



ETHIOPIA SUSTAINABLE AGRIBUSINESS INCUBATOR (ESAI)
2014 Annual Performance Report

January 2015
Addis Ababa

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ACRONYMS

ALLPIS:	Addis Livestock Production and Productivity Improvement Services
B2B:	Business to Business
CEO:	Chief Executive Officer
CGF:	Capital Goods Financing
DIF:	Dairy Innovation Fund
ECF:	Ethiopia Competitiveness Facility
EIAR:	Ethiopian Institute of Agricultural Research
ESAI:	Ethiopia Sustainable Agribusiness Incubator
ETG:	Economic Transformations Group
FSREF:	Food Security and Rural Entrepreneurship Fund
FTMS:	Feed the Future Monitoring System
HDPD:	Hirut Dairy Products Distribution
HR:	Human Resource
LMD:	Livestock Market Development
M&E:	Monitoring and Evaluation
MoU:	Memorandum of Understanding
PCI:	Precise Consult International
PLC:	Private Limited Company
SDCU:	Selale Dairy Cooperatives Union
USAID:	United States Assistance for International Development
USD:	United States dollars

EXECUTIVE SUMMARY

Ethiopia Sustainable Agribusiness Incubator (ESAI) envisages bringing about a sector-by-sector transformation of Ethiopian agriculture through enhancing the competitiveness of Honey, Sesame and Dairy Value Chains. By stimulating and promoting emerging dynamic entrepreneurs and identifying and supporting existing pioneer firms, ESAI aspires to enable and nurture the creation of innovative businesses whose primary mission involve addressing value chain problems, value addition and hence, bringing subsector transformations. These businesses will significantly contribute to an increased income and hence food security of a large number of smallholder farmers through the creation of sustainable and efficient markets for agricultural raw materials

The overall objective of ESAI is the sector-by-sector transformation of Ethiopian agriculture through enhancing the competitiveness of value chains which demonstrate new sources of competitive advantage within each sector. ESAI's approach to sector transformation is "learning by testing new business models in the selected value chains."

ESAI's operations in 2014 covered Oromia, Amhara, SNNP, and Tigray Regions and Dire Dawa and Addis Ababa City Administrations. Project supported companies are distributed in 22 Zones of the country. This year, emphasis was given to three main result areas: i) successful support to incubatees and operation of the incubation center; ii) ongoing support for implementation of existing companies' projects (pioneer companies); and iii) contributions to industry wide value chain transformations.

In the reporting period, the project provided various incubation supports to 24 incubatee and 12 existing companies (31% females).

One of the major areas of supports for companies was the creation of access to finance. The project supported incubatees to access finance from different sources including bank loans, equity investment and grant programs. The project is also piloting crowd funding and capital goods financing as an alternative financing options and encouraging incubatees to mobilize their own resources for investment. ESAI also solicited the support of Irish Aid and raised 520,000 USD Innovation Fund to support innovative businesses in the dairy subsector. The Fund is officially launched and a business plan competition was initiated. Winners are being screened through a rigorous and transparent process which involves a Steering Committee which comprises representatives from Ministry of agriculture, Ministry of Industry, USAID, Irish Aid and PCI. From all sources, a total of 167 million Birr (8.3 million USD) new private sector investment is leveraged with ESAI's facilitation supports. Out of this total investment, 63% was the contribution of project supported companies themselves.

Trainings have also been conducted on ten different business related topics and a total of 158 company owners and their employees participated (32% females).

Through ESAI's facilitation support honey and beeswax processing companies linked and signed formal contracts with 8,341 smallholder beekeepers for the supply of raw honey. On top of securing sustainable market for their product, the farmers will be benefited through this arrangement by getting technical assistance from the companies and will be supplied beehives and other equipment on a credit basis. ESAI also assisted companies to get access to both local and international markets by facilitating: marketing strategy development, their participation in international trade fair, conducting survey on New York sesame oil market, and development of urban milk distribution models (Institutional Milk Marketing and Milk Distribution Systems), and the organization of Business to Business (B2B) discussion sessions in Tokyo in collaboration with Ethiopian Embassy in Japan.

The project also assists incubatee companies in the area of business model development and business plan preparation, hand holding services, access to technology, and communication and business promotions

ESAI is promoting problem solving technological innovations by encouraging and supporting local technologists to develop, modify or adapt technologies to local contexts. In this reporting period the project is supporting the development of sesame raw planter, milk powder production, mechanical milking machine, and mechanical milk churner technologies.

ESAI has also successfully organized the first Agribusiness Investment Forum on January 16/2014. More than 200 business leaders, domestic and foreign investors, and government officials attended the Forum which highlighted lucrative investment opportunities in the sesame, dairy and honey sub sectors.

The project is also piloting the decentralization of incubation services by establishing its first decentralized incubation center near the major sesame growing areas of North West Ethiopia, which is the source of more than 70% of the country's sesame.

ESAI is providing regular supports to 12 different existing pioneer companies which have the potential to contribute to the envisaged subsectors transformations and assisting foreign companies to invest in Ethiopia either by themselves or by partnering with local companies. Accordingly with ESAI support, an American company called Nuru Social Enterprises is in the process of finalizing equity investment deal agreement with one ESAI incubatee company (Yerkisho) and started negotiating with another ESAI supported company – Ethio Feeds.

As part of its efforts to contribute to industry-wide incubation of the target subsectors, ESAI is supporting various initiatives which have the potential to contribute to subsectors transformation. In this regard the project is supporting: 1) Transform Sesame (an initiative which seeks to transform sesame seed using tissue culture technology and has the potential to revolutionize the Ethiopian sesame subsector by overcoming the problem of sesame seed shattering and by improving existing yield level many folds) 2) Facilitation of big investments in the Dairy Subsector: ESAI technically assisted DAL Food and Fonterra to invest in the Ethiopian Dairy Subsector. 3) Promotion of In-vitro Heifer Reproduction technology the use of which has the potential to reproduce a large variety of calves in a very short time frame, and 4) Promotion of Ethiopian Coffee honey business in the international market.

The project facilitated a one to one meeting with senior officials of the Ethiopian Investment Agency to bring the issues of tariffs imposed on honey and beeswax processing machinery to the attention of the authorities and afterwards amendments are made to the tariff regulation.

In an effort to contribute to the improvement of the business ecosystems ESAI also: 1) Organized a Meeting with Livestock Sector Development State Minister and other senior officials of the Ministry and consensus reached to collaborate on several issues including the dairy innovation fund, milk demand stimulation campaign, issues related to pastoral development and business oriented interventions on veterinary services. 2) Three Subsector advisory board meetings conducted and deliberations made on ESAI's progress and issues in the respective subsectors. 3) Participated in 8 different local and international advocacy-oriented events and flagged subsector and business related issues of importance. 4) Made preparations to organize Milk Demand Stimulation Campaign with key stakeholders to stimulate milk consumption in the country.

Major challenges the project encountered in this reporting period include: difficulty to get financial access for companies, diminished commitment of some entrepreneurs through time, dispersed locations of project supported companies which is stretching the projects energy and budget, and a tendency by some business persons to target grant funds.

1. INTRODUCTION

Ethiopia Sustainable Agribusiness Incubator (ESAI) envisages bringing about a sector-by-sector transformation of Ethiopian agriculture through enhancing the competitiveness of Honey, Sesame and Dairy Value Chains. By stimulating and promoting emerging dynamic entrepreneurs and identifying and supporting existing pioneer firms, ESAI aspires to enable and nurture the creation of innovative businesses whose primary mission involve addressing value chain problems, value addition and hence, bringing subsector transformations. These businesses will significantly contribute to an increased income and hence food security of a large number of smallholder farmers through the creation of sustainable and efficient markets for agricultural raw materials

This report covers the period between January and December 2014, which is ESAI's second year implementation. Emphasis was given in this year to three main result areas: i) successful support to incubatees and operation of the incubation center; ii) ongoing support for implementation of existing companies' projects (pioneer companies); and iii) contributions to industry wide value chain transformations

Most activities are continuous in nature and build on achievements made in the first year implementation of the project. The report summarizes the achievements made over the reporting period, lessons learned and challenges encountered.

