

Evaluation Management Unit (EMU) for the Africa Enterprise Challenge Fund

Final report Mid-term evaluation

Client: AGRA

Rotterdam, 26 Augustus 2015



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List of Abbreviations

AAW	Agribusiness Africa Window
AC	AECF Committee
AECF	Africa Enterprise Challenge Fund
AGRA	Alliance for the Green Revolution in Africa
B2B	Business to Business
BDS	Business Development Services
BP	Business Plan
CBA	Cost-Benefit Analysis
CBO	Community-based Organisation
DCED	Donor Committee for Enterprise Development
DRC	Democratic Republic of Congo
ECF	Enterprise Challenge Fund
EM	Executive Manager
EMU	Evaluation Monitoring Unit
E&S	Environmental and Social
FM	Fund Manager
GBP	British Pound Sterling
GHG	Greenhouse Gas
GW	General Window
IC	Investment Committee
IMT	Independent Monitoring Team
KMAP	Kenya Market Assistance Programme
KMT	Kenya Market Trust
M&E	Monitoring and Evaluation
MRM	Monitoring and Result Measurement
MTE	Mid-Term Evaluation
M4P	Making Markets Work for the Poor
MW/CO ₂	Carbonic Dioxide per Megawatt
NGO	Non-Governmental Organisation
PCW	Post-conflict Window
PSD	Private Sector Development
REACT	Renewable Energy and Adaptation to Climate Technologies Window
RIB	Research in to Business Window
SA	South Africa
SIDA	Swedish Development Agency
SMART	Specific Measurable Achievable Relevant Time-bound Indicators
SME	Small and Medium Enterprises
SSW	South Sudan Window
SVR	Site Visit Report
TA	Technical Assistance
TAF	Technical Assistance Facility (African Agriculture Fund)
ToC	Theory of Change

ToR	Terms of Reference
TZAW	Tanzania Window
USD	United States Dollar
VfM	Value for Money
ZIM	Zimbabwe Window

Summary

To be added in the Final report

1 Introduction

1.1 Background and objectives of the evaluation

The Terms of Reference (ToR) mention as main objectives of the independent evaluation role to be carried out by the Evaluation Monitoring Unit (EMU):

- To identify the impacts of AECF programme and its interventions; and the conditions for success;
- To understand the effectiveness of the challenge fund model in terms of its structure and approach, additionality, sustainability and demonstration effect.

The project includes four main activities 1) the present Mid-Term Evaluation (MTE), 2) the design of the Final Evaluation, which is implemented in parallel to the MTE, 3) annual reviews of monitoring and evaluation data (2015 and 2016) and, 4) the Final Evaluation (2017/18).

The main focus of this MTE is on operational issues, relevance, efficiency, effectiveness and sustainability issues. In addition the MTE is to provide a reliable indicative finding for impact for the entire AECF and its interventions. Notably the MTE should further assist decisions on redesign or scale-up of AECF. Besides data collected during this MTE will inform the design of the evaluation framework and Final Evaluation.

1.2 Methodology

In the inception phase the evaluation team has developed the methodology for this MTE in detail.

An evaluation framework structured around the evaluation criteria and questions provided in the ToR was used in order to systematically assess the AECF model as well as the interventions supported. As a matter of fact, this whole report is largely structured around the evaluation questions and the underlying judgment criteria. The evaluation framework is attached as Annex IV

We have used different methods for information gathering, namely document review, interviews and focus groups, questionnaires and case studies. Combined, these mixed methods cover both the different levels of assessment, i.e. context, portfolio, thematic window, country programme and project level, and different levels of data gathering, i.e. quantitative and qualitative methods.

Desk study/ interviews

This part of the MTE contained interviews with the different stakeholders at AGRA/AECF, the Fund Manager (FM), donors, Investment Committee and interviews with grantees and beneficiaries from the selected case studies. As it was difficult to arrange interviews with a number of members of the Investment Committee (because of the wide geographical spread of the members) a questionnaire was used the answers to which provided us with a good impression on their views and observations. At portfolio level we made an analysis based on the data overviews provided by the Fund Manager and annual reviews for AECF and the different windows.

Case studies

Case study research was done for 31 projects covering seven windows and six countries (Kenya, Tanzania, Zimbabwe, Nigeria and Ghana and South Sudan. The projects were selected randomly within the given requirements of the ToR and excluded projects not yet (or just) started and projects

that were stopped. In addition we have covered the whole Post Conflict Window (PCW)¹ with a documents study augmented with telephone interviews with some of the grantees.

During preparation of the case studies it turned out that six of the selected cases were facing problems or were not responding (1) and we were advised by the fund manager to replace these projects. We have replaced the originally sampled projects with projects that have similar characteristics (e.g. country, window, type of activity etc.). In one other case of a halted project we decided not to replace the project in question because it was not possible to replace the project in the same country (Nigeria) and inclusion of the project which was still classified as active provided the opportunity to learn about the specific (contextual) issues (the final list of sampled projects can be found in Annex X). For each of the case study projects all available documentation (contract documents including the business plan, progress reports and site visit reports) was reviewed and in addition we interviewed the project managers, company/project staff and to the extent possible other stakeholders such as extension officers, sector associations etc. In addition interviews and focus groups discussions were held with a number of beneficiaries. We have used a contribution analysis to allow us to make an estimate of the extent to which the AECF intervention has influenced the perceived impact for grantees and beneficiaries and present credible evidence of contribution.

The description of our analysis of each case will be bundled and presented to the Steering Committee under separate cover – members of the Committee as well as the evaluators will be bound to confidentiality.

Web-based survey

In addition to the field study, a request for participation in the survey was sent to a sample of companies who had applied for funding across all windows, both successful and non-successful. Total response from an initial mailing of 345 was 118 out of which 86 grantees (42% response) and 32 non-successful companies. As the initial response was below 60, we initiated a round of random follow up telephone calls, which resulted in the 118 responses. The reason for non-response was often invalid email addresses, but also the fact that non-successful applicants would have little incentive to fill out the questionnaire, possibly leading to a (positive) bias in the answers. The response rate among the windows varies between a low 28% for the GW to 77% for the Tanzania window. Of the 118 responses, 96 were complete and 22 partially filled in.

The survey consisted mainly of multiple choice questions complemented with a few open questions. It focused on questions like the appreciation of the AECF among the Grantees, perceived efficiency of the application process and follow-up, additionality (i.e. was AECF funding in this form critically necessary to fund the project or could the grantee also have used own funds or commercial lending) and the performance of the projects (see Annex II for an overview of survey results). Through a omission on the questionnaire, we have not been able to link the answers to the specific windows, except when answers to open questions clearly referred particular window.

Benchmark

To better understand issues around M&E, management structures and project selection and get a good picture of the performance of the AECF in comparison to other funding instruments, we have carried out a benchmarking exercise of the AECF with four other funds or programmes for private sector development, the Enterprise Challenge Fund for the Pacific and South-East Asia (ECF), African Agriculture Fund (AAF) and Technical Assistance Facility (TAF), AfricInvest II – Private

¹ The PCW countries were at the time of the MTE (for example because of the Ebola outbreak) for practical and methodological reasons cumbersome or impossible to visit.¹

Equity fund and the Kenya Market Assistance Programme (KMAP). The benchmark is based on a thorough desk-analysis of strategy documents, annual reports, M&E reports and evaluations, complemented by telephone interviews with the responsible fund manager and/or M&E person of the respective programme. Due to confidentiality issues, we were not able to get all data on AfricInvest II and TAF, and are therefore not able to make a comparative analysis on the portfolio, impact, and efficiency of these instruments.

The **Aide Memoire** was presented to the Steering Committee on June 5th in Nairobi. This meeting was used to present and discuss key draft findings and conclusions. In addition, the meeting served to explore possible recommendations.

1.3 Challenges

In conducting the present MTE, the EMU team has been confronted with a number of challenges, some of which are outlined below.

The first challenge of the evaluation has been the long timespan of this MTE. For contractual reasons outside our control, activities (which started in May 2014) had to be halted several times, which had a definite impact on the planning and data collection but also the availability of team members. Nevertheless, the core team of the EMU has not changed significantly which made sure that the knowledge and expertise gained remained intact.

The second obstacle, resulting in a slow and late start of the case study research, was created by the postponement of the approval of the Monitoring and Result Measurement (MRM) plan, which outlines the revised monitoring and result measurement activities to be carried out by the FM and with which the EMU is supposed to align. Due to this deferment it has not been possible to work according to the agreed principles for alignment of the evaluation work. All EMU team work has now been planned ahead of the (potential) MRM work and will need to feed into the work of the MRM team. Similarly the verification studies planned in this MRM plan will complement the more qualitative data collected for the sample projects and serve as a baseline for the research for the final evaluation planned for 2017/18.

Another challenge with respect to the field visits was the difficulties encountered to reach the targeted number of beneficiary interviews. Within the available timespan per case study (2-3 days) it was not always possible to reach out to a large number of beneficiaries. Logistical reasons (considerable distances had to be covered to meet beneficiaries) but also that fact that we had to rely on the contact data provided by the companies (which in cases was provided very late or did not cover an appropriate choice of project beneficiaries) prevented us visiting more beneficiaries. The number of beneficiaries spoken to varies between 5 to over 50 beneficiaries per project. Nevertheless we feel that the data collected provide a sufficient base for the present assessment of likely impact.

For those sampled projects where data collection during the MTE has been insufficient to result in the required (reconstructed) baseline to support the Final evaluation - and no verification study is planned as part of the MRM work - additional data will be collected as part of the Design of the Final Evaluation.

Another challenge relates to the required sample revisions as was explained above which resulted in some last minute changes. The fact that only active projects were studied may have created a positive bias. If projects are for one or other reason not active they represent a financial

commitment (and disbursements) not accompanied by effects. In reporting on the total portfolio we however looked at the failure rates and studied the reasons and options open to re-use funds for other projects to correct for a possible bias in the sample study.

Finally, the team faced some difficulties in travelling to the locations of sampled projects in Nigeria and South Sudan because of the security classification of these areas and consequent policies of our insurers. As a plan B, our national experts, very familiar with the local situation have travelled alone to some of these areas and the international EMU team members have joined the discussions by phone where possible.

2 AECF Rationale and objectives and portfolio overview

2.1 Introduction

In this chapter we present our understanding of AECF. As mentioned in the inception report, this is not a 'value-free' description, as it appears that different parties may have different ideas on the role and functions of the AECF. We first will present what we see as the mandate of AECF and how this has influenced our assessment of the different evaluation criteria. Further we will outline the Theory of Change (ToC) for the AECF and present the analysis of the portfolio.

2.2 AECF as a subject for evaluation

The fund was established as a special partnership initiative of the Alliance for a Green Revolution in Africa (AGRA), which hosts the AECF. The AECF is not established as a separate legal entity. However, AECF has its own brand and is governed by its own charter and operations manual. It has been set up as a challenge fund model that has been used by DFID and some other donors in emerging economies and developing countries. The model is very much based on processing competitions and the selection of winners.

There appears to be some ambiguity concerning the vision and mandate of AECF, i.e. is it a Private Sector Development (PSD) Programme or a Rural Development (RD) Programme, or what is the main focal point: farmers or entrepreneurs? This ambiguity is prevalent among donors, probably also among grantees. This affects focus and direction of the fund.

For this evaluation however there should be agreement on the vision and mandate of the AECF, in order to have a homogeneous interpretation of the dimension in which (especially) relevance, additionality, sustainability, (but also) impact, effectiveness and efficiency are assessed.

We propose the following mandate:

AECF tries to identify, support and promote business models that at the same time are profitable ventures for private entrepreneurs and through the products or services provided, improve the livelihoods of smallholders, of which the majority is poor.

Essential is that AECF works through grantees, i.e. companies selected and supported through loans and/or grants. The grantees may be small but also large(r) and sometimes even internationally operating companies. The project or model may entail for example a new product, technology or service introduced by this grantee, with financial support from the AECF. In different windows there are different focus areas, e.g. the Tanzania Window (TZA) puts the focus more on entrepreneurship, in this case indigenous, small and preferably female, whereas the General Window (GW) and the Agribusiness Africa Window (AAW) appear to focus more on the rural households. The Research into Business (RIB) window and Renewable Energy and Climate Change (REACT) window put more emphasis logically on innovativeness, whereas the latter has environment and abatement of climate change as specific objective. The mentioned business model however seems to be a good common denominator of what the different windows and donors try to achieve.

The expectation of AECF is therefore that projects may benefit not only the commercial position of the grantee, but most importantly will have a positive effect on the living conditions of a (much) larger group of rural households who hold an economic relation with the grantee and therefore the project, i.e. the (potential) beneficiaries. These may be e.g. rural suppliers to agro-processing done by the grantee, small farmers in outgrowing schemes operated by the grantee or clients of energy programmes or financial schemes operated by the grantee. The total of these effects will constitute the (development) impact of the AECF operations. Direct employees of the grantees may be seen as beneficiaries of the project as well, provided they fit the profile of the target group, i.e. rural poor, but experience so far showed that the direct employment effect is modest compared to the expected number of other beneficiaries.

The focus on the model makes the AECF different from a typical PSD programme, whereas the working through the private sector makes it also different from a classical RD programme. This focus also provides (to an extent) a justification for the soft nature of the funding: the grantee is restricted (if he/she does not want to violate the agreement with AECF) to implementing the proposed model, which often is innovative, operating in an environment that is not business friendly and therefore exposed to a significant risk.

AECF thus cannot be one-to-one compared to an investment fund. AECF has different objectives and it should be evaluated against these. Impact on rural households is pivotal, grantees are important but to an extent instrumental.

Through a benchmark exercise we will compare AECF to investment funds and also to an M4P programme. The crucial question to be answered from the first comparison is: are there cost-covering investment funds which have a comparable development impact? Comparison with an M4P programme should tell us whether working through private sector funding is an efficient and effective way to reach the rural poor (see Annex I for the benchmark).

2.3 The Theory of Change

In the Inception report we have presented our version of the Theory of Change (ToC) of the entire AECF, which was partly based on the ToC as developed by the team of the Fund Manager. There are several assumptions underlying the validity of the ToC which were all tested during the evaluation:

At input level

- Sufficient expertise available at the IC, FM and AGRA
- Professional governance and management
- Different donors sufficiently aligned to make efficient and effective implementation possible

At input-activity level:

- AECF is able to attract suitable proposals
- Competition process is able to identify the best candidates
- Grantees have sufficient access to matching funds
- AECF funding is additional

At output level:

- Business environment permits successful commercial performance
- Sufficient quality of management by Grantees;

- Grantees do not primarily depend on donors

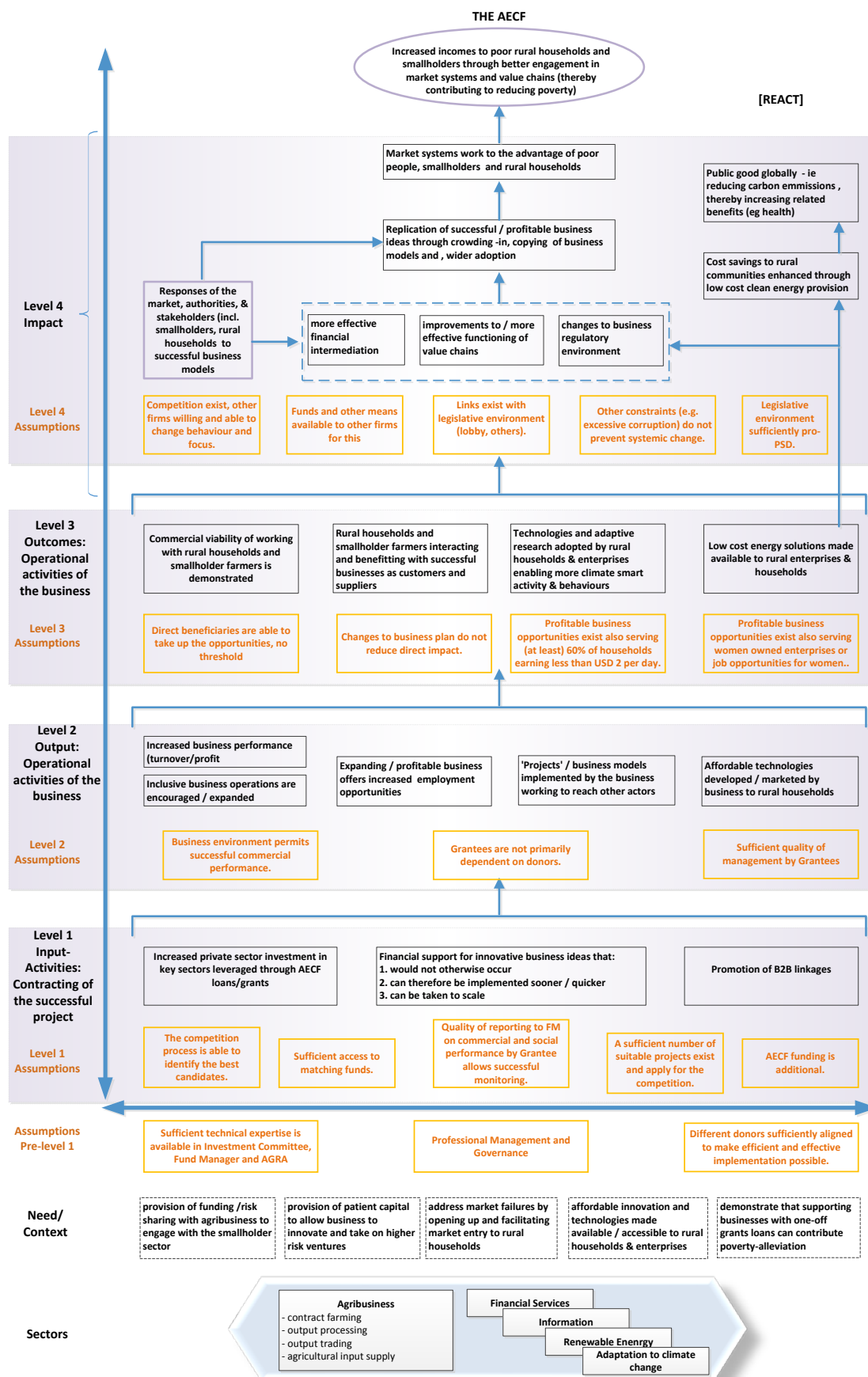
At outcome level:

- Profitable business opportunities exist which may benefit households of which at least 60% are earning less than USD 2 per day;
- Changes to the business plan of the Grantee do not reduce direct impact;
- Direct beneficiaries are able to take up the opportunities, no threshold

At impact level:

- Promotion of B2B linkages or other options for crowding-in (other businesses start to conduct business in the grantee's area) exists.
- Profitable business opportunities exists also serving women enterprises or job opportunities for women
- Competition exists, other firms willing and able to change behaviour and focus

All the underlying assumptions of the results chains as described above have been analysed and tested by the evaluation team and will be discussed in the following chapters. The ToC is shown overleaf.



2.4 Portfolio analysis

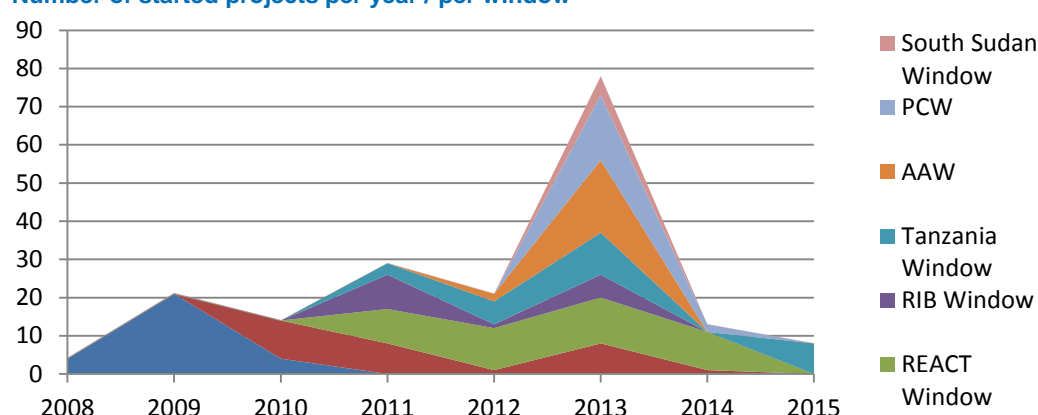
In this section we will provide a short overview of the AECF portfolio². Since the start of the AECF in 2008 till May 2015 a total of 202³ projects have been approved. The table below presents the breakdown of the project portfolio, including 10 projects which are withdrawn according to the overview provided by the Fund Manager. In total 9 projects were not yet contracted in May 2015, These projects are part of the recent Tanzania Window (Round 3). At present the AECF portfolio is totalling to US\$148,603,529 of committed funds.

Project Status	Grantee Count
Active	150
Closed	16
To be closed	11
Paid the loan back	2
Not reporting/on hold	2
Not yet Contracted	13
Withdrew	10
Contract at Agra (awaiting signature)	4
Grand Total	208

2.4.1 Committed grants and loans

The evolution of the fund⁴ over its eight windows is shown in the following table:

Number of started projects per year / per window



The contracted amount covers only part of the total investments by the Grantees since the AECF requires the presence of matching funds brought in by the Grantee or other financiers (e.g. banks). The total of AECF funds approved consist of loans (normally referred to as repayable grants, since these are non-recourse and interest free loans) and grants. The ratio between amount of grants versus the amount of repayable grants has changed over the years, and also varies per window, e.g. in the Post Conflict Window AECF finance consists for 100% of grants but in Round 2 of REACT, this share was only 29%. In 2014 a total about USD 70,98 million, i.e. 48% of the amount was contracted in the form of a loan.

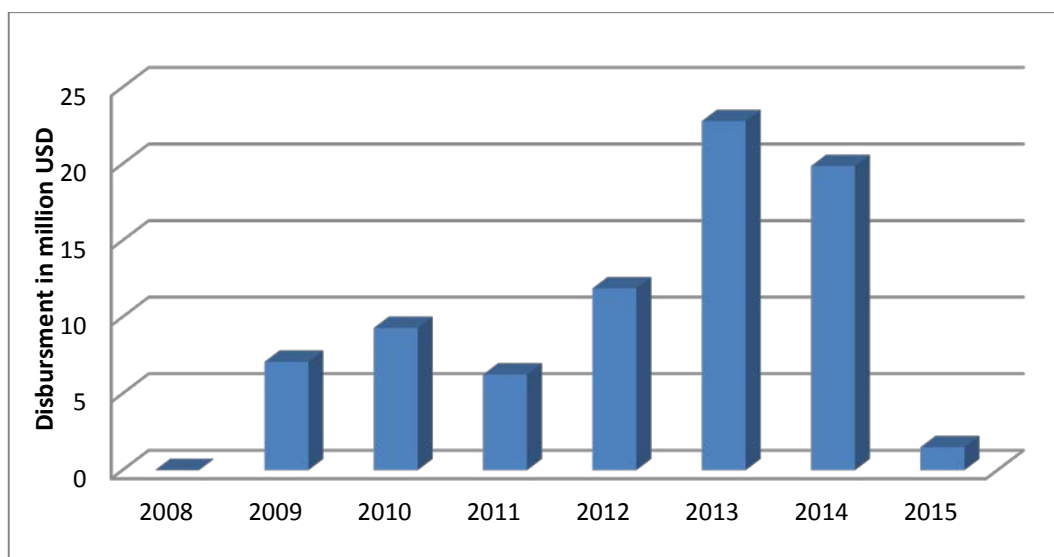
² The main sources for this portfolio review are the portfolio impact data, the grant allocation and loan repayment schedule and annual reviews for AECF and the different windows.

³ According to the Grant Allocation and Loan Repayment Schedule - 14 May 2015.xlsx provided.

⁴ Based on the allocated grants and the Loan repayments schedule.

2.4.2 Disbursements

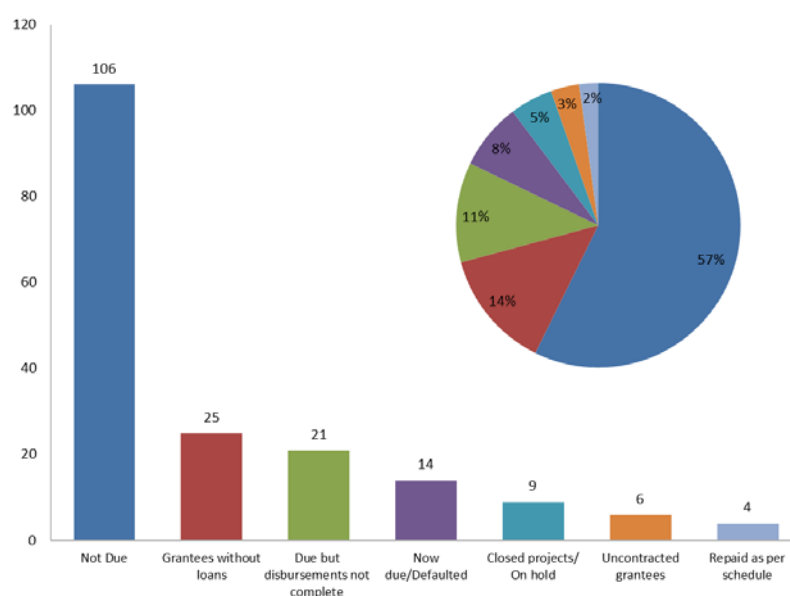
In total 171 of the 202 AECF projects have received disbursements.⁵ The total disbursements to date amounts to USD 72.61 million (May 2015). The following graph shows disbursements over the years:



Note: 17 TZAW projects part of the 'grant allocation worksheet' are not part of this disbursements schedule as they are currently being contracted or have just signed. Two companies are not in this list as they closed before AECF made any disbursements to them. $171+12+2+17 = 202$ total Grantees).

2.4.3 Repayments

For all but four projects of the in total 39 project that should have started repayments, actual repayments are behind schedule. In total 185 companies have received disbursements today (leaving the 17 projects from the TZAW R3 out). The figure below shows the number of companies for which the data on disbursements are available, split according to the loan reimbursement status and schedule.

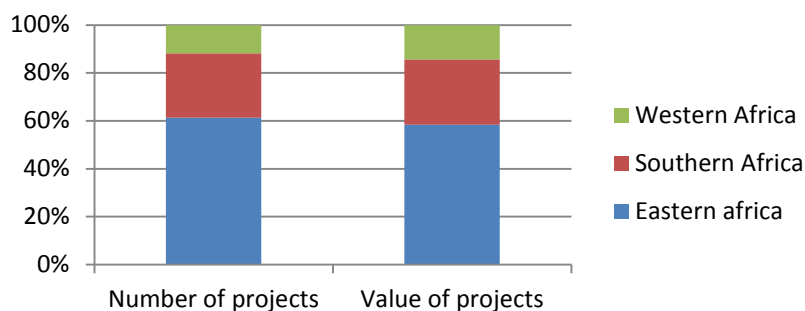


⁵ Source: Disbursement schedule updated 24 Mar 2015.XLS.

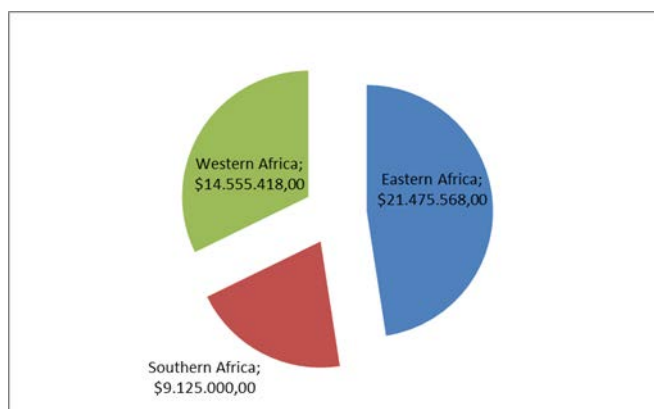
Next to the four companies that have repaid as per schedule, 21 companies are due but have not received all disbursement yet and 14 are now due and have defaulted on the payment.

2.4.4 Geographical differentiation of the projects

Although the AECF covers all of sub-Saharan Africa there is a clear regional differentiation. With 125 projects (108 contracted and 17 to be contracted) East-Africa has by far the largest project portfolio of the AECF, while only 24 projects are being implemented in Western-Africa. The presence of specific country windows for some Eastern African countries is partly the reason here. Looking at the variation between the regions there is no significant difference between the total number of projects implemented in the region compared to the value of these projects. May 2015 the portfolio of projects is geographically distributed as follows:



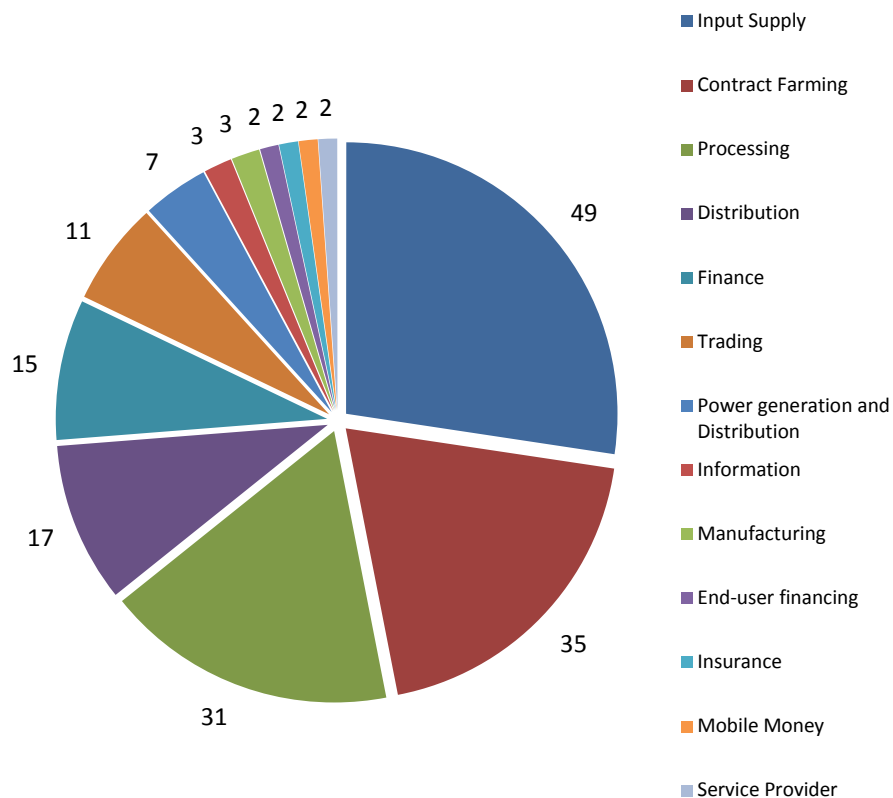
Looking at the two windows that focus not specifically on a country or region but on countries across Africa (GW and AAW) again an apparent focus on East Africa is visible with about 48% of the projects being implemented in East African countries.



At the country level also significant differences are observed. Three countries: Kenya (35), Tanzania (50) and Zimbabwe (29) make up for 114 projects which is over half of all AECF projects. This can again be partly explained by the designated Tanzania and Zimbabwe windows. AECF is primarily funding projects in Anglophone Africa, with only 19 projects in the French-speaking countries for a total of US\$ 11.5 million which is about 7,4% of the portfolio. An overview of number of projects and value of projects per country is provided in Annex II.

2.4.5 Differentiation in activities

The following types of economic activity are represented in the AECF portfolio. The largest number of projects are concerned with input supply (49) and contract farming (35).



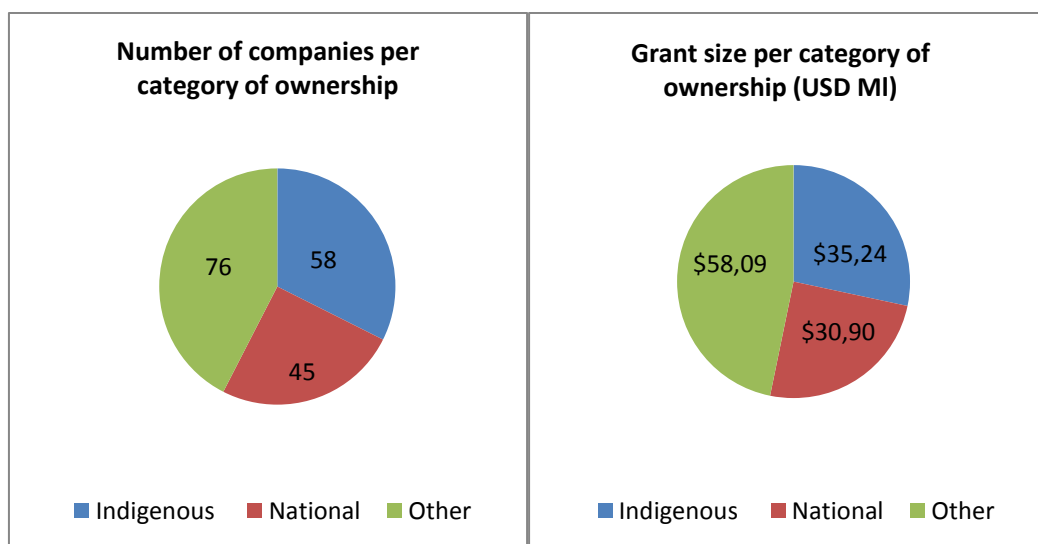
2.4.6 Ownership

The table below provides an overview of the different windows in terms of nature of ownership (179 projects). The overviews show that although local (national and indigenous) companies form the majority at portfolio level, foreign owned companies are responsible for most projects for the GW/AAW and REACT windows.

