**A Proposal for USAID:**

Advancing Cooperative bank of Oromia DxValley Incubation Center.

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**Driving Innovation and Economic Development through DxValley Incubation Center: A Comprehensive Proposal for USAID to Catalyze Entrepreneurship, Foster Sustainable Growth, and Empower Communities via Coop Bank's Innovation Hub**

**SUMMARY**

The proposal seeks USAID's partnership to strengthen the DxValley Incubation Center, a key initiative under Cooperative Bank of Oromia’s DxValley innovation lab. Opened two years ago, DxValley fosters innovation, entrepreneurship, and digital transformation. The incubation center aims to nurture startups and empower local entrepreneurs by providing resources, mentorship, and access to Coop Bank’s extensive network. USAID’s involvement will help scale the center’s impact on Ethiopia’s innovation ecosystem, with a specific focus on sustainability, financial inclusion, and supporting MSMEs.

**IMPACT**

**Economic Development**: Boost local economies through job creation and new business opportunities.

**Entrepreneur Empowerment:** particularly those in underserved communities, will gain access to capital, training, and networks that accelerate their business growth.

**Sustainable Innovation:** Promote solutions focused on sustainability, agriculture, and digital transformation.

**Financial Inclusion:** Through tailored financial products and innovation, the center will contribute to improving access to finance, particularly for MSMEs and cooperatives in the agricultural sector.

**Partnerships:** USAID’s backing will not only provide funding but also facilitate collaboration with government agencies, NGOs, and other stakeholders to amplify the center's reach and impact.

**KEY CONSIDERATIONS**

**Alignment with USAID**: Emphasize shared goals of community empowerment, sustainable development, and rural entrepreneurship.

**Scalability and Sustainability**: Highlight the center's potential for growth and long-term viability through strategic partnerships.

**Capacity Building:** Showcase how the center will foster local talent and innovation to strengthen Ethiopia's entrepreneurial ecosystem.

**INTRODUCTION**

Cooperative Bank of Oromia (Coop Bank) has a long history of serving Ethiopia’s most underserved communities, with a mission centered around empowering people and transforming lives through financial inclusion and sustainability. Over the years, the bank has demonstrated its commitment through innovative digital products, particularly **Michu**, a groundbreaking digital lending platform that has become a cornerstone in supporting **MSMEs**. Building on this success, Coop Bank launched an **Innovation Lab** two years ago to encourage innovation, experimentation, partnerships, and now aims to take its impact even further with the establishment of the **DxValley Incubation Center**.

The DxValley Incubation Center seeks USAID’s support to expand its envisioned programs focused on:

1. **Early-Stage Startups**: Fostering innovation in AgriTech, Fintech, and MSMEs with an emphasis on sustainability and climate resilience.
2. **MSME Growth Program**: Scaling businesses that use Coop Bank’s digital products, including **Michu**, to enhance sustainability and growth.

This proposal aligns with USAID’s goals of fostering inclusive economic growth and building climate resilience in vulnerable communities.

**Commitment to Innovation**

**Establishment of the Innovation Lab and Partnerships**

Two years ago, Coop Bank took a significant step toward fostering innovation by opening its **Innovation Lab**-**DxValley**, a space dedicated to internal innovation, experimentation, and the co-creation of new financial products and services. The lab has been instrumental in:

* **Encouraging partnerships** with Fintech startups, AgriTech innovators, and government bodies.
* **Developing new financial solutions** that target Small Businesses, smallholding farmers and cooperatives, enabling them to adapt to digital solutions and access essential financial tools.
* **Testing and piloting** new concepts, including data-driven financing and co-created solutions for low-income and rural communities.

The bank’s **Innovation Lab** laid the groundwork for the creation of the **DxValley Incubation Center**, Coop Bank’s next phase of supporting sustainable business growth and innovation.

**Moving to the Incubation Center – DxValley**

Building on the success of the Innovation Lab, Coop Bank is expanding its impact through the establishment of **DxValley-Incubation center** designed to support startups and MSMEs. DxValley is focused on addressing key challenges in the sectors of digital financial inclusion, agriculture and sustainable farming and climate resilience.

**Expected Impact:**

* Foster innovation in the agricultural and Fintech sectors, diriving solutions that increase financial inclusion and sustainability.
* Create a new generation of businesses that are prepared to scale wile addressing sustainability challenges.

The incubation center will foster a new generation of businesses that are equipped to thrive in a rapidly changing economic and environmental landscape. With USAID’s support, the incubation center will help startups and MSMEs scale their businesses, adopt sustainable practices, and contribute to Ethiopia’s economic and environmental resilience.

