FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

STARTUP ECOSYSTEM DEVELOPMENT POLICY DOCUMENT (FIRST DRAFT)

Developed By: Startup Ethiopia Ministerial Committee Technical Team

Addis Ababa, Ethiopia

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Notice: This document is released for public consultation to supplement the draft Startup Proclamation. The document should not be considered as the final Government of Ethiopia policy position.

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Executive Summary

The "Startup Ecosystem Development Policy Document" outlines a strategic framework for fostering a robust startup ecosystem in Ethiopia. Recognizing the critical role startups play in economic growth, job creation, and innovation, this policy addresses the pressing challenges faced by founders, including underdeveloped startup culture, funding gaps, and inadequate support systems.

At the heart of this policy document is the concept of the "Eureka moment," symbolizing the transformational insights that lead to groundbreaking entrepreneurial ideas. The ahh moment in an entrepreneurial mindset, a sudden realization, inspiration, insight, recognition, or comprehension of an idea worth pursuing. This policy emphasizes that innovation thrives on these moments, and it seeks to create an environment where such creativity can flourish.

The policy primarily aims to enhance Ethiopia's startup ecosystem through several key measures. It defines startups clearly and introduces a designation framework for targeted support. A stage-based approach provides tailored incentives from ideation to unicorn status. A National Digital Startup Portal will centralize resources and streamline processes. The Startup Grant Program offers financial aid for early-stage startups. The Credit Guarantee Scheme (CGS) supports high-risk ventures by guaranteeing loans. The Fund of Funds Structure pools resources from both government and private sectors for capital at different growth stages. Capacity building efforts will train founders and attract foreign startups and talent by minimizing entry barriers.

The document also recognizes the potential of foreign startups and aims to attract foreign startups and skilled employee, and ecosystem builders by minimizing barriers to entry to enhance the overall competitiveness of Ethiopia's startup landscape.

Despite the ambitious aims of this policy, it acknowledges existing challenges, such as inadequate infrastructure, lack of skilled manpower, and coordination failures among stakeholders. The establishment of a National Digital transformation Council, composed of key ministerial stakeholders, will facilitate inter-ministerial coordination and ensure comprehensive support for

the startup ecosystem. Furthermore, this document also indicates the strategic considerations to effectively implement the policy initiatives and enhance the performance of startups and ecosystem builders.

This Policy document aims to serve as a comprehensive roadmap for creating a vibrant entrepreneurial landscape in Ethiopia by addressing critical issues and fostering a culture of innovation. The policy aims to enhance the startup ecosystem, drive economic progress, and position Ethiopia as a competitive player in the global market. Continuous evaluation and stakeholder engagement will be vital to ensuring the policy's effectiveness and adaptability to emerging trends and challenges. Through these concerted efforts, Ethiopia can transition into a dynamic economy characterized by innovation, resilience, and sustainable growth where every Eureka moment can have the potential to be born and have the opportunity to be transformed into a global unicorn.

Chapter One

1. Introduction

In the realm of innovation and entrepreneurship, the journey from inception to success often begins with a singular moment of insight—the "*Eureka* moment." This phrase, immortalized by the ancient Greek scholar Archimedes, symbolizes the instant when a profound discovery or realization strikes, illuminating the path forward amidst uncertainty and possibility.

As the story goes, Archimedes, grappling with a problem set by King Hiero II of Syracuse, experienced this moment of revelation while immersing himself in a bath. As he observed the displacement of water from the bathtub into the ground as he enters into the bathtub and realized its significance as it pertains to measuring the density of an object, he reportedly exclaimed "*Eureka*!"—Greek for "I have found it!" This exclamation encapsulates the essence of creativity and discovery, marking the genesis of countless ideas that have shaped human progress throughout history.

Today, the spirit of "Eureka" resonates deeply within the startup ecosystem. Entrepreneurs and innovators experience their own *Eureka* moments—moments of clarity and inspiration that spark the genesis of groundbreaking ideas. These ideas, often born out of identifying unmet needs, solving pressing challenges, or envisioning novel solutions, serve as the lifeblood of startups. They represent the initial spark that ignites a journey toward creating value, disrupting industries, and potentially achieving the coveted status of a unicorn—a startup valued at over one billion dollars.

In exploring the synergy between "*Eureka* moments" and startup ideas, we uncover a fundamental truth: innovation thrives on moments of profound insight. The *Eureka* moment represents the genesis of entrepreneurial endeavors, where a seemingly ordinary observation or realization transforms into a visionary concept with the potential to disrupt markets and drive economic growth. By tracing the lineage from Archimedes' legendary discovery to modern-day startup success stories, we attempt to illustrate how these moments of clarity serve as the foundational pillars upon which innovative enterprises are built. They not only inspire the initial spark of an idea but also provide the motivation and drive necessary to navigate the challenges of entrepreneurial ventures.

Moreover, linking "*Eureka* moments" with startup ideas underscores the significance of fostering environments that cultivate creativity and support nascent innovation. By understanding and harnessing these pivotal moments, policymakers can design and implement targeted incentives and support mechanisms that empower entrepreneurs to transform their visionary ideas into tangible realities. This symbiotic relationship between *Eureka* moments and startup ideas thus becomes crucial in shaping vibrant startup ecosystems, where every idea flourish, barriers to entry diminish, and economic prosperity thrives.

Therefore, this document aims to capture the journey of every startup incapsulated in a framing titled "From *Eureka* to *Unicorn*," where we navigate through the stages of startup growth, exploring how incentives and support systems facilitate this journey from ideation to achieving unicorn status.

1.1. Background of Startup Ecosystem

Over the past decade, Ethiopia's Startup ecosystem has experienced significant growth, driven by increased involvement from the government, development partners, and the private sector. A significant driver of this progress has been the government's commitment to economic growth through entrepreneurship. In 2019, the introduction of the Homegrown Economic Reform (HGER) program emphasized entrepreneurship as a key component for economic advancement, leading to the implementation of various supportive policies, programs, and initiatives. Assessment by the Ministry of Innovation and Technology (MInT) and the Japan International Cooperation Agency

(JICA) indicates that Addis Ababa has become a central hub for the country's startup scene, with 97% of Ethiopian startups based there (Startup Blink, 2021).

Despite the promising prospects offered by a young and dynamic population, increasing government support, and active involvement of development agencies, Ethiopia's startup ecosystem remains in its nascent stages and faces considerable challenges. These include a lack of clarity on what constitutes a startup, an underdeveloped startup culture, market acceptance risks, funding barriers, market access issues, regulatory complexities, and a shortage of skilled manpower, experienced mentors, and ecosystem builders. The following section will highlight these challenges and prospects in detail.

1.1.1. Challenges in the Ethiopian Startup Ecosystem

One of the primary challenges faced by Ethiopian startups is the lack of clarity regarding what constitutes a "startup." The absence of a universally accepted definition has led to confusion among entrepreneurs, investors, and policymakers, which further complicates access to funding, resources, and support programs. This ambiguity not only affects the startups themselves but also hinders the development of targeted policies and programs necessary for ecosystem building (World Bank, 2020).

The absence of a well-defined institutional and regulatory framework poses significant challenges for startups. Entrepreneurs often face a complex and opaque regulatory environment that hampers innovation and deters investment. Many startups struggle with obtaining necessary business licenses and permits, which can be a major deterrent for launching new ventures. According to the OECD (2019), cumbersome bureaucratic processes and unclear regulatory requirements create formidable barriers to entry for new businesses. The lack of a unified legal framework tailored specifically for startups results in overlapping and sometimes contradictory regulations. This leaves entrepreneurs uncertain about their legal obligations and rights, further complicating their ability to navigate the regulatory landscape. Without a clear definition of what constitutes a startup, many regulatory bodies apply traditional business rules to nascent enterprises, disregarding their unique needs and characteristics. This unpredictable regulatory environment not only creates confusion but also discourages potential investors who are wary of the associated risks.

To overcome these obstacles, it is essential for the government to prioritize the development of a comprehensive legal framework that clearly defines startups and addresses their specific needs.

Streamlining regulatory requirements and establishing consistent, startup-friendly regulations will significantly reduce bureaucratic hurdles and enhance regulatory clarity. Such reforms will create a more predictable and supportive environment, fostering innovation, encouraging investment, and fueling the growth of Ethiopia's emerging startup ecosystem.

Market acceptance risk is another significant issue. Many startups struggle with product validation as they seek to introduce innovative solutions to the market. The fear of market rejection often leads to hesitation in launching products, resulting in missed opportunities for both entrepreneurs and investors. A report by the International Finance Corporation (IFC) (2021) indicates that approximately 70% of startups fail to validate their products adequately, largely due to insufficient market research and testing. Market access and networking challenges further hinder the growth of startups. Many entrepreneurs face difficulties in entering established markets due to a lack of connections and networking opportunities. Startups often rely on personal networks for business development, which can significantly limit their reach and growth potential. A study by the African Development Bank (AfDB) (2020) emphasizes that strong networking capabilities are essential for startups to access resources, mentorship, and potential customers.

Financial obstacles are a significant impediment for startups in Ethiopia. Despite growing interest from both local and international investors, many startups struggle to secure essential funding for their operations. The World Bank (2020) highlights that only 7% of startups successfully obtain the necessary financial resources. Startup Genome (2023) reports that the total value of the Ethiopian startup ecosystem from 2021-2023 was over $87 million, which is only 0.29% of the global startup ecosystem's total value, and early-stage funding amounted to $8.1 million, representing just 1.23% of global early-stage funding. Nearly half of the startups (48%) face significant difficulties in accessing capital, particularly in Addis Ababa. Due to the absence of well-established venture capital firms and angel investors, many Ethiopian startups has been relying on informal funding sources like bootstrapping, family support, and grants (JICA, 2023), exacerbating the challenge and leaving many innovative concepts unfunded.