The 76 foreign owned foreign companies involved (42% of total number of companies) have received on average larger grants with a total grant size (grants and loans) of USD 58 million (of which 26 mln grants) which is about 46% of the total committed funds.

Window composition in terms of nature of the ownership⁶ and grant size per category of ownership

⁶ Classification AECF: Indigenous ownership refers to local businesses which are indigenously owned, National ownership refers to local companies owned by a national of that country but not indigenous and other to foreign owned companies.



3 Relevance of AECF

3.1 Introduction

We have assessed the relevance of AECF and its interventions from different perspectives in accordance with evaluation questions included in the evaluation framework:

- How relevant are the interventions that have been made to the achievement of the programmes intended outcomes and impact?
- How relevant are the interventions to the outcomes for the specific thematic windows?
- How relevant are the country window interventions to the country's development priorities and private sector development strategy?
- Are the actual outcome areas (still) relevant to the target group?

In principle projects which fit the mandate mentioned in chapter 2 are relevant, with special attention for the different focus of the windows. The poverty dimension is translated in the requirement that at least 60% of the smallholder-beneficiaries live on (before the project) less than USD 2 per day. It is doubtful whether this requirement can be translated one-to-one to the individual projects, and whether the USD 2 limit can be adhered to strictly, but it is clear that projects which mainly serve households which earn significantly more than this limit are not relevant.

An additional criterion of relevance is that the project should be innovative within the particular context it is proposed for. Clearly some projects may be innovative at an international level and others maybe innovative within a specific region country or sector. Projects are unlikely to be considered innovative if they are only new for the grantee, but are already being practised by other entrepreneurs in the local context.

3.2 Global relevance

Agriculture is Africa's largest economic sector, representing 15% of the continent's total GDP, or more than USD 100 billion annually. Africa's agro-ecological potential is massively larger than its current output, so are also its food requirements. While more than one-quarter of the world's arable land lies in this continent, it generates only 10 percent of global agricultural output. So there is huge potential for growth in a sector now expanding only moderately, at a rate of 2 to 5 percent a year. Africa faces a number of challenges for agriculture such as weak infrastructure, red tap, limited access to finance. The production of Africa's agricultural sector is highly fragmented with 85% of Africa's farms occupying less than 2 hectares. Therefore, new industry models that allow small farms to gain some of the benefits of scale are required.

A successful agricultural sector requires reliable access to financing, as well as high-quality seeds, fertilizer, and water. Access to markets that can absorb the higher level of agricultural output, a solid postharvest value chain for the output of farmers, and programmes to train them in best practices so that they can raise productivity. Africa has different agro-ecological environments. Because of that countries and regions need to adopt many different farming models to increase production.

The agricultural system in Africa is still in many aspects in transition and requires sustained investments. For that African agriculture needs business models that can significantly increase the level of investment from the private and public sectors, as well as donors; A successful agricultural

transformation requires a broad approach with a variety of infrastructure and service capacity in place. In particular transport, finance and market infrastructure. Moreover stable business and economic conditions and scientific capacity are important conditions for making new business models work. Many African countries are already successful in such an approach; however others are lagging behind.

Considering these observations it is important that AECF focuses on areas that are of importance for contributing to solving a number of the constraints to boost the agricultural sector in Africa.

It is important that AECF focuses on those constraints that cannot easily be addressed from commercial sources and own funds of investees and justify finance through grants and concessional loans. In that respect AECFs focus areas of 'innovation' and 'systemic change' are well chosen.

REACT with its focus on renewable energy and climate change is a case in itself. Sub-Saharan Africa is one of the fastest-growing regions, averaging 6% growth over the past 15 years. This, coupled with high population growth, has outpaced electricity grid expansion efforts. By the end of 2013, only 43% of the population had access to electricity and it is estimated that only around 5% of the rural population in East African countries has access to power. All countries in the region realise the need for a significant expansion of power infrastructure and recognise the strong link between climate change and renewable energy. Over the last five years, this has resulted in new policy frameworks, and public and private initiatives leading to substantial increases in national renewable energy markets. However, in spite of some progress there are still large challenges to be addressed before (renewable) energy supplies are able to fill a significant part of the gap between demand and supply. Challenges are the lack of information on best practices about successful renewable policy schemes; the relative long-term finance requirements for energy projects; and the need for a better collective awareness about renewable energy finance.

3.3 Policy relevance

Alignment of programmes and its constituent interventions with national policies are considered to be a dimension of the relevance criterion. We will compare the visions of AECF and its constituent windows with the national strategies and priorities of the recipient countries. It should be stated however that a simple comparison does not necessarily provide a straightforward question as to the relevance of AECF:

- it is not realistic to expect that for windows implemented in several countries (GW, AAW but also PCW, RIB and REACT) the priorities align exactly with national priorities;
- more importantly: clear national strategies may be lacking, may be vague or may even be harmful for the agricultural communities and Private Sector Development. Zimbabwe but also DRC are examples of this. It is for that reason that we also expect AECF to contribute to systemic change.

Most of the countries where AECF is active have formulated private sector and agricultural development policies. It appears that for example in Tanzania and Kenya (two large AECF beneficiary countries) AECF activities are fully in line with national priorities:

In June 2008 **Kenya** adopted the Kenya Vision 2030 as the road map for Kenya's economic and social development In the Vision, **agriculture is identified as a key sector** in achieving the envisaged annual economic growth rate, to be achieved through **transformation of smallholder agriculture from**

subsistence to an innovative, commercially oriented and modern agricultural sector⁷ Tanzania's National Agriculture Policy 2013 revolves around the goals of developing an **efficient, competitive and profitable agricultural industry**. The Government is committed to bring about a green revolution that entails transformation of **agriculture from subsistence farming towards commercialization and modernization**. In this endeavour, the government recognizes **the paramount importance of the private sector** as the engine of growth.⁸

RIB and REACT as 'innovation carriers' also align closely with the national policies quoted above.

A stated political preference, however, does not automatically mean that these policies are consequently implemented 'on the ground'. Even in Kenya some of the AECF grantees faced significant problems with registration of products which application in the EU was more or less compulsory. It is apparent that systemic change is required, not only to influence formal policies but also to influence 'resistance to change' within government's structures.

Some countries have less outspoken national policies and a worse track-record in implementation of pro-private sector and agricultural policies. Within our evaluation Zimbabwe and DRC stand out negatively here. Zimbabwe is an example of how official government policy, through the land ownership restructuring, can be detrimental to both agricultural and private sector development. Prior to 2000, Zimbabwe was the 'breadbasket' for Southern Africa, but now imports 25-30% of its cereal requirements and the once thriving export horticultural market is now a small fraction of the pre-2000 levels. Only in 2009, with the establishment of the inclusive government, a process of deregulation began. Controls and direct government interventions are being abandoned, although slowly. The government is allowing private players to participate in some sectors such as the grains, cotton and beef industry. The DRC, an important recipient in the Post Conflict Window, is another case where policies have been hardly conducive for private sector growth. It is a large agricultural country with 80 million hectares of arable land of which only 10% are currently exploited. Despite its large potential, the DRC is currently ranked among the deficit countries in agriculture and food security. It is estimated that around 60 percent of the active population has no choice but to undertake some form of subsistence farming on a micro level to meet their basic food needs. In 2011 the DRC enacted a new agricultural Law that sets broad guidelines for the agricultural sector. Since its entry into force this Law has become a source of concern for foreign businesses operating in the agricultural sector because of its ownership clause which restricts foreigners' access to farmlands.

AECF's activities in DRC and Zimbabwe are therefore less relevant from the national policy perspective but more relevant from the angle of national needs, whereas there is a wide field for systemic change to contribute to.

3.4 Demand for AECF services

The extent to which private companies react on the call for proposals in the different rounds is an important indicator of the extent to which AECF addresses the need for finance and the existence of such innovative ideas. Since its inception AECF was able to source some 8769 proposals that led to 3073 eligible applications, 812 concept notes, 372 business plan and finally 202 approved

⁷ Source: Agricultural Policy Framework in Kenya, FAO, http://www.fao.org/fileadmin/templates/fapda/Kenya-Policy_Report.pdf.

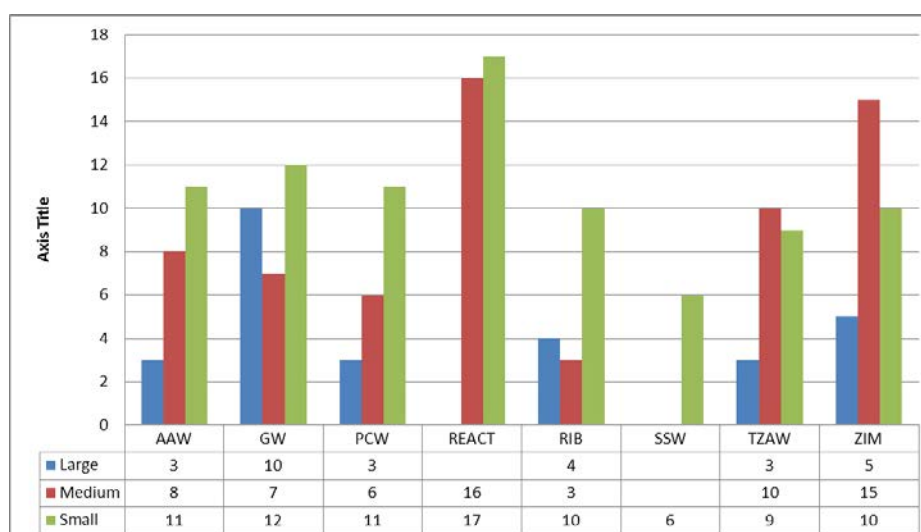
⁸ Source: National Agricultural Policy, Ministry of Agriculture, Food Security and Cooperatives, Dar es Salaam, October 2013.

and 2871 rejected applications. Of course one has to keep in mind that AECF offers very attractive conditions (grant and interest free non recourse loans) for applicant companies.

As shown in the project overview in Annex III, the geographical spread of AECF is impressive, with projects being implemented in 23 countries. The apparent focus on East Africa is also shown by the division in the GW and AAW targeting countries across Africa. The smallest number of projects are funded in West Africa. However the demand for AECF services is present also there, shown by the recent reaction on the latest AAW call (with over 1000 applications in Western Africa). Similar in Francophone Africa only a limited number of projects are implemented. One of the survey respondents complained in this respect about the fact that all correspondence for the AECF is in English, making it quite complicated for companies from French speaking countries to make an application or report.

3.5 Profile of the grantee

The following chart shows the division of grantees in the different windows classified to large, medium and small.⁹ The prevalence of small and medium firms is clear (although it is not always clear whether the small company is not a part of a larger internationally operating company), with the exception of the General Window, where large firms implement a relative large share of the portfolio. One of the grantees in this window is SAB Miller, (one of) the largest brewers in the world. The investment was however classified as relevant by the FM since it took place in South Sudan and concerns an innovative methodology.



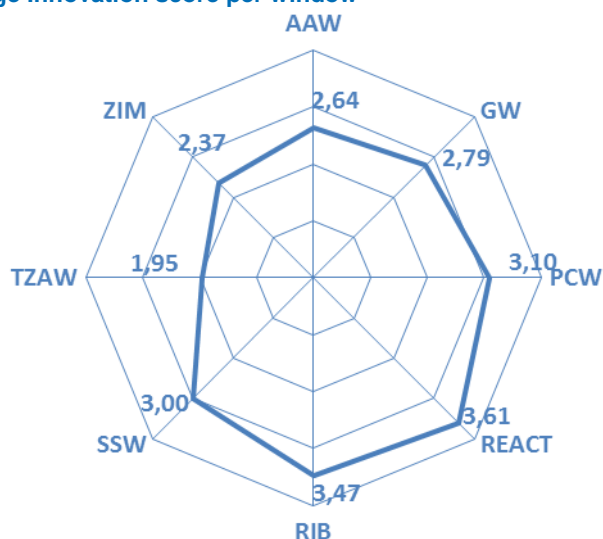
The Tanzania window puts more emphasis on the profile of the grantee, i.e. it should be preferably a small indigenous Tanzanian and female entrepreneur. From the portfolio analysis and from the table above it appears however that the window (at least for round 1 and 2) hardly differs from other windows.

⁹ Classification: small companies have a turnover of < \$1 million, medium between \$1,000,001 and \$10 million, and large companies have > \$10million turnover.

3.6 Innovativeness

Innovation is a special element of relevance. Based on the ex-ante scores¹⁰ provided by the FM, in terms of average innovation score per window, the TZAW window scores comparatively the lowest (1.96/6) and not surprisingly the REACT window comparatively the best (3.61/6), with the whole portfolio scoring an average of 2.85 over 6. The low score of the TZAW window (Round 1 and 2) depends mostly on the low innovation brought by the agribusiness sector activities of processing and contract farming, which accounts for 15 of the 22 projects in this window.

Average Innovation score per window



3.7 Relevance of the specific interventions in the sample

In the above we have mainly relied on our analysis of policy statements on AECF and on statistics derived from the portfolio. In this section we will deepen the picture, looking at the individual cases sampled. When studying the sampled cases, we tried to receive more insight in the question as to whether AECF has been able to select relevant projects in terms of their contribution to the AECF objectives.

When looking at the Theory of Change (see section 2.3) we observe the following role the AECF is expected to fulfil (context and needs):

- Provision of funding to agribusiness to engage with the smallholder sector;
- provision of patient capital to allow business to innovate and take on higher risk ventures;
- address market failures by opening up and facilitating market entry to rural households;
- demonstrating that supporting businesses with one-off grants or loans can contribute to poverty alleviation;
- affordable innovation and technologies made available and accessible to rural households and small enterprises.

¹⁰ Scores provided are 0 to 6 with 0= project not considered innovative, 1 = Project is new for the company in the country of application, 2 = Project is new for the company in Africa, 3 = Project is new for the company and new for the country in which the project will take place, 4 = project is new for the company globally, new for the country and new for the sector in that country, 5 = Project is new for the company and the sector in Africa and 6 = project is new globally (a world first).

Poverty alleviation (translated in the requirement that at least 60% of beneficiaries should belong to the group living on less than USD 2 per day) operating through markets and innovativeness are pivotal in the above.

We have given a score to this criterion ranging from 1 to 4, 1 meaning not at all relevant and 4 meaning highly relevant.

Table 3.1. Relevance scores

Score	Meaning
4 (highly)	Project intends to reach out to and improve the livelihood of a significant number of rural households, most of them poor , using approaches which are innovative, technologically and/or in their approach to marketing and market-uptake.
3 (in general)	Project intends to reach out to and improve the livelihood of a not-insignificant number of rural households, at least a part (half) of them poor , using approaches which are relatively new in the country.
2 (less)	Project does not intend to reach out to a significant number of poor rural households , or it does not apply an approach which is innovative .
1 (not)	Project does not intend to reach out to a significant number of poor rural households , and it does not apply an approach which is innovative .

We would like to draw attention to the use of the wording '*intends to*'. When looking at the relevance of the individual cases we have focused on the business model (see also section 2.2) as presented in the Business Plan I, possibly revised with permission of the Investment Committee. Different factors may result in a lower than expected outreach, which factors however will be treated under the criteria 'effectiveness' and 'impact'. In cases however where the evaluation team considered the model to be unrealistic, the score for relevance was adjusted downwards. This normally related to numbers of households reached out to, or the expected benefits to the households, which the team often found to be overrated.

The extent to which AECF addresses the needs of the grantees, i.e. whether the form of the funding provided addressed the needs of the companies, will be treated in the next chapter on 'additionality'.

All but one project of the sampled projects are considered to be highly or in general relevant (either a 4 or a 3) for contributing to the objectives of AECF. The supported business models are found to be relevant for better engagement of smallholders and poor households in markets systems and value chains.

In about two third (66%) of the cases the relevance is considered slightly affected through a lack of poverty focus or limited innovative character of the project.

Another flaw in the design of the business models was that the projections on impact per household were clearly overrated for a considerable number of the projects. Projects for instance did not take account of the fact that there is a gap between receiving technical advice on one hand and on the other hand applying the advice and reaping the benefits. Likelihood of failure (inevitable) is not taken into account – overall estimates are assessed as overrated and unrealistic, which finding is substantiated by the developments in the projects. It is obviously caused by the strive for applicants to achieve the AECF funding and the generally optimistic mind-set of the applying entrepreneurs.

The sample was, as mentioned in section 1.2, selected randomly, within the limits of requirements in the ToR to cover all windows and a given number of countries. The resultant of the ToR

requirement is that the sample of 31 cases is largely representative for the entire population of 'not prematurely halted' projects but that one has to be careful differentiating between different fragments. i.e. windows and countries since conclusions on possible differences may be based on the assessment of only a few projects. In the Zimbabwe and Tanzania Windows, where the sampled cases represent some 40% of the population, we are confident that the sample is largely representative. Also in the AAW and GW windows, where the sampled projects represent 18% of the relevant population, and in the REACT window with 16%, the number of cases may be considered representative. In the RIB window however only two out of 17 projects were studied, so that here the sample is merely illustrative. Nevertheless we will point at some aspects which specifically are related to specific windows and countries in the following sections.

Table 3.2 Average relevance scores per window

	AAW	GW	REACT	ZIM	TZAW	RIB	PCW	(Weighted) Average
Window average	3.00	3.17	3.43	3.8	3.25	3.38	3.5	3.29

As stated above, projects were generally considered to be (largely or fully) relevant. Motivation for this may change however per window.

In the two general windows **AAW** and **GW** and also the **TZAW**, projects were found to be relevant in the sense that the projects were intended to provide a market (and source of income) to (smallholder) farmers and combined their activities with technical support. The relevance of one project was affected through the fact that the product is hardly innovative and already available on the market.

Relevance of the **REACT** projects considered high, by providing cheaper and clean alternatives to electrical power products, the projects are expected to contribute to a healthier and more sustainable environment and can offer the beneficiaries with significant savings. REACT projects in the sample did get the highest average score from all windows. None of the REACT projects in the sample scored lower than 3.

Similar projects of the **ZIM** window have received high scores. As mentioned above agriculture productivity in Zimbabwe has declined dramatically in recent decades. Building smallholder capacity is very relevant in this regard. Smallholders are the core beneficiaries of the projects, even when they are not the target for the overall business.

Although the two **RIB** projects appeared overall relevant; the products were not always found to be fully innovative and unique for the market; and a focus on the poor was not self-evident.

AECF is one of the few organisations that is willing to promote the private sector in post-conflict states and from that point of view the interventions are an important first initiative to show that private sector can work. They should be considered as pilot projects in a challenging environment. The **PCW** overall portfolio may be rated as relevant because all projects provide in essence services to the rural households although figures may be overrated (especially taking into account the nature of the Post Conflict Countries) and less poor beneficiaries may also benefit. This specifically applies to the micro finance projects. Experience from other countries shows that micro finance services may be important for the poor, but rarely for the poorest (< USD 2 p/d). Individual loans definitely do not address the poorest. In case of Somali, the most relevant business ideas focused on creating value added by replacing imports through local production, or processing agricultural inputs which otherwise would go waste.

Table 3.3 Average relevance scores per country

	Kenya	Tanzania	Zimbabwe	West Africa	(Weighted) Average
Window average	3.22	3.22	3.38	3.25	3.29

The assessment relevance per country shows more or less equal scores for each country, whereas the sample is largely representative for the three East-African countries but less so for West Africa, where the sample should be seen as illustrative.

3.8 Conclusions

The AECF interventions are overall in line with national strategies and priorities (policy relevant) and, in case they are not (since these strategies are not existent) AECF has addressed clear national development needs.

All but one project of the sampled projects are considered to be highly or in general relevant. Based on this assessment it could be concluded that the AECF portfolio in general is relevant. The selection process, including the review by the FM and Investment Committee (IC) thus brings out in essence relevant projects.

Relevance was scored lower in two third of the cases (i.e. generally instead of highly relevant) because the projects had a limited poverty focus or had a limited innovative character.

Across the windows projections for development impact are often overrated (because applicants are logically eager to obtain the funding and entrepreneurs have an optimistic mind-frame). Estimating the benefit per household, the likelihood of a proportion of failures is not taken into account. Therefore the actual relevance may be lower than the expected or projected relevance.

The AECF incorporates many relevant development aspects and purposes. Considering the soft nature of the funding provided AECF should focus on those aspects that cannot easily be funded by commercial institutions. The criteria of innovation and systemic change are well chosen in this respect. However, the practical implementation shows (see also chapter on development impact, sustainability and efficiency) that these aspects have not always received sufficient attention. It is important that AECF much more develops into a provider of funding for innovation and introduction of new or alternative markets models and thus being an interesting 'entrée' for identifying bankable projects for commercial financiers.

The Theory of Change underlying AECF is based on a number of assumptions related to relevance are assessed in the table below.

Assumption	Assessment
AECF is able to attract suitable proposals	The competitions have been able to source a considerable number of proposals, which have delivered sufficient suitable proposals to be selected. Only in the case of the Zimbabwe window, less were selected due to insufficient quality of the proposals.
Competition process is able to identify the best candidates	Based on the assessment of the sample it can be concluded that the selection process brings out in essence relevant projects. However there is room for improvement of the selection process considering the

	<p>overestimations in a reasonable number business proposals which may have pushed out better proposals with a more realistic estimate.</p>
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4 Additionality

4.1 Introduction

Additionality of AECF funding is assessed at two levels: at the level of the funding of the grantee, and at the beneficiary level, in other words the following questions are answered:

- At grantee level: Would the grantee have financed the project from their own funds or have been in a position to obtain funding from regular financial services in the absence of AECF?
- At grantee level: is the large extent of concessionality, i.e. grants and non-recourse interest-free loans, necessary for the funding of the project, or could the grantee have afforded a more market-oriented (commercial) loan?
- At beneficiary level: What changes at outcome level would have occurred in the absence of AECF funding? What difference would this have made at impact level?

The key question is whether investments would have been made (or happened as fast or on the same scale) without AECF funding? Sometimes a project might be only partially additional – with the business likely to go ahead, but at a slower rate or smaller scale without AECF support. A tricky question on additionality is when a grantee **could** have financed the project from its own resources, or from commercial finance, but probably **would not** have done so. This is quite common when the grantee is a large company – it could easily have done the project itself, but the availability of the grant seems to have influenced internal decision making processes. There is therefore unfortunately always an extent of speculation involved in assessing additionality, grantees will not always be tempted to admit that funding has not been necessary. The Donor Committee for Enterprise Development (DCED) has come to recognise the difficulties involved in establishing additionality, also given the fact that donor organisations do not always have the resources to establish very reliably the extent of additionality, and that there is sometimes pressure on spending. In addition, additionality presents a trade-off with other criteria, for example a project which is highly additional given the fact that the grantee does not avail of the funds, may for the same reason have a large chance to be non-sustainable and therefore have no impact. A very large leverage through substantial matching funds may at the same time indicate a low additionality.

In ‘Demonstrating Additionality in Private Sector Initiatives’¹¹ the DCED presents eight criteria to reliably assess additionality (quote):

Although additionality **cannot be ‘proven’ or ‘exactly measured’**, it is possible **to enhance assessments** in practical ways – to make an **informed and credible judgement** on additionality and to maximise the added value of public funds. First of all, the agency must establish at least one of the following: **The company cannot self-finance the project** (within a reasonable time frame); **it does not have the knowledge or skills to implement the project** activities alone; **and/ or it is unwilling to implement the project because it perceives the costs or risks to be higher than the benefits**. If the company lacks the finance or knowledge to implement the project, the next step **is to establish with reasonable credibility that the company also cannot access equivalent support from a commercial provider**. Ideally, the agency would also make a convincing case that the cost-shared project is **unlikely to displace other companies already operating or ready to enter the market**. Finally, the agency should establish that **its support does not duplicate other donor-funded support**. If these criteria can also be met,

¹¹ ‘Demonstrating Additionality in Private Sector Initiatives’ – DCED, April 2014

additionality can be demonstrated. The case for additionality may be reinforced if the agency can also demonstrate that it will **leverage in funds from other public or private parties**. It may further be able to show that it is likely to **bring about changes beyond the cost-shared project**, such as in the operational standards applied in wider business operations, or beyond the partner business, such as improvements in the business environment that will benefit a wider set of companies.

We have followed the above principles to a large extent. Following e.g. our business model: even if the grantee is in critical need of soft funding but the model itself could be easily commercially funded by other businesses, the AECF funding may be less or not additional since the grantee may drive self-funded parties out of the market. Considering the soft nature of the funding (second bullet point) the evaluation team has been hesitant in following the argument that large multi-national companies in the absence of the funding would not have gone on with the project, even if this claim was made by the grantees.

4.2 Additionality in the sample

In this section we describe additionality, as observed among the sample of 31 selected cases. As described above, we have given a score to this criterion ranging from 1 to 4, 1 meaning absolutely not additional and 4 meaning fully additional.

Table 4.1. Additionality scores

Score	Meaning
4 (highly)	Project would in the absence of AECF funding not have been implemented, since the grantee has no own funds available for the project neither access to commercial funding. And: The business model is new in the country, there is no risk of market distortion. .
3 (in general)	Project would in the absence of AECF funding probably not have been implemented, since the grantee has no funds. Commercial funding is not available at affordable costs. Although the business model is not new in the country, there is no risk of market distortion. .
2 (less)	Project could in the absence of AECF funding probably also have been implemented, since the grantee has access to other funds (own or foreign), although these funds may be higher costed but still affordable. Risk of false competition with the financial markets. Or: The business model is not new in the country, already implemented by commercially funded parties and there is a certain risk of market distortion. .
1 (not)	Project would in the absence of AECF funding definitely also have been implemented, either from own funds or commercial lending – risk of false competition with the financial markets. Or: The business model is not new in the country, already implemented by commercially funded parties and there is a large likelihood of market distortion.

In total thirteen (43%) of the observed cases were assessed as fully additional (score 4), another nine (30%) received a score 3. Eight cases were considered less or not additional (score of 1 or 2), i.e. they would definitely or very likely have gone ahead without AECF funding as well.

In a sample of 31 cases it is cumbersome to differentiate between different fragments. i.e. windows and countries. In the following we will try however to highlight some aspects with specifically pertain to windows and countries.

4.2.1 Additionality per window

The table below provides an overview of the averages scores per window. For the representativeness of the sample we refer to what was stated in section 3.7.

Table 4.2. Average additionality scores per window

	GW	AAW	Tanz Window	Zimb Window	RIB	REACT	Avg (w.)
Average (weighted)	2.67	2.67	3.00	3.13	3.50	3.40	3.10

The two **RIB projects** stand out positively and were considered additional because of:

- the long pay-back periods of the projects; and
- the nature of the company (small, basically start-ups).

The RIB projects had a pilot character for the grantee but in one case the model (artificial insemination of dairy cattle in Kenya) was less additional, given the presence of competitors supplying a similar product and the financial standing of most clients. This latter fact also translated in a somewhat lower relevance score.

For the **REACT** projects, additionality is generally also high. This evaluation only considers one of them not additional (score 1), given the fact that AECF only funded some 5% of the whole investment. In another case AECF funding appeared to have been an important stimulus for implementation, although the Tanzanian company in question turned out to be able to attract significant amounts of commercial lending (catalytic effect).

In the overall windows **AAW and GW** in the majority of cases the AECF funding is considered additional. However three grantees, two in West Africa and one in Tanzania, represent large multinationals with ready access to own and foreign capital. These projects would most likely have been able to proceed without AECF support. It was stated that AECF still provided a stimulus. When interventions were considered highly additional this was mainly because of the nature of the company (small, start-ups) and the intervention (risky, innovative).

It was observed that one grantee justified AECF funding on the basis of his preference not to rely on bank lending, a justification which was apparently accepted by the Investment Committee.

In one case the funded model, a marketing channel for products produced by large exporters in a competitive environment, was considered not at all additional (score 1).

4.2.2 Additionality per country

Table 4.3. Average additionality scores per country and window

	Kenya	Tanzania	Zimbabwe	West-Africa	Average (weighted)
Average (weighted)	3.11	3.11	3.13	2.75	3.10

It appears that there is no significant difference for additionality between the different countries. In Tanzania one project was considered not additional, given the financial standing of the grantee – the IC had taken this into consideration by bringing the AECF funding down from the requested amount. It should be remarked here that, as was stated also in section 3.7, the sample is in terms

of number of observations representative for the East African countries Kenya, Tanzania and Zimbabwe but with four (out of nineteen) contracted projects for the West-African countries less so.

Zimbabwe is actually a Post Conflict Country. The only reason why projects in Zimbabwe have not been part of the PCW is that there exist also a country window. For projects in Zimbabwe, one could expect additionality to be relatively high especially because liquidity constraints in the market for agriculture have been very high in Zimbabwe, and were even more severe in the years of most of the projects' approval. Some projects were financed in 2009/2010, right after hyperinflation and dollarization when many companies had to re-establish their balance sheet. The high-risk nature of the projects in an already high-risk sector (agriculture), made it impossible to access commercial finance on affordable terms. Still today, there are very few banks that lend out to agriculture. Nevertheless, a number of projects (three) could have been financed out of own or commercial funds. One top-up by AECF of an existing, initially additional, funding, was considered to be not additional.

Also in Zimbabwe in one case AECF funding was justified by the grantee's unwillingness to use bank lending.

Similarly in the PCW countries, it could be expected that in an environment where financial services are virtually absent, and the situation is still fragile financing of business ventures can be classified as additional. Generally, this appeared indeed to be the case.¹² Some grantees, however, were found to have a rather comfortable equity position. For example in Somalia many applicants belong to the diaspora and it could be argued whether some could not have used their savings to finance these ventures. We understand however that the risk profile would be an impediment for private investment. For one project in Sierra Leone, equally financed by two venture capital funds and a development bank ready to provide a loan, financing on commercial terms would have been more suitable.

The PCW provides only full non-repayable grants. This however does not reflect the nature of the projects but the preference of the donor SIDA. It could be argued that in some cases the grant could have been smaller, in exchange for a higher matching fund. in the form of actual cash or other tangible assets. Some applicants mentioned openly in the business plans that also without AECF funding the project would go forward, however at a smaller scale.

4.3 The survey results

In addition to the field study we also sent a web-based survey to all grantees and a number of non-successful applicants. For a full description of the survey see annex II.

From the survey it appeared that 36% of the respondents had a relation with a commercial bank prior to the application, the remaining 64% reported to have had no such relation. This might be an indication of additionality of the majority of the portfolio, since it will be difficult for a company to secure funding for a relatively risky venture from a bank with which it had no prior relation. Such, a relation is also no guarantee that such funding can be secured. Other companies, however might also invest family or other funding. Indeed, 51% reported that AECF funding was the only available funding for the project. Only 8% stated that without AECF funding the project would (probably) also have been implemented, 44% stated that that (probably) would not have been the case. The

¹² We have not scored the PCW projects separately, since these were studied through a desk-based exercise only.

remainder stated that the project would have been implemented but later (34%) or at a smaller scale (13%).

As to the need for the soft character of the funding, 43% stated that at more cost-recovering terms (e.g. an interest bearing loan) the project would also have been implemented, 57% however stated that this would not have been the case.

Of all respondents, 73% stated that it had been difficult or would have been difficult to provide the matching funds (23% mentioned serious problems).

4.4 Conclusions

Within the sample thirteen of the 31 projects were considered to be fully additional (score 4), only two as definitively non additional (score 1). Although the conclusion therefore may be drawn that a significant share of the portfolio represents additional funding, there is still a large share (over 50%) where additionality is not given the full score. There is unfortunately always an extent of speculation involved in assessing additionality ('what would have happened in case AECF funding would not have been available') and respondents are not always tempted to admit that funding has not been necessary. Especially additionality based on preference of the grantee for non-bank funding (two cases) may be doubtful. The assumption that, AECF funding is additional thus did not entirely hold in practice.

Additional projects are characterised by small companies, often start-ups, and innovative risky models. Often there is a negative correlation with commercial developments (see the chapter on effectiveness), some of the additionally funded projects would have been stopped in the absence of AECF funding.

Between the different windows and countries there are hardly significant differences in terms of additionality. Even a comparison with the Post Conflict Windows (not part of the sample) showed that in the latter group some funding may have been less additional and at least one project was indeed not at all additional. Possibly the RIB and REACT projects, because of their more risky model, are slightly more additional. In three cases the grantee may have been in need of concessional funds, but the model funded as such appeared to be not additional, i.e. already available from competitors.

It was also noted in a limited number of cases that AECF funding represented only a fraction of the entire investment, or was brought down in cases where the IC questioned additionality. Generally, if the portion of the funding is small, this funding may be considered less additional, so instead of bringing the funding down when additionality is questioned, it might have been better to refrain fully, leaving funds for other more additional applicants. Obviously, in cases where the funding represents a small portion, the effects of the project can hardly be attributed to AECF.

The fact that AECF funding was additional does not imply that the form the funding (a grant and/or a partly repayable grant) is critically necessary. Among the group of projects which receives a score of 3 (30%) definitely a larger share of the support could have been in the form of a repayable grant. For the projects which were scored as non-additional it can be stated that in more than half the cases funding was more concessional than necessary, i.e. the grants provided here constitute a so-called 'dead weight'. This is also confirmed by the survey, where half of the respondents stated that funding at more cost-recovering terms would have been equally appropriate. Also in the case of the

PCW, where all funding was provided as a grant, it was observed that a smaller grant versus more 'cash' matching funds would have been fully suitable.

AECF is not a bank, and in addition (see the section on efficiency), repayment discipline (both on the side of the FM and on the side of the grantees) is low. This latter fact adds to the mentioned 'dead weight' and may even constitute false competition with the emerging and existing financial sector (including development finance institutes, which thrive for full recovery).