**PROGRAMS**

**Program 1: Early-Stage Startup Support**

### **Program Objective**

This program supports early-stage startups in **Fintech**, **AgriTech**, and **MSME sectors**. The program will provide entrepreneurs with the resources and mentorship needed to turn their ideas into scalable, impactful businesses that align with Coop Bank’s broader mission of transforming lives through financial inclusion and sustainable development.

### **Key Activities:**

* **Mentorship & Training**: Mentors from the banking, technology, and agricultural sectors will guide startups in developing sustainable business models, focusing on climate-smart solutions and financial inclusion technologies.
* **Seed Funding**: Startups will have access to grants that enable them to pilot their ideas, refine prototypes, and test solutions in real-world settings.
* **Technology Access**: Startups will benefit from the latest data-driven tools, such as XXXXXXXXX, geospatial analysis for agriculture, to develop sustainable solutions for farmers and rural communities.
* **Workshops & Networking**: The program will host workshops focused on entrepreneur leadership, digital transformation, sustainable farming, and climate resilience, as well as networking events to connect startups with potential investors and partners.

**Program 2: MSME Growth Program**

### **Program Objective**

The MSME Growth Program is designed to help micro, small, and medium-sized enterprises (MSMEs) that have utilized Coop Bank’s digital financial products, such as **Michu**, scale their businesses. The program aims to provide these enterprises with the necessary tools, resources, and mentorship to enhance their growth potential, improve operational efficiency, and create scalable, sustainable business models that can adapt to changing market demands.

**Expected Impact:**

**Scalable Business Models**: Help MSMEs evolve from small-scale operations into scalable businesses capable of expanding beyond their current markets and product offerings.

**Improved Operational Efficiency**: Equip MSMEs with the skills and tools to improve their internal processes, reduce costs, and increase productivity, allowing them to operate more efficiently and profitably.

**Enhanced Market Reach**: Provide MSMEs with access to new markets and networks, enabling them to expand their customer base and grow their revenue.

**Job Creation**: As MSMEs grow, they will contribute to job creation in their local communities, driving economic growth and improving livelihoods.

### **Key Activities:**

* **Business Development Training & Workshops:** MSMEs will benefit from training programs focused on core business skills such as financial management, digital marketing, customer acquisition, and operational efficiency. These workshops will enable businesses to streamline their processes and position themselves for long-term success.
* **Mentorship for Business Growth:** Each MSME will be paired with experienced mentors from relevant industries who can provide personalized guidance on scaling their operations. Mentors will help MSMEs identify growth opportunities, navigate business challenges, and refine their business strategies to ensure long-term sustainability in the marketplace.
* **Market Access and Networking**: The program will facilitate connections between MSMEs and new markets, both domestically and internationally. This includes providing access to supply chains, distributors, and customers, enabling businesses to broaden their customer base and grow their revenue streams. Networking opportunities with industry leaders, potential investors, and partners will also be a key focus of the program.
* **Business Scaling Support**: The program will help MSMEs develop business models that are not only profitable but also scalable. By refining their operations, exploring new product lines or services, and expanding to new markets, MSMEs will be better equipped to transition from small enterprises into medium-sized businesses with the potential for further growth.
* **Access to Growth Financing**: The program will offer tailored financial products to support MSMEs in their growth journey. This includes access to larger financing options such as term loans, asset financing, and working capital that can help businesses expand their operations, invest in new technologies, and increase productivity.

## Strategic Alignment with USAID’s Mission

Coop Bank’s journey—from establishing a bank focused on cooperative principles, to developing disruptive digital lifeline for financial inclusion / MSMEs, to now creating DxValley Incubation Center—demonstrates a deep commitment to community empowerment, sustainability, and innovation. Our goals align closely with USAID’s mission to foster sustainable economic growth, build climate resilience, and empower vulnerable communities.

By supporting DxValley, USAID will contribute to:

1. **Building Resilience**: Helping MSMEs and startups develop the tools needed to withstand climate and economic shocks, ensuring long-term sustainability.
2. **Encouraging Innovation**: Supporting climate-smart innovations and sustainable financial solutions that enhance community resilience and financial inclusion.
3. **Promoting Inclusive Economic Growth**: Empowering Ethiopia’s most vulnerable populations by providing them with access to financial tools, mentorship, and resources to grow their businesses.

**USAID’s Role**: USAID’s connections to global tech firms can help facilitate partnerships that ensure the incubation center has access to the latest digital tools and resources.

Cooperative Bank of Oromia has consistently focused on empowering Ethiopia’s communities through innovative financial solutions and sustainable agricultural practices. With the establishment of the DxValley Incubation Center, the bank is poised to take its mission to the next level—driving innovation, fostering enterpreners and scaling MSMEs to become leaders in their industry.