The lack of skilled manpower is also a critical challenge that hampers the growth of the startup ecosystem. The educational system in Ethiopia has struggled to keep pace with the rapidly changing demands of the job market, leading to a shortage of skilled labor in critical areas such as technology, business management, and innovation (World Bank, 2020). This skills gap affects the ability of startups to recruit qualified personnel, thereby limiting their capacity to innovate and compete effectively. On the other hand, the startups founders have extremely limited professional experience and little understanding of what it takes to run a business. Furthermore, the founders of these startups also possess very limited professional experience and a minimal understanding of the essentials of business operations. Many have not received instruction in fundamental business management concepts, including how to formulate a viable business model, create financial projections, prepare effective pitches for investors, and identify and nurture talented personnel (Munro et al., 2021).

Many institutions, particularly Universities and Technical and Vocational Education and Training (TVET) colleges, face significant resource and human capital constraints, with approximately 40% of universities lacking adequate facilities for practical training (World Bank, 2020). Furthermore, there is a critical shortage of skilled personnel; only 15% of graduates from TVET colleges are considered job-ready, which directly impacts the quality of support provided to emerging startups (Ministry of Education, 2021). Additionally, the lack of collaboration among universities, government institutions, and private entities has led to fragmented support systems that fail to adequately address the diverse needs of startups, while private incubators often struggle with sustainability due to funding limitations (Ethiopian Chamber of Commerce, 2021).

The shortage of experienced mentors, investors, and ecosystem builders are also posing a significant difficulty for startups seeking guidance and resources to realize their potential. Additionally, the ecosystem suffers from inadequate funding. Despite a growing number of funding opportunities, many startup founders still struggle to secure the capital needed to advance their ventures. Issues such as limited investor awareness, a lack of investment-ready opportunities, and challenges related to currency and investment repatriation contribute to this funding gap (JICA, 2023). Lastly, Ethiopia ranks 100th in the prestigious Global Startup Ecosystem Index, highlighting the significant challenges it faces compared to other countries. The index serves as a crucial tool for comparing startup ecosystems, measuring both the quantity and quality of startups, supporting organizations, and the overall business environment. Ethiopia's composite score of 0.162 starkly contrasts with leading African nations such as South Africa (3.547), Kenya (1.565), and Nigeria (1.517). The large discrepancies in scores indicate that simply replicating funding and ecosystem models from these more established markets without tailoring them to Ethiopia's unique context would likely be ineffective (Startup Blink., 2021).

Access to quality data is crucial for the success and growth of startups, yet in Ethiopia, it remains a significant constraint. For startups to thrive, data-driven decision-making is essential. Quality data enables startups to validate their business models, optimize operations, and scale effectively. It allows them to accurately assess market size, target customer segments, and craft competitive strategies, leading to better business outcomes (Henisz & Zelner, 2010). Reliable data also helps reduce uncertainties and mitigate the risks associated with new ventures (OECD, 2019).

However, startups in Ethiopia face several challenges due to limited access to comprehensive and reliable data. The existing data often suffers from fragmentation, obsolescence, and inaccessibility, exacerbated by bureaucratic hurdles (African Development Bank, 2021). This scarcity of robust market research, consumer behavior insights, and reliable economic indicators hampers startups' ability to make informed decisions (World Bank, 2020).

The lack of quality data forces startups to rely on assumptions rather than evidence-based strategies, increasing the risk of poor decision-making and potential failure. Additionally, the absence of data transparency impedes investors' due diligence, raising perceived risks and restricting funding opportunities. Regulatory bodies also struggle to craft effective policies due to inadequate and outdated data, which creates an uncertain environment that complicates startups' compliance and growth efforts.

In summary, Ethiopian startups face significant challenges due to a lack of clarity in defining "startups," an opaque regulatory environment, limited access to quality data, financial constraints, and a shortage of skilled manpower. The absence of a well-defined legal framework complicates access to funding and support, while fragmented and outdated data hampers informed decision-making and investor confidence. Financial barriers and insufficient skilled labor further impede growth. To address these issues, Ethiopia needs to develop a clear legal definition for startups, streamline regulations, improve data accessibility, enhance funding opportunities, and strengthen the educational system to support the startup ecosystem effectively.

1.1.2. Prospects in the Ethiopian Startup Ecosystem

Despite these challenges, there are substantial prospects for the growth of startups and ecosystem builders in Ethiopia. There has been a rapidly growing youth population that is increasingly interested in entrepreneurship and innovation and the demographic trend presents a unique opportunity for the development of a vibrant startup culture- particularly in technology and digital services. According to the Global Entrepreneurship Monitor (GEM, 2020), Ethiopia has one of the highest rates of entrepreneurial intentions among its youth, indicating a growing appetite for starting new businesses.

Ethiopia's startup ecosystem is supported by a broad array of institutions, which include public entities, private organizations, and educational institutions. There are approximately 20 government-backed incubators and accelerators, and around 40 universities alongside 120 TVET colleges that actively foster entrepreneurship through various incubation programs and innovation hubs. Notable examples include the Ministry of Innovation and Technology, which manages several innovation hubs across the country, and universities such as Addis Ababa University and Jimma University, which have established entrepreneurship centers that offer essential resources to startups. Research institutes, of which there are about 15, play a crucial role in advancing R&D and collaboration with startups (World Bank, 2020; Ministry of Education, 2021). Most of incubators and accelerators such as Ice-Addis, Blue-Moon, and X-hub Addis, are operating in partnership with development donors such as GIZ, MasterCard Foundation, and United Nations organizations, and therefore influenced by their mandates.

The government's commitment to fostering a supportive environment for startups is a positive indicator of future growth. Initiatives such as the establishment of innovation hubs, entrepreneurship training programs, and recent proclamations aimed at streamlining processes for startups underline a strategic focus on promoting entrepreneurship as a means of economic development. The Ethiopian Ministry of Innovation and Technology has introduced various programs aimed at enhancing access to finance, mentorship, and technical support for startups, which can significantly bolster the ecosystem (Ministry of Innovation and Technology, 2021).

Moreover, substantial financial commitments from international organizations and development partners have begun to support Ethiopia's entrepreneurial landscape. The Mastercard Foundation, for example, is investing $150 million in a program aimed at supporting young entrepreneurs in

Africa, including initiatives in Ethiopia focused on skills development and access to finance (Mastercard Foundation, 2020). The World Bank has allocated approximately $60 million over several years to enhance access to finance for small and medium enterprises, with a focus on increasing the capacity of financial institutions to lend to startups (World Bank, 2020). Similarly, the United Nations Development Program (UNDP) has initiated the "Innovate for Impact" project with a budget of $20 million, aimed at providing mentorship, training, and funding for startups that address social and economic challenges (UNDP, 2021).

These initiatives are vital as they not only provide direct financial support but also help build the necessary infrastructure, capacity, and networks for startups to thrive. The increasing engagement of international organizations and development partners reflects a growing recognition of the importance of entrepreneurship in achieving sustainable development and economic resilience in Ethiopia.

While Ethiopia's startup ecosystem has prospects for growth due to its young and dynamic population, increasing government support, and active involvement of international partners, it remains in its nascent stages and faces significant challenges. These include a lack of clarity regarding what constitutes a startup, market acceptance risks, funding barriers, market access issues, regulatory complexities, and a shortage of skilled manpower. Therefore, the startup ecosystem building policy is highly relevant to address these issues by providing a clear framework for identifying and supporting startups, streamlining regulatory processes, and enhancing access to capital and mentorship. By fostering a more structured and supportive environment, the policy seeks to overcome existing barriers, leverage the burgeoning entrepreneurial spirit, and drive sustainable economic growth, ultimately transforming Ethiopia into a thriving hub for innovation and startups.

1.2. Objectives of the Policy

The overarching objective of this policy is to create an enabling environment that would be a fertile ground for the growth of startups, fosters the culture of innovation and establish the necessary legal and institutional frameworks that create the enabling environments. The specific objectives are as follows:

- Establish clear definitions and criteria for recognizing startups and ecosystem builders to facilitate targeted support and resource allocation,

- Implement comprehensive financial mechanisms, including grants, credit guarantees, and tax incentives, to enhance access to funding for startups at various growth stages,
- Create the necessary infrastructure and digital platforms to support startups, streamline processes, and promote collaboration among stakeholders,
- Enhance the capabilities of startups through training, mentorship, and access to resources that enable them to navigate challenges and grow effectively,
- Inspire innovation and solve key challenges through a periodic government problem-solution competition,
- Establish a regulatory sandbox and simplify bureaucratic processes to foster innovation and reduce barriers to entry for startups,
- Foster collaboration among incubators, accelerators, investors, and other ecosystem builders to create a supportive environment for startups,
- Develop a robust monitoring and evaluation framework to assess the effectiveness of the policy and its initiatives, ensuring continuous improvement,

1.3. Basic Concepts about Startups and the Startup Ecosystem

To foster a thriving startup ecosystem, it is crucial to establish a clear and unified definition of what constitutes a startup or at least attempt to create a consensus around a workable definition of a startup. The ambiguity surrounding this term often hampers the effective allocation of resources and incentives.