2. PROJECT OBJECTIVES & EXPECTED RESULTS

2.1. Objectives

The overall objective of ESAI is the sector-by-sector transformation of Ethiopian agriculture through enhancing the competitiveness of value chains which demonstrate new sources of competitive advantage within each sector. ESAI's approach to sector transformation is "learning by testing new business models in the selected value chains." More specifically, the project aims to:

1. Create wealth for rural populations through the development of new productive opportunities, both on farm and off farm
2. Support private sector agricultural innovation and accelerate the development of early growth stage agribusiness companies
3. Reduce transaction costs and increase market links between producers and consumers
4. Enhance the competitiveness of the agribusiness sector and expand local value added agro-processing
5. Increase efficiencies within agribusiness supply chains and ensure a greater share of the final price of end products go to farmers

2.2. Expected Results

In 2014 efforts of ESAI were geared to the following three result areas:

- RESULT AREA 1. New companies created, maintained and sustained (incubation):** Running the incubator and ensure graduation, Support development of technological innovations, Promoting agribusiness investment forum, Selecting and supporting new incubates.
- RESULT AREA 2. Implementation of lead companies' projects supported:** Assist the implementation of selected 8 pioneer companies businesses.
- RESULT AREA 3. Contribution made to industry-wide incubation:** Identify & support initiatives with high potentials for subsectors' transformation (Transform – Sesame, In Vitro Heifer reproduction, Coffee honey business, and Guts agro Supply chain initiative for powder milk production) and Foster learning and advocacy forums to improve business ecosystems

3. GEOGRAPHICAL COVERAGE

Current ESAI operations cover Oromia, Amhara, SNNP, and Tigray Regions and Dire Dawa and Addis Ababa City Administrations (Table 1). Project supported companies are distributed in 22 Zones of the country.

Table 1: Regional Distribution of ESAI Supported Companies (2014)

NO	Region/City Administration	Number of ESAI Supported Companies
1	Addis Ababa	7
2	Oromia	15
3	Amhara	6
4	SNNP	5
5	Tigray	2
6	Dire Dawa	1
Total		36¹

The companies are working in agro processing (24), agricultural technologies (3), dairy products marketing (2), improved animal feed & other inputs production and supply (2), and Honey production and marketing (5) businesses. The summary is depicted in Table 2.

¹ A total of 44 companies received different kinds of project supports in the reporting period. The reported number of companies, however, is only 36 because eight of the total supported companies terminated from the incubation program as their commitment found diminishing from time to time.

Table 2: Types of businesses of project supported companies

No	Type of Business	No of Companies	Name of Companies
1	Agro Processing		
	Honey processing	8	Sheka-Nordic, i-Zemen, Assefa & Kebede, Shilo trading, Babichi, Yerkisho, Dimma, & Beza
	Honey products diversification	3	Mare, Emebet, & B-honey
	UHT Milk	1	Jimma Dairy Farm
	Pasteurized milk	2	DAWIAB & Ansas
	Powder milk	2	Tiget & Guts Agro
	Yoghurt, cheese & cream	1	Lactal Creamery
	Clarified butter	1	BRUNDO
	Sesame Hulling	2	Desalegn Trading & Tinbero (Messele)
	Tahini	2	LAVIVA and KROTAJ
	Sesame oil	1	MN Agro Industrial Development
	Energy bar & Cereal Mix	1	Nutri Dense
	Sub Total	24	
	2	Technology	
Sesame seed transformation		1	Bio T ²
Manufacturing of Milk Churner		1	ZT
Mechanical Milking Machine Manufacturing		1	Hiwot Dairy Farm
Sub Total		3	
3	Dairy products marketing	2	SDCU, HDPD
4	Improved animal feed & other inputs	2	Ethio Feeds, ALPPIS
5	Honey production and marketing	5	SYE, IMX, Dehana, Matti, & Ememaru
	Total	36	

4. MAJOR ACCOMPLISHMENTS

4.1 INCUBATION PROGRAM

4.1.1. Running the incubator and ensure graduation

In 2014 ESAI provided various incubation supports to 24 new incubatees:

4.1.1.1. Access to Finance

- **Business model development and business plan preparation:** ESAI assists its incubatees to make their business ideas more elaborate and workable and train and technically support them to develop their business concept in to a bankable business plan. Business plans may also need to be refined based on feedbacks of financing institutions.
- **Access to Bank Loans:** During the reporting period the project assisted 8 companies to submit bank loan applications to 4 different banks (Development Bank, Commercial Bank, Oromia Cooperative Bank, and Buna Bank). Out of the total loan applications submitted 7 are already approved by the respective banks.

As part of a training program organized on Access to Finance, ESAI invited seven public and private banks to familiarize incubatees on their credit program. Senior officials of Development Bank of Ethiopia, Commercial Bank of Ethiopia, Dashen Bank, Awash International Bank, Oromia Cooperative Bank, Oromia International Bank, and Abyssinia Bank participated in the event and gave detailed orientations about their respective banks. The banks also agreed to work with ESAI and to support incubatees' projects. The relationship created between PCI and these financial organizations is very promising to enhance the incubation process. The Agribusiness incubator creates a good opportunity for the banks as it offers a pool of enterprises that are being handheld and thus represent lower risk and ESAI will benefit from the opportunities created for its incubatees to get easier access to bank loans.



Figure 1: A Bank Official Familiarizing His Bank's Credit Program to Incubatees

- **Access to Grant Programs:** ESAI assisted its incubatees to submit applications to grant programs of different organizations including: ASPIRE, FSRE-Fund, LMD, and Ethiopia Competitiveness Facility (ECF). So far, 9 companies accessed funds from ASPIRE and FSRE grant programs. Two companies (HDPD and SDCU) also obtained funds from LMD grant programs with ESAI's facilitation supports.
- **Equity Finance:** ESAI technically assisted K. Mikedem (KROTAJ) in the negotiation between equity investors and mobilized \$576,000 fund to establish a Tahini Manufacturing factory in Addis Ababa.
- **Dairy Innovation Fund (DIF):** ESAI solicited the support of Irish Aid and raised 520,000 USD Innovation Fund to support innovative businesses in the dairy subsector. The Fund is officially launched on July 9, 2014. A business plan competition was initiated and through a rigorous screening 23 innovative businesses, out of a total 57 applicants (13 Females) have been selected to reach the final stage of the selection process. ESAI's in-house team is conducting due diligence on each of the finalist companies to get a thorough understanding of their proposed business initiatives and to verify and value their own contributions. Final selection decision will be made by a Steering Committee which comprises representatives from Ministry of agriculture, Ministry of Industry, USAID, Irish Aid and PCI. After the finalization of the selection process, selected companies will be admitted in the project's incubation program.



Figure 2: The DIF was Officially Launched on July 2014



Figure 3: DIF Business Plan Competition involved Applicants Presenting and Defending their Business Ideas

- **Capital Goods Financing:** ESAI is pursuing Capital Goods Financing (CGF), a newly introduced service in Ethiopia, as an alternative strategy for financing incubatees' businesses. Towards this end, the following achievements are made in 2014:
 - A half day workshop organized to familiarize incubatees with CGF. All the five recently established CGF share companies (Addis, Kaza, Oromia, South, Waliya) participated in the workshop and made a presentation on their services. Representatives of 24 incubatee and pioneer companies (5 females) participated in the workshop.
 - A Memorandum of Understanding is also signed with the five CGF share companies to work in partnership with the objective of creating improved opportunities of capital goods finance access to incubatee and existing companies.