5 Effectiveness of AECF

5.1 Introduction

This chapter deals with effectiveness both at portfolio, window as well as project level. The main question for this chapter relates to the extent to which outputs are overall converted in outcomes, including capitalization of the fund. At the project level effectiveness will focus on the (speed of) realisation of specific outcomes (or objectives), normally at company (=Grantee) level.

We tried to make sure that identified effects could be attributed to the model funded by AECF, in cases for example where grantees had deviated from the approved model.

5.2 AECF portfolio

In chapter 2 an overview of the current portfolio of AECF is provided showing that in total USD 148.6 million has been committed to in total 202 projects¹³.

Based on the information received from the FM, currently in total 16.2% (29) of the interventions contracted until January 2014 (179) can be considered as failed and are (to be) terminated.¹⁴ Another ten projects have been withdrawn¹⁵ (5.6%) while the committed funds could not be re-used.¹⁶ Commercial and financial viability are the main reasons why projects are stopped, in five of the cases the company failed to make the matching funds available. There is no significant difference per window. At country level four of the six projects in Nigeria (67%) had to be closed showing a difficult implementation context. In the other countries the percentage of closed projects per country does not exceed 25%.

Two projects of the total portfolio have finished (including full loan repayment).

Leverage

Grantees are supposed to bring in a contribution of own funding or from a third party of 50% of the amount of the investment. This can be done in cash or in the form of so called in-kind contributions. This is meant to guarantee the commitment of the grantee for the project concerned. In some of the windows this conditions is not imposed (e.g. in the PCW and SSW it is not considered reasonable to ask for these sort of contributions).

The field research showed that in-kind contribution are difficult to define. In some cases creative solutions were found to calculate in-kind contributions. It is not uncommon that management time is accepted as in-kind contribution, often resulting in arguments between the FM and the grantee on the valuation of such inputs. Even the difference in salaries between what the management thought they should earn, in comparison to what they did earn from the project, has been proposed and

¹³ 24/03/2015.

¹⁴ Stopped project are projects that had to close because the company could not (or did not want to) proceed with the project which led to the termination of the contract

¹⁵ Withdrawn projects are projects that were initially approved by the IC for funding, however, for different reasons, either the business decided to withdraw or the award was withdrawn by AGRA during the contracting process.

¹⁶ To limit these cases, for recent rounds a revised procedure is introduced in which the IC approves all projects that it would like to see funded regardless of the funding available and prioritizes these. If a project falls out it can be replaced by a project which has a lower priority.

accepted as matching fund. Obviously, this way matching funds can hardly be seen as a real investment by the grantee into the project and as an indicator of his motivation. Clear requirements for the nature of Matching Funds appear to be lacking,

Based on monitoring data, AECF funding leveraged an estimated amount of USD 387.84 million. The sampled projects show an average leverage factor of 2.8 (third party including matching funds)¹⁷ and 5.95 (third part and own cash investment including matching funds). Excluding matching funds the factors are respectively 2.30 and 4.94. A major caveat, however in addressing the leverage ratio calculation is the fact that funds recorded as matching funds are sometimes already allocated for the project or were obtained through a process parallel to the AECF funding and therefore the catalytic effect cannot be proven. Also, in several cases unachieved planned investment was replaced by contributions from other sources that are accounted as leverage even though it is not clear whether these were obtained as a result of the AECF funding or for other reasons. In one case, we found that the third party contribution for a project was an earlier donor contribution, which had already been spent when the AECF project started.

Leverage through bank lending was found to be very low and is difficult to connect to the projects because in many cases it was unclear whether the leverage could be counted as a result of the overall performance of the company or as a result of the AECF project.

It might therefore be a better option to take a more conservative stance on the leverage calculation by ignoring the funds whose causality link with the AECF funding cannot be proven, although this would probably produce an overall underestimation of the actual leverage ratio.

Recently AECF started a new activity called “**CONNECT**” funded by SIDA. The purpose of this facility is to identify (commercial) investors to step in for a new financing round of grantees. It enhances AECFs position as a feeder fund for other investors to come in. At the moment, CONNECT has been able to identify investors resulting in deals in four cases and four other cases are in the pipeline. It is too early to say what the impact will be of these investments and to what extent these serve the same purpose as AECF grants.

5.3 Effectiveness of interventions

In this section we will look at the effectiveness of the interventions. Based on the AECF mandate the following questions were asked:

- Does the business model (result chain) work?
- What is the business performance?
- How do the actual (financial and development) outputs and outcomes compare with the planned?
- To what extent has the projected turnover and outreach been achieved?

Effectiveness here focuses on turnover and outreach. When business performance is positive but the grantee has deviated from the approved model it may be the case that the project is considered less or not effective because (part of the) the observed effects can not be attributed or contributed to the approved AECF project. Here the assessment of AECF differs from regular PSD assessment: such deviations take away from the achievements of AECF whereas a regular PSD-oriented investment fund would instead applaud deviations of the model if that was in the commercial interest of the company. AECF funding of course allows for adapting the model, but

¹⁷ Including four companies showing a leverage above factor 10.

these changes should receive prior approval by the IC. In case of approval the effects of the adapted model were assessed.

As part of the contribution analysis we have verified the underlying assumptions of the result chain of each of the case study projects, and collected evidence on outreach and development effects, on other factors to assess the contribution of the specific project. Apart from the direct outreach we also looked at the main suppliers, out-growers and other parties who may have benefitted from the projects.

5.3.1 Effects reported by the Fund Manager

The tables below provide overall data and data per window on direct net employment and number of beneficiaries to illustrate the variance in terms of these indicators among the Grantees. These data are reported by the grantees and verified by the FM.

Table 5.1. Overview of direct net employment and total number of beneficiaries data¹⁸

	Direct Net Employment	Total number direct beneficiary households cumulative (outreach)
Total	8203	1322089
Average per Grantee	68	11804
Maximum recorded	1214	515000
Minimum recorded	0	0

Table 5.2 Overview of direct net employment and total number of beneficiaries data per window¹⁹

Window	Total No. of jobs (2014)	Average of No. of Jobs (2014)	Sum Net Number of Households (cumulative)	Average of 2014 Net Number of Households
AAW	2434	128	253540	12677
GW	803	100	16239	2320
PCW	811	62	17892	1278
REACT	1761	77	233506	10614
RIB	298	27	558517	62057
SSW	22	7	2896	965
TZAW	921	46	62026	3877
ZIM	1153	50	177473	8451
Grand Total	8203	68	1322089	11804

Data on net direct employment can be expected to be accurate as this data is verified based on the records of the grantees. Data on outreach is considered to be less accurate and deviations can be expected. In case of for example outgrower schemes and power distributions data can be verified based on the administration of the grantees. In other cases such as input supply projects outreach data will often be an estimate and cannot be directly verified.

¹⁸ 23 grantees did not report or had no SVR for outreach data and on direct employment data 27 grantees did not report or had no SVR

¹⁹ Note: The table is built over the data on 179 projects (excluding TZAW R3 and REACT Moz). It must be noted that some the totals and averages are sometimes built over a smaller sample since several projects, did not report (on the specific figure or in general they sent no progress report), were not visited and the data could not be verified. For the figures on job, the average is built over 152 entries (17 did not report, 2 were not verified, 8 had no SVR), for the figures on the net HH number 156 entries were available (15 did not report, 4 had no SVR, 4 were not verified or judged unreliable).

5.3.2 Effectiveness in the sample

The table below provides an overview of different ratings for effectiveness. We have given a score to this criterion ranging from 1 to 4, 1 meaning not at all effective and 4 meaning highly effective.. As mentioned above when looking at the effectiveness of the individual projects we have focused on the effects of the implementation of the approved business model..

Table 5.3. Effectiveness scores

Score	Meaning
4 (highly)	Project by implementing the approved business model has (is likely to) achieve its outcomes including effective outreach to the targeted number of rural households, and the projected turnover has been achieved
3 (in general)	Project by implementing the approved business model has (is likely to) achieve its outcomes including outreach to the targeted rural households to a large extent and the projected turnover has largely been achieved.
2 (less)	Project has problems in implementing the model, and is not likely to meet the targets in terms of outreach and turnover, although some effects are likely to be or are forthcoming
1 (not)	Project has not been able to achieve its outcomes including projected outreach and turnover

The assessment of the effectiveness of the sampled case studies shows a mixed picture with half the projects considered to be effective (score 3 and 4) and the other half considered not effective (score 1 and 2). Only two projects are fully achieving its expectation, while, in other cases business performance in terms of turnover and outreach diverge from the expectations. In about one third of the cases, the evaluation team expects to see improvement in the near future.

When we compare the expected outreach (as per the Business Plan) versus the realised outreach²⁰ only four projects have achieved the projected outreach or more, while another four companies have achieved over 50% of the intended outreach. It is clear that there is a large discrepancy between expectations and reality, e.g. in the five non-REACT projects in Kenya realisation is less than 14% of the expectations (even the grantee's estimate is merely 34% of projected outreach).

The table below provides the scores for effectiveness per window. For the representativeness of the sample at window and country level we refer to what was stated in section 3.7.

Table 5.4. Average scores for effectiveness per window

	AAW	GW	REACT	ZIM	TZAW	RIB	PCW	(Weighted) Average
Window average	2.67	2.17	2.71	2.25	2.50	2.00	2.00	2.42

None of the **GW** and **AAW** and also the **TZAW** projects were fully achieving expected results. Many of the projects experienced delays in the implementation while a number of the projects changed their business model (often too ambitious) along the way. Well performing projects have very much benefited from the inclusion of (at times very creative) provision of technical support to smallholders (e.g. training, demonstration, informative radio programmes etc.). The poor performance of one of the projects is largely caused by the fact that the necessary and expected government policy reform

²⁰ The data for realised outreach and benefits are based on the findings from the evaluation, in cases this was difficult to establish the impact reported by the grantees, de findings from the FM and our observations were combined.

has still not taken place. This was not recognized as a risk both in the grant memo or business plan.

Many of the **REACT** projects have only reached a small fraction of expected turnover and outreach and particular the processing components have been delayed. Less than optimal results are often caused by systemic causes such as a slow bureaucracy (obtaining permits) or a shortage of working capital. The ToCs take insufficiently account of systemic factors. For projects aiming at climate smart agriculture, the process of training farmers in new technologies and providing them with new inputs and at the same time reaching commercially valid results is proving difficult. The fact that there have been only a few agricultural projects under the REACT Window is already an indication that this is a difficult sector to develop commercially interesting projects

Only half of the **ZIM** projects are reaching an acceptable level of delivery. Many of the projects have only reached a small fraction of expected outreach and again the involved processing components (e.g. building the factory, installations) have been very delayed. The weak performance has in most cases been caused by internal factors such as poor design and also poor execution.

The two **RIB** projects show poor operational performance; caused by lack of attention given to marketing issues and a change of direction on the way (even at the price of losing the innovative character). Quality of the service was thus not the issue, but mainly quality of management, especially marketing. The FM has the view that many RIB projects suffer from a lack of professionalism: a strong focus on technical issues, and a lack of interest for marketing and operational, including financial, issues. This seems definitely to be the case for the two RIB case studies.

The lower score for the PCW can largely be explained by the situation in Sierra Leone and Liberia which halted the projects in these countries. In the other countries operational progress is better, in Somalia even good. Problems that occur in PCW are mostly of a systemic nature (taxation, terrorism and unrest, false competition); with only one caused reportedly by managerial incompetence. The portfolio in Somalia is doing operationally relatively well. According to the responsible person in the FM's office this portfolio is performing even better than the Kenyan portfolio. Although most projects are in the investment phase still, it looks as they are living up the promises in the application. Reason for the success so far in Somali is the fact that most of the management and/or owners of the grantee companies belong to the Somali diaspora in the US and Europe, having a strong entrepreneurial background.

Progress in REACT projects is also measured against the indicators: (i) Installed MW/ CO₂ Equivalent for renewable energy projects and ii) number of small holder farmers benefiting from private sector innovation in supply of seed and other inputs, investment in developing markets for climate resilient agriculture, and afforestation water capture and storage and irrigation for adaptation projects. The installed off-grid clean electricity capacity (measured in MW equivalent) for the sampled projects is falling behind schedule but prospects are good. The uptake of home solar systems can be seen as a success, replacing, charcoal, batteries etc., although it has not been possible to obtain detailed figures of the installed capacity. The reduction of climate risk experienced by communities or households (e.g. location specific measures to protect natural resources, or fewer incidences of reduced food, water, energy, or human security) as a result of increased investment in adaptation related development are far more difficult to measure. One project claims to assist communities to prevent flooding by removing shrubs that are obstructing river flows, but no actual information on this could be collected (except for anecdotal evidence). Applying climate smart agriculture is ongoing but again difficult to measure in any concrete way.

What can be noticed is the promotion of more drought resistant varieties and that agricultural practices are gradually becoming more “climate smart”.

Table 5.5 Average effectiveness scores per country

	Kenya	Tanzania	Zimbabwe	West Africa	(Weighted) Average
Window average	2.22	2.78	2.25	2.25	2.40

It appears that there are no significant differences between countries in terms of effectiveness. . The higher score for Tanzania is mainly caused by two very well performing REACT projects.

The post-conflict nature of **Zimbabwe** has also influenced the delivery context. In one of the cases political unrest clearly caused disruption of business activities. Another issue in Zimbabwe which also may influence the future sustainability is that markets are influenced by (non) tariff trade barriers and may be less favourable in the future (e.g. the current high price for chickens)

5.3.3 Survey

The findings from the survey show similar results with 40% of the respondents indicating that their projects are proceeding as planned. Another 40% indicated that this was only partly the case, whilst the remaining 20% experiences even larger delays.

Almost three-quarter of the grantees has indicated that the support of AECF resulted in an increase of employment. For 45% of the companies the support also resulted in an improvement of the labour / working conditions.

5.4 Conclusions

AECF has committed to in total 202 projects, showing that there is a private sector with an interest and capacity to partner with the AECF/ Leverage of the AECF support is positive but difficult to define. In cases creative solutions were found to calculate in-kind contributions which can hardly be seen as a real investment by the grantee into the project and as an indicator of his motivation and commitment. The sampled projects show an average leverage factor of 2.3 (third party funding) and 4.94 (third part and own cash investment) excluding matching funds, a major caveat, however is the fact that funds recorded as matching funds are sometimes already allocated to the project before the application to AECF or were obtained through a process parallel to the AECF funding and therefore the full catalytic effect cannot be proven.

The portfolio analysis shows that the failure rate of AECF is about 16%, with another 6% of the projects being withdrawn. Commercial and financial viability are the main reasons why projects are stopped, in five of the cases the company failed to make the matching funds available. The effectiveness of the fund could therefore be enhanced by a more focused due diligence with specific attention for the availability of matching funds and weak spots (capacity) of companies.

Overall the sampled projects analysed show mixed results for effectiveness which is to be expected in a challenge fund. About half of the projects show an acceptable level of delivery. Many projects are experiencing delays in implementation while a number of the projects changed their business model along the way.

Only two projects are fully achieving its expectation, while, in all other cases business performance in terms of turnover and outreach diverge from the expectations. Influencing factors for effectiveness are weak management capacity, lack of attention for marketing issues and unrealistic

business models with weak commercial viability. Systemic factors also play a role, particularly the difficult business environment in Nigeria and Zimbabwe. Delays in the approval of new technologies involved in RIB and REACT projects were also a factor. PCW projects, particularly in Somali and Congo are performing reasonably well.

The Theory of Change underlying the project is based on a number of assumptions related to effectiveness are assessed in the table below.

Assumption	Assessment
Grantees have sufficient access to matching funds	Availability of matching funds has been an issue for a reasonable number of grantees and led to several stopped projects.
Business environment permits successful commercial performance	In general yes, but difficult business environment in Nigeria and Zimbabwe..
Sufficient quality of management by Grantees	Weak management is an issue for a reasonable number of projects
Grantees do not primarily depend on donors	This assumption seems to hold for most cases, although several grantees are also dependent of funding by other donors, and the problems related to the input of Matching Funds show the dependency of some grantees on the AECF funding (see also additionality)
Profitable business opportunities exist which may benefit households of which at least 60% are earning less than USD 2 per day	This assumption holds partly, there are sufficient proposals but it appears that a reasonable number of the grantees face problems of different nature in making their projects commercially viable and the outreach to beneficiaries, although present, is almost always less than projected. See also the analysis of impact.

6 Development Impact

6.1 Introduction

In this chapter we will look at the (likely) development impact of the AECF portfolio and the projects involved. This will include the net wage bill for the project and net benefits for the smallholder and poor households. The wider impact on market systems of the funded business models (systemic effect) will be discussed under the heading of sustainability (Chapter 8).

6.2 Effects reported by the Fund Manager

The table below provides overall data and data per window on total net benefit (wage bill of related new jobs as a result of the project and net benefit for households²¹) and illustrates the variance among the projects. The data is based on data reported by the grantees which is verified by the FM.

Table 6.1 Cumulative Total Net Benefit 2014 achieved per window

Window	Total Cumulative Net Benefit per end 2014 (1000\$)	Average Cumulative Net Benefit per end 2014 (1000\$)	Total number of beneficiaries Net number of HH	Total AECF investment (\$1000)
AAW	36.188	1.723	253540	17.784
GW	117.394	4.348	16239	27.372
PCW	21.283	1.182	17892	12.751
REACT	19.683	757	233506	24.432
RIB	72.720	5.194	558517	10.826
SSW	688	138	2896	3.965
TZAW	7.424	371	62026	13.067
ZIM	26.275	938	177473	15.332
Total	301.655	1.897	1.322.089	125.528

Note: The table is built over the data on 179 projects (excluding TZAW R3 and REACT Mozambique), therefore the total AECF investment figure is lower than the actual portfolio one.

The total net benefit consists of the benefits pertaining to the directly employed (wages and salaries) and the benefits pertaining to the beneficiary households (e.g. increased income caused by the application of an input solely by the grantee or as out-grower supplying inputs to a grantee minus incremental costs). As mentioned in the chapter on effectiveness the data for direct employment effects is expected to be accurate (although unfortunately the data do not discriminate between high-income earning staff and low-salary earners), however, compared to the (projected) net benefit at household level this effect is almost negligible. This last component is much harder to determine and verify (based on site visits) and considerable deviations can be expected. Net benefits will also differ between different groups of beneficiaries (e.g. poor households and better endowed groups).

²¹ Net benefits are the gross benefits minus costs for inputs and opportunity costs.

6.3 Development impact of the sampled interventions

The development impact of the interventions has been assessed at two levels: i) the share of population benefitting and the benefits accrued and ii) the share of benefits accruing to the rural households.

For many of the case study projects it is still rather early to observe, let alone measure the development impact. In these cases our assessment is based on an estimation of the development impact and it is acknowledged that this may change. The scores given to the criterion development impact ranging from 1 to 4 can be explained as follows.

Table 6.2. Development Impact scores

Score	Meaning
4 (highly)	(Estimated) development impact (population benefitting and net benefits) that can be attributed to the project equals/exceeds expectations and a significant part of the benefits are accrued to rural households (most of them poor)
3 (in general)	(Estimated) development impact (population benefitting and net benefits) that can be attributed to the project (to a large extent) equals expectations and a not-insignificant part of the benefits are accrued by rural households (at least part of them poor)
2 (less)	(Estimated) project development impact (population benefitting and net benefits) that can be attributed to the project is largely below expectations (including benefits are accrued by rural poor households)
1 (not)	(Hardly) no development impact (net benefit) can be contributed to the project

Like mentioned under effectiveness it is important to establish attribution - to what extent impact could be attributed to the project funded by AECF or to other factors such as activities of other organisations or government programmes. We have used a contribution analysis to make an estimate of the extent to which the interventions have influenced the perceived impact for grantees and beneficiaries. Of course this method cannot be compared to a robust and rigorous impact evaluation but reflection on the result chain and the relative influence of different factors and risks and comparison of opinions of different stakeholders helped to gather credible evidence of contribution.

For some of the cases the analysis showed that the AECF intervention only contributed in a limited extent to the perceived development impact. In other cases impact could also be attributed to government or NGO programmes.

With regard to the quality of the impact data collected during the MTE we have to make a similar reservations as for the data reported by the FM. Although we have critically assessed data from the grantee and FM and collected primary beneficiary data, the total number of beneficiaries and net benefits will in most cases always be an estimate which is unavoidably surrounded by a margin-of-error.

6.3.1 Development scores per window and country

The table below provides the average scores for development impact per window for the sampled projects. For the representativeness of the sample per window and country we refer to what was stated in section 3.7.

Table 6.3 Average scores for development impact per window

	AAW	GW	REACT	ZIM	TZAW	RIB	(Weighted) average
Window average	2.67	2.83	3.29	2.25	2.25	2.5	2.67

The **AAW/GW** cases show that a considerable number of farmers have benefitted through improved technical practices (increased yields), increased efficiency and a more secure and stable market (higher prices) leading to a sizable development impact. Development impact of individual cases shows considerable variability with some of the cases suffering from poor operational results and therefore a small numbers of beneficiaries. Outreach in some of the cases is likely however to improve in (near) future, but could benefit, particularly the poorer households, from increased and more long-term technical support from the grantee. It was however difficult to assess whether the beneficiaries really have an income of less than USD 2 per day. In the case of Kenya for example this is in most cases not true, rich farmers are not excluded and most if not all of the beneficiaries, although clearly rural households, are above the USD2 per day limit.

Most of the **REACT** projects are still at a too early a stage to assess actual impact, but for most there are good indications of future impact. Average probable development impact is fairly high, with only one project scoring less than 3. Some of the projects have difficulties in reaching the expected number of beneficiaries, mostly because of delays in implementation. It is therefore expected that in one or two years, more concrete evidence can be seen of impact. There is more concern about the number of poor households benefitting. Here we observe that – especially for those businesses that rely on selling home power systems, the share of poor customers can be low. As for the installed off-grid capacity and the GHG emissions avoided, these are assessed to be on or above target.

Most of the **ZIMW** projects are still at a too early a stage to assess actual impact, but for some there are quite strong indications of future impact. The average probable development impact is not very high, with only half the projects having reasonably positive prospects.

For the two **RIB** projects, development impact suffered from poor operational results and therefore small beneficiary numbers. Systemic barriers in one case hampered full realisation of the expected benefits. Outreach is likely to improve in the (near) future. One of the two RIB projects focused clearly on well-endowed cattle-owners.

For the **PCW** it is too early to observe development impact at any scale. Some promising signs of forthcoming impact are there, especially in Somalia with already large income and employment effects for instance for guava outgrowers, gum and peanut growers. Monitoring of development effects may become problematic in some instances due to missing statistics and ongoing conflict.

Table 6.4 Average scores for development impact per country

	Kenya	Tanzania	Zimbabwe	West Africa	(Weighted) average
Window average	2.67	2.89	2.25	3.00	2.65

It appears that there are no significant difference in scores for the countries.

With regard to the specific benefits for smallholder farmers it was observed that in a number of cases the development impact of smallholder contract farming is limited, since it not seen as a profitable business opportunity by the grantees once the grant has been used. Some companies (e.g. in Zimbabwe) consider contract farming as part of their Corporate Social Responsibility (CSR)

and important for their political profile, even though it is not a good business opportunity. Therefore it is maintained at a limited scale, rather than being expanded or abandoned;

6.3.2 Outreach and net benefits

It was stated before that outreach of the sampled projects is in general (significantly) less than what was projected. Comparing projected net benefit and total benefit with our estimations of benefits shows that three of the 31 projects were able to achieve the intended total benefit (or more). However for the vast majority of companies (21) the development impact was found to be significantly lower (< 50%) than projected. Nevertheless some of these projects already show reasonable benefits, while for others future increases are expected.

It was often difficult to calculate net benefit, e.g. in cases where benefit can be calculated per acre but average or total acreage owned by the beneficiaries is not known. An interesting paradox is apparent here: total benefit as also recorded by the FM, per annum is also dependent on the acreage held by the beneficiaries. However, beneficiaries who hold more than a certain amount of acres (or e.g. cows in that respect) may no longer belong to the target group. For most windows it is expected that 60% of benefits should accrue to households living on less than USD 2 p/d, but it is nowhere stated above which limit a beneficiary is no longer supposed to benefit from AECF interventions (in order to make the model not additional). For example, for projects focusing at cattle it is not likely that beneficiaries earn less than USD 2 p/d, and farmers investing in in-vitro calves (one project in Kenya focusing on these) are most likely large landholders. Also in some of the projects marketing hybrid seeds 'beneficiaries' were met (large land-owners) who clearly fell out of the target group. Benefit per acre and number of households reached out to, preferably discriminating between poor and non-poor, may therefore be more SMART indicators than the total benefit recorded.

In some cases the intended beneficiaries, although using the inputs supplied by the grantee, cannot reap the benefits. For example, advice given to farmers after soil analysis was not always followed up, because the advised fertilisers were not available or for other reasons. Generally, a more critical review of the Business Plan by FM and IC could have already seen that numbers of clients here is not equal to the number of beneficiaries. In other cases it may last years before clients can reap the benefits, e.g. in the case of dairy projects.

On average the sampled projects include 50 to 70 % unskilled/ lower paid labour with a total employment effect of 1924 new jobs over the period considered. This includes over 50% (1005) jobs for female staff. As stated, within the wage bill no segregation is made between high and low-income earners, and this component of the benefits may therefore contain not development-relevant elements. It is however only a small fraction of the total benefits recorded.

It is difficult to disaggregate the benefits for female beneficiaries. None of the projects studied specifically targeted this group. Business plans include estimations on the number of female beneficiaries but none of the grantees had reported on this indicator.

6.3.3 Were there any unintended outcomes and impacts? Has anybody been harmed?

Next to the financial benefits additional benefits such as increased food security (small holder farmers) and increased safety and contribution to success in education (solar energy) were frequently mentioned by beneficiaries. Indirect effects reported in the web-based survey are an increase of sales and income of suppliers and other parties in the supply chain (65%) and an increase of employment in the supply chain (48%). Furthermore, over 50% claimed that the project has led to improvement of environmental conditions.

Obviously, providing funding at such a concessional nature creates a risk of market distortion. AECF also does not shy away from creating some competition, i.e. funding models which already exist on the market. This is obviously good if monopoly positions are to be broken resulting in lower prices benefitting the poor, but there is here also a risk of false competition.

In the sample both in Ghana and Kenya cases were reported (one in each country) where, using the AECF funding, grantees had put their products on the market at prices lower than if they had been fully cost-recovering, in one case reportedly to prevent competition from coming in (so actually preventing the desired 'crowding in'), in the other case to beat the competition. Since in the latter case the competition had reacted by also bringing the prices down this may be considered beneficial for the consumers. Anyway, overall market distorting effects were not found to be very significant, although the risk of creating barriers to crowding-in by grantees deserves attention by IC and FM.

Potential beneficiaries can be harmed by non-performing projects, i.e. by using inputs which do not have the claimed effect or changing to crops which ultimately do not fetch the price expected. Clear cases of this were very few in the sample. In a few cases farmers may have been disappointed by the price they received for their produce from the grantee, in several cases farmers could not sell their produce since the grantee had not yet his processing capacity in place (in general processing projects were slow in developing their capacity). As far as could be observed, in such cases farmers could still sell their produce through other channels. In one case, farmers were harmed by having changed to the production of oil seeds when no market was available yet.

It can therefore be concluded that with only one exception no parties were harmed by the AECF interventions.

6.3.4 Synergy

The evaluation found some examples of cooperation and or synergy between different projects during the case study research, specifically in Tanzania and Zimbabwe. In Tanzania the training activities organised by AECF provided network opportunities and resulted in several examples of cooperation between grantees. For example a grantee working with dairy farmer (associations) provided also an entrance for the solar energy and mobile money facilities from other grantees. In Zimbabwe, which has only a small business community, cooperation not so much originated from the AECF activities but developed more naturally because the grantees knew each other. In some cases AECF has taken an active role in linking projects such as in the case of the cooperation between DADTCO and SAB Miller.

6.4 Conclusions

For some of the case studies significant development impact (pro-poor) could be established. In the case of many of the other studied projects, it is rather early to measure the development impact. In these cases our assessment is based on an estimation of the development impact.

In a large number of case studies the development impact was found to be significantly lower than projected by the grantee and accepted by the IC in business plans with only three of the 31 projects able to achieve the intended total benefit. For the majority of the projects development impact was found to be below 50% of the projected benefits. This shows that some grantees have been unrealistically optimistic in terms of the number of beneficiaries and/or the net benefits per household. This raises the question about the rigour of the business planning process. In some

cases the actual development impact is very reasonable, even if it falls short of business plan projections, while for others future increases are expected.

With regard to the specific pro-poor benefits for smallholder farmers data is based on estimations and difficult to verify. However, given that most beneficiaries are rural which are on average the poorer households a considerable impact for this target group can be expected, although the target group is not always the group at the bottom of the pyramid. In a number of cases the pro-poor development impact of smallholder contract farming is considered limited. For instance cattle farmers investing in in-vitro calves are not likely beneficiaries that earn less than USD 2 p/d. In other cases companies had changed their business model to focus on more commercial farmers as the focus on smallholders was not seen as a profitable business opportunity by the grantees.

In several cases farmers could not sell their produce since the grantee did not yet have his processing capacity in place (in general processing projects were slow in developing their capacity). As far as could be observed, in such cases farmers with the exception of one case, could still sell their produce through other channels.

Specifically in Tanzania and Zimbabwe examples were found of cooperation and or synergy between different projects. Cases in which one project provided an entrance for the products/ services of other projects, increasing the development impact of these projects.

The Theory of Change underlying the project is based on a number of assumptions related to development impact are assessed in the table below.

Assumption	Assessment
Changes to the business plan of the Grantee do not reduce direct impact	This holds only partially true, cases were observed where deviations from the plan diminished the impact for the poor.
Direct beneficiaries are able to take up the opportunities, no threshold	This seems to be largely, but not always true. Systemic barriers but also other factors sometimes limit the uptake.
Promotion of B2B linkages or other options for crowding-in (other businesses start to conduct business in the grantee's area) exists	This was only to a limited extent the case,
Profitable business opportunities exists also serving women enterprises or job opportunities for women	There is no specific focus on gender. Direct employment (> 50% in the sample) show that the projects provide direct job opportunities for women. Only a few women entrepreneur are included. Experiences from the TZAW which was specifically focused at this issue show that it is difficult to achieve. Reporting and monitoring of the number of female beneficiaries is lacking.
Competition exists, other firms willing and able to change behaviour and focus	Some positive examples have been observed. Cases were also seen where the effect of AECF funding makes entry for competitors cumbersome.

7 Efficiency and Value for Money

7.1 Introduction

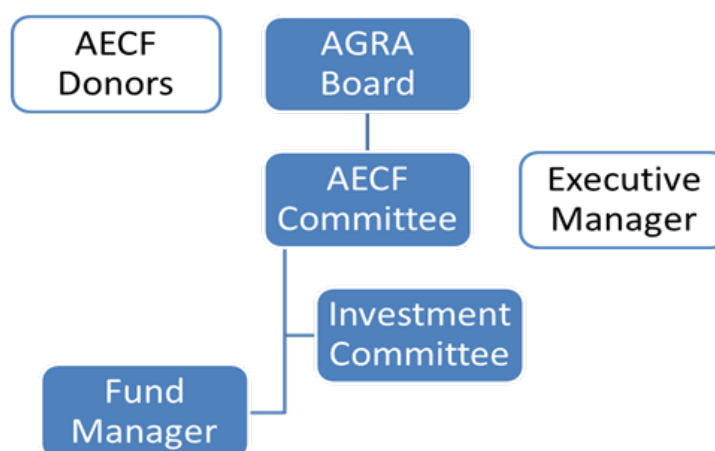
Efficiency is “a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted in results”. In this chapter we look at three kinds of efficiency: managerial, allocative and technical efficiency. The main evaluation object for managerial efficiency are the governance arrangements and practices. For allocative and technical efficiency we have assessed the processes of each step in the project cycle: intake of project applications, appraisal of applications, approval of applications, active ownership and business development support monitoring and closure. The perception of the efficiency and the quality of procedures has been assessed based on interviews with both internal and external stakeholders. As a last step in the assessment of efficiency we looked at a sample of projects to verify that inputs have indeed been “converted in results”, such as increased business performance (turnover/profit), and increased employment opportunities,

To an extent, the analysis of this chapter builds on earlier chapters, where the realisation of effects, the additionality of the operations and the outreach has been discussed. It will set off with an analysis of the organisation of AECF, since quality of organisation can have a large influence on economy and efficiency.

7.2 Organisation of AECF

In earlier reviews the governance structure of AECF has been discussed and recommendations have been made. For the present MTE it was decided that the Governance structure as such would not be subject of the MTE, especially since presently the governance structure of AECF is under discussion between AGRA and donors. Nevertheless, we will shortly set out the main characteristics of the AECF organisation structure, before embarking on possible consequences of this on the efficiency of the operations.