Various jurisdictions have recognized this need and have taken steps to define startups in a way that aligns with their unique economic contexts. For instance, Senegal's Startup Act (2021) describes startups as companies in their nascent stages with significant potential for rapid growth and scalability. Similarly, Kenya's Startup Act (2022) emphasizes technology-based innovative entities with strong growth prospects and disruptive business models.

The European Start-Up Monitor (2015) outlines a startup as a young company, less than a decade old, focused on innovative technologies or novel business models. In India, the Ministry of Commerce and Industry (2016) defines a startup as an entity that has been in operation for up to five years and is engaged in the innovation, development, deployment, or commercialization of new products or services driven by technology or intellectual property. Banco Santander, a leading Spanish bank, adds that a startup is a newly established company with a scalable business model and significant growth potential enabled by modern technologies. By embracing such clear definitions, governments can more effectively channel support to startups, ensuring that resources are directed towards the entities most likely to drive economic innovation and growth.

1.4. Methodology framework

The methodology framework adopted by this policy is based on the Lean Startup methodology, which emphasizes a streamlined, efficient approach to building a business ecosystem. The principles of "Lean" are encapsulated in the acronym L-E-A-N: L- “Lightening Regulatory burden and Barrier to entry”, E-“Exemption from Taxation”, A-“Access to Finance”, and N-“Networking and Capacity Building”. This methodology aims to create a supportive environment by minimizing bureaucratic hurdles and simplifying entry processes for startups (Blank, 2005; Ries, 2011). By offering tax exemptions and financial incentives, the policy mitigates initial financial constraints, encouraging innovation and growth (Kerr et al., 2014). Furthermore, the framework stresses the importance of networking and capacity building through strategic partnerships and training programs, thereby enhancing the overall capability and effectiveness of startups (Mason & Harrison, 2015; Global Entrepreneurship Network, 2020). This holistic, lean approach is designed to foster a vibrant startup ecosystem where innovative ideas can flourish and scale efficiently.

1.5. What is not a Startup and What is a Startup?

1.5.1. What is not a Startup

Before delving into the bold definition of what a startup is, it is very crucial to identify what is not startup to have a solid foundational concept. The reason why we needed to understand what is not a startup is, to help us to distinguish a startup from other entities. so that we can effectively designate and channel the incentives.

In the landscape of business and entrepreneurship, distinguishing what is not a startup is crucial for understanding the dynamics of innovation and market development. A well-established company that operates with a stable business model, proven market presence, and consistent revenue streams is not considered a startup. These companies have moved past the initial phases of experimentation and validation and have achieved significant scale and operational maturity. They typically focus on maintaining and optimizing their existing products or services rather than pursuing radical innovation or disruptive changes. Unlike startups, which are characterized by high risk and rapid growth potential, established companies operate within a more predictable and structured environment.

Another category that falls outside the realm of startups is a business that functions solely as a small, local enterprise with limited ambitions for expansion. Such businesses often focus on serving a niche market or community without seeking significant growth or scalability. They may have stable operations but lack the innovative drive or market disruption associated with startups. For example, a local bakery or a family-owned retail store, while essential to their communities, do not embody the characteristics of a startup due to their limited scope and lack of aspiration for rapid growth or technological advancement.

Additionally, non-profit organizations that operate with a focus on social welfare or charitable activities, without pursuing scalable business models or market innovations, are not classified as startups. While these organizations may demonstrate entrepreneurial spirit in addressing social issues, their primary goal is not to achieve financial returns or disrupt markets but to fulfill their mission through community support and funding. Non-profits often have established processes and rely on donations or grants rather than seeking venture capital or engaging in rapid market expansion.

Moreover, public companies are not classified as startups due to their established market presence, operational scale, and rigorous regulatory compliance. Having advanced beyond the initial growth phases, these companies are now traded on securities exchange and are bound by stringent reporting and governance standards. Unlike startups, which thrive on innovation, high risk, and rapid growth potential, public companies focus on optimizing their established business models, managing shareholder expectations, and adhering to legal and financial regulations. Their emphasis on stability, profitability, and maturity sets them apart from the dynamic, high-risk environment that defines startups.

Finally, companies that have reached the late stages of its lifecycle, such as a mature corporation or a well-established franchise, is not classified as a startup. These entities have typically achieved substantial market penetration, possessed extensive resources, and operated with long-term strategies aimed at sustaining their competitive edge. Unlike startups, which are driven by the pursuit of initial market validation and disruptive change, mature companies concentrate on efficiency, risk management, and incremental improvements. Their focus is on maintaining stability and optimizing performance rather than navigating the high-risk, high-reward dynamics characteristic of the startup phase.

1.5.2. What is a Startup

Defining a startup in today's global economy is nuanced and evolving, reflecting the diverse economic landscapes, regulatory frameworks, and cultural perspectives across different regions. Broadly, a startup is understood as a newly established business venture aimed at solving specific problems or meeting market demands, characterized by innovation, scalability, and rapid growth potential. While definitions may vary, they often consider factors such as operational age, growth trajectory, and the presence of innovative business models or technologies. Blank (2005) describes a startup as "a temporary organization designed to search for a repeatable and scalable business model," while Ries (2011) defines it as "a human institution designed to create a new product or service under conditions of extreme uncertainty." Graham (2005) emphasizes growth as an essential characteristic, noting that startups are "companies designed to grow fast," highlighting the dynamic nature of these ventures.

In Ethiopia, startups are defined as entrepreneurs, pre-registered companies, or other business entities aiming to implement innovative, disruptive, and scalable ideas. This definition introduces critical concepts like innovation, scalability, and disruption. Innovation is viewed as both a process and an outcome, wherein ideas are transformed into marketable products or services, following Joseph Schumpeter's influential definition that includes launching new products, applying new methods, and creating or destroying monopoly positions (Schumpeter, 1934). Scalability is crucial for startup growth; research underscores the development of scalable business models through customer feedback and lean methodologies (Blank & Dorf, 2012). Moreover, venture capital plays a significant role in supporting scalable startups, which tend to attract more investment (Kerr et al., 2014). Disruption is another vital aspect, as startups often target underserved niches with innovative solutions that challenge established competitors, fundamentally altering industries or creating new markets.

An inclusive definition of a startup encompasses individuals as well as business entities, reflecting the broad and evolving nature of entrepreneurship. Notably, startups can enhance social welfare; companies like TOMS Shoes and Warby Parker illustrate how business models can incorporate social missions while pursuing profitability.

Furthermore, promoting foreign startups is crucial for economic growth. Ethiopia's Homegrown Economic Reform program aims to attract foreign direct investment by reducing entry barriers, recognizing that successful countries experience high rates of unicorns founded by immigrants. This highlights the potential benefits of creating a conducive environment for foreign startups in Ethiopia, a country with a large population and untapped market potential. Such investments could accelerate ecosystem growth, create jobs, and boost the economy. Overall, acknowledging the diverse characteristics and potential impacts of startups is essential for fostering a supportive environment for entrepreneurial innovation globally. Taking into account the concepts discussed earlier:

> *A "Startup" means a person that is engaged in the creation of economic value through the introduction, adoption, transplantation, or reverse engineering of a tech or tech-enabled, innovative, scalable, and disruptive product(s), service(s), or process(es) with no or limited operating history.*

1.6. Startup Ecosystem Builders Definition

The concept of startup ecosystem builders has gained traction globally as the importance of fostering vibrant entrepreneurial environments becomes increasingly recognized. Startup ecosystem builders are individuals, organizations, or institutions that actively contribute to the development and sustainability of local startup ecosystems. According to the Global Entrepreneurship Network (GEN), these builders play a crucial role in connecting stakeholders, including entrepreneurs, investors, government agencies, and support organizations, thereby facilitating collaboration and resource sharing (GEN, 2020). Furthermore, the Startup Genome Project emphasizes that effective ecosystem builders nurture talent, provide funding opportunities, and enhance mentorship, which are essential elements for a thriving startup environment (Startup Genome, 2020). These builders often include accelerators, incubators, co-working spaces, and community organizations that aim to create an ecosystem conducive to innovation and economic growth.

Mainstream media also plays a pivotal role by raising public awareness about startups, providing coverage of entrepreneurial success stories, and highlighting challenges within the ecosystem. This media attention can attract potential investors and customers, creating a positive feedback loop for emerging businesses (Kauffman Foundation, 2019). Co-working spaces have also become essential components of startup ecosystems, as they provide affordable office options for fledgling businesses and create opportunities for networking and collaboration among entrepreneurs. These spaces often host events, workshops, and mentoring sessions that enhance community engagement and knowledge sharing (WeWork, 2020).

Private equity funds and venture capital firms are critical in fueling startup growth by providing the necessary capital to scale operations. According to PitchBook (2021), venture capital investments have surged globally, particularly in technology-oriented startups, due to their high growth potential. Angel investors, often seasoned entrepreneurs themselves, provide not only financial support but also mentorship and guidance to nascent companies. Their involvement can significantly increase a startup's chances of success by providing strategic insights and connections in the industry (Mason & Harrison, 2015). Additionally, financial institutions play a crucial role in the startup ecosystem by offering various financial products tailored to the needs of entrepreneurs, including loans and grants that can help bridge funding gaps.

Higher education facilities and Technical and Vocational Education and Training (TVET) institutes are instrumental in nurturing talent and equipping individuals with the skills necessary for entrepreneurship. By fostering partnerships with local businesses, these educational institutions can align curricula with market demands, thereby producing graduates who are ready to contribute to the startup landscape (World Bank, 2021). Research and Development agencies also play a vital role by promoting innovation through funding and support for research projects that can lead to new products and processes. Furthermore, local and international non-governmental organizations (NGOs) contribute to the ecosystem by providing training, resources, and support for entrepreneurs, particularly in underserved communities (OECD, 2020).