Figure 4: CGF familiarization workshop organized at Kenenisa Hotel (August 7, 2014)

- **Crowd Funding:** ESAI also pilot-tested Crowd Funding as a potential strategy for financing innovative businesses. A campaign is launched through a host platform called INDIEGOGO and 7,290 USD is raised for one selected incubatee (Nutri Dense). Though the raised amount is only 18% of the targeted amount of 40,000 USD, the result indicated that, better success rate can be achieved with improved networking efforts both from the sides of the project and the selected incubatee.

- **Leveraged Private Sector Investment:** With ESAI’s facilitation supports a total of 167 million Birr (8.3 million USD) new investment is mobilized in the reporting period. Out of this total investment 63% was the contribution of project supported companies themselves. The detail is depicted in the following table:

Table 3: Investment Leveraged through ESAI’s Facilitation – by Sources of Finance (2014)

No.	Source of Finance	Leveraged Investment Amount		
		Birr	USD	% from the total
1	Entrepreneur’s own contribution	104,793,223.44	5,182,652	62.7%
2	Bank loan	31,037,700.00	1,535,000	18.6%
3	Grant programs	8,958,167.70	443,035 ²	5.4%
4	Dairy Innovation Fund	10,514,400.00	520,000	6.3%
5	Crowd Funding	147,403.80	7,290	0.1%
6	Equity Investment	11,646,720.00	576,000	7.0%
Total		167,097,614.94	8,263,977	100

4.1.1.2. Company Registration and Licensing

In the reporting period, the project provided handholding services for 15 incubatees to get their companies legally registered and to obtain trade/investment license.

4.1.1.3. Access to Technology

As part of its ongoing incubation program, ESAI assists incubatee companies to access technologies from local and international suppliers. The project compiles information on potential suppliers of machineries and support incubatees to make well informed decisions. Furthermore the project links the incubatees with the machinery suppliers and supports them in the process of procuring and installing the machineries. Some of this reporting period’s achievements made in this direction include:

- Assisting MN Agro Industrial Development PLC (Sesame oil processing) and Tinbero Sesame Processing Company (Sesame hulling) to procure processing machinery from Germany and Spain, respectively
- Linked Yerkisho and Babich Honey and wax processing companies with a local technologist to produce a complete line of the factories.
- Linked BRUNDO International PLC (a food processing plant targeting U.S. markets) with a local technologist to produce a complete line of a spice processing plant which was developed for the first time in the country. The concept of the technology was developed by the incubatee while the technologist designed and manufactured the machinery.
- Assisted Yerkisho and Babichi honey and wax processing companies to procure Transitional and Modern beehives and accessories to be distributed to more than 1,800

² The amount does not include funds ESAI supported companies received from a USAID supported project (LMD)

smallholder beekeeper farmers which are linked to work with the two companies in an out-grower arrangement.

- Linked Lactal creamery with a local technologist to produce yoghurt, cheese and cream separator machines

4.1.1.4. Business Competence Building

ESAI has established a virtual training center to build the competence of the incubatees included in the program. The key activities were to identify the learning needs, identify experienced trainers and prepare training manuals. In the reporting period, training programs conducted in 10 different business related topics for 158 trainees (32% females). The following table depicts the topics of the trainings offered and the number of incubates participated.



Figure 5: Training Sessions Organized to Incubatee Companies (Access to Finance (Left) & Business Plan Preparation (Right))

Table 4: Training programs conducted in 2014

No.	Training Topics	Number of Trainees ³			Quarter
		Males	Females	Total	
1	Business plan preparation (DIF)	22	5	27	3 rd
2	Entrepreneurship	9	4	13	1 st
3	Business Management/Leadership	8	3	11	1 st
4	Access to Finance	9	4	13	1 st
5	Coffee honey production and marketing	1	1	2	3 rd
6	Capital goods financing	19	5	24	3 rd
7	Tax Administration	13	10	23	3 rd
8	Export trade	11	10	21	3 rd
9	Quality and standards	13	6	19	3 rd
10	Credit Analysis	2	3	5	3 rd
Total		107	51	158	

³ Trainees who participated in multiple training programs are counted more than once.

4.1.1.5. Access to market

ESAI assists companies to be linked with domestic input suppliers and to get access to both local and international markets. Towards this end the following achievements made in this reporting period:

- **Linkage with Smallholder beekeeper:** Through ESAI’s facilitation support honey and beeswax processing companies linked and signed formal contracts with 8,341 smallholder beekeepers for the supply of raw honey. On top of securing sustainable market for their product, the farmers will be benefited through this arrangement by getting technical assistance from the companies and will be supplied beehives and other equipment on a credit basis.



Figure 6: Beehives Manufactured by Two ESAI Incubatees (Sheka- Nordic and Matti) for Distribution to Out-grower Beekeepers

- **Marketing Strategy Development:** ESAI assisted the development of Marketing Strategies for five companies (Sheka-Nordic, Babichi, I Zemen, Dimma, and Yerkisho).
- **Development of Urban Milk Distribution Systems:** Dairy products in Ethiopia marketed mainly through informal channels, which are irregular and inefficient. While farmers complain about lack of market for their product, supply shortage is an issue raised by urban consumers and producers. ESAI is assisting two of its incubatees to pilot two different models of urban milk distribution systems in Addis Ababa: “Institutional Milk Marketing” and “Milk Distribution Kiosks”.

Institutional Milk Marketing: With ESAI’s incubation supports Selale Dairy Cooperatives Union (SDCU) is working to implement a new business model which involves a direct supply of dairy products to big buyer institutions like universities and colleges. The absence of middlemen in the supply chain means smallholder farmers and their cooperatives/unions will receive better price for their product. Buyer institutions will get regular supply of raw milk, which is not subject to the risk of adulteration and contamination. The beneficiaries from the side of the Universities are female students who seek financial assistance to cover their living expenses during their study period. The university provides a space to the needy students to help them establish the kiosks while SDCU with a financial support from LMD (USAID contractor on Livestock Market Development), furnish the kiosks and deliver dairy products at reasonable price to the young female university students who will be working on the retail kiosks.

Milk Distribution Kiosks: Similar distributions systems are also under way by another incubatee company which is a specialized dairy products distribution: Hirut Dairy Products Distribution (HDPD). HDPD is working milk distribution kiosks at different locations in collaboration with the Addis Ababa Bureau of Small and Micro Enterprises and different condominium associations. Negotiations are going on to open 20 kiosks in strategic locations, in which more than one hundred young men and women workers will be employed.

- **Sesame Oil Market Survey (New York):** to assist an incubatee who is planning to produce sesame oil for export market (MN Agro Industrial Development PLC), ESAI in collaboration with its partner in New York (Economic Transformation Group) conducted a short survey conducted on New York sesame oil market situation. The data collected through the survey used to develop the business plan of the incubatee.
- **International Trade Fair Participation:** With ASPIRE's financial and facilitation support, three ESAI incubatee companies (Babichi, Yerkisho, and Sheka-Nordic) participated in “Biofac International Trade Fair” in Germany. During the trade fair, the companies were able to deal with honey importers from Germany and other European countries and green lights obtained to export their products to these countries. Yerkisho Company already secured contracts to export honey to Germany.



Figure 7: Sheka-Nordic and Babichi Companies Exhibiting their Products at Biofac International Trade Fair (Germany)

- **Business to Business Meeting in Japan:** ESAI collaborated with Ethiopian Embassy in Japan to facilitate a Business to Business (B2B) discussion sessions in Tokyo. Ethiopian private sector actors engaged in agribusiness activities in sesame, honey, coffee, and cut flower subsectors had traveled to Japan for the event and held fruitful engagements with their Japanese counterparts. ACIDI VOCA partially covered costs related to the Japan trip.