Through this collaboration here’s how USAID’s support can foster these key partnerships, ensuring the success of the programs and promoting sustainable innovation and growth.

## Proposal - Key Partnerships Required for Success

To realize the full potential of the **DxValley Incubation Center**, strategic partnerships across several sectors will be critical. USAID’s involvement can play a catalytic role in establishing these collaborations, helping the center access the necessary expertise, resources, and networks to scale its impact. These partnerships will be pivotal in driving innovation, ensuring regulatory compliance, and fostering sustainable development in line with Coop Bank’s goals and USAID’s mission.

### 1. **Tech and Infrastructure Partners**

**Collaboration with technology companies** is essential for providing the technical foundation that the startups and MSMEs in the DxValley Incubation Center will require. USAID’s support can help establish partnerships with:

* **Cloud service providers** to offer scalable infrastructure solutions that allow businesses to manage their operations digitally and efficiently.
* **Cybersecurity firms** to ensure that digital financial products like Michu and other fintech solutions maintain the highest standards of data security and regulatory compliance.
* **Payment gateway providers** to facilitate seamless transactions for startups and MSMEs, enabling them to grow their customer base by through digital payments in both local and international markets.

### 2. Academic Institutions

Establishing relationships with **local and international universities** will provide a steady pipeline of talent, research support, and innovation potential for the incubation center. These collaborations could focus on:

* **Joint research projects** that explore climate-smart agricultural solutions, fintech innovations, or sustainable business models.
* **Innovation support** through hackathons and innovation challenges hosted in collaboration with universities, attracting students and researchers to work on real-world problems.
* **Talent pipelines** that offer internships or career opportunities for graduates in relevant fields, ensuring a strong base of local expertise.

**USAID’s Role**: USAID can leverage its connections with academic institutions worldwide to foster joint projects that drive innovation, research, and talent development.

### 3. Venture Capital and Angel Investors

The success of both early-stage startups and MSMEs will depend heavily on access to **funding opportunities**. Partnering with **venture capital (VC) firms** and **angel investors** will provide:

* **Early-stage funding** to help startups develop prototypes, test market readiness, and scale their innovations.
* **Financial mentorship** that guides entrepreneurs on how to structure their businesses, attract investors, and manage growth effectively.

**USAID’s Role:** USAID can help establish networks and relationships with VC and angel investor groups, both locally and internationally, to provide startups and MSMEs with critical funding and mentorship opportunities. This will not only ensure that businesses at DxValley have the financial backing needed to grow but also create an ecosystem where entrepreneurs are guided by experienced investors who can help them navigate the challenges of scaling sustainably.

### 4. Government and Regulatory Bodies

Partnering with **government agencies** and **regulatory bodies** is crucial for ensuring that the startups and MSMEs at DxValley comply with national laws and regulations, particularly those related to financial services, digital innovation, and environmental sustainability. Key areas of focus include:

**USAID’s Role:** USAID’s global reach and existing relationships with international incubators and development organizations will be vital in helping Coop Bank build these connections, facilitating cross-border investments and international scalability for DxValley’s startups and MSMEs.

* **Regulatory compliance**: Helping startups navigate the financial and agricultural regulatory landscape, ensuring adherence to local and international standards.
* **Access to grants and public funding**: By working closely with government innovation bodies, the incubation center can access public funds aimed at fostering entrepreneurship, sustainable farming, and digital financial inclusion.
* **Leverage regulatory sandboxes**: These allow startups to test innovative solutions under the supervision of regulators without facing the usual compliance burdens, speeding up the development of new products and services.

**USAID’s Role**: With USAID’s support, Coop Bank can form strategic alliances with government bodies, smoothing regulatory processes and gaining access to public funding programs that can boost the incubation center’s efforts.

**USAID’s Role:** USAID’s backing can facilitate these partnerships by connecting Coop Bank and DxValley with potential industry partners, allowing startups and MSMEs to benefit from corporate resources, expertise, and networks.

### 5. International Incubators and Networks

Forming alliances with **global incubators** and **startup networks** will provide knowledge exchange opportunities, potential co-investments, and access to international markets. These partnerships can:

* Facilitate the exchange of best practices, tools, and frameworks used in international startup ecosystems.
* Help startups at DxValley access **international market** entry programs, enabling them to scale beyond Ethiopia and tap into global customers and investors.
* Enable **co-investment opportunities** where global incubators and VC firms can invest in promising startups alongside local investors.