In the context of Ethiopia, startup ecosystem builders can be defined as entities or individuals that create and support the infrastructure necessary for startups to thrive. This includes fostering connections among various stakeholders, such as entrepreneurs, investors, academic institutions, and governmental bodies, to promote collaboration and knowledge exchange. Ethiopian startup ecosystem builders are tasked with addressing unique local challenges, such as access to funding, market information, and skills development, while also leveraging the country’s large, youthful population as a resource for innovation. By focusing on nurturing local talent, providing mentorship, and facilitating access to capital, these builders contribute significantly to creating an inclusive and sustainable startup ecosystem that can drive economic growth and job creation in Ethiopia (World Bank, 2021).

In Ethiopia, the startup ecosystem is emerging with a unique blend of these components, and local stakeholders are actively working to create an environment conducive to entrepreneurship. Mainstream media is beginning to cover the growth of the sector, while co-working spaces like Iceaddis and xHub Ethiopia provide collaborative environments for startups. The presence of angel investors, is gradually increasing, Venture capital funds have provided 44.2 million USD in 2023 offering much-needed funding and mentorship (Statista, 2023).

Additionally, financial institutions are starting to recognize the potential of startups, providing tailored financial products to support their growth. Higher education institutions and TVETs are focusing on developing entrepreneurial skills among students, while NGOs are working to enhance access to resources and training for aspiring entrepreneurs. Together, these elements are crucial for building a thriving startup ecosystem in Ethiopia, aiming to unlock the country's entrepreneurial potential and drive economic growth.

In light of these concepts, a "Startup Ecosystem Builder" is defined as:

> *" a person that actively contributes to the establishment, development, and sustainability of Startups and includes Incubators, Accelerators, Co-Working Spaces, Private Equity Funds, Venture Capitals, Angel Investors, Financial Institutions, Higher Education Facilities, Technical and Vocational Education and Training (TVET) Institutes, Research and Development Agencies, Medias, Local and International Non-Governmental Organizations.*

1.7. Stage-Based Support Approach

In crafting our policy, we adopted a stage-based approach to address the evolving needs of startups from the pre-seed stage to becoming a unicorn (exit stage). This approach ensures that startups receive tailored support at each critical phase of their development, facilitating sustained growth and success.

The below table will summarize the stages and incentives designed to fit them

Stage	Objective	Key measures
Pre-seed	• Encourage idea generation and early-stage innovation.	1. Ideation Support:

	• Provide foundational support to nascent startups. • Validate hypotheses for customers, demand and offering. • Register key patents and trademarks.	• Innovation Hubs: encourage ecosystem builders to support the ideation through various programs. • Grants: Offer grants and organize competitions to fund promising ideas. • Co-Working Spaces: Expand access to co-working spaces and shared facilities. 2. Regulatory Simplification: • Ease of Registration: Simplify the process for startup registration and reduce associated costs. • Legal Support: Provide access to basic legal advice and resources to support founders with company formation and registration of intellectual property rights.
Seed Stage	• Building a Minimum Viable product (MVP). • Validate the business model and achieve initial market traction. • Secure early-stage funding. • Human Capital Development.	1. Financial Support: • Seed Funding: access to the grant and credit through the credit guarantee scheme. • Tax Incentives: offer tax incentives for angel investors and early-stage venture capital and the startup itself. 2. Market Access: • Pilot Programs: encourage pilot programs in partnership with established companies and government agencies. • Market Research: provide access to market research and data analytics. 3. Capacity Building: • Training and Workshops: organize training sessions on business development, financial management, and marketing. • Business Development Services: Offer business development services to refine business models and strategies.

Growth Stage	• Scale operations and expand market presence. • Strengthen the startup's financial position. • Market access and product innovation and development to fit the market • Enhance operational efficiency and competitiveness. • well established organizational structure	1. Access to Capital: • Venture Capital Funds: use the fund of funds to access capital. • Government-backed Loans: provide low-interest loans and credit guarantees. 2. Infrastructure Support: • Tech based Infrastructure: offer tech-based market information and business development platform service. • Tax Incentives: offer tax incentives for angel investors and early-stage venture capital and also the startup itself. 3. Market Expansion: • Export Assistance: provide support for entering international markets, including export assistance and trade missions. • Public Procurement: facilitate access to public procurement opportunities for startups. 4. Talent Acquisition: • Talent Development Programs: invest in talent development programs and partnerships with academic institutions. • Visa Programs: simplify visa processes for attracting international talent.
Scale up (expansion) stage	• Enhance operational efficiency and competitiveness. • Prepare for significant growth milestones, such as IPOs or major funding rounds. • Expand into new markets and customer segments. • Strengthen brand recognition and market presence.	1. Advanced Financial Support: • Fund of Funds: use the fund of funds to provide substantial capital for scaling operations. • IPO Readiness Programs: offer support for Initial Public Offering (IPO) preparation, including regulatory compliance and financial audits. 2. International Expansion: • Global Networks: build networks and partnerships to facilitate international expansion.

	• Foster strategic partnerships and collaborations. • Optimize organizational structure and corporate governance.	• Cross-border Collaboration: promote cross-border collaborations and joint ventures. 3. Innovation and R&D: • R&D Incentives: provide incentives for research and development activities. • Partnerships with Universities: foster partnerships with universities for advanced research projects.
Exit stage	• Become a public company. • Raise a substantial amount capital to sustain the business. • Encourage reinvestment into the startup ecosystem.	1. Exit Strategy Support: • Advisory Services: offer advisory services for exit strategies, including mergers, acquisitions, and IPOs. • Legal and Financial Guidance: provide specialized legal and financial guidance for exit processes. 2. Reinvestment Incentives: • Reinvestment Programs: encourage successful entrepreneurs and investors to reinvest in the startup ecosystem through tax benefits and matching programs. • Alumni Networks: develop alumni networks to foster mentorship and investment into new startups. 3. Recognition and Promotion: • Awards and Recognition: recognize successful startups through awards and public acknowledgments. • Promotion Campaigns: promote successful startups as role models to inspire new entrepreneurs.

By adopting this stage-based approach, this policy documents aims to ensure that startups receive the necessary support at each phase of their development, from inception to becoming unicorns.

This structured framework not only facilitates sustained growth but also strengthens the overall startup ecosystem, driving innovation and economic progress.

Chapter Two

2. Startups and Startup Ecosystem Builders Designation

This policy outlines several incentives and benefits specifically targeted at startups and ecosystem builders, aiming to foster a thriving startup ecosystem. While designation is not mandatory for participating in the startup ecosystem, startups and ecosystem builders must be designated to access the incentives and benefits provided by the legal framework. The policy details the process for the designation of startups and ecosystem builders, providing a streamlined application process through a National Digital Startup Portal to centralize resources and facilitate communication among stakeholders. To realize these strategic initiates, the following initiatives are designed.

2.1. Designation of Startups

Objective: Officially recognize startups meeting key criteria to provide targeted support and resources.

Initiatives:

- Define and communicate the specific eligibility criteria for startup designation, including the age limit, employee size, and company type.
- Implement a streamlined application process for startups to apply for designation through the national startup portal, ensuring clarity on how to meet each criterion.
- Set up a dedicated review committee to assess and approve startup designations based on the established criteria.
- Launch a public awareness campaign to inform startups about the benefits of designation and encourage them to apply.
- Highlight success stories of designated startups to demonstrate the value of the designation.

2.2. Designation of Ecosystem Builders

Objective: Officially recognize ecosystem builders that meet standards to ensure effective support for startups

Initiatives:

- Establish criteria for the designation of ecosystem builders, including legal registration, financial and physical resources, and capacity to support startups,
- Create a detailed application process for ecosystem builders to prove their qualifications and resource availability,
- Set up a dedicated review committee to assess and approve startup ecosystem builders' designations based on the established criteria.
- Awareness creation to inform startups ecosystem about the benefits of designation and encourage them to apply, and
- Highlight success stories of designated startups ecosystem builders to demonstrate the value of the designation

Why Choose Designation Instead of Labeling?

In many jurisdictions including Nigeria and Senegal, the term "labeling" is used to identify startups and channel targeted support. However, in the Ethiopian context, the proclamation employs the term "designation" instead of "labeling" to reflect a more strategic approach to resource allocation.

In Amharic, "designation" translates to "መሰየም" and carries a connotation of recognition, empowerment, and ownership. This term implies not only the acknowledgment of a startup but also entrusting it with significant responsibilities within the ecosystem. It reflects a deeper commitment to supporting startups and integrating them into the broader ecosystem.

Conversely, "labeling" translates to "መለየት" in Amharic. This term is more about identifying and distinguishing startups from other types of businesses, without necessarily implying a deeper level of support or responsibility.

By choosing "designation" over "labeling," the proclamation aligns with Ethiopia's strategic goals, emphasizing the critical role of startups and fostering a sense of ownership and empowerment within the ecosystem. This nuanced approach aims to enhance the effectiveness of support mechanisms and integrate startups more fully into the national economic landscape.