4.1.1.6. Support in Communications and business promotions

ESAI also assisted companies in the areas of communication and business promotion. The supports provided in this regard include: production of business cards for 20 incubatees, the development of success stories for three companies, and promotion of companies' businesses on PCI's website and different Forums.



Figure 8: Logos of Some Incubatees Designed with ESAI's Assistance

ESAI organized the first Agribusiness Forum in January 2014 (See Section 4.1.3). ESAI also use the opportunities created by the CEOs Breakfast Forums organized by PCI to promote its incubatees. PCI organizes the CEOs Breakfast Forums on quarterly basis and CEOs of big companies and senior government officials will participate in the events.



Figure 9: ESAI Supported Incubatees Pitching their Business at the Agribusiness Investment Forum organized by PCI

4.1.2. Support development of technological innovations

ESAI promotes problem solving technological innovations by encouraging and supporting local technologists to develop, modify or adapt technologies to local contexts. In this reporting period:

- **Sesame Raw Planter:** Ethiopian sesame grower farmers usually saw sesame by broadcasting the seed and this is contributing to the very low productivity of the crop. One of the main challenges preventing sesame farmers from practicing raw planting is the absence of affordable sesame raw planters in the market. To alleviate this challenge, ESAI in partnership with Sesame Business Network (SBN) is supporting the development of a sesame raw planter. One technologist (Mearg Hailemichael) developed a prototype and received feedback from stakeholders. Field testing is however delayed due to the technologist's lack of commitment. As a backup plan ESAI is also dealing with another technologist (Tegegne Tarekegne) to develop the same technology. The raw planter will be available to farmers at

reasonable price, can easily be operated and maintained by farmers, and can be operated by animal or human power.

- **Milk powder production:** One of the problems facing Ethiopian dairy farmers is the seasonal fluctuation of milk demand especially during the Orthodox Christians fasting periods. During these times producers will be forced to sell the milk up to 50% reduced prices. A solution to go around this pressing challenge is the manufacturing of products with extended shelf life. With the incubator's support one local technologist has established a business, which seeks to produce milk powder for the first time in Ethiopia using own manufactured machineries.
- **Mechanical Milking machine manufacturing:** Ethiopian dairy producers mainly employ hand milking practice, which is inefficient and a source of hygiene related concerns. With ESAI's support, one entrepreneur (Hiwot Dairy Farm) in collaboration with a technologist are now working to address this issue by locally manufacturing a mechanically operated milking machine which will be available to farmers in a reasonable price. The group has already had a prototype and is finalizing preparations to enter in to mass production.
- **Mechanical Milk Churner:** A work is also in progress in supporting ZT Dairy Equipment Company to develop a Mechanical Milk Churner.



Figure 10: Sesame Raw Planter and Milk Churner Prototypes Designed by ESAI Supported Technologists

4.1.3. Agribusiness Investment Forum

ESAI successfully organized the first Agribusiness Investment Forum on January 16/2014. More than 200 business leaders, domestic and foreign investors, and government officials attended the Forum which highlighted lucrative investment opportunities in the sesame, dairy and honey sub sectors.

The Forum laid out the basic economic conditions, which are likely to continue to drive businesses in the three sectors and to further open new profitable opportunities. It also created a platform for facilitating connections between emerging business opportunities, entrepreneurs and investors. Major results of the Forum include:

- Investment opportunities were highlighted for the three value chains.

- 20 ESAI incubatees from the dairy, sesame, and apiculture subsectors pitched their innovative business ideas to participants.
- Received high visibility with national and local media outlets, including media coverage of individual incubatees who were highlighted on national television.
- Panel of financial institutions from bank, microfinance, and equity institutions gave clear and concise information on the requirements and criteria of investment options to participants, highlighting the needs and challenges of up-and coming entrepreneurs.
- Different organizations showed interest to work with the project (Agri Business Support Facility, C4C, etc.). Potential investors are also attracted to invest in the three subsectors.



Figure 11: The first Agribusiness Investment Forum Organized at the Sheraton Addis (January 16/2004)

4.1.4. Decentralized Incubation Program

After started running the incubation program on the three selected value chains (honey, sesame and dairy) from its head office in Addis Ababa, ESAI realized that more effective incubation services can be delivered if the incubation services are decentralized by moving closer to the major production sites of the targeted commodities.

Accordingly, to pilot the decentralization of incubation services, ESAI established its first decentralized incubation center near the major sesame growing areas of North West Ethiopia, which is the source of more than 70% of the country's sesame.

The specialized sesame incubation center is established at Gondar town. An official launching workshop is organized to familiarize key stakeholders about ESAI and its planned operation in the area. Preparations are also completed to initiate a Concept Note competition through which innovative entrepreneurs will be selected to be included in the incubation program. ESAI is closely collaborating with key sesame value chain stakeholders operating in the area in establishing and running the Gondar incubation program.

4.2 SUPPORT IMPLEMENTATION OF EXISTING COMPANIES' PROJECTS

ESAI is providing regular supports to 12 different existing pioneer companies which have the potential to contribute to the envisaged subsectors transformations. Major areas of supports provided to existing companies in 2014 include:

- Facilitation of access to grant programs (ASPIRE, FSREF, LMD, and ECF)
- Development of out-grower schemes
- Preparation of baseline study
- Establishment of demonstration sites
- Organization of capacity building programs to out grower farmers
- Linkage to input and output (local and international) markets
- Development of franchise business models
- Linkage with potential partners
- Milk distribution models developments (Distribution kiosks and Institutional marketing)
- Linkage with local technologists
- Employee recruitment and preparation of Job Descriptions
- Market strategy development

ESAI is also assisting foreign companies to invest in Ethiopia either by themselves or by partnering with local companies. Accordingly with ESAI support, an American company called Nuru Social Enterprises is in the process of finalizing equity investment deal agreement with one ESAI incubatee company (Yerkisho) and started negotiating with another ESAI supported company – Ethio Feeds.

4.3 CONTRIBUTE TO INDUSTRY-WIDE INCUBATION

4.3.1. Identify & support initiatives with high potentials for subsectors' transformation:

As part of its efforts to contribute to industry-wide incubation of the target subsectors, ESAI is supporting various initiatives which have the potential to contribute to subsectors transformation. In this regard the project is supporting the following initiatives:

- ***Transform Sesame:*** ESAI is supporting “Transform-Sesame” - an initiative which seeks to transform sesame seed using tissue culture technology. Transform-Sesame has the potential to revolutionize the Ethiopian sesame subsector by overcoming the problem of sesame seed shattering and by improving existing yield level many folds. Transform-Sesame is very much in line with the government’s interest of enhancing productivity of sesame, which is one of the major export commodities of the country with significant potential for increased hard currency generation. As Biotechnology is a new science in Ethiopia, the initiative’s contribution in terms of skill and technology transfer is also indispensable. Smallholder farmers are the main beneficiaries of this initiative. The transformed seed will be available to them at reasonable prices and they will also gain from significantly enhanced productivity due to reduced shattering of seeds and increased yield levels.

The initiative is proposed by Professor Seifu Belay who is a US-based Ethiopian scientist with a very long experience in tissue culture technology and the project is planned to be executed through his company BioT2. ESAI invited Professor Seifu to come to Ethiopia to pursue the realization of his business idea. To put the proposed initiative on the ground the concerted collaborative efforts of all stakeholders is imperative. Towards this end ESAI:

- Co-organized a Stakeholders' Consultative Workshop with EIAR with the main objectives of familiarizing the initiative to key stakeholders and to discuss on ways of collaborating to facilitate the smooth and effective implementation of the seed transformation initiative which is new to Ethiopia.
- Created opportunities for Professor Seifu to pitch his initiative at the Agribusiness Investment Forum ESAI organized on January 16 2014 at the Sheraton Addis
- Facilitated negotiations for establishing partnership arrangements with a private sector investor, Mekele University, and Mekele Tissue Culture Laboratory. The negotiation, however, did not bear fruits as the negotiating parties did not reach agreement on how to share the benefits of the resulting partnership.
- Facilitated discussions and explored areas of potential collaborations with MoA, Addis Ababa University, Ethiopia Seed Enterprise, ATA, SBN, C4C, and a number of private investors working in the sesame subsector, etc.