The present organisation structure of AECF looks as follows:



Although the AECF is funded by different bilateral donor organisations and an UN organisation, **AGRA** is formally the owner of the AECF. The Board of AGRA is therefore the body with ultimate fiduciary responsibility and accountability for the AECF's performance. The AGRA Board delegates the oversight and governance of the AECF to an AECF Board Committee (Chaired by AGRA). AGRA is responsible for the administration and accounting of the donor funds, execution and monitoring of the grant agreements (including the timely repayment of loans). **The AECF (Board) Committee (AC)** is therefore a sub-committee of the AGRA board, consisting of AGRA representatives, AECF donor representatives, and some independents (including two Investment Committee members). It is the strategic decision-making body for the AECF. The AC appoints and oversees an independent AECF Investment Committee that selects projects for financing and oversees the performance of the business ideas supported by the AECF. The **Investment Committees (IC)** consisting of one AGRA staff member and four independent persons appointed by the AC, decides which of the projects recommended by the Fund Manager should be funded by the AECF. The IC has a different composition for different windows. The IC also oversees the performance of the business models funded by the AECF. The Fund Manager is secretary to the Investment Committee. The **Executive Manager (EM)** is based at AGRA's offices in Nairobi with responsibility for the strategic management of the AECF, including liaison with AGRA, the AECF donors and the Fund Manager. His functions include: coordination, recommending on strategy and policy, overseeing the operations, fundraising, reporting to donors etc. KPMG IDAS was awarded the contract as **Fund Manager (FM)** to manage the AECF following a competitive tender. The FM is responsible for the day-to-day operations of the Fund, from its HQ offices in Nairobi, regional offices in Harare and Accra and a country office in Tanzania. The Fund Manager is responsible for the execution of the full process of AECF that starts with organising the competitions, first selection, making proposals for the IC (concept notes, grant memos) and implementation and monitoring of the projects.

The ownership structure is not transparent. Although from a legal point of view the ownership lies with AGRA, the funding originates from donors who retain full ownership of these funds. The responsibility of the FM is likewise not very well articulated. Although the FM seems responsible for the full operations of AECF, the responsibility for the funding of the different project is with the IC. With respect to monitoring there is a doubling of functions between AGRA and the FM, but also between the FM and the IC. Both AGRA and the FM administrate the AECF and the grant agreements are signed by AGRA who has full responsibility of collecting the repayments. Moreover AGRA provides legal advice and internal audit for the operations.

The resultant from the above, from the angle of efficiency is, that responsibilities between the different parties are not clearly outlined. Implementation of decisions, even at a day-to day-basis, goes over several levels and is therefore more time consuming than necessary, and tasks overlap.

The process of identifying, selecting, approving and monitoring of grantees is lengthy.

7.3 Efficiency of the AECF processes

7.3.1 Application and approving process

On average the time between announcing the competition and the closing for accepting applications is 60-70 days, the time between first selection, approving concept notes and approving a business plan is on average 1 year and 3 months. Recently the FM introduced revised procedures to shorten the process but it is still too early to assess if these have been effective.

The web-based survey also provided useful feedback on the efficiency of the process and the role of the FM in application and monitoring (for a full description of the survey see Annex II). As to the application process, 68% considered it complicated and long or even very bureaucratic and long (19%). The remaining 32% found it efficient and quick. Of all respondents, 52% rated the support received during the elaboration of the Business Plan as useful, the remainder found it less (42%) or even not useful at all (6%). The induction workshop was however considered useful by a larger majority: 65% (10% found it not at all useful).

The following remark was made by one of the respondents:

The application process was tremendously slow and delayed the project by some 18 months. This then introduced other challenges as the project had to be rescheduled. Once the project got going, it made progress but it failed to have the initially expected impact.

From the interviews and case studies it was observed furthermore that in a number of cases the projects already started while AECF was still processing the applications for approval. In some of these cases delays occurred or the project had to be financed from other sources (own funds of bank facility).

7.3.2 *IC approval and due diligence by the FM*

The process of approving the concept notes and business plans is at times ambiguous. On the one hand the reputation and capabilities of the grantees were important considerations for approving applications while on the other hand some donors felt that the impact on poverty reduction, reaching out to small farmers and systemic change should be considered as the most important considerations for awarding AECF support. The due diligence assessment of the grantees is not very extensive and may imply future risks. The assessment is very much based on the data of the expected outcomes and impact of the projects data provided by the grantees and less on a full analysis of the (financial) strength of the grantees by the FM. Examples of these risks are

- the ability of the grantees to raise the agreed matching funds in time. In a relative large number of cases this issue was mentioned as one of the major obstacles to proceed and caused unwanted delays.
- the repayment of the loans is another issue that is not well covered in the due diligence and is restricted to the ability of the project and not the grantee to repay the loan. A clear separation of the project from the grantee is in many cases difficult to make and incorporates the risk of a discussion on the actual performance of the projects and grantees and the ability and sometimes willingness to repay the loans

In a number of cases the IC did not approve the funding amounts as requested by the grantee and/or advised by the FM and decided to approve smaller amounts or approved a different division of grants and non-recourse loans without considering the implications for the proposed business plan.

7.3.3 *Disbursements*

The signing of the grant agreements and the disbursement of payments under these agreements are the principle responsibility of AGRA. The administration of the grants is done both by AGRA as well as the FM. In principle the FM is responsible for checking whether all conditions have been fulfilled by the grantees to release payments. However AGRA maintains its own responsibility in this regard. There has been no reconciliation of accounts between AGRA and the FM although recently the communication between AGRA and the FM may have improved in that respect.

On the effect of (slow) speed of disbursement, respondents in the web-based survey volunteered some remarks:

- the slow disbursement of funds from AECF has been a real problem, and has actively hindered our progress;
- Slow disbursement of funds is the MAJOR problem with AECF. We keep a 'hall of shame' record of our various funder disbursements and AECF is worst offender by far.

Although the internal audit function has improved since the last mid term review and audits are carried out on a regular bases, we noticed that the capacity of the internal audit department of AGRA is still limited and needs further strengthening. Especially in cases where grantees are not complying to internal audit rules, more supervision is needed.

7.3.4 *Repayment of loans*

AECF combines the commercial drive of the private sector with development goals. Probably for that reason it was decided when founding AECF to introduce a loan instrument (repayable grant) next to grants that are normally used for challenge funds.

The portfolio analysis shows that for all but four projects actual repayments are behind schedule. Repayment discipline (both on the side of the FM and on the side of the grantees) is low. The system here suffers from flaws. Repayment only has to be made in case the project renders sufficient cash flow. For this so-called commercial triggers are defined. Often these targets are not met, or they are defined in such a way that achievement cannot be demonstrated. Projects funded do not always overlap one-to-one with the overall business operations. This gives grantees a possibility to mask realisation of the triggers, which latter are related to the project (not to overall business performance). In our sample we met one case where the grantee had fully failed to meet the obligations in the grant agreement (which obviously made the commercial triggers non-existent) neither bothered about repayment although he could have easily repaid the non-recourse loan out of its normal returns.

The evaluation found that the grant agreements have not been very well formulated and lacked a proper legal basis. For example, repayment schedules were not always properly included and often there was no legal basis for recovery of repayment (AECF was not registered in some countries as an entity providing debt). Moreover the grant agreements were subject to the contract between the present FM and AGRA and in case of resigning of the FM the agreement would become null and void, which seems a peculiar arrangement.

As was stated in previous chapters, project performance is often disappointing, which makes repayment indeed impossible. Lately, the AC has decided that more attention should be given to repayments; however the repayment obligation should never put the grantee into liquidity problems (do no harm'). From the legal officer of AGRA we learned that the content of the future agreements is under consideration and will be revised including these aspects.

7.3.5 *Monitoring and evaluation*

Monitoring of the grantees and projects

A review of the M&E systems across the various Windows confirm the observation of the Coffey report from 2014: efforts are on-going to apply Donor Committee for Enterprise Development (DCED) standards and there have been improvements in results measurements and reporting. However, various obstacles stand in the way of making this result more consistent for all projects.

With the newly approved MRM plan more resources and methodological expertise have become available at least for the windows for which the DCED standard had not been introduced. For those windows where these standard have been applied, these resources were already made available at an earlier stage.

Whereas the GW started out with a very light touch M&E system including only one site visit to the project per year and primarily reliant on grantee reporting, over the years, elements of the DCED Standard have been introduced for various windows, such as RIB, the ZW and the TZAW. For these Windows, additional funds were made available covering additional activities such as technical assistance and dissemination of learning.

The additional M&E funds allow for more frequent visits and follow up of the grantees, which may prove beneficial in case of weak reporting grantees. The quality of the site visits reports varied and in cases it was felt that the reports seemed to be just accepting the grantee information and statistics and – rather than taking an objective view. Also the verification studies made for the TZAW and ZIM projects studied were of variable quality, showing that it is very difficult to outsource these activities.

Not surprisingly there is great variety in reporting quality among the grantees. Whereas the majority provide report of sufficient quality, some clearly lack either the competence or the will to provide good data, especially where it concerns financial reporting. Grantees have sometimes required – and received – assistance in financial reporting (and bookkeeping). This has often led to appreciation (“we learned a lot”). However, others complained of the artificial separation between the project and the company leading to considerably higher auditing costs among others.

Monitoring information about beneficiaries is often new for grantees - except for those already familiar with donor procedures – but appreciated as they receive “free money”. One grantee actually commented that it helped them to increase their knowledge on the impact reporting side, which could be used for acquiring new funds from other institutions showing that they were indeed targeting small holders. Another grantee considered reporting and site visits as labour intensive, but saw it as a good way to check upon progress and support reformulating of targets. However, in many cases, self-monitoring carries the risk of too optimistic data reporting. The FM (and the donors) need to weight the advantages of collecting less reliable data in an easy way against the cost of more frequent verification visits or visits involving more senior staff.

In the web-based survey, monitoring and monitoring visits by the Fund Manager are considered by 51% as useful and 37% as somewhat useful while 12% found them less or completely not useful. Reporting requirements are considered by 70% a manageable burden, 30% considered them a heavy burden. The option ‘light’ received no score. Some respondents volunteered remarks:

-Number crunchers and box tickers do not appreciate the nature of the project and the developmental impact nature of the project - there is a need for it to be straight jacketed into 'decent' accounting figures - it is departing from the nature of AECF where development impact is central - if we satisfy the profitability then we sacrifice on the developmental impact - this does not sit easy with us - KPMG number crunchers should factor in the uncertainty of unknown unknowns in developmental projects in the developing world where systems at times work against each other;

-Reporting requirements - and compliance requirements - whilst comprehensive and thorough - are onerous (and time consuming) for a small to medium sized commercial enterprise - and appear to borrow heavily from the compliance requirements of the aid sector;

- Just the long delays between reporting and disbursement of funds - all our funding is required in a short time for building the project and the delays of months between submitting reports and getting feedback with queries drags the process over far too long a period;
- The reporting process needs to be better managed in terms of availability of compatible report templates online instead of the fund manager having to send the copy via email at every reporting time. Also the review committee in charge of approving fund disbursement should have a faster/more efficient review process to reduce delays in fund disbursement.

One complaint which was often heard is the long delay between submitting reports and receiving feedback from the FM (or none at all), which often lead to delays in payments. As many of these companies are in the process of building up their business (including building new constructions or purchasing equipment), this is a serious constraint.

At the same time, the progress reports on some of these projects lack information on impact and do not give much insight in the development of the business case (often information related to sales or turnover are not reported.. As was already noted by the Coffey report: "while direct outcomes such as direct employment can be measured more easily, organisations face difficulties in measuring the wider systemic impacts".

Besides, the formal reporting and monitoring (visits), there was also appreciation of the informal contacts with the FM project managers. In cases this often helped grantees when difficult decisions had to be taken, or when changes in the business model needed to be considered. Often the original business plans were not (fully) viable and needed changes. For changes exceeding 20% of the awarded amount, the IC has to approve amendments to the grant agreements, including matching funds. A number of grantees made complaints about this (to their opinion) too bureaucratic process. For many of them, this process is too time consuming and delays the project implementation.

Monitoring of donor funds

AGRA is the contract party for signing the grant agreements and in that respect responsible for the proper monitoring of the funds provided. During the evaluation period the monitoring of the grant funds of donors was not meeting the requirements of donors and AECF Committee. Only late 2014 the AECF Committee received an overall overview of the funds made available, disbursed, committed and available for new commitments.

7.4 Efficiency of the sampled projects

In this section we describe efficiency, as observed among the sample of 31 selected cases and on the basis of the desk-study of the PCW. Our assessment of efficiency in the sample of projects was based foremost on the relation between spending (what goes in) and outputs (what comes out)..Our scoring therefore reflects the measure in which planned outputs have been realised, .The table below provides an overview of different ratings for efficiency. We have given a score to this criterion ranging from 1 to 4, 1 meaning not at all efficient and 4 meaning highly efficient.

Table 7.1. Efficiency scores

Score	Meaning
4 (highly)	Outputs substantially exceeded expectation or outputs have been attained with substantially less resources than planned
3 (in general)	Outputs met expectation, at foreseen expenditure
2 (less)	Outputs moderately did not meet expectation, or could only be attained with moderately

Score	Meaning
	more inputs
1 (not)	Outputs substantially did not meet expectation, and/or could only be attained with substantially more inputs

In total only two (6.7%) of the observed cases were assessed as very efficient (score 4), another eleven (36.7%) received a score 3. Seventeen cases were considered not efficient (score of 1 or 2). This means that just over half of the sampled projects is not considered efficient.

Table 7.2 Efficiency scores per window

	GW	AAW	TAZW	ZIM	RIB	REACT	Avg (w.)
Average (weighted)	2.00	2.33	2.00	2.25	2.00	2.86	2.30

Given the relative small numbers of sampled projects per window, we cannot attach much value to the differences in scores between the Windows. The only window that stands out is REACT, where the operations are often highly commercial and linked to banking services and are also considered by the evaluators to be more efficient.

Some of the reasons for high scores provide to the cases in the different windows include:

- An efficient system of farmer training (cascade);
- Large numbers of households reached (both as outgrowers or as customers);
- Keeping operational cost low or (using public transport) or “stretching the budget” to reach the planned results with less money;
- Buying cheap equipment (Chinese).

Reaching large numbers of farmers without delays is obviously efficient. In this regard, partnering with an NGO or CBO (Community Based Organisation) can be an efficient way of reaching out to a large number of smallholders although this partnership may continue reliance on NGO funding, making it difficult to ascertain if the business will eventually be a commercial success.

Some of the reasons behind the low scores are:

- Delays in finding and agreeing on appropriate a contract model (for contract farmers);
- Failure to reach a sufficient and sustained number of beneficiaries, meaning costs per beneficiary are high;
- High start-up costs;
- Slow development of sales.

Start-up delays is one of the more common problems. This is especially pertinent with start-up companies, As we mentioned earlier, delays can also be caused by late payments by the FM.

7.5 Value For Money

Value for Money (VfM) is characterised by the so-called three E's:

- Economy: are inputs procured at economic prices?
- Efficiency: have inputs been translated into outputs in an economic matter?
- Effectiveness: are outputs resulting in expected outcomes and impact)?

Effectiveness and efficiency have been treated above. Summarising, a large group of projects face operational problems for a variety of reasons, which affects both efficiency and effectiveness at the

project level. At the organisational level there are some embedded inefficiencies, such as duplication of functions between AGRA, IC and FM.

The significant rate of default in repayment of repayable grants obviously reduces the VfM of the Fund.

Economy is more difficult to establish, not having full access to the books of AGRA and the Fund Manager. Expensive venues for Investment Committee meetings were noted, but possibly justified by the desire to create a proper profile for AECF. At the project level, in one case a grantee admitted to having invested, aided by AECF funds, in installations more expensive than actually required. This was, however, an isolated case.

As per mid 2014 the following financials with respect to AECF expenditure are observed:

	US\$ million
Amount committed by donors	243.6
Available for grantees	177.6
Budget available for FM (up to April 2017)	42.8
Committed AGRA fee (up to April 2017)	10.2
Other expenses	13.0

Based on the present commitments of donors (mid 2014) the total expenses for fees and costs are USD 66 mln. (27.1% of total spending) of which 17.6% for FM, 4.2% for AGRA fee and 5.3% for other costs. Compared to another challenge fund (ECF) the FM costs seem very reasonable as for example the FM costs of ECF amounted to 36%. One has to keep in mind that ECF is now concluded and included therefore all costs from the start to the end of ECF. Moreover ECF only funded 27 grantees and was organised differently (no fiduciary function of AGRA, FM in Australia and 9 country managers). The benchmark included a fund manager of a Private Equity fund (Africinvest) that operated on commercial terms. Because of confidentiality reasons we cannot provide real figures; however it can be concluded that the management costs of Equity Funds are higher than managing a challenge fund.

From this angle, it can therefore be concluded that AECF is managed economically. However, the analysis of the second two E's (efficiency and effectiveness) suggests there is still room for improvement of Value for Money. Most of this improvement can be expected if operations come at (expected) speed at the level of the grantee, and outreach and impact improves.

The figures in the following table are based on disbursed amounts of grants and overhead expenditure. In cases no reliable figures were available on outreach and impact, they have been left out of the equation. They show total expenditure per beneficiary reached out to.

Table 7.3 USD spent per beneficiary household

	GW/AAW	Tanz Window	Zimb Window	RIB	REACT	SSW/ PCW	Total
Only AECF spent till end 2014	149	187	84	17	98	597	85

Source: information Fund Manager.

There appear to be some variations between the windows, i.e. the amount spent in RIB is significantly lower than the amounts spent in the other windows. This points at a good relation

between the inputs and the effects. In the Tanzania window, the high amount is possibly explained by the lower outreach of smaller enterprises as grantees.

In the following table we show the benefits recorded per dollar spent. Since these benefits were equally arrived at through inputs of the grantees (represented by the Matching Funds), the more reliable figure is shown in the second row, where also the Matching Funds are part of the equation.

Table 7.4 Net benefit recorded per USD spent

	GW/AAW	Tanz Window	Zimb Window	RIB	REACT	SSW/ PCW	Avg (w.)
Only AECF	3.81	0.64	1.76	7.57	0.86	1.77	2.70
Incl. MF	1.29	0.24	0.40	2.85	0.86	1.09	1.06

Source: information Fund Manager.

Obviously above figures may include a bias, in terms of the value of the benefits recorded, but globally it appears that in the General Windows and RIB Value for money is achieved, i.e. the benefits recorded outweigh the combined inputs of grantee and AECF. Also the PCW records VfM (the SSW input here is negligible).. It should however be taken into consideration for the other windows that most of the projects are still active and will generate additional benefits.

Some biases in the calculation should be mentioned:

- Unfortunately the matching funds disbursed in 2014 are not part of the equation, so it is possible that the slight positive average (1.06) is actually a small negative average, as is the case for the PCW.
- It was not possible to correct for inputs from other donors such as USAID, who in a number of cases also contributed to the development of the grantees.

7.6 Conclusions

Efficiency of the organisation of AECF, in terms of a logical division of tasks, clear responsibilities and speed of decision making shows ample room for improvement. This impacts on the effectiveness of AECF through the lengthy intake process and often slow disbursements.

In particular the absence of clear responsibilities of the FM needs attention. The present set up of decision making very much relies on the responsibility and heavy tasks of the Investment Committee.

The Monitoring in itself, or Result Measurement, has improved since the initial 'light touch' approach. It is still however largely based on information from grantees, which often may be flawed and incomplete.

The repayment of repayable grants is below the expected level, which is obviously detrimental for efficiency.

Within the sample, seventeen of the 31 projects were considered to be inefficient. Although some of the causes of low efficiency can be linked to the performance of the FM (especially where it concerns disbursements) most were related to operational management, marketing and finance at the side of the grantees. Especially in relation to the overrated estimates in the Business Plan operational performance is lagging behind. This does not mean that the FM has no role in improving the overall VfM.

The Theory of Change underlying the project is based on a number of assumptions related to efficiency are assessed in the table below.

Assumption	Assessment
Sufficient expertise available at the IC, FM and AGRA	Appears to be the case, although the due diligence procedures are apt for improvement.
Professional governance and management	Unfortunately the governance structure is not transparent.
Different donors sufficiently aligned to make efficient and effective implementation possible	This assumption holds largely true.

8 Sustainability

8.1 Introduction

Sustainability can be defined as the continuation of benefits from a development intervention after the development assistance has been completed (DCED). Sustainability of AECF is assessed at the level of the beneficiaries, the business model of the grantee and at the level of the AECF programme. The following questions are asked:

- Do beneficiaries continue to benefit from the project after development support has ceased?
- Does the business model supported under this programme continue to be attractive for the grantee and other businesses (crowding in);
- Should AECF be extended beyond 2018 or, if not, what should the exit process be?

Sustainability of the business model is foremost depending on the continued interest and participation of the clients or beneficiaries of the model (demand side). At that level, the products or services from the grantee will continue to be attractive for clients and beneficiaries beyond the project's lifetime. If they do, the sustainability of the (monetary) benefits will also be secure. Although it is not possible to foresee this future behaviour with any accuracy, the sustainability of the business model on the demand side can be measured by i) the number of small-holder farmers, entrepreneurs or clients purchasing products or services and ii) the satisfaction of farmers/ entrepreneurs/ clients with the products and services provided.

The same approach can be used to assess the sustainability of the business model from the perspective of the supply side. Here, it is needed that operators in the supply chain are satisfied with the returns and with the business model, and they express a willingness to invest in expanding this business model.

Although the occurrence of systemic change points to sustainability of the business model (and is therefore one of the elements in our scoring of sustainability), it is also discussed under a separate heading where we pay attention to:

1. Copying of the business model by other businesses;
2. Crowding-in: Have other businesses and services conducting business in the grantee's area;
3. Copying a successful practice: have other farmers / people outside of the project copied or adopted project behaviours or technologies as a result of seeing their beneficiaries getting results;
4. Changes in the business regulatory environment.

8.2 Sustainability in the sample

In this section we describe sustainability, as observed among the sample of 31 selected cases. As in previous sections, we have given a score to this criterion ranging from 1 to 4, 1 meaning absolutely not sustainable and 4 meaning fully sustainable.

Table 8.1 Sustainability scores

Score	Meaning
4 (highly)	i) Grantee/business model continues to be very attractive for beneficiaries/ clients/

Score	Meaning
	entrepreneurs/ operators. This is evidenced by better than expected viability/profitability of business model or number of beneficiaries served. ii) clear evidence of systemic change
3 (in general)	i) Grantee/business model continues to be attractive for beneficiaries/ clients/ entrepreneurs/ operators. Viability/profitability of business model and /or number of beneficiaries served are at expected level/numbers. ii) Systemic change is likely to be achieved
2 (less)	i) Grantee/business model is only moderately attractive for beneficiaries/ clients/ entrepreneurs/ operators. Viability/profitability of business model and/or number of beneficiaries served. is falling behind expected level/numbers. ii) Systemic change is not likely to be achieved
1 (not)	i) Grantee/business model has failed to be attractive for beneficiaries/ clients/ entrepreneurs/ operators. Viability/profitability of business model or number of beneficiaries served falling far behind expected level/numbers. ii) It is clear that systemic change will not be achieved

In total four (13%) of the observed cases were assessed as fully sustainable (score 4), another eleven (37%) received a score 3 and 16 cases (50%) were considered less or not sustainable (score of 1 or 2). This relative high share of projects which received a score of only 1 or 2 by the EMU can be explained by the different perspective taken by the EMU. Where the grantee is bound to be more optimistic and has already invested significant resources, the EMU will take a more objective position recognising inherent risks to the business model posed by internal factors (management) and external factors (such as the institutional environment).

Table 8.2 Sustainability scores per window

Score	GW	AAW	TAZW	ZIMW	RIB	REACT	Total /avg.
Average (weighted)	2.2	3.0	2.0	2.3	2.0	3.3	2.5

The relatively high scores for **REACT** can be seen as a reflection of the (potential) commercial success of the renewable energy projects under this Window. With a good business model grantees have access to a large available market where good margins are to be made. But just like in other parts of the world: renewable energy projects need financial support from public sources to become financially and commercially sustainable and start up support can thus be considered justified.

For two of the REACT projects which received a score of 4 for sustainability, other investors have already shown interest. In one REACT project (with a 4 for sustainability), the company has partnered with an NGO who carries out the community organisation and strengthening work. Although this may pose a risk in terms of financial sustainability (the NGO is dependent on donors to fund its operations for the grantee) the overall sustainability of the project is enhanced through its activities. Rapid expansion of a customer base or contract farmers is another factor contributing to sustainability. High numbers are contributing to economies of scale and therefore improving the efficiency of the business and provide a much needed cash flow.

In cases where grantees have exported and implemented business models in other countries, they need time to find out how to take bureaucratic hurdles in the new country and – most importantly –

find reliable partners to team up with. Many grantees also need the support of banks, even if only to use their networks.

Apart from a having established a sound business model, commercial success in most of the windows is often linked to committed management, smart local partnerships (e.g. with banks or NGOs) and strong linkages to the beneficiaries, based on mutual understanding and trust.

For many of the REACT projects involved in solar home systems, sustainability has also required building up lean and efficient operation geared toward expanding their clients networks, while at the same time guaranteeing good after-sales services.

The poor commercial results of half of the sampled projects across the windows poses a threat to sustainability. Although some of these projects may still prove themselves commercially sustainable within one or two years, for many, the turnaround may not come in time. The grantee involved will either go bankrupt, especially a risk for young start-ups where the project is the same as the company, terminate the project or the companies find additional funding, either elsewhere in company or from other donors or NGOs.

It is difficult to find a rational explanation for the large share of less- or none- sustainable projects in the sample.

For most of the grantees, a crucial aspect is to generate a sufficient turnover that allows them to build up a healthy working capital which will at least allow them to continue their business. Once they have gained a sufficiently firm foothold in the market, expansion can be financed from other sources (investor or bank loan). For some of the sampled projects, the number of farmers the grantee was able to reach was much lower than the numbers predicted in the business plan. It was therefore extremely difficult to run a healthy and self-sustained business.

Grantees working with poor households engaged in agriculture, especially those involved in new business ventures, face challenges around skills, logistics, and quality of input. They are often too optimistic in their expectations of the result of training for increased quality of outputs or establishing farmer groups. Whereas better inputs and better access to markets (often leading to higher prices) can be realised, the effects of training, although in itself a factor for sustainability, is often disappointing. Grantees need to search for smart approaches (such as cascade training) not to spend too many resources on farmer-training. Providing insufficient training or advice, however, can also hampers the sustainability of outreach.

An inclusive business strategy in agriculture can be interesting from a development point of view, but it derives often from long-term engagement, requiring commitment and risk-taking in their early stages, and takes time to deliver. Similar strategies emerge from our sample as essential: the provision of training and credit, extension staff on the ground, and the development of trust over time. The extent to which businesses have an interest in investing in a long-term relationship with clients or suppliers depends to a large extent on the particular value chain i.e. when a company is building a sugar factory, the company will need a sustainable supply of cane and will likely invest in a good relationship with the supplying farmers. In contrast a company which is buying maize in competition with 100 other buyers would probably want to get good quality at the cheapest price possible. In the first case the primary objective is not to make quick profits but secure sustainable supply chains.

We have observed that some of the grantees in the sample have changed their business model, or at least have changed their business focus away from poor households, often dropping contract

farmers who are not able to increase yields as expected. Although this makes perfect sense from the point of view of the company, it should be of concern to AECF as funding is diverted from the target group who – with less than two dollars to spend per day – are living at the base of the pyramid. In some of the case studies it appeared that the business model for outgrowing and contract farming were never likely to be viable for the poorest, with the company temporarily engaging with them to get AECF funding. In these cases a more extensive due diligence focusing on the feasibility of the result chain could have identified the flawed designs.

One could argue that in some cases additional support from welfare programmes may be needed to address the poorest of the poor.

8.3 Systemic change

AECF identifies four categories of systemic change the businesses are expected to impact:

- Copying of the business model by other businesses;
- Crowding-in: Have other businesses and services conducting business in the grantee's area;
- Copying a successful practice: have other farmers / people outside of the project copied or adopted project behaviours or technologies as a result of seeing their beneficiaries getting results;
- Changes in the business regulatory environment.

Replication effects can be expected for projects demonstrating innovative techniques in terms of technology, logistics or marketing for the country. This is, however, not always a linear relation, and will depend on the size of the (niche) market but also on the activities of the business in question. Looking at the present AECF portfolio, about 60% of the projects get a score of 3 or above, demonstrating innovative techniques (for the country).

'Crowding in' is a special issue. AECF wants to promote this (being here similar to an M4P programme), but obviously this may be hardly in the interest of the grantee (it implies merely more competition). Successful crowding in implies sustainability (for the development impact) and potentially more impact and it will increase Value for Money (since it occurs at no further cost to the fund). We should be aware therefore of the risk that AECF funding is translated in artificially lower prices and market distortion, since this inhibits crowding in.

The systemic change of the 31 sampled projects were scored on a scale of 1 to 4, 4 meaning extensive systemic change (expected), 3 meaning reasonable systematic change (expected), 2 limited systematic change (expected) meaning and 1) (hardly) no systemic change (expected).

The table below presents the scores for (likely) systemic impact of the sampled projects per window. This is shown in the following tables.

Table 8.4 Average scores for systemic change sample per window

	AAW	GW	REACT	ZIM	TZAW	RIB	(Weighted) average
Window average	2.00	2.50	2.86	1.88	1.50	2.50	2.27

For many case studies it is too early to observe systemic changes, but there are signs that some may be forthcoming. This will however depend on the further development of the business models. It can be expected that the probable systemic change is higher for the rapidly emerging REACT

and RIB sectors (with focus on innovative technologies) but lower for projects in the constrained environment of Zimbabwe.

The case studies showed some examples of competitors crowding in, copying of business model and (collective) action towards government:

- In a number of the cases innovative (and successful) business models have received attention from companies in the same country and/or abroad. In one case the model has already been replicated in another region. In other cases this has not yet been observed;
- For REACT there are a number of cases where a replication of business models by other market agents is likely, although not actually observed e.g. renewable energy project where grantees sell solar home systems. Whereas some work through banks and others manage their own financial arrangements, the basis model is the same (buying the energy saving equipment on credit);
- Only one of the cases shows a clear crowding-in effect with competitors entering the market attracted by an increased quality and yield of the pigeon pea crop. For the other cases no actual cases of crowding in by other parties have been observed;
- Several projects in the sample and in the PCW try through lobbying or otherwise bring about changes in the regulatory environment. Effects in this important aspect of systemic change are however limited but also include success stories such as (e.g. the introduction of a zero value added tax policy for milk producers in Tanzania).

Limited farmer to farmer copying, however could be identified. This often would require additional training/ support activities. Experience shows that single demonstrations are often not sufficient to change agricultural practices.

Between countries, we observe no significant differences in systemic change through AECF projects .

8.4 Conclusions

The sustainability of half of the sampled projects is not satisfactory. Although many of the projects are still ongoing or even in their initial phase, there are indications that for these projects sustainability will be difficult to attain. For many of the projects this finds its cause in lower than expected outreach to customers or contract farmers. Within agricultural projects, slow adaption of new technologies or inputs hampers growth in productivity. This causes disappointing returns for the company, leading to lack of working capital and inability to attract new capital.

For agricultural firms involved in the whole production chain, the prime objective is to have a wide base of loyal contract farmers to ensure sufficient supply of produce. In this case the company may not be interested in a high margin from buying the raw materials off their farmers but in securing a permanent supply of good quality material.

The REACT projects perform better in terms of sustainability than project in the other windows. This can be linked to a more easy uptake of the products or services offered (evidenced from the good performance of the grantees involved in these activities) and more interest from the banking sector to link up with renewable energy projects, especially when dealing with solar home systems.

For many case studies it is too early to observe systemic change, but there are signs that some may be forthcoming. It can be expected that the probable systemic change is higher for the rapidly emerging REACT and RIB sectors (with focus on innovative technologies) but lower for projects in

the constrained environment of Zimbabwe. The case studies show some successful examples of competitors crowding in, copying of business model and (collective) action towards government. There is limited evidence of farmer to farmer copying of technologies/innovations.

It is important to realise that innovations such as those promoted by AECF often create pre-conditions for systemic change rather than catalyse change on their own. Creating systemic change depends on the further development of the business models and the ability of the business and its development partners to create “inclusive business ecosystems”. These are “communities or networks of interconnected, interdependent players whose actions determine whether or not inclusive business models will succeed and generate impact at scale”.²²

AECF should acknowledge the fact that an important share of its portfolio consists of projects which are either less or even none sustainable and may not lead to systemic changes. In these cases, AECF should first identify the factors limiting sustainability and consider if it is in a position to assist the grantee in addressing the issues, and furthermore, to develop a knowledge base that can be shared with other development partners

In this chapter we discussed the factors that determine the sustainability of the project benefits, of which the most important are the profitability of the business model and the enabling environment. Beyond the factors relevant to the business supported under AECF, crowding in can also contribute to sustaining business models, even if the business was not originally receiving AECF support.

During the funding phase AECF should continue to assess the validity of the business model (which in some cases requires specialist knowledge of the market) and encourage the expansion of customer bases or beneficiary reach through networking with relevant agencies, companies or donors. In terms of the sustaining programme benefits after the end of the funding phase, AECF can provide assistance through special programmes such as CONNECT and by organising network activities or seminars in which the ‘new’ business gets the platforms they need to expand or consolidate their markets and /or their financial basis.

²² Gradl and Jenkins 2011: as quoted in Thorpe, J. (2014) “Business and International Development: Is Systemic Change Part of the Business Approach?”

9 Conclusions and recommendations

9.1 Conclusions

Following the ToR and discussions with the Steering Committee this MTE should focus on operational issues, relevance, efficiency, effectiveness and sustainability issues but needed also to provide an indicative finding for impact for the entire AECF and its interventions. In addition the MTE should provide recommendations for the future to assist decisions on redesign or scale-up of AECF.

First we would like to pay attention to what we see as the mandate for AECF:

AECF tries to identify, support and promote business models that are profitable ventures for private entrepreneurs and through the products or services provided, improve the livelihoods of smallholders, of which the majority is poor.

The expectation of AECF is that projects may benefit not only the commercial position of the grantee, but most importantly will have a positive effect on the living conditions of a (much) larger group of (potential) beneficiaries. Impact on rural households is thus pivotal. Grantees are important but to an extent instrumental.