Chapter Three

3. Building the Necessary Infrastructure and Administrative Frameworks

Establishing a robust infrastructure and administrative framework is essential for a thriving startup ecosystem. Startups require a supportive landscape that enables them to implement and grow their ideas. Putting the necessary infrastructures should be a priority to create an enabling environment so that ideas can be born and become unicorns. Thus, to build the necessary infrastructure and administrative frameworks, strategic initiatives include establishing national digital startup portal, specialized work permits for foreign talent, easing entry barriers for foreign startups, comprehensive capacity-building programs in collaboration with educational institutions, industry experts and government problem-solution challenge competition facilitation. The following initiatives are proposed to achieve these strategic initiatives to create an enabling environment conducive to innovation.

3.1. National Digital Startup Portal

Objective: Create a comprehensive digital gateway for startups, ecosystem builders, and relevant institutions.

Initiatives:

- Centralized information access for all resources related to startup ecosystems.
    - The NDSP will provide a single-window access point for all pertinent information related to the startup ecosystem. This centralized resource will help entrepreneurs and stakeholders easily find and utilize relevant data, guidelines, and resources necessary for establishing and growing startups.
- Streamlined designation process for startups and ecosystem builders.
    - The NDSP will facilitate the expedited and streamlined designation of startups and ecosystem builders. By centralizing and automating this process, the portal aims to reduce bureaucratic delays and make it easier for new startups to receive official recognition and support.
- Interactive platform for communication and collaboration among stakeholders.
    - The NDSP will serve as a platform for interaction between startups, the Ministry of Innovation and Technology, ecosystem builders, and other relevant institutions. This

feature will foster better communication, collaboration, and coordination among all stakeholders involved in the startup ecosystem.

- Program and Incentive Announcements
    - Startups will be able to access announcements and apply for various programs and incentives through the portal. This function ensures that startups are well-informed about available opportunities and can efficiently apply for support offered by the Ministry of Innovation and Technology and other institutions.
- Feedback and Complaints Handling:
    - The portal will also include mechanisms for receiving complaints and recommendations from the startup ecosystem and the general public. This feature will enable continuous improvement of the startup support framework by incorporating feedback and addressing concerns promptly.
- Additional Functions
    - Beyond the core functions outlined above, the Ministry of Innovation and Technology retains the flexibility to use the NDSP for other relevant objectives related to its powers and duties under the Proclamation. This adaptability allows the portal to evolve in response to emerging needs and priorities within the startup ecosystem.

3.2. Work Permits

Objective: Facilitate the recruitment process for foreign talent in designated startups.

Initiatives:

- Establish specialized work permit categories for foreign staff working in startups, focusing on high-skilled positions crucial for innovation and growth. Differentiate these permits from those for other sectors to streamline processing,
- Develop talent transfer programs that allow local employees to gain experience from international experts,
- Develop metrics to assess the effectiveness of the work permit system in facilitating foreign staff recruitment and its impact on startup growth. Track indicators such as the number of permits issued, the skills transferred, and the overall success of startups,
- Work closely with immigration authorities to ensure that the work permit process for startups aligns with national immigration goals and regulations, and

- Conduct periodic reviews of the work permit system to identify and address any challenges or inefficiencies, making necessary adjustments to improve the process

Best Experience: Singapore's Tech Pass program is a strategic initiative aimed at attracting global tech entrepreneurs and leaders to its vibrant startup ecosystem. This program grants eligible individuals the opportunity to live and work in Singapore, thereby bolstering the country's innovation and technology landscape. By offering this pass, Singapore not only enriches its local startup scene but also enhances its global competitive edge in technology and innovation (Singapore Economic Development Board, 2023). The initiative fosters a collaborative environment where skilled professionals contribute their expertise, driving growth and dynamism within the tech sector (Tech Pass, 2024).

For Ethiopia, adopting a Tech Pass-like program could provide a significant boost to its startup ecosystem. Such an initiative would attract skilled professionals and industry leaders from around the world, bringing valuable expertise and experience to Ethiopian startups

3.3. Ease of Entry Barriers for Foreign Startups

Objective: Attract foreign entrepreneurs, investors and startups by minimizing barriers to entry.

Initiatives:

- Amend the relevant investment legislation to eliminate the minimum capital requirement of $200,000 for foreign startups. Ensure that the legal framework reflects this change clearly and comprehensively,
- Update the relevant proclamation (Proclamation No. 1180/2020) to officially remove the capital requirement and facilitate the entry of foreign startups into the Ethiopian market,
- Revise and simplify the registration and licensing processes for foreign startups. Reduce bureaucratic hurdles and streamline documentation requirements to expedite startup entry,
- Establish a single-window service or digital platform where foreign startups, ecosystem builders and investors can complete all necessary registration, licensing, and compliance procedures efficiently,
- Enhance support services for foreign startups, including access to local business networks, mentorship programs, and incubators or accelerators that can help foreign entrepreneurs integrate into the Ethiopian market,

- Provide tax breaks, subsidies, or other financial incentives to make Ethiopia a more attractive investment destination,
- Facilitate partnerships between foreign startups and local businesses to promote integration into global value chains. Provide matchmaking services to connect foreign startups with local suppliers, distributors, and customers,
- Provide foreign startups with market research and insights to help them understand local consumer preferences and market opportunities. This information can guide their product development and marketing strategies,
- Create programs to engage local consumers with new foreign products and services, including promotional events, trials, and demonstrations,
- Develop metrics to assess the impact of removing capital requirements on foreign startup entry, market competition, and economic growth. Track indicators such as the number of new startups, investment volumes, and job creation, and
- Strengthen regulatory oversight to ensure that the removal of entry barriers is effectively implemented and that foreign startups comply with relevant laws and regulations.

Best Practice: A notable example of reducing entry barriers for foreign startups in Africa can be seen in Rwanda's approach to fostering a conducive environment for business development. The Rwandan government has implemented a series of reforms aimed at simplifying the regulatory framework, including the establishment of a one-stop-center for business registration that allows foreign entrepreneurs to complete all necessary paperwork in a streamlined manner. Additionally, the introduction of the Rwanda Development Board's "Made in Rwanda" initiative has encouraged foreign investment by offering incentives and promoting local partnerships. These efforts have significantly improved Rwanda's ranking on the Ease of Doing Business Index, attracting numerous foreign startups to the country and creating a vibrant entrepreneurial ecosystem (World Bank, 2019).

For Ethiopia, adopting similar practices could drastically enhance the ease of entry for foreign startups. Establishing a comprehensive one-stop-shop for business registration, along with implementing transparent regulatory procedures, can significantly reduce bureaucratic hurdles. Additionally, offering incentives such as tax breaks for foreign startups and fostering partnerships with local businesses can create a more attractive environment for foreign investors. By focusing on improving the regulatory landscape and promoting entrepreneurship, Ethiopia can not only attract foreign startups but also stimulate innovation and economic growth within its borders, replicating Rwanda's successful model (African Development Bank, 2020).

3.4. Capacity Building

Objective: Enhance the capabilities and effectiveness of designated startups.

Initiatives:

- Conduct a thorough assessment to identify the specific needs and gaps within the startup ecosystem. Use this information to tailor training programs, mentorship frameworks, and support services.
- Develop and implement training programs focused on key areas such as business management, business plan development, financial literacy, and technological skills. Tailor these programs to the needs of startups at various stages, from early ventures to more mature enterprises, to enhance their capabilities and effectiveness,
- Collaborate with universities, business schools, and training institutes to offer specialized courses and workshops focused on entrepreneurship and innovation.
- Facilitate participation in industry conferences, seminars, and workshops where entrepreneurs can learn from thought leaders, network with peers, and stay updated on the latest developments.
- Establish a mentorship network that connects startups with experienced professionals and industry experts. This initiative will provide valuable guidance, business development support, and strategic advice, helping startups navigate challenges and drive growth,
- Establish strategic partnerships between government agencies, educational institutions, and private sector entities. These collaborations will enable startups to leverage research expertise, technical resources, and business networks, enhancing their overall support structure. While partnerships with established companies will offer mentorship and business development support, leveraging the strengths of diverse stakeholders in the ecosystem,
- Train mentors to ensure they are equipped with the skills and knowledge needed to effectively support and guide startups. This includes understanding current market trends and emerging technologies,
- Establish mechanisms for monitoring and evaluating the impact of the initiatives. Use feedback and performance metrics to continuously improve and adapt the programs.

Best Experience: The Small Industries Development Bank of India (SIDBI) initiative The Indian SIDBI program underscores the significance of integrating capacity building and mentorship with financial support. This dual approach ensures that startups receive not only funding but also crucial guidance to navigate the challenges of launching and scaling their businesses. The program provides training, workshops, and access to experienced mentors, creating a robust entrepreneurial ecosystem that equips founders with essential skills for success in competitive markets (World Bank, 2019).

For Ethiopia, adopting a similar model could greatly enhance startup capacity building efforts. By combining financial support with structured capacity-building initiatives, such as training programs and mentorship opportunities, Ethiopia can provide startups with the necessary tools and guidance to thrive. This approach would not only optimize the impact of grants but also promote sustainable business practices, fostering a more resilient and dynamic startup ecosystem in the country.

3.5. Government Problem-Solution Challenge Competition

Objective: Inspire innovation and solve key challenges through a periodic government problem-solution competition

Initiatives:

- The Ministry of Innovation and Technology will develop an annual calendar for the problem-solution challenge competition, ensuring it is scheduled and organized at least once a year. This involves setting dates, venues, and overall timelines for the competition.
- Define and communicate the eligibility criteria and application process for startups to participate in the competition. Ensure clear guidelines are provided for startup submissions and participation.
- Implement a comprehensive outreach strategy to promote the competition, attract high-quality startups, and engage relevant stakeholders. Use various channels including social media, industry events, and partnerships with ecosystem builders.
- Establish a framework for collaboration with other government institutions interested in organizing problem-solution challenge competitions. This includes defining roles, responsibilities, and expectations for each collaborating institution.
- Coordinate with other institutions to jointly plan and execute competitions, leveraging our expertise and resources.