Figure 12: Stakeholder Consultative Meeting on Transform Sesame - Jointly organized by ESAI & EIAR

- **Facilitation of big investments in the Dairy Subsector:** As part of its effort to contribute to the envisaged transformation of the Dairy Subsector, ESAI technically assisted DAL Food and Fonterra to invest in the Ethiopian Dairy Subsector.

DAL Food is the largest Agri-food company in Sudan. ESAI, in collaboration with ATA discussed with the officials of the company and made a presentation on the Ethiopian Dairy Subsector in general and the existing investment potentials in particular. The company has now already decided and making preparations to make big investment in the Ethiopian dairy subsector.

ESAI also assisted Fonterra – an international Dairy Company, to sign equity deal with FFAFA to jointly establish a powder milk manufacturing factory in Ethiopia. ESAI provided information on the dairy subsector, technically advised and linked the company with senior government officials.

- ***In-vitro Heifer Reproduction:*** The use of “in-vitro fertilization” technology has the potential to reproduce a large variety of calves in a very short time frame. ESAI is working to promote the introduction of this new and advanced technology in Ethiopia. Towards this end, in this reporting period:
 - Communications made to initiate relationships with Techno Serve Mozambique and In Vitro Brazil Group to share experiences and to see the possibilities of getting supports.
 - Efforts exerted to initiate a Public-Private Partnership between Holleta Research Centre (HRC), Dairy Business Development Services (DBDS) and ALPPIS to introduce an Embryo Transfer Business in Ethiopia which will improve the genetic make-up of dairy animals in the country. However the initiation did not bear fruit so far. Nevertheless currently DBDS has made great progress in partnering with an Irish In-Vitro company.
- ***Coffee honey business in the international market:*** ESAI is also working to promote Ethiopian Coffee honey in the international market. Though initial project plans to work with Oromia Coffee Farmers Cooperative Union (OCFCU) did not succeeded due to lack of commitment from the part of OCFCU, ESAI is attempting to assist its coffee grower incubatees to produce and market coffee honey (beekeeping on the coffee farms). Towards this end in the reporting period:
 - A one-day training organized on coffee honey production and marketing and two incubatee companies (Babichi Agroforestry PLC and Yerkisho Honey & Beeswax Trading Plc) participated
 - Proposal developed to raise finance for conducting a research on coffee honey product development in Ethiopia and submitted to Fondazione Ernesto Illy (Italy based Foundation). The research is expected to uncover ways of creating international market linkages for Ethiopian coffee honey producers.

4.3.2. Foster learning and advocacy forums to improve business ecosystems

- ***Meeting with the Ethiopian Investment Agency:*** A one to one meeting organized between ESAI and senior officials of the Ethiopian Investment Agency to discuss issues of tariffs imposed on honey and beeswax processing machinery. ESAI brought the issue to the attention of the authorities and afterwards amendments are made to the tariff regulation.
- ***Meeting with Livestock Sector Development State Minister:*** ESAI organized a one to one meeting with Dr Gebregziabher Gebreyohannes, Livestock Sector Development State Minister and other senior officials of the Ministry. Presentation made to familiarize ESAI and the progresses it made so far. Consensus reached to collaborate on several issues including the dairy innovation fund, milk demand stimulation campaign, issues related to pastoral development and business oriented interventions on veterinary services.

- **Subsector advisory board meetings:** 3 subsector board meetings conducted (2 Apiculture and 1 Dairy) and deliberations made on ESAI's progress and issues in the respective subsectors.
- **Participate in advocacy-oriented events:** ESAI Chief and Deputy Chief of parties and Value Chain Coordinators participated in 8 different local and international events. The participations were useful to flag subsector and business related issues of importance.
- **Milk Demand Stimulation Campaign:** To stimulate milk consumption in the country, ESAI is working to organize a "Milk Demand Stimulation Campaign". So far, a strategy and a proposal developed for undertaking a national level campaign and to establish a Multi Stakeholder Platform. Discussion made with the Ministry of Agriculture and consensus reached for the Ministry to play a leading role while ESAI assume a facilitative role. The campaign will be organized in the first half of 2015 in partnership with key stakeholders.

4.4 Project Management Activities

Major project management activities implemented in the reporting period include the development of Incubatee Dropout Guideline, the preparation and ongoing implementation of Local Capacity Development Plan, progress reviews (weekly updates, Monthly Management Reviews, Annual and Biannual Staff Retreats, review of the first two years project implementation), international experience sharing visit to learn from the best experiences of Techno serve's Agri Business Incubation Program in Mozambique, AIDtracker+ & FTFMS online report submission and Project Quarter Report preparation and submission to the USAID.

5. MAJOR CHALLENGES ENCOUNTERED

Major challenges the project encountered in this reporting period are:

- It is not easy for companies to get access for bank loans. To go around this challenge, ESAI explored diversified sources of finance. The project also starts working in partnership with some grant programs (ASPIRE and other USAID programs with grants) and capital goods service providing companies operating in various regions of the country.
- The commitment of some entrepreneurs who were admitted in the incubation program is found to be below the expected level. As this is a major prerequisite for the success of the companies, the project has no choice but to replace these entrepreneurs with new ones who have demonstrable commitments.
- Dispersed locations of project supported companies. The project is supporting 36 companies which are located in 6 regions and 22 zones of the country. This is stretching the projects energy and budget. To go around this challenge, the project is piloting the establishment of sub offices near major production sites. The first sub office is established this year at Gondar to serve major sesame potential areas of North West Ethiopia.
- Some business persons tend to target grant funds. The project is fighting this tendency by creating awareness on private sector mentality and promoting utilization of other finance sources including own source, loan and equity funds.

6. CONCLUSIONS & KEY ACTIVITIES OF THE YEAR 2015

In 2014 ESAI supported a total of 36 companies (24 new and 12 existing). The achievement is 71% above the target value. The variation occurs because the incubate selection process started in the previous year is completed this year and the incubator also admitted additional companies with innovative business ideas which have the potential for creating positive impacts on the envisaged sub-sector transformations. Among ESAI supported companies, 12 incubatees in the Apiculture subsector have already started generating revenue and are ready to graduate from the incubation program. The official graduation ceremony of the companies will be held in the first quarter of 2015. ESAI provided multifaceted incubation services to these companies including: business model and business plan development, access to finance, business competence development, market linkage, access to technologies, hand holding services, business promotion and communication, etc.

ESAI supported companies are addressing different value chain problems, contributing to the creation of direct and indirect job opportunities and hence improved income level, and introducing new technologies and new business models.

Other major results made in 2014 include:

- Leveraged private sector investment of 8.3 Million USD
- The linkages ESAI supported companies created with 8,341 small holder beekeepers
- Successful launching of the Dairy Innovation Fund
- Establishment of 24 new incubatee businesses
- The partnership linkage created with banks and Capital Goods Financing Institutions
- Organization of training programs in 10 key business competency areas to incubatees and existing companies
- Successful organization of the first Agribusiness Investment Forum
- The establishment of an incubation Center at Gondar to serve major sesame growing areas of North West Ethiopia, and
- The meeting organized with the Ethiopian Investment Agency officials and the resulted amendments on the tariffs on honey and beeswax processing machinery.