### 6. Corporate and Industry Collaborations

Partnerships with other banks, fintech companies, agricultural enterprises, and corporates **are crucial for co-developing products and solutions that address industry-specific challenges.** Collaborations could focus on:

* **Co-creating financial products** for underserved communities, such as innovative loan products for farmers or digital payment systems tailored to rural markets.
* **Hosting challenges and hackathons** that allow startups to work on real-world problems presented by partners, encouraging collaboration and innovation.
* **Pilot projects** that provide startups with opportunities to test their solutions in real business environments, scaling them in partnership with industry players.

## Conclusion

By facilitating these strategic partnerships, USAID’s support will amplify the impact of Coop Bank’s DxValley Incubation Center, fostering a thriving ecosystem where startups and MSMEs can grow sustainably, innovate effectively, and contribute meaningfully to Ethiopia’s economic development. These collaborations will ensure that entrepreneurs have the technical, financial, and regulatory support they need to succeed, while promoting sustainable practices that align with global climate and economic resilience goals.

## Strategic Framework for Growth: A Synergistic Incubation Approach to Scaling Startups and MSMEs

The **DxValley Incubation Center** strategic approach an experment by itself is that integrates the distinct needs of **early-stage startups** and **micro, small, and medium enterprises (MSMEs)** into a comprehensive, synergistic program. This model, which features **two 6-month batches per year**, is designed to promote mutual growth, innovation, and scalability by fostering collaboration between these two groups. By offering tailored mentorship, financial support, and market access, the incubation center creates a dynamic ecosystem where both startups and MSMEs can learn from each other, leverage each other’s services, and scale more effectively. This approach ensures that both groups emerge stronger, more resilient, and better positioned to contribute to the broader economic landscape of Ethiopia.

### Key Points of the Program

* **6-Month Program Duration**: Provides the optimal timeframe for startups to prototype and test ideas, and for MSMEs to implement operational improvements and growth strategies.
* **Cross-Learning Environment**: Startups and MSMEs collaborate, with startups benefiting from MSMEs’ operational insights and MSMEs adopting innovative solutions from startups.
* **Balanced Cohort Size**: Each batch includes 5 startups and 8 MSMEs, allowing tailored mentorship and cross-industry learning without overwhelming resources.
* **Mutual Growth**: MSMEs can adopt tech solutions from startups, while startups gain access to MSMEs as first clients or testers, accelerating mutual development.
* **Scalable Business Models**: The program helps both startups and MSMEs refine operations, expand market reach, and create sustainable, scalable businesses.

**Program Structure Overview**

This approach operates on a **two-batch annual cycle**, with each batch running for a **6-month period**. Each batch supports **5 early-stage startups** and **8 MSMEs**, totaling **10 startups** and **16 MSMEs** per year. The program is divided into two key streams: **Program 1** focuses on nurturing early-stage startups by providing them with seed funding, tailored mentorship, and market access, while **Program 2** supports MSMEs in scaling their operations through growth financing, business development training, and strategic partnerships. This balanced cohort size ensures that both startups and MSMEs receive individualized support while fostering cross-sector collaboration, enhancing the overall impact of the program.

## Funding and Resource

The required funding will cover operational costs, training, mentorship, seed funding, market linkage activities, and other essential services required to run the **Early-Stage Startup Support Program** and the **MSME Growth Program** effectively. A three-year budget ensures consistency, allowing time for proper evaluation, adjustment, and scalability. This budget is designed to be **renewable each year**, with room for iteration based on performance, key learnings, and the specific needs of the startups and MSMEs in each cohort.

The **Key Performance Indicators (KPIs)** will be developed collaboratively between the **DxValley Incubation Center** and **USAID** to ensure the programs deliver measurable impact aligned with USAID’s goals of fostering innovation and inclusive growth.

## Key Performance Indicators (KPIs)

The KPIs for evaluating the success of the programs will be developed in collaboration with Coop Bank DxValley, and USAID. Potential KPIs may include:

* **Number of businesses scaled**: Track the number of startups and MSMEs that successfully scale and increase their revenue.
* **Jobs created**: Measure the number of jobs generated by the businesses supported through the programs.
* **Funding raised**: Track how much additional funding (from external sources) startups and MSMEs are able to secure post-incubation.
* **Market expansion**: Number of businesses entering new markets (domestic or international) or expanding their customer base.
* **Revenue growth**: Measure the percentage increase in revenue for supported businesses.

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| Area | Requested Funding | Details |
| Seed Funding for Startups | $XXX,XXX | Grants for early-stage startups innovating in ….. |
| Growth Financing for MSMEs | $XXX,XXX | Financing support for MSMEs scaling their businesses and adopting sustainable practices. |
| Capacity Building & Mentorship | $XXX,XXX | Workshops, training sessions, and mentorship programs for both programs. |
| Program Administration | $XXX,XXX | Operational support for running the programs. |

Total: $X,XXX,XXX