- Facilitate the sharing of resources such as funding, venue, and promotional channels with other government institutions to ensure the successful organization of joint competitions.
- Develop a structured competition format that includes phases such as application, preliminary judging, pitch presentations, and final evaluations. Ensure the structure is designed to effectively assess and reward innovative solutions.
- Establish clear standards and evaluation criteria for the competition, including judging panels, scoring systems, and assessment benchmarks. Ensure these criteria align with the overall objectives and desired outcomes of the competition.
- Provide necessary support and resources for participants, including mentorship, training, and access to relevant tools or platforms. This support will help startups refine their solutions and enhance their chances of success in the competition.
- Define and announce the prize structure, including monetary rewards, investment opportunities, or other forms of recognition for winning startups.
- Gather feedback from participants, judges, and stakeholders to evaluate the competition's effectiveness and identify areas for improvement.
- Implement mechanisms to track the performance and outcomes of the competition. Collect data on participant engagement, solution effectiveness, and overall impact.
- Prepare and disseminate reports on the competition's results, including success stories, lessons learned, and recommendations for future iterations.
- Offer post-competition support to winners and finalists, such as continued mentorship, access to funding, or opportunities for collaboration with industry partners.

Chapter Four

4. Facilitating Financial Support and Fiscal Incentives

Access to finance is vital for startup growth and development. A key element of the policy is facilitating financial support and fiscal incentives through strategic initiatives such as a Startup Grant Program, a National Credit Guarantee Scheme, the establishment of a Fund of Funds, and tax incentives. Therefore, the following initiatives are designed to achieve these strategic initiatives.

4.1. Startup Grant Program

Objective: Provide financial assistance to startups in their early stages.

Initiatives:

- Establish a startup grant program to address pre-seed funding gaps by government budget
- Seek a fund from corporations and development partners interested in supporting innovation and entrepreneurship,
- Establish clear criteria for startups to qualify for grants. This ensures that support is targeted to those with the highest potential for impact,
- Develop a user-friendly application process with clear guidelines and deadlines to encourage diverse startups to apply,
- Use transparent and objective criteria for selecting grant recipients, such as innovation potential, market need, and team capability,
- Bring together a panel of experts from various fields (e.g., technology, business, finance) to evaluate applications and ensure fair and informed decisions,
- Conduct thorough due diligence to assess the viability of startups before awarding grants. This reduces the risk of funding poorly prepared or unsustainable ventures,
- Set grant amounts that are sufficient to support meaningful development and growth, while being mindful of budget constraints,
- Pair grant recipients with experienced mentors and advisors who can provide guidance on business strategy, market entry, and scaling,
- Facilitate connections with industry peers, potential partners, and investors through events and networking platforms,
- Require periodic reports from grant recipients detailing their progress, challenges, and financial expenditures. This helps ensure accountability and allows for timely intervention if needed, and
- Publish reports on the program’s impact, including success stories, lessons learned, and areas for improvement. This fosters public trust and demonstrates the value of the program.

Best Practice: One notable best practice for grant support in developing countries is the Small Industries Development Bank of India (SIDBI) initiative, which aims to provide financial assistance to startups and small enterprises through various grant programs. SIDBI focuses on promoting entrepreneurship by offering grants that enable startups to cover initial operational costs, invest in technology, and enhance their product offerings. By offering tailored financial products that address the unique challenges faced by startups, SIDBI has successfully stimulated the growth of numerous innovative businesses across India, highlighting the importance of context-specific support mechanisms for fostering entrepreneurship (SIDBI, 2020).

Moreover, the SIDBI initiative exemplifies the value of collaboration between government agencies, financial institutions, and private sector players. By fostering partnerships that leverage diverse resources and expertise, SIDBI has been able to create a comprehensive support system for startups. Ethiopia can learn from this model by facilitating collaborations among its various stakeholders, including government agencies, financial institutions, and educational institutions, to provide a cohesive framework for startup support. This integrated approach can lead to a more vibrant entrepreneurial ecosystem that promotes innovation, job creation, and economic growth (OECD, 2020).

4.2. National Credit Guarantee Scheme (NCGS)

Objective: Mitigate risks associated with lending to startups.

Initiatives:

- Set up the NCGS as an independent legal entity, established through a regulation under the supervision of the National Bank of Ethiopia. This framework aims to prevent mandate overlap and improve coordination by clearly defining the CGS's operational scope and governance structure,
- Develop a robust governance structure for the CGS, including an independent and competent Board of Directors and a General Manager. The Board will set strategic objectives, while the General Manager will oversee day-to-day operations and ensure that the CGS meets its goals,
- Secure seed finance from the government and other sources, such as income from the scheme's operations, investments, grants, and contributions from development partners.
- Establish a sustainable financial model that encourages private sector participation and ensures the CGS remains financially stable,
- Open a window within the National Credit Guarantee Scheme for startups.
- Create a comprehensive risk management framework which align with the National Bank of Ethiopia framework to assess and manage risks related to the CGS's operations. Focus on wholesale risk management and establish clear criteria for evaluating borrower eligibility and monitoring loan use,

- Ensure that the CGS adheres to prudential regulations and provides capital relief to lenders while effectively mitigating risks associated with credit guarantees,
- Implement stringent measures to prevent misuse of loans and ensure that funds are used for their intended purposes. Establish mechanisms for regular monitoring and evaluation of borrower performance and compliance with loan agreements,
- Design strategies to mitigate the risks of moral hazard and adverse selection. Include thorough borrower screening processes, clear loan agreements, and monitoring systems to ensure prudent financial practices and minimize defaults,
- Continuously assess the impact of the CGS on the credit market to avoid distortions and ensure that it complements rather than crowds out viable businesses. Adjust the scheme's policies as needed to promote fair competition and resource allocation and
- Establish mechanisms for ongoing evaluation of the CGS's performance, including feedback from stakeholders and beneficiaries. Use this feedback to refine and improve the scheme, ensuring it meets its objectives and addresses emerging challenges effectively.

Best Practice: South Africa's Innovation Fund provides a successful example of a National Credit Guarantee Scheme (CGS) tailored for startups. The fund supports high-risk, innovative startups by offering credit guarantees to financial institutions, reducing the risk associated with lending to early-stage companies. This model effectively encourages banks to fund startups they might otherwise avoid, catalyzing investment in innovative sectors and fostering entrepreneurial growth (Department of Science and Technology, South Africa, 2020).

Combining these guarantees with capacity-building initiatives, such as financial management training, would enhance startup founders' financial literacy and loan repayment success. This approach not only mitigates lender risk but also strengthens the startup ecosystem (World Bank, 2021). The success of South Africa's model also underscores the value of collaboration between government entities, financial institutions, and other stakeholders. By fostering partnerships among banks, venture capital firms, and government agencies, Ethiopia can develop a comprehensive framework that supports innovative startups, drives economic growth, and advances technology (OECD, 2020).

4.3. Funds of Funds

Objective: Support startups at various growth stages through pooled fund.

Initiatives:

- Establish a Fund of Funds (FoF) that pools capital from institutional investors, high-net-worth individuals, government entities, and development agencies,
- Invest the FoF in a range of venture capital (VC) and private equity funds to achieve diversification across sectors, investment stages, and geographical regions,

- Design a strategy to target various stages of startup development—seed, early-stage, and growth-stage—by investing in funds that specialize in these stages. This ensures that startups at different growth phases receive appropriate support and funding tailored to their specific needs,
- Collaborate with experienced fund managers who have deep industry knowledge and networks. Their expertise will help identify and support high-potential startups, ensuring that the FoF investments are guided by informed insights and robust industry connections,
- Implement rigorous due diligence processes to evaluate the funds within the FoF. Assess fund managers' track records, investment strategies, and performance metrics to ensure that only well-vetted funds are included. This increases the likelihood of investing in funds that support startups with a higher probability of success,
- Allocate a portion of the FoF to emerging venture capital funds that are building their portfolios. This support helps these newer funds gain traction and invest in promising startups that might not yet be accessible to larger, established funds, and
- Structure the FoF to invest in funds with varying liquidity profiles. This ensures that capital is available to meet the funding needs of startups at different stages, enabling effective cash flow management and continuous support over time.

Best Practice: A prominent example of a successful fund of funds model is the Chilean government's "Capital Semilla" program, which aims to support high-potential startups by investing in venture capital funds that specifically target early-stage companies. This program not only provides financial resources but also emphasizes the importance of mentorship and business development support through the funds it backs. By pooling resources into a variety of venture capital funds, Capital Semilla creates a more diversified risk profile and facilitates access to capital for a broader range of startups across different sectors. This strategic approach has catalyzed innovation and entrepreneurship in Chile, showcasing the effectiveness of a fund of funds model in nurturing a dynamic startup ecosystem (Chilean Economic Development Agency, 2020).

By adopting a similar fund of funds that invests in venture capital funds, the Ethiopian government can leverage private investment while providing critical support to burgeoning businesses. Additionally, it would be beneficial to integrate aspects of capacity building and support services into this model, as seen in Chile, to ensure that startups not only receive funding but also the necessary guidance to succeed. This comprehensive strategy could foster a more resilient entrepreneurial ecosystem, encouraging innovation, job creation, and sustainable economic growth in Ethiopia (World Bank, 2021).