As 2015 will be the final implementation year for this phase of the project, emphasis will be given to wrap up implementation of ongoing activities and to look for potential sources of funding for the next phase ESAI project which is essential to consolidate the results obtained during the current phase implementation and to scale up the project's innovative experiences to other subsectors of the economy. More specifically the project's efforts in 2015 will gear towards:

- Organizing an official graduation ceremony for incubatees who already started generating revenue
- Working closely with the remaining incubatees to speed up their progress and to enable them to graduate before the completion of this phase of the project

- Finalize the selection of the winners of the Dairy Innovation Fund, organize an official announcing ceremony, and continue providing incubation services to the winners.
- Finalize the selection of incubatees for the Gondar Sesame Incubation program and speed up the provision of incubation services to the selected companies.
- Develop ESAI 2.0 project document and start looking for potential funding sources
- Finalize preparatory works and organize the planed Milk Demand Stimulation Campaign with partner organizations.
- Organize marketing and production technology trainings to out grower farmers working with ESAI supported companies.
- Continue implementing the Local Capacity Development Plan jointly developed with Kaizen
- Document and disseminate the projects experience, lessons learned, and challenges encountered and their potential implications for any future replication or up scaling endeavors

7. Detailed planned activities and achievements

NO	PLANNED ACTIVITIES	ACHIEVEMENTS							
1	Result 1: Running the incubator program								
1.1	Running the incubator and ensure graduation								
1.1.1	Access to Finance	Business plan preparation	36 business plans prepared and refined (15 honey, 13 dairy and 8 sesame)						
		Access to Bank Loans	<p>8 loan applications submitted to Cooperative Bank of Oromia - 4 (Yerkisho, Babichi, Sheka - Nordic, & Matti), Buna Bank - 1 (I Zemen), and Commercial Bank of Ethiopia - 3 (KROTAJ, Sheka - Nordic, & Ememaru), out of which 7 applications are already approved and the companies obtained a total of 31,037,700.00 Birr loan</p> <p>Senior officials of 7 public and private banks invited and gave orientation to incubatees on their credit program and the banks generally agreed to work with ESAI and to support incubatees' projects</p>						
		Access to Grant Programs	<p>19 applications of 15 companies submitted to ASPIRE, FSRE, and LMD grant programs</p> <table border="1"> <tr> <td>ASPIRE</td> <td>9 - Emebet, Yeshi Mar, Yerkisho, Babichi, Dimma, SYE, Ememaru, Dehana, Sheka-Nordic</td> </tr> <tr> <td>FSREF</td> <td>5- Emebet, Jimma Dairy Farm, Ansas, ZT, & HDPD</td> </tr> <tr> <td>LMD</td> <td>5- Jimma Dairy Farm, Ansas, GAPE, SDCU, & HDPD</td> </tr> </table> <p>A total of 8,958,167 Birr grant approved for project supported companies (This excludes the grant obtained from LMD)</p>	ASPIRE	9 - Emebet, Yeshi Mar, Yerkisho, Babichi, Dimma, SYE, Ememaru, Dehana, Sheka-Nordic	FSREF	5- Emebet, Jimma Dairy Farm, Ansas, ZT, & HDPD	LMD	5- Jimma Dairy Farm, Ansas, GAPE, SDCU, & HDPD
		ASPIRE	9 - Emebet, Yeshi Mar, Yerkisho, Babichi, Dimma, SYE, Ememaru, Dehana, Sheka-Nordic						
		FSREF	5- Emebet, Jimma Dairy Farm, Ansas, ZT, & HDPD						
		LMD	5- Jimma Dairy Farm, Ansas, GAPE, SDCU, & HDPD						
		Equity Finance	Equity deal negotiated for K.mikedem (\$576,000). The company signed term sheets with the equity investors.						
		Dairy Innovation Fund	<p>Submission of Initial concept note to Irish Aid in Feb 2014.</p> <p>Official launching of a 520,000 USD Dairy Innovation fund on July 9, 2014.</p> <p>Advertising Concept Note competition through Newspaper and PCI website</p> <p>Screening and selection of 26 concept notes (6 Females) out of the total 56 applicants.</p> <p>Business plan preparation training and one-to-one technical support sessions organized for the initiators of the 26 concept notes.</p> <p>23 applicants (5 females) developed and submitted a full business plan.</p> <p>Conducting due diligence on the 23 applicant companies on progress.</p> <p>Steering Committee established comprising representatives from Ministry of agriculture, Ministry of Industry, USAID, Irish Aid and PCI.</p>						
		Capital Goods Financing (CGF)	<p>A familiarization workshop organized and 24 incubatee and pioneer companies (5 females) participated</p> <p>PCI signed MoU with the five CGF share companies to work in partnership</p>						
		Crowd Funding	A campaign launched through a host platform (INDIEGOGO) and 7,290 USD is raised for Nutri Dense						

Ethiopia Sustainable Agribusiness Incubator (ESAI)

NO	PLANNED ACTIVITIES	ACHIEVEMENTS	
1.1.2	Business registration & licensing	15 companies supported in the area of company registration and licensing (Yerkisho, Babichi, Matti ,Assefa and Kebede, B Honey, Tiget, Lactal Creamery, DAWIAB, Jimma Dairy Farm, BRUNDO International, Ansas Agro Industry, ZT, KROTAJ, Nutri Dense, and MN	
1.1.3	Access to technology	Linkages with technologists	4 companies (Lactal Creamery, Hiwot Dairy farm , Sheka-Nordic, BRUNDO International)
		Linkage with machinery suppliers	6 companies (MN Agro Industrial, Tinbero, Nutri Dense, Yerkisho, Babichi, and Assefa and Kebede Honey and Products PLC)
1.1.4	Improving competence in business	Training programs organized for incubatee and existing companies in 10 different business related topics and 158 company owners and employees (32% females) trained.	
1.1.5	Access to Market	Out grower Schemes facilitation	12 companies in the apiculture subsector assisted to be linked with 8,341 smallholder bee keepers
		Linkage with input suppliers	Linked SYE Agroindustry PLC with Mare Naturals to supply beeswax
			Assisted Babichi & Yerkisho to get 3,853 modern & 750 transitional beehives supplies which is distributed to 1,311 farmers
		Market strategy development	5 companies (Sheka-Nordic, Babichi, I Zemen, Dimma, and Yerkisho) assisted to develop Marketing Strategy
		Output Market	Urban milk distribution models (Milk kiosks and Institutional marketing) developed for SDCU and HDPD
			Facilitated organic certification of 1,100 tons and export of 12 containers sesame
		International market study	Information gathered on New York sesame oil market to assist MN Agro Industrial Development PLC
International Trade Fair participation	With ASPIRE's support, Babichi, Yerkisho, and Sheka-Nordic companies participated in Biofac International Trade Fair. Yerkisho participated in two international trade fairs and already signed contracts to export honey to Germany		
Ethio - Japan B2B Discussion	In collaboration with Ethiopian Embassy in Japan ESAI facilitated a B2B discussion sessions in Tokyo		
1.1.6	Support in Communications and business promotions	Communication Materials	Business communication materials (Promotional video, logos, brochure, label, banner) developed for 9 incubatee companies (SYE Agro Industry PLC, Babichi Agroforestry PLC, Matti Honey and Beeswax Trading PLC, Yerkisho Honey and Beeswax Trading PLC, Assefa and Kebede Honey and Products PLC, Nutri-Dense, Lactal Creamery, DAWIAB, MN Agro Industrial Development)
		Business Cards	Business cards produced for 20 incubatees
		Success Stories	Success stories developed for three incubatee companies (Yerkisho, Babichi, and Lactal Creamery)
		PCI Website	From time to time ESAI promoted project supported companies' businesses on PCI's website
		Forums	Project supported companies' businesses promoted in the Agri Business Investment Forum and other PCI organized events (CEOs Breakfast Forums)

