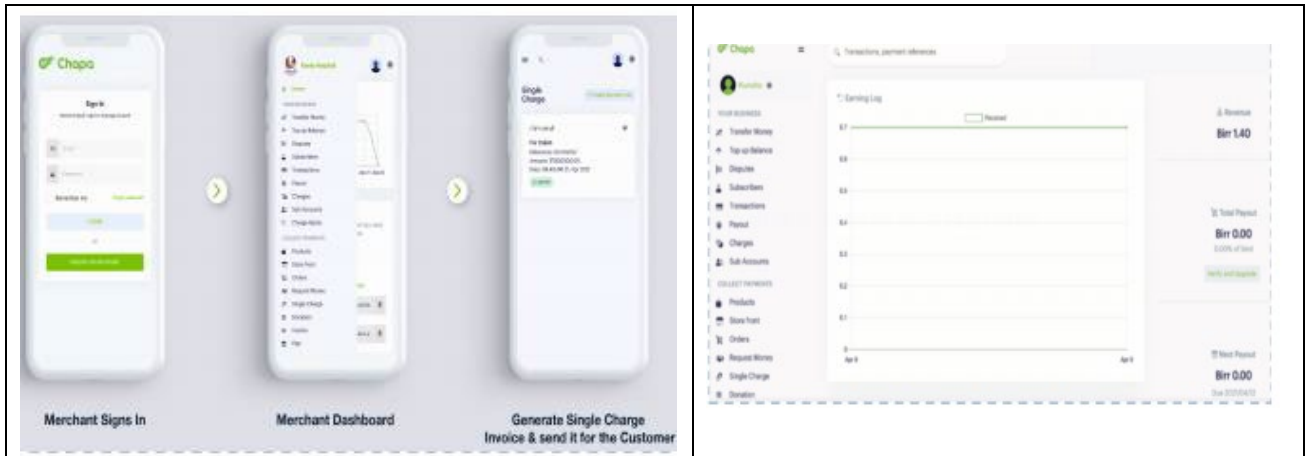
#Etdeed Evaluation and incubation process in Addis Ababa



Sample of innovation from #ETdeeds finalists : all finalists can be found [HERE](#)

CHAPA

[Chapa Financial Technologies](#) S.C is an online payment gateway that empowers merchants to accept digital payments. The company allows the reconciliation of multiple banking platforms to allow merchants to accept more payment option. Chapa has also developed the [MyGERD](#) and [Eyezon Ethiopia](#) platforms for the government which has done more than 6 million dollars’ worth of transactions worldwide. Chapa is a team of 19 ambitious youth who are changing the financial landscape in Ethiopia with the goal of tapping into the east African market.



TRIPWAYS

A booking Platform is a Cloud based platform (web & mobile application) that will reduce the gap and complexities between travel companies (LIYU bus, Airlines) and travelers into simplified and easy travels and travelers experience. We organize and connect the fragmented marketplace of travels and hotels into a searchable database leaving travelers with multiple options to choose from LIYU buses, Airways, Hotels, or tours as well as e-payment options in place theming a traveler focused easy to use platform.