4.4. Fiscal Incentives

Objective: To boost startup and startup ecosystem growth by implementing comprehensive tax incentives

Initiatives:

- Collaborate with the Ministry of Finance to develop and enact legislation formalizing comprehensive tax incentives for startups and ecosystem builders. This should include income tax exemptions, income tax on dividends, withholding tax, and zero-rated VAT treatment. Ensure the legislation clearly outlines specific benefits, eligibility requirements, and application processes to facilitate access and transparency,
- Integrate the tax incentives, loss carry forward and duty-free privileges applications in the national startup portals for easy submission and tracking,
- Allow startups and ecosystem builders to carry forward operating losses to offset future taxable income, reducing tax burdens during early growth phases,
- Offer duty-free privileges for importing essential equipment, technology, and raw materials used by startups and ecosystem builders, lowering operational costs,
- Implement a feedback system to gather input from startups and ecosystem builders on the effectiveness of fiscal incentives and make improvements, and
- Regularly assess the impact of tax incentives on startup investment levels and ecosystem growth, adjusting policies as needed.

Best Practices: A prominent example of a country that has successfully implemented tax incentives to boost startups is Colombia. The Colombian government introduced the "Law 1014" in 2006, which provided tax benefits to innovative startups. This law allows eligible startups to benefit from an income tax exemption for up to seven years, along with deductions on expenses related to research and development. As a result, Colombia has seen a significant increase in the number of startups and entrepreneurial activities, particularly in technology and innovation sectors. The tax incentives have not only attracted local startups but have also drawn foreign startups and ecosystem builders, facilitating a vibrant startup ecosystem in the country (World Bank, 2020).

In the context of developing countries like Ethiopia, adopting a similar tax incentive model could significantly stimulate startup growth and innovation. By establishing a framework that offers tax exemptions, loss carry forward and duty-free privileges for startups and startup ecosystem builders, the Ethiopian government could create an attractive environment for entrepreneurs. Implementing these tax incentives can lower the financial burden on startups, allowing them to allocate more resources towards product development and market expansion, ultimately fostering a more dynamic entrepreneurial landscape (OECD, 2021).

Chapter Five

5. Ecosystem Builders

Startup ecosystem builders are crucial in creating a supportive environment for startups by providing essential resources, guidance, and networking opportunities. They play a key role in fostering collaboration among various stakeholders, including incubators, investors, mentors, and academic institutions, to enhance the growth and success of startups. Therefore, the policy emphasizes the role of ecosystem builders through strategic interventions aimed at enhancing incubators and accelerators and leveraging the expertise of ministerial offices. Additional strategic initiatives include establishing a Regulatory Sandbox and harnessing the power of mainstream media to foster innovation, ensure compliance, and boost the visibility and credibility of startups. Accordingly, the following initiatives are designed to implement these strategic initiatives.

5.1. Strengthening Incubators

Objective: Provide startups with essential resources and guidance to provide consistent support to startup.

Initiatives:

- Create a unified network of incubators across Ethiopia to standardize support services, share best practices, and foster collaboration,
- Collaborating with incubators Ministry of Innovation and Technology will develop customized support programs that address the specific needs of startups at different stages, including early-stage, growth, and scaling, focusing on business model development, prototype creation, and market validation,
- Incubators offer shared office spaces, administrative support, and essential tools to reduce overhead costs for early-stage startups,
- Organize events, workshops, and networking sessions to connect founders with investors, mentors, and industry experts,
- Collaborate with universities, research institutions and TVET colleges to leverage their research capabilities and innovation resources, and
- Incubators will provide startups with guidance on navigating legal and regulatory requirements, including compliance, intellectual property, and business registration.

Best Practice: Y Combinator (YC) is one of the most renowned startup incubators globally, known for its rigorous selection process and intensive mentorship programs. Since its inception in 2005, YC has funded over 2,000 startups, including successful companies like Airbnb, Dropbox, and Stripe.

1. **Selective Admission Process**: YC employs a highly selective admission process, accepting only a small percentage of applicants. This ensures that they work with highly motivated and capable entrepreneurs. For Ethiopian incubators, adopting a similar rigorous selection process can help identify and support startups with the highest potential (Georgieva, 2016).
2. **Mentorship and Networking**: YC provides extensive mentorship from experienced entrepreneurs and access to a vast network of investors, advisors, and alumni. This network fosters collaboration and learning opportunities, which Ethiopian incubators can leverage to create mentorship programs that connect local entrepreneurs with successful business leaders (Suster, 2020).
3. **Equity Investment**: YC invests a small amount of money (typically around $125,000) in exchange for equity in startups, which not only gives startups initial funding but also aligns the incubator's interests with those of the entrepreneurs. This model encourages Ethiopian incubators to explore equity arrangements that provide startups with capital while retaining vested interest in their success (Cohen & Hochberg, 2014).
4. **Focus on Product-Market Fit**: YC emphasizes the importance of achieving product-market fit before scaling. They encourage startups to focus on building solutions that solve real problems for customers. Ethiopian incubators should adopt this approach to help entrepreneurs validate their ideas and refine their products based on customer feedback (Blank, 2013).

5.2. Enhancing Accelerator Programs

Objective: Accelerate startup growth through structured support and market exposure.

Initiatives:

- Develop and implement short-term, high-impact accelerator programs offering mentorship, funding, and networking opportunities,
- Build strong connections with a network of investors and venture capitalists to provide startups with opportunities for funding and investment,
- Organize regular pitch events and demo days where startups can present their business ideas to potential investors and industry stakeholders,
- Offer support services including legal, financial, and business development advice to help startups navigate challenges and scale effectively,

- Develop investment schemes where accelerators provide seed funding in exchange for equity in startups,
- Conduct workshops on growth strategies, scaling operations, and optimizing business models, and
- Organize capacity building programs focused on improving the skills and competencies of both accelerator staff and startup founders.

5.3. The Role of Ministerial Offices as Ecosystem Builder

Objective: Build a cohesive and supportive ecosystem for startup growth

Initiative

- Create platforms for collaboration between government agencies, educational institutions, private sector, and investors,
- Promote policies that include tax incentives, regulatory reforms, and funding initiatives tailored for startups,
- Conduct workshops, training sessions, and networking events to enhance the skills and knowledge of startups and ecosystem players. Support ecosystem builders in organizing networking events, workshops, and seminars to foster a vibrant startup community,
- Organize annual competitions that encourage startups to develop innovative solutions to societal challenges,
- Study and implement best practices from renowned global programs,
- Develop quality standards for ecosystem builders based on the services they provide and the stage of startups they support,
- Ministry of Innovation and Technology will develop and track performance metrics to evaluate the effectiveness of ecosystem builders to ensure quality standards and identify areas for improvement,
- Prepare and disseminate reports on the achievements and challenges of ecosystem builders to inform future policy adjustments,
- Establish framework for tracking the performance and growth of designated startups, and
- Conduct periodic evaluations to assess the effectiveness of the designation and make necessary adjustments to the support programs.

Best Practices from TechStars for Ethiopian Startup Accelerator

Techstars, a global accelerator founded in 2006, supports startups through mentorship and funding. Its best practices include:

1. **Structured Program:** Techstars offers a comprehensive 3-month program with mentorship, workshops, and networking. This structured approach helps startups refine their business models. Ethiopian incubators could benefit from adopting a similar, tailored curriculum (Pauwels et al., 2016).
2. **Mentorship-Driven Model:** Techstars matches startups with experienced mentors from relevant industries, emphasizing the importance of mentorship in overcoming challenges and providing strategic guidance. Ethiopian incubators should integrate this mentorship-driven approach to support startup development (Cohen, 2015).
3. **Demo Day and Investor Access:** Techstars hosts a Demo Day where startups present to investors, gaining exposure and funding opportunities. Ethiopian incubators can implement similar pitch events to connect local startups with potential investors, boosting investment in the ecosystem (González-Uribe & Leatherbee, 2017).
4. **Community Building:** Techstars fosters a strong community among startups, alumni, and mentors. Ethiopian incubators should focus on building a collaborative environment to support long-term relationships and resource sharing (Isenberg, 2010).

5.4. Regulatory Sandbox

Objective: To establish a Regulatory Sandbox for startups to test innovations while ensuring compliance and protection.

Initiatives:

- Develop a structured framework that outlines the guidelines and operational procedures for the regulatory sandbox. This includes defining eligibility criteria, application processes, and evaluation metrics,
- Implement measures to enable startups to test and develop innovative products, services, and business models within the sandbox. This includes providing access to a controlled environment where they can experiment without the full burden of regulatory compliance,
- Utilize the sandbox to gain insights into emerging technologies and business models. This will help regulators better understand new innovations and adapt the regulatory framework accordingly,

- Refine and improve the existing regulatory framework based on findings from the sandbox. This initiative aims to create a more supportive environment for innovation and entrepreneurship by addressing regulatory barriers identified during testing, and
- Establish safeguards within the sandbox to protect consumers and maintain market stability. This includes monitoring activities closely and implementing risk management strategies to mitigate potential issues during the testing phase.

5.5. Harnessing the Power of Mainstream Media

Objective: To use mainstream media to boost startup visibility, credibility, and growth in Ethiopia.