Conclusions on relevance

The ex-ante assessment of case study projects shows that AECF and its projects have addressed clear national development needs. The selection process, including the review by the FM and Investment Committee (IC) brings out in essence relevant projects, although relevance was reduced in two third of the sampled cases because the projects had a limited poverty focus or had a limited innovative character. AECF has a large geographical spread, with projects in 23 countries. The fund, however, shows a clear focus on East Africa which can partly be explained by the designated windows.

Projections for development impact are often overrated. This is not surprising as applicants are eager to obtain the funding and most entrepreneurs have an optimistic mind-frame. However this raises questions about the rigour of the business planning process and it could be questioned whether the business plans as approved by the IC provide a realistic basis for selection and planning.

Considering the soft nature of the funding provided AECF is expected to focus on projects that cannot be funded by commercial financial institutions. The focus on innovation and probable systemic change are well chosen in this respect. In practice, however, these aspects have not always received the required attention.

Conclusions on additionality

About one third of the sample is considered fully additional. For a proportion of 50% of the case studies additionality is questioned. Sometimes grantees could have used funds from other parts of their business or could have raised commercial funds. There is always an extent of speculation involved in assessing additionality but undeniably additionality for example based on preference of the grantee for non-bank funding is doubtful.

In general fully additional projects are characterised by small companies, often start-ups, and innovative risky models. This often shows a negative correlation with commercial development, some projects would clearly have been stopped in the absence of AECF funding.

Definitely a larger share of the grants could have been provided in the form of a repayable grant or even an interest-bearing loan. Also in the case of the PCW, where all funding was provided as a grant, a smaller grant versus more 'cash' matching funds would have been fully suitable. The present practice may even constitute false competition with the (emerging) financial sector.

Repayment discipline is low, which obviously is detrimental for efficiency.

Conclusions on effectiveness

To date AECF has funded 202 projects with a commitment of USD 148 million. Based on the information provided by the FM the current failure rate, including projects that have withdrawn with no re-use of funds, is about 22%.

Overall the sampled projects analysed show mixed results for effectiveness. Many of the projects experienced delays in the implementation while a number of the projects changed their (often too ambitious) business model during the process. Main factors that have influenced performance are weak management capacity, lack of attention for marketing issues and unrealistic business models with weak commercial viability. Systemic factors also play a role, particularly a difficult business environment in e.g. Nigeria and Zimbabwe and delays in the approval of new technologies involved for RIB and REACT projects. It is important to conclude that although the projections for development impact seem to be significantly overrated and projects in general are delayed, projects have already had a outreach to a considerable number of the target group of smallholder households.

Leverage of AECF support is difficult to assess due to the fact that the causality with AECF funding is not always clear. Third party funds recorded as matching funds are sometimes already allocated before the application to AECF or were obtained through a process parallel to the AECF funding and therefore the catalytic effect cannot be proved. Also creative solutions were found to achieve the required in-kind contributions. In some of these cases, these contributions can hardly be seen as a real investment by the grantee into the project or as an indicator of commitment.

Conclusions on development impact

One of the lessons learned in respect to development impact is that there is no perfect type of project but rather the quality of a business idea. Out-grower models work very well for some crops (where there is a requirement for this type of support for the farmer - e.g. growing non-traditional organic essential oil crops) but are often cumbersome when it is a traditional crop with low inputs and many buyers (and lots of potential for side selling). Similarly with input supply : a new model with potential that needs testing can be supported, but one should be critical whether the model remains relevant at a different stage of market development. The different energy distribution projects have performed very well – and allowed testing of different models. But like mentioned in several instances, in essence AECF projects should be innovative. If AECF is just subsidising some companies to operate in existing value chains then it should be careful not to provide unfair competition to the other companies already operating in these value chains

Some of the case studies show significant (pro poor) development impact. For many other projects in the sample, however it is rather early to observe development impact. In these cases we have looked at the likelihood of the emerging development impact .

For the majority of the projects development impact was found to be below 50% of the projections. In some cases the actual development impact (increased income for poor rural households) is very reasonable, even if it falls short of the (overrated) business plan projections, while for other projects future increases are expected.

With regard to the specific pro-poor focus of AECF, data are difficult to verify. However, given the fact that most beneficiaries are rural, which are on average the poorer households, a considerable impact for smallholders can be expected. In a number of cases pro-poor benefits are considered limited. For instance cattle farmers and farmers investing in in-vitro calves are not likely beneficiaries that earn less than USD 2 p/d. In other cases companies had changed their business model to focus on more commercial farmers as the focus on smallholders was not experienced as a profitable business opportunity by the grantees. This hampers also sustainability and should be a concern to AECF as funding is diverted from the target group of smallholders and poor households.

Next to the financial benefits additional benefits such as increased food security (small holder farmers) and increased safety and contribution to success in education (solar energy) were frequently mentioned by beneficiaries.

Specifically in Tanzania and Zimbabwe, several examples were found of cooperation and or synergy between different projects. Cases in which one project provided an entrance for the products or services of other projects, increasing the development impact of these projects.

Conclusions on efficiency

The assessment of the management and organisation of AECF shows that much can be improved in terms of a logical division of tasks between de FM, AGRA and the IC, clear responsibilities and speed of decision making. In particular the absence of clear responsibilities of the FM needs attention. In the present set up decision making very much relies on the responsibility and heavy tasks of the Investment Committee. The often lengthy intake process, slow disbursements and slow or no reaction on information coming out of reporting by the grantees influences the effectiveness of the AECF and its projects.

Monitoring and Result Measurement has improved since the initial 'light touch' approach. It is still however largely based on information from grantees, which often may be biased and incomplete. Monitoring visits are in general appreciated and supportive for reporting on the development aspects and financial administration. The quality of the site visits reports varies, showing very informative and comprehensive reports on the one hand, but in other cases it was felt that the reports seemed to be just accepting the grantee information and statistics– rather than taking an objective view.

About half of the sampled projects were considered to be inefficient. Although some of the causes of low efficiency can be linked to the performance of the FM and AGRA (especially where it concerns slow disbursements) most were related to operational management, marketing and finance at the side of the grantees.

A comparison of benefits recorded and total monetary inputs (including AECF management costs and other overheads as well as inputs by the grantees) showed a slightly positive overall Value for Money, for which especially the General Windows and RIB are responsible. The Tanzania and Zimbabwe windows lag behind here.

AECF after 2018

The question whether the AECF programme should be extended beyond 2018 or, if not, what should the exit process be, is of great importance but cannot be answered based on the findings of the MTE only. This advice should also be informed as much as possible by the ideas of key stakeholders to different future scenario's.

The recommendations below provides our initial response to these questions. Based on the findings of the MTE we re positive about a continuation of after, although AECF (Phase 2) would require a more focused. The fund should be additional to existing other instruments and concentrate on innovativeness and systemic change. This would also require a different role of the FM.

9.2 Recommendations

As mentioned in chapter 2, there appears to be some ambiguity concerning the vision and mandate of AECF, which is also showing in the varying characteristics of the different windows. This affects the focus and direction of the fund and warrants the taking of a strategic position on the actual role and mandate of AECF by donors and other stakeholders. The assessment of the TOC and its links and underlying assumptions has brought out that a number of the assumptions have not entirely materialised in practice. This has guided the formulation of key recommendations for AECF.(after 2018). Through a benchmark exercise (Annex 1) we have compared AECF to investment funds and other PSD support programmes. The identified weak and strong points and lessons distilled have further informed our recommendations. Below we provide our recommendations for the different issues:

- The AECF should be considered as an *instrument targeting investment opportunities with high* impact potential, high risk investments (innovations) and leading to market change (systemic change) and should be additional to e.g. Private Equity and Venture Capital Funds. More attention should be given to additionality in the selection process of grantees. Which will most likely exclude the large (r) multinational firms or the firms with a not very innovative business model (it is understood that these firms can deliver development impact, but funding these through grants or zero-interest non-recourse loans is not necessary, is a waste of donor money and a potential false competition to the emerging African financial market). Instead attention should be given to innovative ideas, from smaller enterprises, which have the potential to make a durable and positive change on agricultural markets in the benefit of the smallholder;
- In order to assess the innovative character of an application, the *Investment Committee should be able to fall back on specialised expertise*. This IC could therefore consist of a small core group (less members than the present committee) augmented on an application-by-application base by specialised technical experts (who, in the sake of efficiency, can provide their advice by mail or telephone).
- In the application process the FM should provide *an independent view on the projected outreach and impact numbers*. More often than not these numbers provided by grantees have demonstrated to be gross overestimates which may have even unrightfully pushed out better proposals with a more realistic estimate.
- The resulting successful applicants will therefore have the following profile: young small firms, ownership not relevant but based in SSA, with an innovative business model, skill

and enthusiasm to develop the enterprise but possibly with less managerial and entrepreneurial (financial, marketing) experience. In order to compensate for the mentioned managerial gaps, the *AECF should invest more in TA*. This can take the form of staff of the FM who maintain a more regular contact (on an 'as needed' basis) with the grantee, augmented with hired free-lance business councillors (e.g. business coaches) who can help develop the grantees to become sustainable, financially and commercially healthily operating firms.

- At present, in the case of start up companies AECF provides the same financing package as for non-start ups, including debt (at 0% interest). In principle, this seems not to be the appropriate instrument for start ups and may influence the growth of the company negatively. Providing a grant would be more appropriate in this case. To limit the risk for both AECF and the company, AECF could allow *successful grantees to return several times* perhaps with a small grant to test a business idea, a slightly larger grant to scale-up and then maybe a loan to expand – this could be over a 3-5 year period.
- A decision needs to be made on the *repayable grants*. In the newly proposed set-up there may be ample reason to abandon loans and rely on grants. These grants will only become (fully or partly) repayable if a grantee without proper reason fails to follow the agreement with AECF. For that latter reason, the Grant Agreement should be professionalised and strictly adhered to. However, in case it were to be decided to hold on to the repayable grant model, repayment discipline should be made more rigorous. The present system is inefficient and dishonest to the few who try to repay.
- With this profile of grantees, a certain failure rate is inevitable. The AC should *agree on an acceptable rate*, which might need to be higher than the present targets. According to a recent benchmark of AECF (Hennie Bester, 2010), it is within reason for venture capital and social venture capital to have commercial failures of between 30 and 40%.
- The above model can first be tried out in a new window (provided an interested donor is found) and, if successful, gradually replace (after 2018!) the existing model.
- It is of essential that the profile of the AECF (objective, mandate, preferred profile of grantees and modus operandi) is made well known among the private sector, the donor society and the African governments. Donors may insist on specific features for specific windows but without violating the profile.
- Role of the IC should be restricted to selection and approval, where necessary also approval of changes in the Business Plans (models). For the latter they should be kept informed of progress, but information collection and reporting should be done by other parties, (FM, EMU).
- The requirements for *matching funds* could be somewhat relaxed for applicants who for obvious reasons are not in a position to match the AECF funding fully, but not fully. More importantly, matching funds should be brought in in tangible form, i.e. in terms of assets which figure on a balance sheet like cash or fixed investments.
- A decision needs to be taken whether AECF should include a limited or more extensive *Due Diligence*. A more extensive or focused due diligence will allow additional attention for the availability of matching funds and weak spots (capacity) of companies;

- In most cases site visits and the number of beneficiaries interviewed are not sufficient to accurately verify the reported development impact. The findings of these visits should be used to give reasonable estimates for development impact. The beneficiary model should include ranges and where necessary differentiate between different types of beneficiaries. This will also allow for more reliable estimates of development impact for the poorer households (indicator).
- During the site visits more efforts should be made to meet up with a more diverse group of beneficiaries and not just the beneficiaries which have been pre-selected by the grantee to avoid meeting only with the usual suspects (satisfied farmers).

React

- For the REACT Window, more efforts are needed to improve the portfolio of adaptation projects, both in terms of attracting good proposals and in terms of sustaining the results.
- For adaptation projects this may mean promoting “smart agriculture” link up with existing climate smart initiatives, and initiate policy dialogue with governments to identify interesting niche markets.

Annexes

Annex I Benchmark

Introduction

The purpose of this abstract is to provide a benchmarking of the African Enterprise Challenge Fund (AECF) against other Private Sector Development (PSD) programmes. The AECF and the four programmes that have been selected for the benchmark are presented in the table below.

Name	Type	Scale	Fund size	Donors	Fund manager	Date of Activity
AECF	Challenge fund	Africa	USD 207mio	AusAid, UKAid, SIDA, Netherlands, DANIDA, IFAD	KPMG	2008-ongoing
Enterprise Challenge Fund for the Pacific and South-East Asia (ECF)	Challenge fund	Pacific/SE Asia	\$20.5 million AUD (~USD 15mio)	AusAid	Coffey International	2007-2013
TAF - African Agriculture Fund	TA facility	Africa	USD 246mio	ADB, AECID, Proparco, AfDB, IFAD, DBSA, AGRA, EBID	Phatisa	2011 – ongoing
AfricInvest II	Private equity fund	West and Central/East Africa	EUR 143mio (USD 164mio)	BIO, Finnfund, FMO, IFC, Proparco, Oikocredit, and more	AfricInvest Capital Partners (TunInvest, FMO)	2008 – ongoing
Kenya Market Assistance Programme (KMAP)	Sector programme/ M4P	Kenya	GBP 24mio (USD 38mio)	DFID, Embassy Netherlands, Gatsby Charitable Foundation	Kenya Market Trust, Adam Smith International, SNV Kenya, Technoserve, Agri-Experience	2012-ongoing

The benchmark will focus on:

- Target group/ goals of the programme;
- Instruments used;
- Governance structure/ decision making;
- Due diligence;
- Monitoring and Evaluation framework; and
- Performance (development impact).

Due to limited information and confidentiality issues as well as methodological differences in measuring results, we are not able to make a comparative analysis with regards to (cost-)efficiency and impact.

Programme characteristics

All but one programmes are purely donor funded and have the explicit objective to promote economic growth and reduce poverty in developing countries by working through the private sector. AfricInvest is the exception. It receives funding from both the private and the public sector and focusses on achieving economic growth and building profitable and sustainable enterprises, without an indirect focus on poverty alleviation:

- The programmes can be further categorised into different types of PSD programmes, using the categories presented in a previous benchmark of the AECF of 2010;
- AECF and ECF fall in the category of *Social venture capital programmes*. These seek to make financial investments in existing or newly created firms with the objective of securing social and market returns. The distinguishing characteristic of this instrument (in contrast with enterprise development programmes) is that investments have to yield social returns to persons and stakeholders beyond just the owners and current employees of the enterprise itself;
- *Enterprise development programmes* as TAF are designed to catalyse new enterprises and strengthen existing enterprises, especially small and medium enterprises. They can take various forms including the provision of business development services (BDS) to small enterprises, providing finance and financing mechanisms (including guarantee funds and equity investment) to SMEs and subsidising technical assistance of various forms to small enterprises;
- *M4P programmes* like KMAP tend to work across a broad front and may include direct support to private enterprises, especially to foster the development of new business models and innovation. While support is provided more indirectly, it is supposed to impact a large number of enterprises beyond those that receive funding (if funding is provided at all);
- AfricInvest is not a purely donor funded programme and therefore does not fit in any of the above categories. From the instruments it uses it can best be included under the second category (enterprise development programme).

Objectives and target group

The primary target beneficiaries of all but AfricInvest are the poor. While ECF does not have a focus on a specific group or sector beyond that, the other programmes aim at improving the lives and incomes of the poor in the agricultural sector, some specifically target smallholders. For AfricInvest, the only beneficiaries are the companies it supports, which are well established with a good governance and financial status and have a potential of expanding and becoming national champions. AECF targets larger and smaller companies and neither does ECF make a difference in size. TAF targets SMEs with its BDS support programme, and usually larger companies with its agricultural value chain projects.

The non-existence of a specific target group is reflected in the absence of a clear strategic framework for ECF and AfricInvest. AfricInvest is guided by risk-return considerations, all other programmes have logical frameworks and result chains on programme and project level. A strategic framework from the start is crucial to guide investment decisions for development oriented funds. This framework needs to be based on a thorough assessment of the needs of the target group (per country and sector).

Target group/ goals	
AECF	Support innovative business ideas in agriculture, agribusiness, renewable energy, adaptation to climate change and access to information and financial services. Its purpose is to improve incomes of smallholder farmers and the rural poor.
ECF	Benefit to poor people (no specific group/sector)
TAF	SME companies financed by AAF; companies with revenue of 300,000 – 6 mio USD (for BDS companies must be SMEs); TAF financing BDS for professionalization and growth and agricultural value chain projects linking companies with smallholders;
AfricInvest II	Growing and expanding well established SMEs with potential of becoming national champions
KMAP	Market wide; policy, private sector, society in key agricultural sectors
Logical framework/ Theory of change	
AECF	Logical framework/ Theory of change on programme and project level; project result chains introduced later
ECF	No clear strategic framework in beginning; log-frame introduced at later point in time for M&E purposes, not for project selection
TAF	Objective to build the capacities of SME agribusinesses so that they can secure and efficiently utilize financing from the AAF SME Fund; Project logical framework and results chain for M&E purposes
AfricInvest II	No strategic framework; only financial objectives on company level
KMAP	Programme based on analysis of constraints for inclusive growth in Kenya; Theory of change and extensive logframe with assumptions updated throughout the programme

Instruments

A sensible distinction can be made between programmes that provide direct funding to firms (AECF, ECF and AfricInvest II) and those that operate through other agencies (TAF, KMAP). The more commercially oriented programmes (TAF, AfricInvest II) complement financial assistance with more hands-on advice and business development services on company level. For the more development oriented programmes ECF and AECF this is much less the case. KMAP differs considerably from all other programmes as it does not provide financial assistance but a variety of instruments from workshops, market linkage programmes, capacity development and TA, to a variety of stakeholders in one sector.

Instruments used	
AECF	Matching grants, interest-free loans, TA to help applicants produce the business Plan and TA in selective windows
ECF	ECF had 24 grants between 100,000 and 1.5 million AUD (75 – 1.1 million USD)
TAF	TA (for BDS services and value chain projects)
AfricInvest II	Debt and equity between 2mio and 16mio (average 7mio USD); advice
KMAP	Different instruments (workshops, capacity development, create linkages,, no finance)

Investment decisions/ due diligence

Most programmes provide of a sophisticated governance structure with a (supervisory) body representing donors/ shareholders, an outsourced fund manager and an (independent) investment committee. Investment decisions are taken by the IC, while monitoring and follow-up is done by the fund manager. In the challenge funds, the fund manager fulfils a more administrative than technical/ advisory role. This stands against AfricInvest II, where the fund manager is much more involved in the operations of its portfolio companies.

The amount and type of due diligence differs across programmes, with most due diligence (if also financial) being done by the commercially oriented instrument AfricInvestII. A more thorough due diligence before investment can save a lot of time from monitoring and measuring impact. It should include an assessment of the proposed result chain, including the testing of assumptions. Otherwise (as experienced by AECF, and ECF), there is the chance to fund a number of projects that are not viable from a commercial and/or developmental perspective from the start.

As observed with AECF and ECF, an investment committee needs to be selected wisely and should be independent (mix of financial, sector and development experts) and be provided with sufficient information in an acceptable and accessible format to take prudent investment decisions. The fund manager should be involved in the decision making, e.g. by recommending projects.

While AfricInvest and TAF have specialized fund managers with a good understanding of the sector they work in, AECF and ECF function of the fund managers seem to have a more administrative focus. For challenge funds, given their ambitious and multidisciplinary objectives, fund manager teams should include technical private sector development experts.

ECF, AECF and TAF make use of matching funds. This can be an effective way to commit a company to a project., however strongly depending on the funds' nature. Common are cash investments and in-kind contributions as well as contributions by third parties (e.g. loans). ECF requires a minimum cash-investment from the company, AECF does not. Both ECF and AECF face challenges in defining/determining the in-kind contributions.. To prevent companies from misusing the funds (example AECF and ECF), a genuine cash investment is important, and any in-kind contributions should be hard assets rather than (not verifiable) work time. It should be warranted that matching funds come as a specific benefit to the target group and cannot be used for other activities easily.

Investment decisions and role fund manager	
AECF	Fund manager (pipeline, recommendation) --> IC (decision making) --> Fund manager (monitoring) + EMU
ECF	Fund manager (pipeline) --> external assessment panels (investment decisions) --> fund manager (monitoring) + Independent Monitoring Team (IMT)
TAF	Technical Assistance Committee (strategic guidance) --> TAF programme manager (IFAD) (planning, implementation oversight, monitoring) --> TAF implementing agency (Technoserve, operational manager)
AfricInvest II	No information
KMAP	Supervisory Board (donor community) with veto-power/ power to object to decisions of Board 2x per year meeting to discuss new/innovative commitments Board (private sector specialists) making funding decisions and oversight of KMT

	<p>KMT (Kenya Markets trust- multi markets facility) & Adam Smith Int.(technical manager) – every day management of KMAP</p> <p>ASI supporting KMT in the beginning, then phasing out</p> <p>KMT main implementing agency/ coordinating institution, subject to capacity building</p>
Project selection/ Due diligence	
AECF	Window competitions, selection criteria: Development impact, financial sustainability, additionality, innovation, systemic change; due diligence limited
ECF	Competitions; ECF was open to any application; selection criteria: demonstrate externalities, innovation, pro-poor performance, commercial viability within three years; matching funds with min. 15% cash contribution; no thorough due diligence; IC committee complained about insufficient information for taking investment decisions
TAF	Competitive tenders; Thorough analysis of business plans by TA committee; Criteria: additionality, income, jobs, expected yield, on-farm income and linkages; E&S plan assessment; 1/3 funding by company
AfricInvest II	Thorough due diligence on financial and administrative capabilities; environmental/social risk assessment
KMAP	No information

Monitoring and Evaluation

The management of funds differs between ‘light touch’, and hands-on management, with a trade-off between transaction costs (for controlled screening and monitoring) and performance risks on the level of the target company. Most donor-funded programmes have moved from light-touch to hands-on monitoring. This shift is mainly for the purpose of reporting to donors than for actually using results for the benefit of the companies/ beneficiaries targeted. Especially in case of the challenge fund, this hands-on monitoring is often restricted to tracking activities rather than actively following and accompanying companies and help them to succeed or improve their business model (ECF, AECF).

Mostly, the M&E function is carried out by the fund manager. Too a large extent the FM is relying on company data, which gets verified through regular visits to the company and related beneficiaries in the value chain. Some fund managers hire specific M&E experts for this purpose. Indicators include company and beneficiary or sector related data on output, outcome and impact level. The most prominent indicators measured on impact level are income and increase and job creation for the beneficiary group. For programmes where the beneficiary group is indirectly reached (all but TAF and AfricInvest) and less clearly defined, fund managers still have to rely on data provided by the company or carry out not representative beneficiary surveys. The tools are often not methodologically sound and have difficulties in terms of contribution and attribution.

Systemic change is an indicator used primarily by challenge fund models, but no clear methodology exists to measure this. In general, impact measurement on market systems is yet restricted/ not systematically done by any of the funds. KMAP has strong intentions to measure impact on sector-level, but also struggles with methodology and attribution questions. AfricInvest solely monitors company data. Its M&E system can therefore be called light-touch, although it provides hands-on advice on operational issues, which in turn influences the success of the company.

More commercially oriented funds like AfricInvest or TAF are spending more time on due diligence and financial monitoring than on (impact) monitoring and evaluation. The financial performance of the company is key.

For donor funded funds, results measurement and reporting are particularly important for fund managers to demonstrate the programme achievements to donors. This is cost-intensive and influences the financial performance of the fund. At the same time, it is not clear whether the high costs for in-depth monitoring and evaluation weigh up against the benefits in terms of development impact. As noted in the case of AECF, monitoring rather serves for reporting purposes to donors than for internal decision making and for helping projects increase their impact on the target group

ECF lacked a strategic framework from the start. This has influenced the quality and use of the monitoring data. For hands-on monitoring systems like AECF and ECF, the M&E framework should be developed on the basis of the strategic framework and not vice-versa. All except AfricInvest have an individual project result measurement frameworks. These project frameworks should be based on the general strategic framework/ theory of change and include suitable and attributable impact indicators to be measured, baseline information, expected changes in indicators, targets and assumptions. An attribution strategy should also be developed at project level. Very few impact assessments are based on a rigorous evaluation of counterfactuals, and most monitoring information is supplied by companies themselves. This counts for all but KMAP who thoroughly measure impact at sector level.

Self-reporting on indicators beyond company interest (e.g. systemic change) is not effective which can be noted in both the case of AECF and ECF. Companies are qualified in reporting on business and output indicators directly related to the performance of the company, usually not on impact. This can better be delegated to a qualified party with an understanding of the project and development context. This can be the fund manager (with its own interests), or an external party. Grantees/investees are usually not qualified to do so.

In many cases, the results measurement systems focus on tracking activities but do not explain why something worked or did not work. Results on development outcomes are mostly short-term and qualitative in nature, while long-term impacts are rarely reported. Monitoring often only takes place over the term of a fund while (sustainable) impact can only be observed after a minimum of 6 years/ after the funding has stopped. KMAP is the single programme that tackles this issue, by carrying out sector-wide longitudinal impact assessments to capture systemic impact over time .

Monitoring & Evaluation	
AECF	Started light-touch, now DCED standard; M&E framework on programme and project level; monitoring plans; result chains and beneficiary models introduced at a later point in time; independent Evaluation Monitoring Unit
ECF	Starting as light-touch; switched to DCED system mid-way (2010). M&E frameworks on project level; poverty baselines; self-reporting with sporadic visits of fund manager and generic beneficiary/stakeholder surveys; systemic change measured as scaling up by grantees DCED framework: new monitoring plans per project with attribution strategy; quarterly company reporting on progress; impact reporting by fund manager and M&E expert; regular beneficiary surveys
TAF	M&E plan with project causal logic and logical framework; varying company-level indicators on output, outcome and impact level; mid-term and final evaluation plans; impact evaluation plan;

	portfolio company level monitoring; quarterly progress reporting of service providers; regular site visits Technoserve
AfricInvest II	Monitoring only on financial performance, jobs, and environmental and social risks; hands-on monitoring includes frequent contact and advice for operational development
KMAP	DCED standard; 'hard to measure systemic interventions'; M&E assessment on project specific output and outcome level; Value for Money assessment; 'dipstick' assessments on sector level; mid-term review; longitudinal post-programme evaluation (long-term impact); beneficiary feedback monitoring

Effectiveness/ development impact

As mentioned above, due to confidentiality issues we were not able to get all data from AfricInvest II and TAF, which impeded a comparative analysis on the portfolio, impact, and efficiency of these instruments. Furthermore, the broad variety of indicators as well as the methodologies used to measure impact made it impossible to compare the impact of different programmes. Moreover TAF/SME AAF and M4P are still in the early years of implementation and therefore results in impact can only be substantiated at a later stage (final evaluation could be the proper timing for making this benchmark).

ECF

For ECF, impact was measured through consideration of a single core indicator: the extent to which the income of the poor target group has been raised, whether the ECF has produced positive or negative changes (directly or indirectly, intended or unintended). Due to the light-touch set-up of the fund and the lack of a solid M&E framework from the beginning, data collection only started in 2010. Poverty baselines were carried out, however too small to be sufficient as a baseline for attribution as noted in the DCED audit.

The 2013 project completion report reports the following impact of ECF:

	Employment and contracting	Supplying goods and services	Customers using goods and services
Total number of poor people with net income benefit or reduced costs	263	4,319	73,572
Total benefits to the poor over three years of ECF	A\$676,980	A\$4,948,894	A\$2,553,013

Beneficiaries reached include 426 head office staff and 78,154 beneficiaries with increased income (financial benefit). This includes (263 through employment, 4319 through supplying goods and 73,572 customers accessing goods and services provided by the company). Total financial benefit to poor is \$8.179 million AUD. This would result in an average net benefit of A\$104 (USD 80) over a 3 year period. However, according to the Fund Manager's calculations one single project accounted for 93 % of the beneficiaries reached and 78% of the net income achieved by the portfolio. This stands against a total of A\$17mio (USD 12mio) funding, of which A\$11mio (USD 8 mio) went into grants to companies. The beneficiary numbers are based on grantees final reports and/ or monitoring visits with very small sample sizes. According to the independent review of 2014, they do not capture all the impact benefits that occurred and there were some inconsistencies in the calculation.

In the independent evaluation, a Cost Benefit Analysis (CBA) of 10 out of 23 funded projects was carried out to determine the impact of ECF. A traditional economic CBA measures the net incremental benefits at the national economy level, and enables a direct comparison to be made with alternative national investment opportunities. It is concerned only with the overall economic contribution of the ECF to the national economies and does not directly analyse the contribution of individual projects to the distributional and or any social objectives of the ECF.

In these 10 case studies, high level indicators collected by the Fund Manager were reviewed and validated in the field (i.e. income, employment and outreach indicators). On this basis, the CBA provided an assessment of direct and wider economic impact.

The CBA states that four of the ten investigated projects had a positive impact on the poor/ a positive Economic Internal Rate of Return. The CBA also suggests that the larger the project and the larger the match funding by the company the greater the impact. Total outreach and average income increase are not presented however.

KMAP

The independent review of KMAP of 2014 states that interventions in the programme's core agriculture markets helped to raise annual incomes of 24,000 farmers and small-scale entrepreneurs by around GBP 92 per beneficiary in the first two years of the programme. This excludes impact from water interventions and other recently started programmes where no impact data is yet available. Total outreach, including water interventions, was 75,000 people according to the review, with an average income increase of GBP 42.

The programme's total cost for 2012-2016 is GBP 28.4 million, from available information it is not possible to judge how much of the funding has been spent on these core agriculture sectors so far. Impact data is based on so-called 'dipstick' assessments which consist of

- Surveys among managers and staff members of agriculture 'hubs' and a random sample of connected farmers per sector approx.. 100 interviews)
- Focus group discussions with primary beneficiaries
- In-depth interviews with distributors in core sectors.

Multipliers are used to calculate beneficiary incomes.

Given the lack of robustness in calculating and attributing impact, we are not able to compare the outcomes of the ECF to the AECF. For KMAP, projects are still too young to determine impact and systemic interventions produce results much more indirectly than in the case of AECF. This also brings into discussion the attribution question. The theory of change of KMAP is updated continuously to address this issue.

Some findings can be presented with regard to the effectiveness/ success rate of different models on an output level. While challenge fund models have higher failure rates, private equity funds as AfricInvest rarely see a more modest project failure. The reason for this definitely lies in the risk-nature of projects but also in the way of selecting investees, the amount of due diligence and active support to companies. As challenge funds work *through* the private sector to reach poor people, they do not recognise the companies themselves as target group, and therefore less attention is paid to the financial/ company specific issues and the practical operations. This was noted for AECF as well as for ECF.

More research has to be done to find out whether the high failure rate of challenge fund models in comparison to investment funds lies indeed in the high-risk and innovative nature of the project, or in weak financial and operational planning and management.

Effectiveness/ Impact	
AECF	See earlier analysis
ECF	<p>19 of 24 projects completed; 12.5% high performing; 17% average performing; 12.5% well implemented but don't show characteristics of challenge fund model; 25% weak in design (should not have been funded); 17% not completed; 11 of 24 commercially viable after three years.</p> <p>Beneficiaries reached include 426 head office staff and 78,154 beneficiaries with increased income (financial benefit). This includes (263 through employment, 4319 through supplying goods and 73,572 customers accessing goods and services provided by the company). Total financial benefit to poor is \$8.179 million AUD. Additionally low; often projects were rejected by banks not b/c lack of finance but non-viability of business plans. While ECF did make these projects possible, they should not have been funded in the first place</p> <p>Recipients of a high proportion of grants were either multi-national firms, or more frequently locally based expatriate owned or run businesses</p>
TAF	Started 2014
AfricInvest II	No info
KMAP	<p>In 2014, annual incomes of 24,000 farmers with GBP 92 per beneficiary</p> <p>7,245 new jobs created due to economic growth</p> <p>54,469 beneficiaries with increased annual incomes</p>

Conclusions and lessons learned

When the use of challenge funds as an instrument is compared to other mechanisms from the benchmark the following can be concluded:

1. From the comparison to ECF it becomes clear that a challenge fund must adhere to a clear strategy and log-frame from the start, to guide its investment decisions and its monitoring and evaluation framework. Matching funds should be, at least partly, cash in nature, and the usage of matching funds must be clearly monitored to secure their benefit for the beneficiary target group. Monitoring and evaluation is valuable and important to track progress and use of funds, however active investment management is also required to mitigate failure and manage success of projects (in line with a more social venture capital approach).
2. Private equity funds like AfricInvest as well as the technical assistance facility of AAF are mainly return oriented, which leads to another structure of decision taking and monitoring. Fund managers make an extensive due diligence and select only businesses that are viable and promising in terms of returns. The company performance is central, while in the case of challenge funds this is 'only' a vehicle to reach out to another target group. This difference also determines the focus of the due diligence and monitoring activities. The due diligence process and decision making process of PE funds is quick and thorough in financial terms, while AECF uses a competition and a more limited assessment of clients in financial terms, taking into account many other influencing factors (impact/ systemic change). While challenge funds use monitoring mainly to report to donors about results in terms of impact (on a quarterly to yearly basis), monitoring of private equity funds is focused on actively supporting companies in their daily decision taking. The frequency of monitoring is higher for private equity funds, sometimes even on a daily basis, and it ends at the end time of exiting the investment. Monitoring for challenge funds extends beyond the time of investment.