Ethiopia Sustainable Agribusiness Incubator (ESAI)

NO	PLANNED ACTIVITIES	ACHIEVEMENTS	
1.1.7	Providing information and management advisory services	ESAI provided information to existing and potential incubatees on regular basis on various sub-sectoral and business related issues	
1.2	Support development of technological innovations	Sesame raw planter	In partnership with Cooperatives for Change (C4C) and Sesame Business Network (SBN) ESAI is supporting a technologist (Mareg) to develop a sesame raw planter. The technologist developed the first prototype and received feedback from stakeholders.
		Electronic butter churner	A work is also in progress in supporting ZT Dairy Equipment Company to develop an Electric Milk Churner
1.3	Organize Agribusiness Investment Forum	The event was successfully organized on January 16.	
		Twenty incubatees pitched their business ideas at the forum and get opportunities to be linked with potential investors.	
		Four pioneer companies also showcased their products and services.	
		The event attracted wide media coverage and created opportunities for familiarizing ESAI and its objectives.	
		Different organizations showed interest to work with the project (Agri Business Support Facility, C4C, etc.). Potential investors are also attracted to invest in to the three subsectors.	
		Summaries of investment opportunities prepared for sesame, honey and dairy subsectors	
		Project profiles developed for 8 investments (3 sesame, 3 dairy and 2 honey)	
1.4	Decentralized Incubation Program	ESAI Gondar Incubation program office established	
		Official launching program organized to familiarize key stakeholders about the program	
		Preparations completed to initiate a Concept Note competition	
2	Result 2: Support implementation of existing companies' projects		
2.1	Emebet Commercial Beekeeping for Environment - Facilitate linkage with out-grower groups	With ESAI's facilitation support the company:	
		Secured 1,808,134.00 Birr fund from Food Security & Rural Entrepreneurship Fund (1,331,460.00) & ASPIRE (476,674) grant programs.	
		Identified & signed agreement with 382 out-growers, and	
		Established 2 demonstration sites	
2.2	Shilo Trading PLC (Yeshi Mar) - facilitate Linkage with small holder suppliers	In 2014 ESAI technically supported Shilo Trading PLC in terms of:	
		Developing Concept Note & Proposal to access grant from ASPIRE. The company secured 628,000 Birr for purchasing honey purification equipment	
		Identification of 500 out growers to supply honey for the company	
		Preparation of baseline study about the project area, beekeeping in Gedeo zone	

Ethiopia Sustainable Agribusiness Incubator (ESAI)

NO	PLANNED ACTIVITIES	ACHIEVEMENTS
2.3	Dehana Amdework foundation - establishment and capacity building of farmers groups	Through the project's facilitation supports Dehana Amdework achieved the following in 2014:
		Secured 750,00 Birr grant from ASPIRE project
		Identified 600 out growers
		Established demonstration site
		Conducted first round training program to the out grower farmers
2.4	Mare Naturals - Linkage with beeswax suppliers and output markets	Mare Naturals ("Mare") is a US based cosmetics company that manufactures natural beauty products such as lotion, lip balm, and deodorant, using beeswax sourced exclusively from Ethiopia. ESAI is assisting the company to be linked with input (beeswax) suppliers and output markets. In 2014 the company receives ESAI's assistance in terms of:
		Input Supply: Linked with two incubatee companies to get consistent beeswax supply.
		Output Market: Approached local cosmetics shops to hold products of Mare Naturals.
2.5	Beza Mar Agroindustry - linkage with a Mexican company to export its products to USA	In 2014 ESAI:
		Attempted to enable the company to export its products to USA. Communications made with a Mexican packaging and marketing company, Beza Mar sent sample products to the company, and efforts made to facilitate negotiations between the two companies. The process is slow and no tangible results are obtained so far
		Is assisting the company to potentially access financial support from the Ethiopian Competitiveness Fund (ECF)
2.6	ALPIS - Company franchising model development	The plan to support ALPPIS to develop a franchise business model is not materialized due to a strategy shift from the part of the company. Instead, the company is working to develop a distribution model. ESAI supported the company to partner with Lactal Creamery and Ansas Agro Industry.
2.7	Ethio-feeds - Company franchising model development	ESAI is supporting Ethio Feeds' innovative initiative of producing affordable animal feed utilizing locally available raw materials through a franchising arrangement which involves local youth and entrepreneurs. In 2014 the project provided supports in the following specific areas:
		Development of a franchise guideline
		Selection of appropriate sites: Bako, Mehoni and Wonji
		Facilitation of negotiation with franchisees: Ratson, Wonji Sugar Factory, and Ano Agro Industry
		Business plan development for all franchisee locations
		Selection of feed machinery supplier
Concept Note development and feasibility studies to compete for LMD Fund		

Ethiopia Sustainable Agribusiness Incubator (ESAI)

NO	PLANNED ACTIVITIES	ACHIEVEMENTS	
2.8	Selale Dairy Cooperatives Union (SDCU) and Hirut Dairy Products Distribution (HDPD) – Urban Milk Distribution Models	To alleviate the existing challenges related to milk supply and demand mismatch, a new business model was planned to be jointly implemented by SDCU and HDPD which involves the introduction of a new urban milk distribution system by establishing milk kiosks in selected locations of Addis Ababa. The planned partnership between SDCU and HDPD had failed due to a legal restriction which prohibits cooperative unions from forming business partnerships with private enterprises.	
		ESAI, therefore, is supporting both organizations to pursue separate business models. HDPD is pursuing the milk distribution kiosks initiative while SDCU is assisted to develop a new business model involving institutional markets.	
		The institutional marketing business model involves the provision of space for female students to sell dairy products in university/college compounds (small kiosks) while the farmer organization (SDCU) will deliver the products to the selected female students at a reasonable price to help them make a good profit.	
		Specific ESAI supports made to facilitate the implementation of these two business models include:	
		Milk distribution kiosks (HDPD)	Discussions with Addis Ababa Small and Micro Enterprises Agency to facilitate the allocation of Kiosks for the company. MOU signed with the Agency.
			Meeting with seven Condominium Administration offices
			Development of financial model for the milk distribution kiosks
		Institutional milk marketing (SDCU)	With the project's facilitation support the union secured finance from LMD 2nd round Grant Program
			Development of the business model
Selection of institutions with potentials for collaboration			
Communicate and facilitate discussions with the selected institutions: Kotebe, Addis Ababa, Civil Service, Unity and St. Mary universities.			
2.9	BRUNDO International - Food processing and export to US markets	ESAI supported the company in the following areas:	
		Linkage with a local technologist to develop processing technology and to produce the manufacturing plant	
		Linked with up to 300 Small Holder Women farmers through three Self Help Community Based Institutions (Alem Birhan, Ymenz Tesfa and Abdi Boru) to supply butter as a raw material for the company's spiced butter export business	
		Linkage with government offices including: Standards Authority and Food, Beverages, and Pharmaceuticals Institute	
		Employee recruitment and preparation of Job Descriptions	
2.10.	Dimma Beekeeping Development and Honey Processing PLC – Market Strategy Development	ESAI supported the company to prepare:	
		Company Market Strategy and	
		Concept Note and proposal for grant request from ASPIRE	

Ethiopia Sustainable Agribusiness Incubator (ESAI)