Initiatives:

- Establish collaborations with reputable media outlets to regularly feature local startups and their innovations,
- Create media partnerships to enhance the visibility and credibility of Ethiopian startups through targeted coverage,
- Implement training programs for startups on how to effectively engage with media and leverage media coverage for brand building,
- Offer workshops and resources to help founders craft compelling narratives and pitch their stories to media professionals,
- Organize media-sponsored networking events and industry conferences to connect startups with potential partners, investors, and influencers and
- Establish mechanisms to track and assess the impact of media coverage on startup growth, funding, and public perception.

Best Practice: Mainstream media plays a crucial role in the growth and development of startups and ecosystem builders by enhancing visibility, credibility, and engagement within the entrepreneurial community. Through coverage of success stories, industry trends, and innovative business practices, media outlets raise awareness about the startup landscape, attracting potential investors, partners, and customers. For early-stage companies, this heightened exposure is vital, especially when conventional marketing methods may fall short. Research indicates that media coverage significantly influences public perception and interest in startups (Kumar et al., 2020).

When startups receive coverage from reputable publications such as TechCrunch, Forbes, or Bloomberg, they gain significant visibility among potential stakeholders. This media attention not only raises awareness but also enhances credibility. Being featured in respected news outlets acts as a form of validation, indicating to stakeholders that the startup is viable and worthy of consideration. Media coverage serves as a social proof mechanism, bolstering a startup's reputation and legitimacy in the eyes of the public and investors, which has been supported by studies showing that positive media exposure can lead to increased investment and partnership opportunities (Mazzoleni & Schulz, 1999; Burchardt & Lutz, 2021).

Furthermore, mainstream media provides a platform for ecosystem builders to share insights, promote events, and disseminate valuable resources. This fosters collaboration among various stakeholders, supporting a vibrant entrepreneurial community. Successful startup ecosystems often include dedicated media channels, which connect entrepreneurs with relevant information, networking opportunities, and mentorship. For instance, platforms like TechCrunch and Entrepreneur Magazine not only report on startup news but also offer resources that foster connections and collaborations within the ecosystem (Startup Genome, 2020). By leveraging the advantages of mainstream media, startups and ecosystem builders can significantly enhance their growth potential and drive economic development.

Chapter Six

6. Strategic Considerations for Policy Implementation

This section outlines high-level strategic considerations designed to transform this policy into actionable steps. It provides a framework to turn the policy's initiatives —such as startup and ecosystem builders' designation, financial and fiscal incentives—into tangible outcomes.

6.1. Establishing Institutional Framework

To effectively implement the incentives provided in the proclamation, coordination among government institutions from the federal to the regional levels is essential. Therefore, the proclamation establishes a National Digital transformation Council composed of key ministerial stakeholders to facilitate inter-ministerial coordination. The council will be structured as follows:

- **The Ministry of Innovation and Technology** will be the secretary of the council, overseeing the overall development of the startup ecosystem. It will collaborate with private sector actors and development partners to support the ecosystem,
- **The Ministry of Labor and Skill** will establish NCGS as an independent legal entity and issue work permit for foreign startups and ecosystem builders.
- **The Ministry of Trade and Regional Integration** will play a critical role in enabling startups to obtain expedited business registration and trade licenses, thereby allowing startups to focus their resources on business activities.
- **The Ministry of Finance** will provide fiscal incentives outlined in this policy to assist startups. It will allocate the necessary budget for grants and other institutions will be established by the startup ecosystem development proclamation.
- Ministry of Industry; plays a pivotal role in aligning startup policies with national industrial development goals, advocating for a favorable regulatory environment, and facilitating access to markets, infrastructure, and resources. It also capacitates the manufacturing enterprises to engage on innovative and Scalable means of production to increase the participation of startups on manufacturing sector.
- Ministry of Revenue; will coordinate with the fiscal incentives provided for startups such as Tax incentives, loss carry forward and duty-free privileges.
- **The National Bank of Ethiopia** will oversee the credit guarantee scheme and facilitate access to finance for startups.
- Ethiopian Investment Commission: facilitate and expedite the entry of foreign startups by easing up entry barriers.
- The membership of Private sector stakeholders or other government entities will be determined by the National Digital transformation Council.
- The institutions will also collaborate on additional matters to ensure the successful implementation of this policy

6.2. Putting the Necessary Legal Framework

Next to the Proclamation the necessary regulations and directive that need to be issued for the establishment of the proper incentive structures shall be put in place. The Ministry of Innovation and Technology will take the initiative to draft the following regulations and provide for approval to the council of Ministers. In addition, the Ministry will draft and ratify the directives and guidelines for the effective implementation of the Startup Proclamation.

- **Regulations**
  - Regulations for overseeing and distributing the Startup Grant.
  - Ministry of Labour and Skills draft regulations on the operational structure, governance, and objectives of the Credit Guarantee Scheme.
  - Regulations on eligibility and verification processes for tax exemptions.
  - Regulations for resolving inconsistencies with the Proclamation**.**
- **Directives**
  - Specific directives for managing the Startup Grant Program.
  - Directive to establish additional eligibility criteria for Startup Designation.
  - Directive to specify and clarify the obligations of Designated Startups.
  - Directive on procedures and criteria for Startup Ecosystem Builder Designation.
  - Directive to determine additional obligations for Startup Ecosystem Builders.
  - Directive on eligibility criteria for Startup Grant applications.
  - Directive related to the registration and licensing of Foreign Startups and Ecosystem Builders, and their entitlements.
  - Directive to establish additional eligibility criteria and application processes for the regulatory sandbox.
- **Guidelines**
  - Guidelines for user interaction with the National Digital Startup Portal.
  - Guidelines for determining the growth stage of Startups.
  - Guideline for determining the specific documents and forms required for the Designation application.
  - Guideline on processes and criteria for renewing and suspending Startup Designations.

- Guidelines for applying for duty-free imports and associated requirements

6.3. Maintaining Active Participation of the Ecosystem

Maintaining the active participation of stakeholders is vital for the sustained growth and success of the startup ecosystem. To foster collaboration and drive collective progress, it is essential to clearly define and recognize the roles of each stakeholder, including government bodies, private sector partners, academic institutions, investors, and entrepreneurs. Engaging these stakeholders through regular communication, inclusive decision-making processes, and opportunities for meaningful contributions will ensure their ongoing commitment and investment. This collaborative approach not only strengthens the support network for startups but also ensure that the legal frameworks were robust, acceptable, and responsive to the needs of the ecosystem. Overall, the public consultation and stakeholders' engagement enhances the innovation landscape, paving the way for a thriving and resilient startup ecosystem.

6.4. Monitoring and Evaluation Framework

The effective implementation of the Startup Ecosystem Development Policy requires a robust monitoring and evaluation (M&E) framework. This framework will track progress, assess outcomes, and facilitate necessary adjustments to ensure that policy objectives are met. The following KPIs will be employed to evaluate the effectiveness of the policy and its related initiatives:

- Startup Growth Indicators:
    - Number of designated startups receiving support annually. This will be tracked by the relevant policy implementation body to assess the reach and effectiveness of support programs.
    - Percentage increase in designated and graduated startups each year. This metric will be calculated by the monitoring and evaluation team or policy evaluators to measure growth and graduated within the startup ecosystem.

- Funding Accessibility:
    - Total funding disbursed through the Startup Grant Program. This data will be collected and reported by the administering body of the grant program to ensure transparency and accountability in fund distribution.
    - Number of startups benefiting from the Credit Guarantee Scheme. The institutions mandated to manage this scheme will provide reports on the number of startups that receive support, facilitating an assessment of the program's effectiveness.
    - Number of startups benefiting from Fund of fund. The institutions managing this fund of fund will provide reports on the number of startups that receive support, facilitating an assessment of the program's effectiveness.
- Capacity Building:
    - Number of training sessions conducted for startups and ecosystem builders. Training programs will be documented by the organizing bodies or educational institutions involved in capacity building efforts.
    - Percentage of startups reporting improved skills post-training. Surveys and feedback forms will be administered to startups by the M&E team or training coordinators to evaluate the impact of capacity-building initiatives.
- Economic Impact:
    - Number of innovative products and services created by designated startups. This will be tracked by the M&E team or industry analysts who will collect data on new products and services developed as a result of the policy.
    - Number of jobs created by designated startups annually. Employment data will be gathered from startup reports and cross-checked by surveys to assess the job creation impact of the policy.
    - Contribution of startups to the national GDP. Economic analysts or government agencies will use national accounting data and industry reports to estimate the contribution of startups to the GDP.

Chapter Seven

7. Conclusion

The introduction of a comprehensive Startup ecosystem development policy represents a transformative step toward fostering a robust and dynamic entrepreneurial ecosystem. By addressing critical areas such as funding, regulatory support, infrastructure, and continuous capacity building, this policy lays the groundwork for a thriving startup environment. The strategic initiatives outlined in this document aim to enhance access to resources, streamline regulatory processes, and provide essential support to the founder at every stage of their journey.

The success of this policy hinges on the active participation and collaboration of all stakeholders, including government agencies, private sector partners, educational institutions, and the entrepreneurial community. By defining and embracing their roles, these stakeholders will contribute to the creation of a vibrant and resilient startup ecosystem that drives innovation, economic growth, and job creation.

As we move forward with the introduction of this policy by way of a new Startup Proclamation, it is imperative to remain committed to continuous evaluation and improvement. Regular monitoring, stakeholder feedback, and adaptive strategies will ensure that the policy evolves in alignment with emerging trends and challenges. Through these efforts and the dynamism of the young and entrepreneurial spirit of the various stakeholders, Ethiopia can aim to cultivate an environment where startups can be born, survive and thrive, ultimately contributing to a prosperous and trendsetting.

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