Private equity funds like AfricInvest are more efficient (in terms of management cost compared to financial return). Challenge funds have a different, more complicated system of selection and decision making, involving more stakeholders than PE funds. Different from PE funds the FM in challenge funds has no final decision making power and relies on the decisions of the ICs and to some extent the AC (for policy and strategy matters). Finally, challenge funds use grants for their investments while PE funds have an equity position in investees. The latter allows PE funds to intervene in companies where challenge funds have no formal position.

As PE funds do not monitor impact, there is no comparison to be made in that regard. In terms of company performance however, PE funds score much better.

3. Comparing challenge funds to M4P programs is almost impossible. M4P uses different approach targeting a strengthening the private sector environment as a whole rather than supporting individual companies. The outreach in terms of beneficiaries is potentially much larger, but more difficult to measure and only becomes apparent at a much later point in time. Monitoring is done in a similar way to challenge funds and focusses on outreach to and income increase of beneficiaries (usually the poor), comparing the results is difficult however due to the different instruments used.

One of the main objectives of the benchmark was to have a good understanding of the outreach (impact) of the several programmes that we compared with AECF. Important questions in that respect are:

- Are there any programmes that have the same development impact while using more costs efficient (covering) instruments?
- Is the approach and instruments of AECF effective in reaching out to the poor in comparison to a M4P programme?

To answer these questions, a meaningful comparable analysis of the impact across the programmes would be necessary. This is not possible in the scope of this mid-term review given the unavailability of data (AfricInvest, TAF) and the variety of methodologies and indicators for measuring impact. The following insights from interviews with the managers of the benchmark instruments and the analysis of collected data can address some parts of these questions.

AfricInvest is the only instrument in the benchmark which is set-up to be cost-covering and where financial return of the portfolio companies is a key objective. All other programmes are (matching) grant or repayable grant programmes, where return is for the largest part defined in terms of development impact and cost recovery is not an objective in itself. TAF (especially the SME component) could be cost-recovering by enhancing company growth through technical assistance on company level, while the return would be in the benefit of the SME fund.

AfricInvest does not measure development impact beyond direct jobs created and neither are there impact assessments of AfricInvest's investments, which makes it impossible to answer the first question. Some DFIs investing through AfricInvest developed their own impact measurement tools, using proxies based on impact assessments of a sample of individual investments. One of these proxies calculates two indirect jobs per direct job created. More research would be needed to assess the larger development impact of funds like AfricInvest in comparison to (repayable) grant instruments like AECF.

What can be said is that the impact chains and beneficiary groups differs considerably across the instruments. While AfricInvest provides funding for directly creating impact on company level, M4P programmes like KMAP have more indirect impact chains, but are likely to impact a broad spectrum

of enterprises, not only those that receive funding. In between, ECF, AECF and the TAF value chain projects intent to have an impact on both company as well as sector/ system level. This systemic impact takes much more time to show, and is also much harder to measure. Currently there is not yet a system which makes it possible to account for this impact in a sound and consistent way. Individual programmes like AECF, ECF and KMAP already struggle in evaluating their impact on markets and continuously revise their theory of change. More time and research will be needed to develop a consistent methodology for measuring impact beyond company performance. Given the variety of indicators and methodologies, and the long time for impact to become apparent, a comparison is not possible in the scope of this review.

Summarizing, the following lessons learned can be identified from the present benchmark:

Strategy/ governance

- Clearly defined tasks and responsibilities are crucial for an efficient operation of any fund. A delineation of roles and tasks especially with regard to accountability and ownership leads to major inefficiencies.
- A clearly defined and consistent strategic framework/ log frame from the start is crucial to guide investment decisions for development oriented funds. This needs to be based on a thorough assessment of the needs of the target group (per country and sector).
- The investment committee needs to be selected wisely (mix of financial, sector and development experts) and be provided with sufficient information to take prudent investment decisions. The fund manager should be involved in the decision making, e.g. by recommending projects.
- Fund manager teams should include technical private sector development experts rather than too many administrative staff. The fund manager should have an advising role next to a controlling function.
- Matching funds are a good way to commit a company to a project, however strongly depending on their nature. A minimum amount of matching funds should be genuine cash investments, in-kind contributions should be hard assets rather than work time. It should be warranted that matching funds come as a specific benefit to the target group and cannot be used for other activities easily.
- More commercially oriented funds spend more time on due diligence than on monitoring and evaluation. According to the benchmark a more thorough due diligence before investment can save time from monitoring and measuring impact.
- Due diligence should include an assessment of the proposed result chain, including the testing of assumptions next to an assessment of the financial and management capacity of the company.

Monitoring & Evaluation

- For donor funded funds, results measurement and reporting are particularly important for fund managers to demonstrate their achievements to donors, while this is cost-intensive and influences the cost effectiveness of the fund.
- Monitoring data (and consequent reporting) is rarely for internal decision making and helping projects increase their impact on the target group. It is therefore questionable whether the high costs for in-depth monitoring and evaluation weigh up against the benefits in terms of development impact.
- Self-reporting on indicators beyond company interest (e.g. systemic change) is not effective. Companies should only report on business and output indicators directly related to the performance of the company.

- Impact measurement should be delegated to a qualified party with an understanding of the project and development context. This can be the fund manager (with its own interests), or an external party. Grantees/investees are usually not qualified to do so.
- A results measurement system should not only focus on tracking activities but try to explain why something worked or did not work.
- Results on development outcomes are mostly short-term and qualitative in nature, while long-term impacts are rarely reported. Monitoring often only takes place over the term of a fund while (sustainable) impact can only be observed after a minimum of 6 years/ after the funding has stopped.

Annex II Survey

Purpose

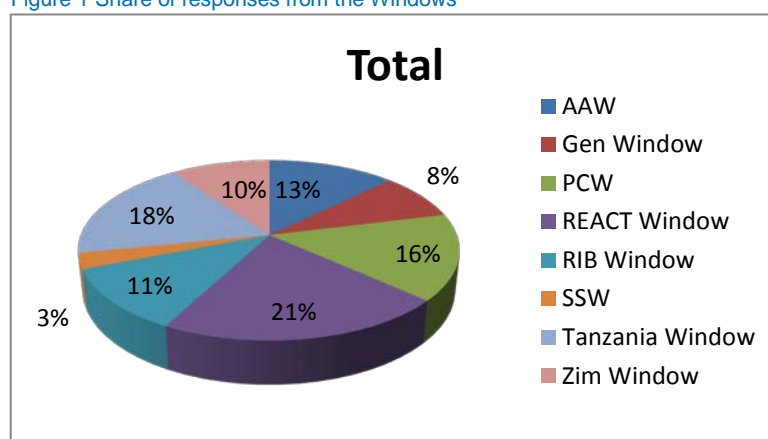
A web-based survey was conducted among grantees and applicants. The purpose of the survey was to understand how companies had experienced the application process of AECF and how the applicants described the effect of the funding received on their company.

Statistics

In addition to the field study, a request for participation in the survey was sent to a sample of companies who had applied for funding across all windows, both successful and non-successful. Total response from an initial mailing of 345 was 118 out of which 86 grantees (42% response) and 32 non-successful companies. As the initial response was below 60, we initiated a round of follow up telephone calls, which resulted in the final 118 responses. The reason for non-response was invalid often email addresses, but also because non-successful applicants would have little incentive to fill out the questionnaire, possibly leading to a (positive) bias in the answers. The response rate among the windows varies between a low 28% for the GW to 77% for the Tanzania window. Of the 118 responses, 96 were complete and 22 partially complete. There is a partial overlap with the grantees visited by the EMU, providing the opportunity to verify answers.

The survey consisted mainly of multiple choice questions complemented with a few open questions. It focused on questions like the appreciation of the AECF among the Grantees, perceived efficiency of the application process and follow-up, additionality (i.e. was AECF funding in this form critically necessary to fund the project or could the grantee also have used own funds or commercial lending) and the performance of the projects (see Annex II for an overview of survey results). Through a omission on the questionnaire, we have not been able to link the answers to the specific windows, except when answers to open questions clearly referred particular window.








Figure 1 Share of responses from the Windows







Results

Below we present the results of the survey in terms of frequency (replies per questions) and responses to open-ended questions. Analyses of the results has been used throughout the main report.




2. In which sector is your company active?

Response	Total	% of responses	%
Outgrower, including extension advisory services	33		28
Rural Finance, including mobile finance and insurance	7		6
Improvements to Supply chain / Distribution	15		13
Renewable Energy (REACT only)	31		26
Adaptations to climate change technologies (REACT only)	8		7
Finance for renewable energy products and adaption to climate change technologies (REACT only)	2		2
Other (including media and information):	22		19

3. Business activity: The project supported by AECF is a new activity for your company (start –up)

Response	Total	% of responses	%
Completely agree	42		36
Somewhat agree	53		45
Somewhat disagree	11		9
Completely disagree	12		10





4. When did you first develop the business idea?

Response	Total	% of responses	%
Two year or more before I submitted the concept note	47		45
Up to two years before I submitted the concept note	38		36
In the year of the competition	20		19





5. Which other banks/financial institutions/donor projects/NGOs did you approach before contacting AECF?

Name	Frequently cited
NMB; USAID	6
CRDB	4
Barclays; Commercial Bank of Africa; DfID, Gates Foundation, KCB, Bank of Africa, NORFUND, OPIC, IFC	2
CBZ; Steward Bank; GIZ; Exim; DCFU; CABS; Bank of America Merrill Lynch; FAO; Triodos; DANIDA; SIDA	1




6. How did you first hear of AECF?

Response	Total	% of responses	%
Through local media	8		8
Through friend/family/business contact	53		50
Through the AECF website	28		27
Other, please specify	16		15



7. When did you first hear of AECF?


Response	Total	% of responses	%
In 2010 or earlier	29		28
In 2011	37		35
In 2012	22		21
In 2013	17		16

8. How did you experience the grantee induction workshop?




Response	Total	% of responses	%
Very helpful and to the point	68		65
Somewhat helpful	27		26
Not helpful at all	10		10

9. How did you assess the support received in the Business Plan elaboration stage?

Response	Total	% of responses	%
Very helpful and to the point	55		52
Somewhat helpful	44		42

Response	Total	% of responses	%
Not helpful at all	6		6



10. Is the total amount received from AECF in line with your initial expectations application?

Response	Total	% of responses	%
Yes, it was equal to what I had expected applied for	69		66
No, it was somewhat lower than what I had expected applied for	24		23
No, it was much less than I had expected applied for	12		11




11. Please, further elaborate your answer (selection):

- I did not expect AECF to begin to even bother to look at us with our project as had been the case with other institutions we had approached. So the fact that AECF even bothered to 'look' at our project was more than our expectations - the funding was the cream on the cake of trust and empathy with what we were doing.
- Actually, the grant was exactly what we asked for, and at the end of the project period, not having met our objectives due to the long and cumbersome registration procedures we received an additional (continuation) grant enabling us to meet the objectives of the project
- AECF asked that we double the size of the target smallholders without allowing us to double the size of our grant
- To run the program we needed more capital to get it running fast however we needed to put an equal amount in and at that stage we were strapped but could put money in at a later stage. In connection with the induction workshops, being a rather small company we were definitely not aware of the total requirement in the form of reporting and audit requirements however the workshop did help at steering us in the right direction
- The process for reporting has been overcomplicated, in part due to changing messages as to what should or should not be included in the financial reports. The reporting process has slowed disbursement and we have not yet received as much of the funds as we originally expected to have received as of this time.
- The initial amount applied for seeded the payment plan project - this has now developed into a full scale revenue stream for the company which has allowed it to scale up in 3 countries. AECF funds have not been disbursed yet.
- According to AECF, they needed to reduce from the original 1 million I applied to \$ 750,000 merely because there are plenty winners at the time.




12. Did your company have any existing credit facilities with commercial banks when applying for the AECF grant?

Response	Total	% of responses	%
Yes	38		36
No	67		64

13. Was it difficult to provide the Matching Funds?

Response	Total	% of responses	%
Yes, very difficult	24		23
Yes, somewhat difficult	52		50
No, not difficult	29		28

14. Did you invest more in the project than you had planned?




Response	Total	% of responses	%
No, as estimated	43		41
Yes, somewhat more (up to 20%)	25		24
Yes, much more (over to 20%)	37		35

15. If your answer is yes, please provide further details (selection)

- Yes we invested more than we planned as we were not aware of the subsequent failure in Zimbabwe economy particularly the liquidity crunch worsening by day to date.
- There have been certain overhead costs which ran over budget which have been covered by the company
- Unknown unknowns have made us change our Business Plan to accommodate the lack of engagement from our Village partners (the Beneficiaries) - so we have had to inject unanticipated Cash into achieving our Logging Logistics issues with our Village suppliers of our raw materials - Logs
- Capital requirements for critical seed potato storage far exceeded initial estimates. We re-assigned capital funds from other projects to the AECF supported certified seed potato project in order to meet the budget shortfall.
- We did not do an accurate budget for change in prices and forex fluctuations
- Down sized ongoing project
- Our in-kind contributions have been significantly higher than originally expected
- The company anticipated receiving loans from local African banks, investment from private investors and also revenue from customers. All of these sources of funding have taken years longer than expected to manifest largely due to the amount of time it takes to overcome unexpected implementation barriers, prove that the project is sustainable and reduce the investment risk to an acceptable level for other funders to participate.
- The project was tremendously slow to get going due to administrative delays within AECF. As a result, we had to run the project standalone for the first year. It was nearly very detrimental to the business.
- Due to delays in grant disbursement, we have had to meet the costs of running the project and maintaining the company outside of the planned time period while we wait to receive funds to continue with the project
- The cost of building rehabilitation exceeded the planned budget. We also paid more the equipment due to change of suppliers.
- We have invested more than we planned because we expected financing with better rates because of our conscious effort to impact the producer groups and to produce textiles using environmental friendly processes, To make competitive products we have had to invest in training our producer groups.
- Yes because the funds have taken longer to received and the plans were set already therefore instead of waiting for AECF funding for implementation of some activities it forces the grantee to solicit other funding from other sources
- This was completely a new project. Data was not available anywhere in the country in terms of costs of establishing a project from zero. The area of operation was inaccessible. The time needed to convince farmers that this is a sustainable project was over 2 years and in those two years operations fixed costs are incurred yet output in financial terms is very low, meaning farmers do not start producing the quantities and the quality needed within the first two years. Several unforeseen issues came in - such as the difficulty of accessing farmers in remote villages during heavy rain seasons. Highly qualifies staff with a vision for the future were very difficult to get. Most people are used to living for today, it is very difficult to explain a long term project to them. Overall, we have understood that development is a costly and long term process and it can be achieved - if there is - first commitment to do so and secondly, if financing is available. It needs an enormous amount of patience. Personally, i feel that the grace period of 3 years in a great thing in the AECF project but still too short for such a business concept to be able to pay. Such long term agriculture projects should have different treatment. They have great impact in the long run but more studies need to be put into how to make them more successful.
- Delay in completing the application process put the project behind which increased building costs. Drop in Tsh which the company earns means increase in repayment of grant

- The project has gone on longer than budgeted so more capital was invested than expected. We also have produced more seed than we expected so payments have been higher than expected. I can not remember the exact totals to date.
- The project size/scope increased dramatically and past the initial 2 countries which were being considered - this resulted in considerable investment being made by the group into payment plans.
- After conducting a detailed feasibility study for the project, the required investment is estimated to be bigger than initially anticipated.

16. What is your overall opinion on the competition/application process

Response	Total	% of responses	%
Efficient and quick	34		32
Somewhat complicated and long	51		49
Very bureaucratic and too long	20		19

17. Did you experience any difficulties in the application process (selection)?

- The process was challenging for a small company with limited HR capacity
Enormous difficulties. In short, the current AECF bureaucratic procedures are agribusiness unfriendly. When investing in plantations and crop production, one should always have in mind the seasonal calendar. AECF bureaucratic procedures will provide the money when it is too late, hence making projects to miss agricultural seasons. In addition, the gut feeling is that this is a favor the AECF is doing us by giving us free money and therefore we must be patient and not to talk too much.
- It was very time consuming.
The financial model is complex with instructions giving limited help. We learned only later that some Excel spreadsheets will form part of the AECF contract which makes understanding the financial model in detail even more important.
- We had to hire a consultant accountant/development expert to develop the application forms as we had not been at all successful the first time round.
- We had experience with AECF so any difficulties we faced we had anticipated. Would have liked more time during the IC presentation to present.
- Yes, we found the matching fund requirements awkward to adhere to at the time of developing the financial projections to accompany the initial application
- Yes. In my opinion the application process relies too heavily on cumbersome Microsoft Word templates that are error prone and difficult to edit. The application process also relies too heavily on lengthy explanatory paragraphs and complex financial statements instead of vetting more directly those aspects that make a project successful - team strength, implementation capacity, market demand, beneficiary impact. A more efficient and effective application process might involve less paperwork and more upfront interaction with key team members and stakeholders to assess, among other things, skills and competency, understanding of the real-world implementation challenges in Africa, customer awareness and enthusiasm, etc.
- Yes. We could not understand the application and had to go forward and backwards. As we are not farmers yield and costs we could not understand. We had to fly to Nairobi and spent time with Senior Management who helped us complete the application. Once this was done it was quick and effective from AECF part.
- Our experience was really bad. The process from notification of intent to award and final contract took nearly 2 years. Had we been relying on the expected project plan from the point of notification of intent to award, then it is likely that this gap would have caused the company to go into administration. For example, it took 9 months for minor changes to the contract to even be considered by AECF (all of which were adopted with no changes). Requiring the company to obtain matching funds (debt) and then delaying by this time is unacceptable.
- The calculation of the net benefit is a big challenge.
- The application is designed for complete businesses to apply. We were submitting only a program within our entire business. Providing for example a cashflow statement and balance sheet for a section of our activities is rather difficult.
- Yes, the supporting from AECF was not straight forward and timely as a result it prolonged the process.
- No. AECF team responded to our correspondence on time. but i feel the application process could be somewhat shortened.

- It was a bit difficult to value into monetary terms the impact that our project brought to the smallholder farmers and community and also the impact on reduction of environmental pollution and adaptation to climate change.
- The application templates only seem to support Windows in English. Examples: I could not fill out the project title, entering numbers was very difficult (I gradually discovered that I had to go back to page 1, before being able to proceed, and I could not search for search words.
- The application is very thorough it took a long time to complete but it also helped us articulate our business concept. Thank you for the specific word counts not easy but very useful. The timeliness of each stage of the process was also very encouraging and the follow through by the project Manager,
- Yes. Had to utilize a consultant.
- Yes. You will never get a straight approval and one has to sustain guess work. However, this might be because of the many applications and the independent team could have been overwhelmed. The process is full of anxiety and rather scaring but one has to accept because, gaining the approval is a true leap in productive prosperity.
- The application forms did not match the proposed project well, especially in that the grant stated one could apply as a new start-up joint venture and then requested data on the existing company. many of the development benefits were difficult to quantify and yet did not allow project developers to gain credit for other development benefits being anticipated.
- Yes first application I did in 2011 was rejected as we were not given any guidance from AECF team much time and money was wasted on pointless information. 2nd Application we received much more assistance though the process took two years to complete which was far too long and i feel the more grantees the AECF takes on the longer the process will become
- No, I didn't experience any difficulties; the support was very good. The initial spread sheet cover page was not working.
- Not at all, I was given very sound advice from the project manager who helped me put the structure together.
- Compared to other process we have touch on the AECF is quite efficient and to the point. Very good to use the same spreadsheet all the way through.
- Yes and no. Yes because u most understand and follow the format. No because if you actually read the application properly, then you can follow the correct format.
- Yes, but AECF have been very helpful especially the finance and KPI's

18. Other comments on the competition/application process (selection)

- Need to review the speed of the process and streamline to reduce bureaucracy. As it stands is currently frustratingly slow
- It was a learning experience and, whilst demanding, it helped to ensure the plan was comprehensive and well thought out
- It has been so difficult that I would not apply anymore under such conditions.
- Whilst long and somewhat complicated, the competition process is valuable - particularly the detail required in terms of business planning and the presentation to the investment committee.
- The competition/application process which is not core business takes significant time. Any simplification will help the enterprises to concentrate more on their business.
- Took a very long time to receive the funding and this caused considerable cash flow issues within the company
- I don't believe it is possible to successfully vet project funding applications from a far. Without a deep understanding of the local context and local challenges plus the skills, social capital and limitations of the project implementors, it is impossible to forecast if a company or project will succeed and achieve its objectives. Such understanding cannot possibly be attained from written paragraphs and financial projections. It can only be obtained by spending time with the project stakeholders within the local context of the project. Just because an implementation team knows how to write a business plan and prepare a financial projection does not mean they can implement a project in a local rural village in Africa. And conversely, many worthy project teams may not be able to write impressive business plans and financial projections but they might be able to implement very effectively in their local context. Proxies are simply not viable. As such, it would seem that the challenge for an organization like AECF is how best to cost-effectively attain the necessary understanding of each local project with so many funding applications to choose from.
- It is best to have the experts present to help you completing the documentation directly after the meeting or a month after the first initial presentation
- This is an area AECF must fix. It is possible to set financial expectations in companies (by giving notification of intent to award) and then introducing such huge delays that even the most conservative financial planning will be thwarted. We would not recommend that any smaller company apply for REACT unless they have no reliance on the money (which then brings into question the whole point of AECF).


- The process is more focused on paperwork and processes that the actual delivery and success of the underlying project.
- Very difficult to plan not knowing within a 12 month period when disbursement of funds will take place due to the bureaucratic process.
- The competition process was straight forward and very inspiring. However, after the selection of the successful the process did not move very fast due delays in guidance to get the application done in time,
- Overall, the application process is quite rigorous but helpful as it has also helped our company develop a better business plan and identify exactly the impact our project has on development.
- Good support from the AECF contact person.
- Very grateful for the support and guidance. Would prefer longer to give presentation - was too short.
- The managers were very cooperative and supportive to finetune the Business plan
- We are not desperate that have to stand in line with a begging bowl and greatly resent being treated as if we were. I was happy to be free of the process and hence have not pursued any other AECF related projects and most likely won't again
- I think that once grantees have proved to be successful, a post project study after 5 - 8 years should be carried out on them and for those who have maintained success track, they should be given bonus in terms of additional financing if needed, without going through another long competition.
- I think it is a very fair and effective means of shortlisting potential projects
- The application process is too detailed, and should be streamlined down a bit
- The application process and documentation was a bit lengthy requiring a lot of information that sometimes felt repetitive.
- The due -diligence project manager could have better distinguished between challenging and assessing us (due diligence) and guiding/supporting us in our application. this lead to an unnecessarily strained relationship.
- Applicants need to know the process will take up to two years so they must be able to support the high costs of setting up the business plan and get things rolling. AECF needs to be able to offer solid practicable support in regards to financing and matching funds - it took me two years to obtain a bank loan in Tanzania due to bureaucratic delays- many applications are not aware of the difficulties in financing in the country of application and the high costs involved
- Perhaps a detailed 'informative' description of what is expected by AECF if one proceeds to being a finalist and winner and what is expected having won in terms of reports and... I found each step harder than the last and more time consuming and had to wonder if had I known in the beginning what was involved would I have entered.
- The questions above regarding matching cash and whether or not we invested what we expected are not yet answerable at this stage. We have received a letter stating that we were successful in our application, but have not yet actually raised the matching funds nor deployed any.
- You get to know the due dill team quite well. The presentation is very hasty compared to the rest of the process. We have been through one unsuccessful and one successful application. With both occasions I must say the presentation for the committee felt hasty and that we did not get enough time to discuss with the board. That said their decisions was probably right. We had not come far enough the first time.

19. Did you succeed in your application process





Response	Total	% of responses	%
Yes	91	<div></div>	87
No	14	<div></div>	13

20. Is the project proceeding as planned?




Response	Total	% of responses	%
Yes, fully	36	<div></div>	40
Yes, but only partly	35	<div></div>	39
No, not quite	14	<div></div>	16

Response	Total	% of responses	%
No, not at all	4		4

21. Overall, do you consider the AECF support successful?

Response	Total	% of responses	%
Yes	69		78
To some extent	12		13
Hardly/little	6		7
No	2		2

22. Have you experienced any problems regarding the AECF support during the implementation?



Response	Total	% of responses	%
Too much bureaucracy (reporting/visits/etc.)	14		16
Slow disbursement of AECF funds	43		48
Other	32		36

23. Please specified the kind of other problems you came across during the implementation phase







- There is a tendency for AECF staff to only zero in on very poor farmers and the selection criteria is often flawed and can be time wasting. AECF should be more concerned about business viability and targeting mostly rural farmers and should also understand that business is not being selective.
- Zimbabwe economic environment is very challenging
- We applied for a top up since October 2014. The very long bureaucracy has led us to miss the planting season.
- Number crunchers and box tickers do not appreciate the nature of the project and the developmental impact nature of the project - there is a need for it to be straight jacketed into 'decent' accounting figures - it is departing from the nature of AECF where development impact is central - if we satisfy the profitability then we sacrifice on the developmental impact - this does not sit easy with us - KPMG number crunchers should factor in the uncertainty of unknown unknowns in developmental projects in the developing world where systems at times work against each other
- Reporting requirements - and compliance requirements - whilst comprehensive and thorough - are onerous (and time consuming) for a small to medium sized commercial enterprise - and appear to borrow heavily from the compliance requirements of the aid sector.
- Local government officials saying they do not know about the project being implemented and thus putting stumbling blocks to implementation.
- Matching funds requirement may slow the project. I would request that a dedicated account be opened and the cash deposited in a lumpsum into that account
- The slow disbursement of funds from AECF has been a real problem, and has actively hindered our progress.
- i) lack of access to skilled labour in rural Tanzania, especially skilled and experienced managers ii) lack of implementation capacity from local partner agriculture companies; iii) lack of access to critical 3rd party funding; iv) costly and time consuming obstruction by local government and telecom companies; v) cultural resistance to change among rural people; vi) geographical obstacles requiring costly solutions to reach remote rural communities; vii) western management methods often don't work in Africa and new methods must be developed, tested and implemented

- Did not anticipate the process of what impact the Process on time will be i.e. Buildings, Roadways, Ancillaries etc. before placing the order for the Line. We had to post phone the Line delivery due to this Cash outlay and period of Construction. Wrong message of payment was provided originally to Supplier of Machinery. The final document we signed was second payment on receipt of Bill of Lading. Now we are already 8 months late
- The application process was tremendously slow and delayed the project by some 18 months. This then introduced other challenges as the project had to be rescheduled. Once the project got going, it made progress but it failed to have the initially expected impact.
- Actually the problems we came across are on the part of partner matching funds-not AECF. These were not forth coming after the first disbursement causing operational challenges.
- The problems were linked to the little performance of the company as a consequence of the constraints created by the Policy of the Government giving exclusivity of banana planting material to traditional suckers instead of clean planting material.
- AECF funds were the primary funds for our project. However, our project is now over 18 months behind schedule as the 2nd disbursement, critical for the purchase of machinery, was withheld. We have actively sought alternative financing to rescue the project and keep it on plan. We are now 90% complete
- There seems to be limited capacity to process requests. For example, we have applied for extension in November 2014. As per April, we still have not received formal feedback.
- Reporting is difficult from hear due to internet connection. Some times we have to Uganda to send information. Secondly the war made movements due to non maintenance of roads.
- AECF too much insistence in progress of the project as planned without considering other factors such as banks not lending, investors not ready to put their money in South Sudan due to the current political instability.
- AECF standard model did not match our business, therefore we had to incorporate our existing model into the template, which has proven time consuming.
- Very slow disbursement process, lots of repetition on documents to submit, and some of the required documents were requested in the later stages- it was very disappointing. I would expect some documents like valuation report for the assets to be requested from the first day after announcement of the winners.
- Financial reporting is very demanding and when it differs slightly with the audit report, the whole process has to be repeated.
- We had delays on reaching the impact results as for reasons described earlier. We have changed the approach and are now back on track regarding targeted results however despite several promises AECF has not disbursed more than 50% of its funds.
- i) Funds get delayed and this waters down the project and business growth; ii)The timely plans get distorted. - The business cycles cannot be accommodated due to the delays. lii)Field visits by the fund Managers are not exhaustive due to the kind of transport available from AECF.
- Disbursement did not take place as specified in MOA, and we often met many delays.
- For agricultural field production projects, timing for the disbursements of funds is the very heart of the project. Nothing is worse than funds disbursed after the production season. This has nearly killed us because during peak work seasons, AECF always had a reason not to release funds, staff would get demoralized and productivity drops yet the company would still have to pay them full salaries. I suggest that field production businesses must be treated differently.
- Extreme bureaucracy in Mozambique Very difficult to get anything done. AECF released first tranche which could not be utilised due to several problems from a bank
- Just the long delays between reporting and disbursement of funds - all our funding is required in a short time for building the project and the delays of months between submitting reports and getting feedback with queries drags the process over far too long a period
- There are no financial management guidelines as a result we move to and fro when appraising our reports with the fund managers
- Slow disbursement of funds is the MAJOR problem with AECF.
- We over estimated the response of the Rural farmers to the scheme. Over estimated the length of time required to change the 'mindset' of Rural farmers.
- AECF does not give room for other ideas/business plans in the event that the initial one does not work out for one reason or another. Flexibility should be adopted by AECF in such cases.
- We have had a number of issues with the AECF Grant. There have been many in-person visits which take up our teams time, the reporting process has been very complicated and made worse by changing/poorly communicated requirements, that has limited the disbursement and overall it has been much more time consuming than beneficial.
- Getting our financial accounting up to the standard expected by PWC and AECF. then getting the reporting up to the expected standard took us a long time and this caused considerable delay with disbursements of funds and effected our business cash flow.
- I bit of delay in disbursement
- High unexpected administration costs on the project



24. Did the strengthening of your company through AECF result in increase of employment in your company?

Response	Total	% of responses	%
Yes	64		72
No	25		28

25. If yes, can you please specify it in terms of total number of employees per gender and per level of skills

Response	Total	% of responses	%
Number of men	60		98
Skilled	53		87
Unskilled	46		75
Number of women	56		92
Skilled	51		84
Unskilled	47		77

26. Did the AECF support result in improvement of the labour / working conditions in your company?

Response	Total	% of responses	%
Yes, they improved	40		45
No, they stayed the same	49		55

27. Please explain your previous answer

- Salaried employees moved from casual work to harmonised labour laws and compliance to national employment council
- I do not think that with all the delay in our project, it would be fair to say that AECF support has resulted into any improvement of the labour in our company.
- AECF audited our employment policies - which were clearly documented - but no changes were deemed necessary.
- The company is committed to good working conditions regardless of financial support
- Manufacturing means we have had to recruit experienced people who add to the robustness of controls
- As a result of AECF requirements, we introduced new employment contracts and new employment policies & procedures which didn't previously exist. However, what would be even more helpful is if AECF could assist their projects with recruiting and training of local employees to increase the implementation capacity of local teams.
- The changes in staff levels occurred in our partners in Africa, not in the company that obtained the award. Working conditions were good to start with so no change was needed.
- Better conditions including drinking water, food availability, sanitation and in general well being
- Cadre is justifiably well paid. Similarly, the working conditions for this work are laboratories which adhere to certain conditions of functionality that would have been very difficult to attain without AECF.
- Equipment leading to a better and modern laboratory. AECF helped in training the technicians.
- We were able to provide benefits to our employees
- The AECF repayable grant allowed us to make investments in training and recruitment. In setting up a strategy to retain staff and offer more market conform terms.