NO	PLANNED ACTIVITIES	ACHIEVEMENTS
2.11	Support Nuru Social Enterprises to invest in Ethiopia	Linked the company with one project incubatee company (Yerkisho) & the two are finalizing an equity investment deal.
		The company is also started negotiating an equity deal with another project supported company (Ethio Feeds)
3	Result 3: Contribute to industry-wide incubation	
3.1	Identify & support initiatives with high potentials for subsectors' transformation	
3.1.1	Support the implementation of Transform - Sesame	Various efforts were made to find partners for the transform-Sesame business which has the potential to transform the sesame subsector by increasing yield level many folds and alleviating seed shattering problem.
		Earlier negotiations with Mekele University, Mekele Tissue Culture Laboratory and one private investor did not succeeded and caused delays in subsequent planned activities.
		Other contacted potential partners including the Ministry of Agriculture, Addis Ababa University, Ethiopian Institute of Agricultural Research, and Ethiopian Seed Enterprise expressed their willingness to contribute to this initiative.
		ESAI is facilitating the signing of MoU between Bio T ² (the initiator of the project) and the Ministry of Agriculture to partner in the area of biotechnology. MoU drafted for partnership with the Ministry of Agriculture. A new proposal developed with the objective of transforming sesame, tef and maize seeds using biotechnology methods. The ministry refereed the proposal to EIAR. The project is still awaiting the responses of EIAR which is taking longer than expected.
3.1.2	Promote In Vitro Heifer reproduction	Communications made to initiate relationships with Techno Serve Mozambique and In Vitro Brazil Group to share experiences and to see the possibilities of getting supports.
		Effort was also made to initiate a Public-Private Partnership between Holleta Research Centre (HRC), Dairy Business Development Services (DBDS) and ALPPIS to introduce an Embryo Transfer Business in Ethiopia which will improve the genetic make-up of dairy animals in the country. However the initiation did not bear fruit so far. Nevertheless currently DBDS has made great progress in partnering with an Irish In-Vitro company.
3.1.3	Promote coffee honey business in the international market	Initial project plans to work with Oromia Coffee Farmers Cooperative Union (OCFCU) to promote coffee honey in the international market did not succeeded due to lack of commitment from the part of OCFCU.
		ESAI is working to adopt a new approach to enable 3 coffee grower incubatees to produce and market coffee honey (beekeeping on the coffee farms). Towards this end the following achievements made in the reporting period:
		A one-day training organized on coffee honey production and marketing and two incubatee companies (Babichi Agroforestry PLC and Yerkisho Honey & Beeswax Trading Plc) participated
		Proposal developed to raise finance for conducting a research on coffee honey product development in Ethiopia and submitted to Fondazione Ernesto Illy (Italy based Foundation). The research is expected to uncover ways of creating international market linkages for Ethiopian coffee honey producers

Ethiopia Sustainable Agribusiness Incubator (ESAI)

NO	PLANNED ACTIVITIES	ACHIEVEMENTS										
3.1.5	Fonterra – Equity deal with FAFA	ESAI provided information on the dairy subsector, technically advised and linked the company with senior government officials to assist it to make decisions to sign an equity deal with FAFA to jointly undertake a milk powder production business										
3.1.6	DAL Food – investment in the Ethiopian Dairy Subsector	The company is a major player in the Sudanese Dairy Subsector. ESAI, in collaboration with ATA discussed with the officials of the company and made a presentation on the Ethiopian Dairy Subsector in general and the existing investment potentials in particular. The company has now already made the decision to invest in Ethiopia.										
3.2	Foster learning and advocacy forums to improve business ecosystems											
3.2.1	Organize planned meetings with government officials (on carefully selected advocacy issues)	Meeting with Livestock Sector Development State Minister Dr, Gebregziabher Gebreyohannes and other senior officials of the Ministry. A one to one meeting organized between ESAI and senior officials of the Ethiopian Investment Agency to discuss issues of tariffs imposed on honey and beeswax processing machinery. ESAI brought the issue to the attention of the authorities and afterwards amendments are made to the tariff regulation										
3.2.2	Subsector advisory board meetings	3 subsector board meetings conducted (2 honey and 1 dairy) and deliberations made on ESAI's progress and subsectoral issues.										
3.2.3	Participate in advocacy related events	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td rowspan="4" style="background-color: #c00000; color: white; text-align: center; vertical-align: middle;">Participated in and made presentations on:</td> <td>African incubators network (South Africa): Presentation on ESAI's experience</td> </tr> <tr> <td>Ethiopian Society of Animal Production - Annual conference. Presentation on: "Dairy in the Cross Road – What Does it cost to Transform Dairy in Ethiopia".</td> </tr> <tr> <td>Ethiopian Society of Rural Development and Agricultural Extension Business Solution to Value Chain Problem; Learning from the first Agribusiness Incubator in Ethiopia.</td> </tr> <tr> <td>SBN Sesame National Stakeholders meeting (Gondar): Presentation on ESAI's experience</td> </tr> <tr> <td rowspan="4" style="background-color: #c00000; color: white; text-align: center; vertical-align: middle;">Participated in:</td> <td>ATA/ICRISAT organized w/shop on incubator models</td> </tr> <tr> <td>CIMMYT organized w/shop on quality protein maize and school feeding,</td> </tr> <tr> <td>Cooperatives Day organized in Dire Dawa,</td> </tr> <tr> <td>C4C Sesame Business Cluster W/shop</td> </tr> </table>	Participated in and made presentations on:	African incubators network (South Africa): Presentation on ESAI's experience	Ethiopian Society of Animal Production - Annual conference. Presentation on: "Dairy in the Cross Road – What Does it cost to Transform Dairy in Ethiopia".	Ethiopian Society of Rural Development and Agricultural Extension Business Solution to Value Chain Problem; Learning from the first Agribusiness Incubator in Ethiopia.	SBN Sesame National Stakeholders meeting (Gondar): Presentation on ESAI's experience	Participated in:	ATA/ICRISAT organized w/shop on incubator models	CIMMYT organized w/shop on quality protein maize and school feeding,	Cooperatives Day organized in Dire Dawa,	C4C Sesame Business Cluster W/shop
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	Ethiopian Society of Rural Development and Agricultural Extension Business Solution to Value Chain Problem; Learning from the first Agribusiness Incubator in Ethiopia.											
	SBN Sesame National Stakeholders meeting (Gondar): Presentation on ESAI's experience											
Participated in:	ATA/ICRISAT organized w/shop on incubator models											
	CIMMYT organized w/shop on quality protein maize and school feeding,											
	Cooperatives Day organized in Dire Dawa,											
	C4C Sesame Business Cluster W/shop											
3.2.4	Organize "Milk Demand Stimulation Campaign"	Strategy and a proposal developed for undertaking a national level campaign and to establish a Multi Stakeholder Platform. Discussion made with the Ministry of Agriculture and consensus reached for the Ministry to play a leading role while ESAI assume a facilitative role.										
4	Project Management											
4.1	Incubatee dropout guideline	Incubatee dropout guideline developed to enhance the transparency of the incubation system by clarifying the basis for termination and the procedures that should be followed before making a decision to terminate an incubatee from the incubation program										
4.2	Local Capacity Development	ESAI M&E plan developed and approved by USAID Marking and Branding plan developed and approved										

Ethiopia Sustainable Agribusiness Incubator (ESAI)

NO	PLANNED ACTIVITIES	ACHIEVEMENTS	
		Field oversight plan developed and being implemented	
4.3	AIDtracker+ & FTFMS reporting	Successfully uploaded 2014 data to the AIDtracker+ and FTFMS online reporting systems	
4.4	Progress Reviews	Weekly updates	"Monday Morning Updating Meetings" every week to abreast organization's staff with project implementation status
		Monthly Management Reviews	Project progresses are reviewed at the end of each month at organizational level management meetings
		Staff Retreats	Annual & Mid Term staff retreats organized to review progress and discuss on the following six months plan
		Progress review	ESAI reviewed its first two years performance through internal staff and ETG
4.5	International Experience Sharing Visit	ESAI Chief and Deputy Chief of Parties made experience visit to Mozambique to learn from the best experiences of Techno Serve's Agri Business Incubation Program	
4.6	Project Quarter Reports	3 Quarterly Reports prepared and submitted to USAID	