- being a global company, we abide by the local requirements in terms of working conditions as a standard.
- Funding enabled us to improve working conditions
- We already offer a high degree of terms and conditions.
- i) better employment contracts ii) respect of working hours and overtime payment iii) better working environment
- Our standards were high anyway and could not significantly improve.
- Yes, the company is following safety measures in spraying, working tools and hygiene, payment schedules, health aspects etc.
- Capital injected by AECF resulted that own funds could be used to improve working conditions of workers.
- Now full conformity with legal requirements; better and balanced social relationships against production demands; team dynamics and division of labour; better knowledge that HR is key in business prosperity.
- i) salary increment; ii) some new skills they gained following training programmes they were allowed participate
- The employees had more benefits.
- i) salaries adjusted to conform with the law; ii) all workers joined pension fund; iii) all workers got uniforms and get lunch every working day
- We have all along been complying all requirements in terms of labor employment AECF did not change anything in that
- Labour conditions already up to international standards.
- Part of the project building will include a large canteen and kitchen for the staff with new bathroom facilities and easier - safer work flow space
- The labour conditions have always been in compliance with the Labour Act and AECF did not change anything.
- Labourers have fields boots, processing staff have laboratory coats, technicians have motor bikes, etc.
- We already focused on adhering to positive labour standards, daily staff lunch, pension, healthcare
- My labour has been motivated by what I am doing and hoping to do.
- the conditions were already good.
- We have always looked after our staff.
- we already have good working conditions for the employees so it was just the case of adding additional labour as the business expanded.
- We are now able to pay staff allowances and other benefits

Did the strengthening of your company through AECF result in any of the following external effects:



28. Increase of sales and income by your suppliers/other parties in your supply chain (e.g. farmers)

Response	Total	% of responses	%
Yes	55	<div></div>	65
No	30	<div></div>	35



If you answered yes to the previous answer, could you please

Response	Total	% of responses	%
Quantify	46	<div></div>	88
Describe type of beneficiary/ role in the supply chain and quantify if possible	43	<div></div>	83



29. Increase of employment opportunities for other parties in your supply chain

Response	Total	% of responses	%
Yes	41		48
No	44		52



If you answered yes to the previous question, could you please

Response	Total	% of responses	%
Quantify	26		76
Describe type of beneficiary/ role in the supply chain and quantify if possible	27		79



30. Improvement of environmental conditions around/outside the company

Response	Total	% of responses	%
Yes	42		49
No	43		51



If you answered yes to the previous question, could you please


Response	Total	% of responses	%
Quantify	27		77
Describe type of beneficiary/ role in the supply chain and quantify if possible	26		74

31. Improvement of conditions of consumers of the company





Response	Total	% of responses	%
Yes	40		47
No	45		53

32. Can you estimate the increase in revenue your company has been able to make as a result of the project? Describe and quantify if possible:





Response	Total	% of responses	%
Total increase in turnover (USD and %)	75		91
Total increase in profit (USD and %)	65		79

Response	Total	% of responses	%
Others (USD and %)	39		48





33.1. How do you rate the project versus the overall business in terms of Reputation

Response	Total	% of responses	%
1 Poor	2		2
2 Average	7		9
3 Good	30		37
4 Very good	43		52
Average: 3,39 — Median: 4			

33.2. How do you rate the project versus the overall business in terms of Profitability





Response	Total	% of responses	%
1 Poor	11		13
2 Average	23		28
3 Good	31		38
4 Very good	17		21
Average: 2,66 — Median: 3			

33.3. How do you rate the project versus the overall business in terms of Effort required

Response	Total	% of responses	%
1 Poor	5		6
2 Average	14		17
3 Good	39		48
4 Very good	24		29
Average: 3 — Median: 3			

33.4. How do you rate the project versus the overall business in terms of

Growth potential




Response	Total	% of responses	%
1 Poor	2		2
2 Average	7		9
3 Good	30		37
4 Very good	43		52
Average: 3,39 — Median: 4			

33.5. How do you rate the project versus the overall business in terms of




Other, please specify

- Holding on to a harsh business environment
- Working conditions - local environment
- Very substantial health benefits
- project added more to the overall business although not profits realized yet
- Innovativeness of the project (2x)
- potential for replication
- Conformity to overall Government growth objectives
- Learning curve of how to do business properly

34. Did the AECF provide your company with a competitive advantage on your main competitors?

Response	Total	% of responses	%
Yes	44		54
No	22		27
Other, please specify the nature of this advantage	16		20

35. How do you rate the value of the regular monitoring visits from the AECF

Response	Total	% of responses	%
Very useful	42		51
Somewhat useful	30		37
Not very useful	8		10
Waste of time	2		2

36. Please explain your choice

Appreciative...

- It is good to be visited and monitored to provide us correct input
- It is always beneficial to have an objective valuation to check the company course. Discussing progress and challenges also helps to identify possible avenues for project improvement
- Gives an external view of the business/project
- The team is always helpful in pointing out the missed targets



- Help us to monitor and assess our self according to AECF and international standards
- The visits helped us to implement the project and to share the difficulties of the company.
- Its a chance for AECF to see local conditions, but it also helps to keep the project on track
- The project Manager was experienced very knowledgeable and the response from the AECF team to my questions was quick and very helpful. The questions and AECF,s requirements like the strategy document help us as a company to define ourselves better,
- These visits seem to help AECF to understand our company, our business and our challenges. I believe this helps them to represent our company to the ISC so that we can receive our disbursements when needed. Aside from this I am now aware of any value or benefit that our company has received from the AECF visits.
- AECF has conducted any project site visit after the initial disbursement of the first trench of the funds. Their regular visit and guidance are necessary for improvement in the project implementation.
- The project consult has a lot of experience with other businesses and is therefore able to put issues into context.
- The representatives of AECF are really an asset to us as company - info is being transferred understandingly and we can rely on them to react on any need.
- Any external monitoring is invaluable for management to be able to step outside the day to day micro management and refocus on the end game
- They help to guide the company and strengthen their implementation
- It is very important to keep the company on track in terms of achieving its KPI. It is also beneficial for business good practices coaching.
- Assisted in project implementation and understanding.
- The Project Manager helps to resolve problems facing the project
- Helped with ensuring local accountability
- The visits are important to encourage further work commitment but also to take feedback to AECF on the economic impact of their financing concept on accelerating development and income growth for those at the bottom of the pyramid.
- They visit often helps us to improve in daily activities on the project
- Useful guidance and mentoring type advice
- 3rd party views and constructive criticism always helpful
- The visits help us monitor our project in line with the set targets as well as provide key learning opportunities for the team.
- The regular visits trains my personnel to improve their efficiency, and do correction of mistakes on time. We are now on the same level of understanding.
- Supervision from AECF teams provides us with more insights into how we can improve our performance
- There is good interaction with AECF staff
- Some value in ensuring adequate systems are in place - but also a further demand on valuable time.
- Thus AECF involvement provided useful support to our own views
- It is always good to exchange ideas and critically review the existing set ups with competent people.
- Monitors show us areas we improve and how. They also advise us technical issues for the betterment of business.
- The visits help both parties to get advise and correct errors in a more practical manner. The successes of the projects is also evidently witnessed on ground.
- AECF have one of the most effective system in place when it come to monitoring and visit which has also improved my company greatly.
- They provide important support and help tackle challenges.
- Regular visits are very useful to monitor key indicators and discuss business plan
- rectifying identified non-conformity has resulted to the Company's growth.
- We get support on monitoring and reporting. It is also an encouragement to the smallholder famers
- Found their business minded input to be impeccable

Critical....




- Regular monitoring should be followed by actions.
- By and large they focus too much on petty administrative and financial issues, and not enough on issues of real substance to our business
- The focus of AECF visits have been to review and audit our financial systems. Consideration of the successful completion of the project has been neglected. The expected financial reporting standard is ideal and better suited to much larger organizations who have reached certain growth levels.
- The visits was emphasizing on control very little on support and advise
- It could be somewhat more critical. It would also be nice to get feedback after the visit.

- Time consuming
- Financial audits were doubling the companies own audits, interaction on the project content were useful but scarce
- In some cases a good working relationship developed but high fluctuation of staff at AECF lead to losing this regularly again.
- We do not get much feedback on the visit so not sure if we are on the right track or not
- I would expect that the visit also takes into account the prevailing economic conditions in the country
- Monitoring visits are time consuming, and an expense when we have to do unscheduled field trips.
- it takes up our time and it would be better if AECF would assign a person to write the reports. it takes up so much time and distracts us from our business

37. How do you rate the monitoring requirements of the AECF in terms of the work load?

Response	Total	% of responses	%
Light, hardly any additional work	0		0
Manageable	57		70
Very work-intensive	25		30

38. What is in your opinion the unique character of the AECF funding/ why did you chose for AECF?

Response	Total	% of responses	%
No unique character compared to other funding organisations	8		10
Only source of affordable finance	42		51
Other (such as TA under some Windows)	32		39

39. In case you selected 'other' in the previous question, please explain

- For its unique Developmental Impact nature which sets it apart from all else
- It was available at the right time for our company, like the funding modality.
- Good for innovation because no collateral required.
- AECF is a committed partner whose interest is to see us succeed. Other funders do not maintain the regular interaction with us that AECF does.
- The idea of an AECF funding that target the private sector of marginalized countries is a unique advantage of this programme. Only that the programme should be managed by those who have agriculture at heart.
- Willingness to support private sector large scale commercial agricultural operation in addressing a requirement (certified seed) of smallholders. AECF's approach - leveraging commercial enterprise to address a development agenda - holds immense potential. Higher impact, higher levels of sustainability, and greater efficiency than a traditional development aid approach.
- Understood what we were trying to do and were flexible enough to include us in the funding application
- In training and useful consultancy
- The premise that AECF funding is focused toward adaptation to climate change and projects that would otherwise not be easily commercially funded. This is no longer the case
- It is a long term and affordable loan with flexible terms. This is exactly what early stage social enterprises need. We have also benefited much from the AECF Connect team, who helped us raise additional funding.
- This has been extremely useful and relevant to us.

- There are both grants and loan. However, what makes AECF unique is the drive for innovation and business success.
- We expect TA support from AECF.
- The different application stages clearly defined and the assignment of the project manager helped manage the process
- AECF is flexible in terms of addressing the changing situations. Understands the business we are in and then challenges of an SME.
- AECF provided catalytic finance into a sector that would be difficult to prove out using commercial finance.
- Once the model is demonstrated, then it will likely be significantly easier to draw in finance from commercial sources
- Clear, business-driven development approach, willing to operate/invest in difficult environments
- This fund brings direction and knowledge while keeping the Organisation on the pre-set goals. AECF brings continuous monitoring because of the set standards and is able to focus on any pit falls unlike other financing agencies. The fund encourages search of matching investment which combine to produce increased project and business development.
- I think the most unique character is that it gives everyone a chance.
- The AECF funding was able to look at an unusual start up project and recognise the potential impact it will have on the small farmer population across the region
- It caters for renewable energy projects which are focused on community participation and improved quality of life.
- Was one of 4 sources of funding for working with smallholder rice growers.
- AECF Fitted our Agri Business and the grant repayable loan ratio was appealing
- Good fit for us, and is grant funding with a strong commercial basis which is unusual in the donor funding sector.
- It's the only source of support that I have found/ secured so far for what we want to do.
- It was a source of funding where the finder was interested in the private sector for a change rather than the small end user. This was very positive for us and struck the right chord
- Very good reputation. You do the due dill and other organisations look at that.
- Few have such good people in in place in our region - sub Saharan Africa
- Taking into consideration the difficult local conditions as well as the potential impact for the local communities, the AECF funding provides unique opportunity and financing for companies interested in investing in regions considered by regular financial institution as rather highly risky. Therefore
- Funded by AECF is one thing but the amount of time and effort they are putting in there monitoring and professional help is the edge and success story.

40. Would the result project have been realised if the AECF support had not been available?

Response	Total	% of responses	%
yes	5		6
probably yes	2		2
probably yes but at a later stage	28		34
in a different way	11		13
probably not	21		26
no, not at all	15		18

41. Please explain your choice

Yes/probably yes/probably yes but at a later stage:

- The promoters have somehow found the funds to execute the project.
- Already had small scale plantations and would have developed them (more) slowly should AECF grant be not there
- Funding would have taken longer to source





- It would have taken us a long time to get to this stage without AECF support
- ...it would take (more) time to reach were we are.
- lack of finance, the company would invest in the project but not on the same scale as AECF doing
- After stopping with AECF project we have now found other way to move ahead with our activities
- Much slower to implement and make progress
- We would have tested similar outgrower models, but in a much less focused way and with higher deal sizes
- The result will be achieved the only difference will time- with AECF loan and Grant the project will take over in a short period that expected
- The grant and repayable grants help to venture into risky areas of the business with good success
- the company was operating with small money that limited our coverage and expansion, but now are about to grow and make income and profit in a sustainable way.
- The pilot commercial will now be able to happen significantly sooner than expected.
- The company was already on the move of development, but at a very slow motion. It could have taken many years ,to reach were we are now.
- This would have cost us additional time and money but would have been achieved nonetheless.
- Through loans or grants from the other granters
- If we had not obtained funding we would have probably taken up the project quite late
- Expansion of smallholder program would have been slower without AECF
- The AECF business plan opened up the idea of a much larger scale project that was originally planned.
- Groundnuts is one of our core business so we are bound to work on it anyway. With the AECF funding, however, it means results are achieved sooner than later.
- ...if AECF did not come on board, what we are aiming reaching in six years could have been more than 10 years.
- Without AECF implementation would have been delayed
- AECF has helped us to leverage private capital by de-risking investors; and to get going quicker.
- By securing funding in advance we can plan for the future and recruit better employees and we are more interesting to suppliers in the long term
- The \$330k we have received to date has been helpful, but not nearly as much as the \$15M in additional financing we have brought in ourselves.

In a different way/probably not/no, not at all:




- Business success also depends on national risks that present the operating environment.
- Training and Developmental Impact would serve second fiddle to Monetary Profitability
- Project would have been delayed significantly - and the company would very likely have considered financial returns as the sole determinant of success - when in fact benefits to small holder farmers far exceed potential returns to the company.
- Without AECF funding we would in all probability not have had the means to stay in business
- Challenge funds are the only source of access of funds of this nature
- No commercial bank would have given meaningful funding.
- The banks are not will to fund this greenfield project and so it would mean getting the monies from retained earning probably 10 years later
- ... for all practical purposes there is no funding for innovation in Africa.
- Not only did the funding itself allow us to proof the concept and, based on that, raise other funds; it also meant new investors treated the AECF repayable grant as equity, i.e. we could leverage the AECF funds and it increased our debt fund raising capacity.
- The risk would have rendered it unaffordable
- with the AECF co-funding opportunity we decided to make this investment
- With margins under pressure, we would not have proceeded with this project
- The cost of capital and risk of the business are too high for us to be able to realise this project.
- If this project hadn't happened our company would not have started again in Africa and the innovations now brought to African farmers would have possibly have been developed elsewhere or not at all.
- Lack of alternative funding in high-risk post-conflict area
- Funds are not easy accessible in Africa and bank rates are to high.
- Banks would not have agreed to put the money into such starter risky business and so AECF brought an avenue of growth so that the Company was able to attract bigger investments from equity partners.
- It might have been realized but on a very small scale and with a different product.

- AECF helped us implement which the banks were not prepared to finance because of its long term nature.
- Winning AECF support gave us the confidence to push ahead with the project and since has resulted in other funds won etc.
- We would rely solely on NGO's and individual farmers coming to us to purchase fingerlings.
- The scaling of the project would probably not happen
- We are not able to raise the funds needed ourselves, the area where we work is not very stable thus makes it more difficult to invest.
- if we had not got the funding we would not have done the project.
- with innovation in agriculture and climate change there is no funding available for developing new concepts. Banks are a non starter, donors are too difficult, governments are too bureaucratic so only one left for private sector is AECF.




42. Would you have been able to carry out the project if AECF had provided financing on (more) commercial terms (e.g. through a soft-loan)?

Response	Total	% of responses	%
yes, we have already	7		9
yes, very likely	28		34
no, not likely	40		49
don't know	7		9

43. Will you continue to invest into the project after the grant is completed?

Response	Total	% of responses	%
yes, we have already	43		52
yes, very likely	37		45
no, not likely	2		2
don't know	0		0

44, 46 Have you been able to raise more capital for the project /company as a result of the project AECF grant?

Response	Total	% of responses	%
yes	24		29
yes, probably	28		34
no, not at all	30		37

45, 47 Please explain what the new capital is/will be used for:

"Loan repayment (2x)"; "to pay off their initial contribution"; "to replace the commercial debt"

"Completion of the Factory, Roadways, Civils, Farm and Ancillary Equipment and extension service";
"Expanding of production equipment"

"Working capital (5x)"; "operating costs (4x)"; "to purchase inputs"; "for equipment"; "sales/after sales"

"Expansion of our production (2x)"; "produce some 5 (television) series"; "expand business regionally (2x)";
"secondary processing of cocoa"; "develop outgrowers empowerment plots"; "develop demonstration farm (2x)";
"develop a vegetable processing plant"; "for value addition of the herbs produced under AECF financing."; "farm
infrastructure"; "forage establishment"; "drying machine"; "training staff (2x)"; building hatcheries, pumps and
generator"; "construction of facilities"; "improve animal transport needs"; "Expansion of production land";
"mobile laboratories"; "Develop a vegetable processing plant"; "develop a cannery"; "enhance groundnuts
storage"; "Building a factory"

58. Any other comments you would like to make on the AECF support?

Relevance

Praise: "It is a pleasure to work with them"; "AECF is a very important programme".
"AECF support is awesome! This is what will enable entrepreneurs to kick poverty out of
Africa-one household at a time...."; "The AECF support has been very useful."; "Just to
thank them for the noble cause."; "AECF and in particular the project coordinator has
been the catalyst for the project." "Excellent relationship with most senior staff who have
always shown an interest in the project ". "It is a great fund managed by great people."

"Invaluable approach - leveraging large scale commercial agricultural enterprise for the
benefit of a small holder focused development agenda"; "Its brought a new way of
approaching business through strategic planning"; "The AECF support is especially
important in Zimbabwe, where access to conventional finance is non-existent." "We
consider it to be a positive and innovative means of providing support to the private
sector."

"AECF provides an extremely important service to Africa and to the world by truly
supporting meaningful real-world innovation. AECF must be continued, expanded and
improved".

"AECF has been a key partner and without its support (in funding, but also from AECF
Connect) our growth would not have been possible."

"We think the AECF support has signalled a very important understanding of the
underlying challenges that face the small farmers across the region - a fair and
transparent channel to market."

"Overall, AECF team has given us great support in the project and have consistently
been available for consultation or advice on any matters arising."

"For companies who really want to try out a business idea but can not access the capital,
this helped us tremendously."

Effectiveness/ Impact

"Impact would be magnified if the matching fund requirements were relaxed."
"A more project based focus on the financial support - with professional service support
as and when required -would greatly assist grantees. This should be separated from

project milestones and disbursement timelines which should maintain their original schedule. The overall success of a project should supersede all else. As it stands, other considerations take precedent over successful project implementation and completion with AECF funding.”

“We encourage AECF to charge more commercial rates and only give repayable grants, i.e. no grants, to increase the success rate and encourage commercial discipline.”

“AECF needs to have flexibility in its support to our country. AECF should help a business like (...)to review its business plan to reflect reality of there is deviation. In addition, AECF’s site visit should include coaching of the management staff of the recipient’s businesses so that we are all on the same page. “

“Without the support, we could not have persuaded our shareholders to give the green light.”

“Not to completely turn into 100% repayable grant because of the kind of stakeholders involved in the project and business implementation.”

“Similarly, the team has created very good publicity for the project acting as a marketing tool for us.”

“support from AECF has pretty much underpinned our progress.”

Efficiency

“There is a lot of room for improving the way AECF is being managed in order to make it a very attractive AGRA programme.”; “I request AECF to review the policy of piecemeal disbursements which makes the project harder to complete”;

“... the AECF terms and conditions, especially relating to matching funds, make it very hard for Zimbabwean companies to comply. “

“The AECF application process should focus less on written business plans, financial projections and status reports and more on meeting (or even collaborating) with project team members and stakeholders in their local context.”

“Our AECF contract was terminated in December 2013 due to lack of matching funds. However we only receiving final settlement of funds in February 2015. This caused us economic losses as we had different contracts in regards to the AECF projects, contracts we had difficulty in settling”. “We have several times experienced that the institutional arrangement with AGRA as the contract holders and AECF as the fund manager gives rise to many delays and issues”

“Delays on disbursement delays activities and somehow it affect the work with farmers because most of the grant was supposed to support farmers activities”;

“communication has been slow and although pressure on timely reporting is there, official response or feedback after submitting reports is almost absent”

“The reporting process needs to be better managed in terms of availability of compatible report templates online instead of the fund manager having to send the copy via email at every reporting time.”

“... the review committee in charge of approving fund disbursement should have a faster/more efficient review process to reduce delays in fund disbursement”.

“...AECF has been and continues to be very useful and supporting during and after the application process..”

“The application process and business plan set up is brutal and very difficult for many companies who have never had to go along those lines before.”

“the Fund Manager and Agra should consider shortening the application period.”

“...the contract signing is taking too long”

“... most of all the delays in processing disbursements are terrible, exacerbating the cash flow problems that kill most small businesses.”

Other

“To consider more seriously those business that combine growth with an agenda on the environment.”

“Let AECF truly indicate and recognize higher percentage of the Black African

Entrepreneurs”.

“AECF should train /give short courses/seminars to our personel on management and accounting systems.”

Be flexible about converting repayable grant into pure grant”

“AECF should consider developing Financial Management Guidelines to enhance quality of financial reports.”

“... AECF should look into the options of an organization altering their business plans in the event that the original plan can not be implement due to circumstances that were not foreseeable during application.”

Annex III Window and country overview

AECF includes in total eight windows divided in twenty rounds. The financing of the AECF portfolio is granted by six main donors: DFID, the Swedish Development Agency (SIDA), the former Australian Development Agency (AusAid, now operating under the Department for Foreign Affairs and Trade), the International Fund for Agricultural Development (IFAD), the Kingdom of the Netherlands and the Danish Foreign Service (DANIDA). The different AECF windows, including number of projects and budget, are as follows:



The **General Window (GW)** competitions were open to applications for projects/ innovations/ business ideas in Africa from businesses all over the world in all kind of sectors. Marketing is focused on agribusiness companies and Sub-Sahara Africa (\$27 million and 29 projects, spread over three rounds plus a forerunner round called "Early Birds").



The **Agribusiness Africa Window (AAW)** is open to business ideas across Africa, supports business ideas in the fields of agribusiness, financial services and value chains which extend across Africa and international markets (\$ 17.8 million and 22 projects, spread over one single round).



The **Post-Conflict Window (PCW)** was created to provide opportunities for applicants from post-conflict countries (Democratic Republic of Congo, Liberia, Sierra Leone and Somalia/Somaliland) that were found to be less successful in the continent-wide competitions than companies from more stable political environments (\$12.7 and 20 projects spread over one single round).



The **Renewable Energy and Climate Change (REACT) Window** is open to business ideas based on low cost clean energy and solutions that help rural people adapt to climate change (\$ 37.2 mln and 44 projects spread over two general rounds and a "Mozambique"round).



The **Research into Business Window (RIB)** is a special window with the aim of stimulating the private sector to commercialize existing, readily available and near complete agricultural research and technology products for the benefit of the rural poor in Africa (\$11.05 mln and 16 projects spread over two rounds).



The **South Sudan Window (SSW)**, was open to business ideas for the Republic of South Sudan only, supports business ideas in the fields of agribusiness, associated service sectors and value chains which extend from the Republic of South Sudan to local and international markets (\$3.96 mln and 6 projects spread over one single round).



The **Tanzania Agribusiness Window (TZAW)** is open to agribusinesses investing in Tanzania, is for businesses in the agricultural sector which have good innovative ideas that will have a positive development impact. The widest possible range of agribusinesses are eligible for support (\$23.1 mln and 37 projects spread over two different rounds, the last of which still to be completely contracted).



The **Zimbabwe Window (ZW)** was open to business ideas to be implemented in Zimbabwe. The ZW supports ideas in the fields of agriculture, agribusiness, rural financial services and value chains which extend from rural Zimbabwe to local and international markets (\$15.58 million and 28 projects spread over three different rounds).

Overview number of projects per country

Projects per region	Number of Projects	Sum of Total AECF Funds Approved (USD)
Eastern Africa	124	86.789.460
Burundi	3	1.625.000
Burundi, Rwanda and DRC	1	440.000
D.R. Congo	4	2.221.000
DRC - North Kivu	1	252.540
Ethiopia	1	935.000
Kenya	35	25.527.994
Rwanda	5	4.450.000
Somalia	9	5.530.000
South Sudan	7	4.806.869
Tanzania	50	34.517.437
Uganda	8	6.483.620
Southern Africa	54	40.537.627
Malawi	3	2.863.932
Mozambique	16	15.818.424
SA, Zambia, Mozambique, Zimbabwe	1	700.000
South Africa	2	1.775.000
Zambia	2	2.100.000
Zambia & Zimbabwe	1	500.000
Zimbabwe	29	16.780.271
Western Africa	24	21.266.418
Cameroon	1	251.982
Cote D'Ivoire	1	1.000.000
Gambia	1	1.000.000
Ghana	3	2.500.000
Liberia	2	1.300.000
Mali	1	750.000
Mali and Burkina Faso	1	478.436
Nigeria	6	7.406.000
Sierra Leone	8	6.580.000
Grand Total	202	148.593.505

Annex IV Evaluation Framework

Evaluation question/ Issues	Indicators	Data sources
RELEVANCE		
How relevant are the interventions that have been made to the achievement of the programmes intended outcomes and impact?	Alignment interventions with intended AECF outcomes and impacts, e.g.: <ul style="list-style-type: none"> • Number of <i>intended</i> beneficiaries; • Profile <i>intended</i> beneficiaries; • (% of) <i>intended</i> beneficiaries < USD2 p/d; • (% of) <i>intended</i> beneficiaries women. 	A (strategic documents, portfolio data, business plans) ,E,F
How relevant are the interventions for the specific thematic windows?	Alignment thematic window interventions with objectives of the thematic windows.	A (portfolio data, business plans) ,E
How relevant are the country window interventions to the country's development priorities and private sector development strategy? ²³	<ul style="list-style-type: none"> • Alignment country window interventions with country's and region's development priorities and private sector development strategy in South Sudan, Tanzania, Zimbabwe and the four Post-Conflict States. • Alignment of thematic window with public policies (e.g. how do REACT interventions align with public policies on climate adaption)? 	A (portfolio data, business plans) ,B, E
Are the outcome areas (still) relevant to the target group?	<ul style="list-style-type: none"> • Number of reaction to competitions (rounds); • Quality of proposals and coherence with AECF (window) objectives; • Number and quality of applications over time (constant, decreasing?). 	A,D,E
Are there any other interventions that should have been considered?	<ul style="list-style-type: none"> • Consistency decisions of Investment Committee; • Consistency and quality of prepared proposals passed on to Investment Committee, compared to rejected proposals. 	A (minutes IC), E (IC, FM, grantees), F (observations)

²³ Although this evaluation question is not mentioned in the ToR for the final evaluation, we consider it to be of equal importance at that stage.

EFFECTIVENESS		
How effective have the Programme's interventions been in delivering the intended outputs and outcomes at project, window and portfolio level?	<ul style="list-style-type: none"> • Does the presented and selected business model work? • Improvement performance (turnover, return) beneficiaries; • Growth employment in terms of number and wage bill; • % employment and wage bill incr. unskilled and lower paid workers; • % employment and wage bill increase female workers; • Improvement working conditions (if relevant); • Installed off-grid clean electricity capacity (MW equivalent); • Reduced climate risk as experienced by community or households (to be further refined in indicators such as location specific measures to protect natural resources, or fewer incidences of reduced food, water, energy, or human security); • Increased investment in adaptation related development: • Energy generation infrastructure located away from flooding; • Drought tolerant varieties included in seed system; • Climate vulnerable people; • Safety net provisions developed for local communities. 	A,C,E,F
How effective has the (competition based) challenge fund structure been at delivering outputs/outcomes?	<ul style="list-style-type: none"> • Number of reactions to competitions, dynamics of this number; • Number of supported (and successful) interventions; • Number of supported successful interventions; • Geographical spread (outreach, peripheral regions?) interventions. • Sources of private equity/venture capital incentivised to originate new deals in climate change sectors. • Additional finance made available by commercial banks to increase lending to renewable energy and adaptation projects 	A,C,E,F

How effectively have investment risks been managed by the programme? ²⁴	<ul style="list-style-type: none"> • Number of failed projects (financially and commercially or technically); • Timeliness of reaction by FM on problems observed / reported; • Adequateness reactions FM; • Relation actual repayments vs intended repayments on repayable grants. 	A,C,E
What have been the main factors contributing to the successes achieved or acting as hindrances?	<ul style="list-style-type: none"> • Factors related to quality selection? • Factors related to quality portfolio and project mgt by FM; • Factors related to quality portfolio and project mgt by other parties involved in AECF; • Quality of mgt by grantees; • External (country related) factors; • Others. 	C, E, F
Was/is there synergy with other programmes (IFIs, donors, national)?	<ul style="list-style-type: none"> • Number of cases co-operation occurred; • Success of the co-operation; • Duplication or complementarity; • Extent to which FM seeks co-operation. 	A, B, F
To what extent is the AECF model able to select innovative, replicable and or scalable (expandable) projects?	<ul style="list-style-type: none"> • Number of projects demonstrating innovative techniques (for the country) in terms of technology, logistics or marketing; • Evidence of copying by other parties; • Evidence of scale-up in portfolio. • Number of local companies selling reliable clean energy services 	A, C, E, F

²⁴ Only at the stage of the MTE, although it could be answered as well in the Final Evaluation.

EFFICIENCY		
Economy: are inputs procured at economic prices	<ul style="list-style-type: none"> Evidence of competitive or otherwise efficient procurement practices among grantees. 	A, C, E
To what extent have governance arrangements permitted and facilitated the effective participation and voice of different categories of stakeholders, taking into account their respective roles?	<ul style="list-style-type: none"> Is the governance structure transparent? Do the different donors feel that their interests and objectives are represented in the AECF? Are there no conflicts between the different objectives of the donors? 	A, C, E
How effectively and efficiently have the administrative and management responsibilities, been carried out? (including managing partnerships and external relations).	<ul style="list-style-type: none"> Does the governance structure, including AGRA, AC, IC and FM, allow for quick decision making? Is there overlap between the roles of AGRA, ICs, AC and FM? 	A, E
To what extent is the expenditure within the different windows likely to have maximized delivery of the outputs (=allocative efficiency)?	<ul style="list-style-type: none"> Is the relation between funding in the different windows in line with the needs? Are funds sufficient or left unallocated in the windows? Are adequate arrangements in place to handle funds not allocated? 	A,C,E,F
Is the right instrument being used?	<ul style="list-style-type: none"> Is the percentage of repayable grants vs regular grants in line with the financial capacities of the projects and the grantees? Are adequate arrangements in place to handle funds repaid? 	A, E, F
To what extent are adequate financial controls in place and are fiduciary risks well-managed?	<ul style="list-style-type: none"> Timeliness disbursements by FM and AGRA; Conditions to be fulfilled by the grantees for disbursement; Are monitoring systems of AGRA and FM connected and or reconciled? Systems in place to secure financial monitoring of the specific windows? Arrangements with respect to undisbursed / unused amounts; How are donors informed on the status of the donor funds for the specific windows (process, frequency, systems, number of staff/man-days, by whom?); Systems in place to monitor repayable grants at AGRA and/or FM? How has risk management been incorporated in the operations of AECF 	A,E

EFFICIENCY		
	(AGRA and/or FM)? Is there an operational manual in place and how is this incorporated in the organization and processes? <ul style="list-style-type: none"> Are adequate arrangements in place to handle funds repaid? 	
To what extent do the investment plans and projects comply with AECF's investment criteria and guidelines?	<ul style="list-style-type: none"> Number (%) of projects selected for BP phase; Number (%) of projects accepted by IC; Is there under allocation, i.e. do the rounds not produce sufficient compliant proposals? 	C, E, F
To what extent is an adequate monitoring and evaluation system in place and has appropriate qualitative and quantitative monitoring taken place that has informed the Fund Manager of AECF?	<ul style="list-style-type: none"> Quality and completeness progress reports; Coverage and frequency monitoring system (number of projects, number of visits p/y); Compliance FM monitoring data and reports with independent studies done by EMU. 	A,C,E, F

SUSTAINABILITY		
Is sustainability of individual businesses supported under this programme leading to sustainability of development impacts? Will the changes achieved by the Programme be sustained in the long term?	<ul style="list-style-type: none"> Financial and operational prospects of supported businesses; Quality of business models; Economic life cycle of supplied product / service. 	D, E, F
What factors are expected to influence the continuation of programme benefits after the end of this funding phase?	<ul style="list-style-type: none"> Replication business model by other market agents; Crowding in by other parties. 	D
Should the programme be extended beyond 2018 or, if not, what should the exit process be?	<ul style="list-style-type: none"> Outcome of the Final evaluation; Support of key stakeholders to different future scenario's. 	E
What is the ability of stakeholders to continue the adaptation processes beyond project lifetimes, thereby sustaining development benefits	<ul style="list-style-type: none"> Number of beneficiaries of project receiving training in implementation of specific adaptation measures or decision-support tools. Local (or spatially appropriate) availability of skills and resources necessary to continual adaptation after conclusion of project Support for project activities among participating communities 	A,C,E,F

ADDITIONALITY		
Would the observed changes at outcome level also not have occurred in the absence of AECF?	<ul style="list-style-type: none"> • Could grantees have financed the projects from own funds or have been in a position to obtain funding from regular financial services? • Financial standing grantee; • Amount of risk involved for grantee (project, market); • Maturity of financial market in the country. 	A, B, D, E, F
Would the observed changes at impact level also not have occurred in the absence of AECF?	<ul style="list-style-type: none"> • Is there a logical link between the intervention and perceived changes in beneficiary group? • Are these groups indeed underserved, poor and in need of subsidized interventions? 	F

Annex V Sample

Company	Window	Activity	Country	Start date	Grant Amount	Loan Amount	Total AECF Funding
Yara International ASA	GW	Input Supply	Ghana	11-Sep-08	1.000.000	250.000	1.250.000
Sahel Grains	AAW	Processing	Ghana	1-Jan-13	125.000	125.000	250.000
Honey Care Africa Ltd	SSW	Contract Farming	South Sudan	1-Jan-13	500.000	750.000	1.250.000
Kenya Biologics Ltd	GW	Input Supply	Kenya	1-Jan-09	190.000	100.000	290.000
Dominion Farms Limited	GW	Input Supply	Kenya	1-jul-09	-	979.230	979.230
BLGG Kenya	RIB	Input Supply	Kenya	1-okt-11	380.000	380.000	760.000
Super Sires Genetics Ltd	RIB	Input Supply	Kenya	1-sep-11	200.000	250.000	450.000
Micro-Energy Credits	REACT	End-user financing	Kenya	1-jan-12	200.000	200.000	400.000
Kenya Highland Seed Co. Ltd	AAW	Input Supply	Kenya	1-sep-12	300.000	300.000	600.000
Suntransfer Kenya Investment Ltd	REACT	Distribution	Kenya	1-okt-11	50.000	250.000	300.000
Cummins Cogeneration Ltd	REACT	Power generation and Distribution	Kenya	31-aug-12	500.000	500.000	1.000.000
Treedom Srl	REACT	Service Provider	Kenya	1-Jan-13	200.000	300.000	500.000
DADTCO	GW	Processing	Nigeria	13-jul-09	500.000	970.000	1.470.000
AACE Food Processing and Distribution Limited	AAW	Processing	Nigeria	1-jan-13	225.000	250.000	475.000
Export Trading Company	GW	Processing	Tanzania	1-jan-09	700.000	300.000	1.000.000
Tanga Fresh Limited	GW	Processing	Tanzania	1-aug-09	280.000	420.000	700.000
Africado Ltd	TZAW	Contract Farming	Tanzania	1-jan-12	200.000	777.000	977.000
Serengeti Fresh Ltd	TZAW	Contract Farming	Tanzania	1-feb-12	300.000	300.000	600.000

Company	Window	Activity	Country	Start date	Grant Amount	Loan Amount	Total AECF Funding
MSK Solutions Ltd	TZAW	Contract farming	Tanzania	1-nov-11	200.000	600.000	800.000
Kilimo Markets	TZAW	Input Supply	Tanzania	1-jan-13	271.774	93.448	365.222
Mobisol GmbH	REACT	Distribution	Tanzania	1-jan-13	100.000	1.000.000	1.100.000
Field Masters Ltd	REACT	Service Provider	Tanzania	01-Oct-11	190.000	210.000	400.000
Off Grid Electric Tanzania Limited	REACT	Distribution	Tanzania	01-Jan-13	100.000	1.000.000	1.100.000
Kencor Management Services (Pvt) Ltd	ZIM	Input supply	Zimbabwe	01-july-10	300.000	300.000	600.000
Coopers Zimbabwe (1992) Pvt Ltd	ZIM	Input Supply	Zimbabwe	1-jun-10	160.000	300.000	460.000
Kaite Pvt Ltd	ZIM	Contract Farming	Zimbabwe	1-sep-10	300.000	200.000	500.000
Northern Farming	ZIM	Contract Farming	Zimbabwe	1-jul-10	300.000	400.000	700.000
IETC Zimbabwe (Pvt) Ltd	ZIM	Processing	Zimbabwe	1-aug-11	403.951	480.000	883.951
Sondelani Ranching	ZIM	Contract Farming	Zimbabwe	01-aug-10	450.000	300.00	750.000
African Century Financial Services Ltd	ZIM	Finance	Zimbabwe	01-june-11	250.000		250.000
Yelo Egg	ZIM	Input Supply	Zimbabwe	1-okt-11	140.000	150.000	290.000

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Annex VI ToR for an Evaluation Management Unit (EMU) for the Africa Enterprise Challenge Fund

Following discussions with the Steering Committee this MTE was in accordance with the ToR to focus on operational issues, relevance, efficiency, effectiveness and sustainability issues but needed also to provide an indicative finding for impact for the entire AECF and its interventions. In addition the MTE should provide recommendations for the future to assist decisions on redesign or scale-up of AECF.

Our fact finding during the Inception phase has given rise to a number of new evaluation questions which have been included in the evaluation framework as presented in Annex IV. The framework includes per OECD/DAC criterion, specific indicators and evaluation criteria, as well as main sources of information.

1. Background

4 General Background

- 1.1 The Alliance for a Green Revolution in Africa (AGRA), acting on behalf of the African Enterprise Challenge Fund, seeks to appoint an Evaluation Management Unit (EMU) to carry out the independent evaluation of the Africa Enterprise Challenge Fund (AECF). The EMU will be appointed to conduct a Mid-term Evaluation of the AECF in 2014 and a Final Evaluation of the AECF in 2017 or a later date as determined by the AECF Committee.

5 Description of the AECF

- 1.2 The AECF is a US\$200m challenge fund for agribusiness in Africa. It is a special partnership initiative of AGRA that supports its vision of “A food secure and prosperous Africa through rapid smallholder agricultural growth and transformation”.
- 1.3 AECF provides investment support to the private sector for their new and innovative business ideas in agribusiness, rural financial services and renewable energy/adaptation to climate change that will benefit Africa’s small farmers and rural households. AECF finance is in the form of grants or 0% loans up to a maximum of \$1.5 million. AECF recipients are expected to at least match the funds provided by AECF.
- 1.4 The Fund is hosted by the AGRA, based in Nairobi, and is supported by the governments of Australia, Denmark, the Netherlands, Sweden and the UK as well as the International Fund for Agricultural Development (IFAD). The Fund Manager (FM) is KPMG Africa Development Advisory Services and partners. See <http://www.aecfafrica.org/>
- 1.5 Established in 2008, the Fund has a rapidly expanding portfolio of some 178 projects in 23 African countries. The portfolio is reaching a mature stage with the earliest company initiatives in the final years of their AECF support. AGRA and the AECF Committee are committed to the full capture of the results from the portfolio of company initiative.
- 1.6 The AECF is a special partnership initiative of the Alliance for a Green Revolution in Africa (AGRA). Even though the AECF doesn’t have its own organization, the Fund has its own brand, specific mandate and board; the AECF Committee which provides the strategic and policy guidance as well as oversight. Investment decisions are taken by an independent Investment Committee.

2. Responsibilities for monitoring and evaluation

- 2.1 The AECF Fund Manager manages the programme and monitors progress against the agreed log frame. The monitoring framework used by the Fund Manager will be subject to revision during 2013 with the expectation that a more rigorous monitoring framework will be

implemented that draws heavily on the DCED Standard for Results Measurement. In order to clarify the respective responsibilities of the Fund Manager and EMU the following are noted here:

- **Monitoring framework:** The Fund Manager is responsible for the design and implementation of the monitoring framework. The EMU will review and provide comments on the monitoring framework during the design of the evaluation of the AECF.
- **Responsibility for data collection, analysis and reporting:** Most of the data for monitoring the logical framework, particularly on outputs and outcomes, is the responsibility of grant recipients to collect and provide to the Fund Manager as a condition of receiving the grant. This process will be defined in each grant agreement and follows a monitoring system operated by the Fund Manager – as noted above, monitoring for interventions made from 2013 onwards and some earlier interventions in Tanzania and Zimbabwe, is expected to comply with the principles of the DCED Results Measurement Standard. The Fund Manager is responsible to ensure that appropriate monitoring commitments are written in to each grantee contract, that the data monitoring audit process takes place and that data provided by grantees is of quality that can be used in evaluations. The EMU is expected to periodically review the monitoring data that is being gathered by the Fund Manager to ensure that it is robust, accurate and suitable for evaluation purposes where required and to make prompt recommendations to improve the quality of the data collected by the Fund Manager and – where appropriate – to propose complementary data collection measures.
- **Baseline data:** The Fund Manager is responsible for collection of baseline data for each individual intervention. The EMU may request that the Fund Manager gather additional data from beneficiaries and is responsible for the identification and collection of additional baseline data which is specific to the programme evaluation and data required for counterfactual or quasi-counterfactual analysis.
- **Subsequent surveys:** In addition to the baseline data and related surveys, the EMU will be specifically responsible for planning and managing a second set of surveys in subsequent years in time to inform the Final Evaluation. The Fund Manager may request the inclusion of data points for monitoring purposes as part of the surveys.
- **Audit:** In addition to the work of the Fund Manager and EMU there will be a transparent audit process, in which a stratified random sample of data, including baselines where relevant, will be independently checked at source. This will provide both a check on the quality of the data being submitted by grantees and an incentive to grantees to ensure the quality of the data they are regularly submitting is robust. This audit process is not intended to be a DCED compliance audit.
- The application of the DCED Standard by the programme will enhance the quality and reliability of monitoring data and also involve some work towards measuring the impact and systemic change that are attributable to the programme. The evaluation of the programme will make use of work conducted using the Standard and undertake additional evaluation

work in order to ensure that impact can be attributed to the programme in a rigorous, independent way.

- It is anticipated that the AECF will become an independent legal entity during the lifetime of this contract. As part of this change, it is possible that the AECF will wish to assume more responsibilities for research and learning into the effectiveness of the programme's interventions. In the event that this should occur, AECF may seek to revise the scope of the EMU and Fund Manager's evaluation and learning activities and associated costs.

3. Purpose and Objectives of the evaluation

3.1 The purpose of the evaluation is to independently assess the results achieved by the AECF and to learn where, when, for whom, how and why the investment approaches work within different contexts. The learning from this innovative approach is essential to support decision making regarding the scale-up or redesign of the intervention. The objectives of the independent evaluation are to:

- **Evaluate Impact:** the evaluation should clearly identify the impacts of the AECF's interventions (development and systemic, positive and negative, intended and unintended) on various stakeholders involved (farmers, investors, employees, smallholders).
- **Understand the conditions for success:** the evaluation should identify the conditions for success when making grants and interventions of this type in Africa.
- **Assess the challenge fund model:** the evaluation should assess the sustainability, effectiveness, additionality and demonstration effect of the challenge fund model adopted by the AECF.

4. Scope

4.1 The scope of the evaluation includes all past and planned AECF interventions in all participating countries.

4.2 The programme related aspect of the evaluation should evaluate the AECF at the following levels:

- **Portfolio level:** the portfolio level evaluation will seek to draw overall conclusions regarding the programme based on the country and thematic level evaluation work. The portfolio level evaluation must also provide a comparative analysis of investments made in different countries, sectors and sizes of enterprise and draw out lessons for understanding the conditions for success.

- **Thematic Windows:** the thematic window level evaluation will consider questions from a representation of at least four thematic window investments and their supply chains.
- **Individual country programmes:** the country level evaluations will be conducted in at least four countries. These evaluations will focus on evaluation questions relating to the challenge fund investments and their interaction with people in the value chain.

The EMU will develop and implement an evaluation framework for evaluating the programme at country, thematic window and portfolio levels. The evaluation framework must be sufficiently flexible to incorporate the concerns and interests of country level programmes whilst ensuring that the evaluation data and analysis gathered can be used for thematic and portfolio level evaluations.

The EMU will be closely involved in the programme throughout its lifetime and will undertake four main activities:

- Mid-term Evaluation in 2014
- Annual reviews of monitoring and evaluation data
- Evaluation Design Phase in 2014
- Final Evaluation in 2017

6 Mid-term Evaluation in 2014

4.3 The Mid-term Evaluation in 2014 is intended to provide an independent evaluation of the AECF from its inception in 2008 to 2014. It will be the second mid-term evaluation and will take into account the Mid-term Evaluation conducted in 2010/11. The Evaluation is primarily expected to give a better understanding of the programme, its operation and overall effectiveness at delivering the Fund's strategy. The Evaluation will follow the DAC criteria of relevance, effectiveness, efficiency, sustainability and to a limited extent impact. The Evaluation questions will be finalised with the AECF donors during an inception phase and are likely to include the following:

- **Relevance:** the relevance of the interventions made, the individual output areas and the combined programme should be addressed relative to the needs of the target groups. Evaluation questions include:
 - How relevant are the interventions that have been made to the achievement of the programme's intended outcomes and impact?
 - How relevant are the interventions to the country's and region's development priorities and private sector development strategy?
 - Are the outcome areas (still) relevant to the target group?
 - Are there any other interventions that should have been considered?
- **Effectiveness:** the effectiveness of each of the output areas should be considered as well as the extent to which each output area has contributed to the intended

Programme outcome and, where possible, impact. The synergy between output areas in delivering the outcome will also need to be analysed. The effectiveness of the delivery structure involving the Fund Manager including the monitoring framework and data collection, AGRA and donors should be evaluated. Evaluation questions include:

- How effective have the Programme's interventions been in delivering the intended outcomes?
- How effective and efficient has the challenge fund structure been at delivering outputs/outcomes?
- How effectively have investment risks been managed by the programme?
- **Impact:** the impact of the programme should be considered and where possible, impacts identified. It is recognised that, in the absence of baseline data and counterfactuals, the scope for impact evaluation is limited. Evaluation questions include:
 - What were the outcomes and (where possible) the impacts of the different interventions as regards different participants – male/female farmers? Different sizes of farmer? Food consumers?
 - Has anybody been harmed? Were there any unintended outcomes and impacts?
 - What has been the outcome and (where possible) impact of the interaction between the different interventions?
- **Efficiency:** the efficiency with which the inputs were used to deliver outputs and the monitoring framework should be evaluated. This should include an evaluation of the efficiency and value for money of the delivery structure involving the Fund Manager and AGRA. Evaluation questions include:
 - What has been the overall value for money?
- **Sustainability:** the sustainability and replicability of the changes achieved need to be considered. Evaluation questions include:
 - What evidence is there of any systemic change that has been initiated by the Programme?
 - What factors are expected to influence the continuation of Programme benefits after the end of this funding phase?
 - Should the Programme be extended beyond 2018 or, if not, what should the exit process be?
 - Is sustainability of individual businesses supported under this program leading to sustainability of development impacts?

4.4 In addition to the above DAC focused evaluation questions, the Mid-term Evaluation should also identify a range of recommendations for improvements to the AECF

programme in the areas of programme design, theory of change (at a programme level), management structure, governance structure and donor behaviour.

4.5 Bidders are expected to clearly specify the methodology they propose for the Mid-Term Evaluation in their response to these Terms of Reference. Bidders are expected to propose an evaluation design that is rigorous and uses internationally recognised methods. The methodology proposed should show how the chosen data collection and analysis techniques will lead to a robust and credible set of conclusions and recommendations for the programme. Bidders should specify the proposed scope of data gathering (e.g. number and type of case studies, survey targets and sample sizes etc...) and proposed method of data analysis. The EMU may revise these methods during the evaluation inception phase. It is expected that the evaluation will use a mixed methods approach including:

- In depth case study analysis of interventions made.;
- Qualitative analysis based on field visits, interviews, focus groups, document review and review of other data sources;
- Quantitative analysis using monitoring data and other available data.

4.6 The Mid-term Evaluation will be conducted at the same time as the Fund Manager's annual visits to grantees (scheduled from February to May 2014) in order to facilitate co-ordination between the Evaluator and the Fund Manager and to reduce disruption to grant recipients. It is expected that the evaluation will use a range of evaluation data sources including:

- Review of AECF documentation (including rules, procedures, Executive Committee documentation and minutes, monitoring reports, 2010 mid-term review, annual reviews, annual reports, website material);
- Review of existing national statistics and relevant publicly available information;
- Analysis of information on the full portfolio of interventions and the monitoring and reporting data of the Fund Manager;
- Interviews (face-to-face, by telephone, in focus groups or by other means) with key stakeholders, including representatives of contributing Donors, Fund Manager, AECF staff members, AGRA, grant recipients, government representatives, smallholders/beneficiaries;
- In depth analysis of interventions, to be proposed by the Evaluator as representative of the programme. It is suggested that the following two non-mutually exclusive criteria be used to ensure the selected interventions are representative:
 - Countries: representation from each of the following countries: Kenya, Tanzania, Zimbabwe and Nigeria;
 - Sectors: representation from following thematic windows of the programme: Agribusiness, Research into Business, Renewable Energy and Adaptation to Climate Change and Post Conflict;

- Field visits to grantees in coordination with the Fund Manager.
- 4.7** It is not anticipated that experimental or quasi-experimental methods will be appropriate for the Mid-term Evaluation due to the absence of baseline data and counterfactuals. The EMU may propose other methods and analytical techniques which will permit the evaluation of the impact of the programme to date although the primary concern of the Mid-term Evaluation is to better understand the programme, its operation and overall effectiveness and not to attribute impact to the programme.
- 4.8** The intended audience of the Mid-term Evaluation will be:
- National governments, policy formulators, particularly those within regional economic communities, regional research bodies;
 - DFID, AusAID and other donors;
 - Academics;
 - Development practitioners and programme designers;
 - Private sector stakeholders.
- 4.9** The Mid-term Evaluation will be implemented during March 2014 - June 2014. A Draft Mid-term Evaluation Report will be submitted by the end of June 2014 and a Final Mid-Term Evaluation Report submitted in July 2014.

Annual Review of Monitoring and Evaluation data

- 4.10** Throughout the term of this contract the EMU will conduct a review each year of the monitoring and evaluation data that is being gathered by the Fund Manager in order to ensure its appropriateness for evaluation purposes. The EMU will review the status of the programme in each country and at a regional level and make appropriate adjustments to the evaluation design where necessary.
- 4.11** The EMU will submit an annual report summarising its findings from these annual reviews.

Evaluation Design Phase in 2014

- 4.12** The Evaluation Design Phase will develop an evaluation framework for the Final Evaluation of the AECF. During this design phase, the EMU will also support the Fund Manager on revising the monitoring system of the programme and refining the Theory of Change for the AECF where necessary.
- 4.13** The Evaluation Design should:
- Specify the recommended evaluation questions for the Final Evaluation in detail based on evidence gaps in the Theory of Change and the requirements of stakeholders of the evaluation.

- Propose an evaluation design for the Programme including recommended evaluation methods to be used, proposed counterfactuals where appropriate, and proposed data collection methods. The evaluation design must take into account the different evaluation approaches required for interventions made prior to and after 2013 due to:
 - The implementation of a more rigorous monitoring framework based on the DCED standard for interventions begun after mid-2012 and improvement in the monitoring of interventions made prior to 2013;
 - The opportunity to design impact evaluation approaches and more rigorous evaluation designs for interventions made after 2013.
- Provide a communication and dissemination plan for the evaluation, including the intended process for engaging with and communicating findings to stakeholders at all levels. This plan will be implemented in conjunction with AGRA and the AECF donors.
- Define the resource requirements to implement the recommended evaluation design and methods, including plans for contracting data collection or preparatory research as appropriate, and provide budgets and detailed work plans for its completion.

4.14 Bidders are expected to outline in response to these Terms of Reference how they would propose to evaluate the AECF with the expectation that this evaluation approach will be developed in detail during the evaluation design phase. Bidders are expected to develop an evaluation design that is rigorous and uses internationally recognised methods. The methodology proposed should show how the chosen data collection and analysis techniques will lead to a robust and credible set of conclusions and recommendations around the overall impact of the programme. As such, it is expected that the evaluation design will be based on the use of mixed methods¹. The methodology should specifically address how the attribution of impact or contribution to impact will be evaluated and to take into consideration the multi-donor nature of the AECF.

4.15 Bidders are free to propose the most appropriate designs to allow generalisation from those investments selected for evaluation and identify key contextual factors expected to affect both effectiveness and sustainability and external validity. These designs and methods will be judged on their utility under small to medium n scenarios.

4.16 The design must be methodologically rigorous and credible when judging both the internal and external validity of the results. Bidders will be expected to clearly set out the standards used for ensuring rigor and credibility.

4.17 The Evaluator should set out how they will ensure the design and application of methods is ethically sound and which relevant ethical protocols it will comply with.

¹ For a description of what mixed methods mean for this evaluation, see Section 3.5.2 of Stern et al (2012) *Broadening the Range of Designs and Methods for Impact Evaluations* (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67427/design-method-impact-eval.pdf).

- 4.18** During the Mid-term Evaluation and the Evaluation Design Phase, the EMU is expected to gain an understanding of the revised monitoring system implemented in 2012 (see 2.1 above). The EMU will work with the Fund Manager to ensure that data collected by the Fund Manager for programme monitoring purposes can be used for evaluation purposes when necessary. Advice to the Fund Manager should include, but is not limited to:
- Identification of programme monitoring data required from the Fund Manager to meet evaluation needs and timings for this, particularly baseline data for interventions made post 2013;
 - Suggestions for revision of logframe indicators, sources and timings;
 - Recommendations regarding the overall data collection system;
 - Plan for the on-going monitoring and evaluation support to be provided during the on-going evaluation work.
- 4.19** In line with Paris Declaration principles, it is expected that the Fund Manager and EMU should take account of national M&E systems, draw on existing data where available, and ensure new data collection is complementary to existing systems and data is made available to national stakeholders as far as possible.
- 4.20** Systemic disaggregation of data, including by sex, geographical location and income status will be important throughout the monitoring and evaluation work. It is therefore crucial that this be built into program monitoring right from the beginning (for new programs)
- 4.21** The EMU will submit the draft Evaluation Design Report by the end of October 2014, which will be reviewed by the Evaluation Steering Committee. The EMU will submit a revised Design Report for the Final Evaluation by the end of November 2014.
- 4.22** Upon completion of the Evaluation Design Phase and in preparation for the Final Evaluation in 2017, the EMU will be expected to carry out on-going evaluation work. This on-going work will include periodic review of the monitoring data that is being gathered by the Fund Manager for individual interventions to ensure that it is robust, accurate and suitable for evaluation purposes where required.
- 4.23** The EMU will begin to implement the activities required for a rigorous Final Evaluation. This will include identification of counterfactual groups for targeted impact evaluation of selected programmes and the planning and implementation of evaluation baseline data collection (over and above the data gathered by the Fund Manager). The EMU may also begin to plan and implement activities to allow it to perform robust analysis of case studies and other qualitative information sources during the on-going evaluation period.
- 4.24** The EMU will submit annual reports to the AECF Committee to summarise the on-going evaluation process, to provide an assessment of the validity of the monitoring data, and to provide any further recommendations regarding lessons learnt, programme performance or value for money to inform the annual review process.

Final Evaluation

4.25 The scope and design of the Final Evaluation will be defined in the Evaluation Design Report. The Final Evaluation is expected to follow the DAC criteria of relevance, effectiveness, impact, efficiency and sustainability but with an increased focus on evaluating the impact of the programme. In addition to these programme related evaluation issues, the evaluation will be expected to address questions relating to research and evidence gaps and to test assumptions in the Theory of Change. The expected questions to include are:

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.26

- **Relevance:** the relevance of the interventions made, the individual output areas and the combined programme should be addressed relative to the needs of the target groups. Evaluation questions include:
 - How relevant are the interventions that have been made to the achievement of the programme's intended outcomes and impact?
 - Are the outcome areas (still) relevant to the target group?
 - Are there any other interventions that should have been considered?
- **Effectiveness:** the effectiveness of each of the output areas should be considered as well as the extent to which each output area has contributed to the intended Programme outcome and impact. The synergy between output areas in delivering the outcome and the monitoring framework will also need to be analysed. Evaluation questions include:
 - How effective have the Programme's interventions been in delivering the intended outcome and impact?
 - How effective is the competition based, challenge fund structure for the delivery of intended outputs, outcomes and impacts?
- **Impact:** the evaluation should seek to identify and attribute impact to the programme. This should include measuring the impact of a sample of interventions and interventions and evaluating the overall impact of the combined programme. The evaluation should consider how the inputs funded by the Programme have affected the different change processes in the theory of change and assessing the validity of the overall theory of change model. The team will also need to analyse the change processes linking outcome to impact and assess the degree of change that can be attributed to the programme. Evaluation questions include:
 - What were the impacts of the different interventions as regards different participants – male/female farmers? Different sizes of farmer? Different types of trader? Food consumers?
 - What contribution has the programme made to growth of agribusinesses and financial services sectors in the countries in which it has supported business projects?

- What evidence is there of systemic change in the market's that AECF has intervened? Could this have been achieved more effectively and efficiently in other ways?
 - Were there any unintended outcomes and impacts?
 - What has been the impact of the interaction between the different interventions?
 - **Efficiency:** the efficiency with which the inputs were used to deliver outputs should be evaluated. This should also include an evaluation of the efficiency and value for money of the delivery structure involving the Fund Manager and AGRA. Evaluation questions may include:
 - What has been the overall value for money?
 - **Sustainability:** the sustainability and replicability of the changes achieved need to be considered. Evaluation questions may include:
 - Will the changes achieved by the Programme be sustained in the long term?
 - What evidence is there of a demonstration effect by which the programme changed the behaviour of other actors that led to a positive impact on the poor?
 - What factors are expected to influence the continuation of Programme benefits after the end of this funding phase?
- 4.27** Research and evidence related evaluation questions are expected to cover gaps in the evidence based for AECF interventions and gaps in the programme's theory of change. These will be proposed by the EMU in consultation with stakeholders and the Management Group.
- 4.28** The evaluation methods will be defined in the Evaluation Design Report. However, it is expected that the evaluation will use a mixed methods approach including methods which allow a defensible attribution of outcomes and impacts to the Programme's activities. It is recognised that different methods will be applicable to interventions made prior to the introduction of the Evaluation Design in 2013 and the improved monitoring framework in 2012. Bidders should specify the criteria they will use to determine the scope of data gathering (e.g. number and type of case studies, survey targets and sample sizes etc...) and should specify the expected methods of data analysis for the Final Evaluation in their responses to these Terms of Reference. Evaluation methods may include:
- Quasi-experimental impact evaluation of a number of individual interventions made after 2013 using a counterfactual comparison group.;
 - In depth, longitudinal case study analysis of interventions using an analytical method that allows impact to be identified and attributed as much as possible. These case studies should, wherever possible, be continuations of any cases used for the Mid-term Evaluation in 2014 and previous evaluations supplemented by additional new case studies.;

- Qualitative and quantitative data gathering approaches (e.g. interviews, focus groups etc...) combined with analytical techniques that allow the attribution of impact to the programme².

4.29 It is expected that the evaluation will use a range of evaluation data sources including:

- Review of AECF documentation (including rules, procedures, Executive Committee documentation and minutes, monitoring reports, annual reports, website material);
- Review of existing national statistics and relevant publicly available information;
- Analysis of information on the full portfolio of interventions and the monitoring and reporting data of the Fund Manager;
- Interviews (face-to-face, by telephone, in focus groups or by other means) with key stakeholders, including representatives of contributing Donors, Fund Manager, AECF staff members, AGRA, grant recipients, government representatives;
- Baseline information and other primary data sources as specified in the Evaluation Design and collected by the EMU;
- In depth analysis of interventions, to be proposed by the Evaluator as representative of the programme. The following two non-mutually exclusive criteria must be used to ensure the selected interventions are representative:
 - Countries: representation from each of the following countries: Kenya, Tanzania, Zimbabwe and Nigeria;
 - Sectors: representation from each of the following thematic windows of the programme: Research into Business, Renewable Energy and Adaptation to Climate Change and Post Conflict;
- Field visits to each of the interventions that are the subject of case study analysis.

4.30 The Final Evaluation will take place in late 2017, delivering outputs according to the schedule set out in Section 7.

4.31 The intended audience of the Final Evaluation will be:

- National governments, policy formulators, particularly those within regional economic communities, regional research bodies;
- DFID, AusAID, and other donors;
- Academics;
- Development practitioners and programme designers;
- Private sector stakeholders.

7.25 The scope of work described above poses the intrinsic challenge to plan flexibly to evaluate a programme which will define the details of each supported intervention during

² See Howard White paper 'Theory-Based Impact Evaluation: Principles and Practice'

its inception phase and beyond. It is not possible to identify at this stage the number of interventions which the Programme will fund and their exact geographic location. AGRA acknowledges that this could have significant cost implications in terms of the number of programme locations and their accessibility.

- 7.26** Bidders are encouraged to take these challenges into account and plan accordingly in a flexible way.

5. Governance Arrangements

- 5.1** The EMU will report to the Evaluation Management Group comprising the AGRA representatives, AECF Executive Manager and representatives from key donor organisations. The Management Group will manage the day to day interactions with the EMU.

5.1 The Management Group will be supervised by and will report to an evaluation Steering Committee comprising representatives from DFID, AusAID, Sida, and AGRA and representatives of important stakeholder groups to be defined at a later date. The Steering Committee will participate in the evaluation of consultants bidding to undertake the work of the EMU and review and approve key final and draft outputs such as the Inception report, Evaluation Design Report, Mid-term evaluation and final evaluation. Separate terms of reference for both groups are available on request.

6. Skills and Qualifications

- 6.1** The EMU should combine expertise in:

- Strong understanding of various quantitative and qualitative evaluation methodologies, surveys, and econometric/statistical analysis
- Experience of undertaking large evaluation/impact assessments projects, using mixed methods approaches that meet recognised standards for credibility and rigour.
- Experience in application of configurational methods for case study based evaluation;
- Experience of working on evaluations of private sector approaches
- Evaluating challenge fund management programmes.
- Evaluating multi-disciplinary rural development programmes; experience of evaluations in the specific Programme intervention areas is desirable.
- Using evaluations as a tool for lesson-learning.

- Evaluations in the East and Southern Africa region and a demonstrated understanding of political economy issues in the region.
- Generating data to demonstrate programme effects for different segments of the population (i.e. rural vs urban, women vs men, low income vs middle income, etc.).
- Familiarity/practical experience with the DCED Standard is desirable.

6.1 The EMU should have a sound understanding of evaluation designs and research methods; understand the strengths and limitations of different designs and how to accurately interpret and present findings to both researchers and non-researchers. The team will require a broad set of skills to be able to effectively design a complex evaluation. The supplier will therefore most likely comprise a consortium between organisations with solid evaluation experience and working with donors and programme staff in real time, organisations with extensive experience in designing and implementing robust evaluations (in particular using mixed methods), and organisations with extensive experience in conducting academic research.

6.1 The team will also have a demonstrated ability to communicate complex studies and findings in an accessible way for non-technical readers, including presentation of data in visually appealing ways, highly structured and rigorous summaries of findings and robust and accessible syntheses of key lessons.

6.1 The evaluation supplier will need to comply with AGRA and AECF donors policies on fraud and anti-corruption and cooperate with any checks required from them for the duration of the evaluation e.g. annual audited statements, policies on management of funds, etc.

7. Logistics and Procedures

7.1 The EMU will be responsible for all logistic arrangements for him/herself and members of the evaluation team. The Fund Manager will facilitate convening of meetings and site visits where necessary. All relevant expenses should be covered by the evaluation contract budget.

8. Outputs

8 Mid-term Evaluation

8.1 The EMU will deliver the following outputs, with provisional deadlines:

- Draft Inception Report (6 weeks from commencement). The Inception Report should cover: the validated evaluation questions and each question should be accompanied by: explanatory comments, judgement criteria, quantitative and qualitative indicators, methodological approach to data collection and analysis. The Report should also include a detailed work plan, including field missions.

- Final Inception Report, incorporating feedback from Evaluation Management Group (7 weeks from commencement)
- Aide Memoire
- Presentation of Draft Findings Conclusions and Recommendations to a meeting of Steering Committee (by 14 June 2014).
- Draft Final Report (by 31 June 2014).
 - An assessment of the likely effectiveness and sustainability of the programme and efficiency of the delivery approach.
 - Suggestions on how the programme approach might be adjusted to enhance its overall impact and recommendations for any subsequent programme extension.
 - A specific high level report using the mid-term findings and conclusions to disseminate to senior DFID and other stakeholders outlining the potential for replication of the social venture capital model.
 - At this stage it may not be possible to identify impact however the mid-term evaluation will identify the trajectory of change and allow revisions to the evaluation design and methodology to be implemented in preparation for the final evaluation
- Final Report (by 31 July 2014)
- Final Report presentation (to be defined at a later date)

9 Evaluation Design Phase

8.2 The Evaluation Design work is expected to begin immediately upon signature of the EMU contract.

- Draft Inception Report (4 weeks from commencement).
- Final Inception Report, incorporating feedback from Evaluation Management Group (6 weeks from commencement)
- Draft Evaluation Design Report (by 30 October 2014). The report should set out:
 - The finalised evaluation design and methods
 - Elaboration of the ToC and discussion of implications for the evaluation design
 - Review the evaluation questions and proposals for how they might be amended or their range expanded
 - A communication and dissemination strategy, reflecting AGRA and AECF donors communication policies, for example DFID's Open Access Policy, and specifying the target audiences

- A review of the main risks and challenges for the evaluation and how these will be managed
- Proposal on collection of baseline data
- Discussion of how to ensure that the design and application of methods will be ethically sound and which relevant ethical standards will be applied
- Assessment of the probable quality and credibility of the identified datasets and sources and implications for primary data collection
- Review and validation of the monitoring data that will be gathered by the fund recipients and programme manager to maximise the extent that it can be used for evaluation purposes
- Workplan
- Final Evaluation Design Report (by 31 November 2014)
- On-going evaluation process: annual reports in November 2015 and November 2016.

10 Final Evaluation

8.3 The EMU will deliver the following outputs, with provisional deadlines:

- The EMU will deliver the following outputs with provisional deadlines as part of the Final Evaluation: Draft Inception Report (4 weeks from commencement). The Inception Report should cover: the validated evaluation questions and each question should be accompanied by: explanatory comments, judgement criteria, quantitative and qualitative indicators, methodological approach to data collection and analysis. The Report should also include a detailed work plan, including field missions.
- Final Inception Report, incorporating feedback from Evaluation Management Group (6 weeks from commencement)
- Aide Memoire
- Presentation of Draft Findings Conclusions and Recommendations to a meeting of Steering Committee (by 14 November 2017).
- Draft Final Report (by 30 November 2017).
- Final Report (by 31 January 2018). This report should include an accessible communication tool to inform policy makers (this may include presentation workshops for regional economic communities). It should also include a summary of the Final Evaluation and dissemination plan to ensure the information gleaned reaches the intended audience outlined above

- Final Evaluation workshop guiding those developing the exit/handover strategy or transition to the extended Programme. This should be delivered in early 2018

9. Reporting and Contracting Arrangements

- 9.1** The EMU will report to the Management Group. Meetings will be held as required by agreement between the Management Group and the EMU. The Frequency of meetings with the evaluation Steering Committee will be agreed between the Management Group and the EMU within the first 2 months following appointment.
- 9.2** Different reporting and meeting arrangements will be agreed with the Management Group and the evaluation Steering Committee for the Midterm and Final Evaluations.

10. Budget

- 10.1** A budget for the evaluation has not been set. Submissions to deliver these services should set out a separate budget for each of the three main activities outlined above (Mid- term Evaluation, Final Evaluation Design, Final Evaluation and on-going evaluation support), along with an approach and methodology for each.
- 10.2** Key Performance Indicators (KPIs) will be agreed between the Management Group and the contracted EMU before formal contracting. At bidding stage, bidders are encouraged to make provisions in their commercial tenders to ensure that at least part of their fees are linked and subject to performance.



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