

MEMORANDUM OF UNDERSTANDING

BETWEEN

**ALLIANCE FOR A GREEN REVOLUTION IN AFRICA
(AGRA)**

AND

THE AFRICA ENTERPRISE CHALLENGE FUND DONORS

The donors include the Australian Government's overseas aid program (AusAID), the Consultative Group to Assist the Poor (CGAP), the UK's Department for International Development (DfID), the International Fund for Agricultural Development (IFAD), and the Netherlands Ministry of Foreign Affairs (NMFA)

FOR PURPOSES OF

**HOSTING AND SUPPORTING THE IMPLEMENTATION
OF THE AECF'S PROGRAMME**

Preamble:

This Memorandum of Understanding (MoU) sets out the understanding between the Alliance for a Green Revolution in Africa (**AGRA**) and the donors sponsoring the Africa Enterprise Challenge Fund (AECF) (jointly referred to as the **AECF Donors**) for the establishment and execution of the AECF as a special partnership initiative of AGRA.

The list of AECF Donors and their respective signatories is attached to this MoU as Annex A.

AGRA is an alliance jointly created by The Rockefeller Foundation and the Bill & Melinda Gates Foundation aimed at improving agricultural productivity and small holder farmer well-being throughout sub-Saharan Africa. AGRA will be headquartered in Nairobi, Kenya, from which it will manage programs supporting agricultural development across sub-Saharan Africa. An office will be opened in Accra, Ghana, to support program operations in West Africa.

The AECF is a challenge fund to be capitalised by the AECF Donors to stimulate private sector entrepreneurs in Africa to innovate and find profitable ways of improving access to markets and the way markets function for the poor, particularly in rural areas. Its focus will be on agribusiness and financial services.

AGRA and the AECF Donors, having recognised the importance of the private sector in achieving broad based real economic growth and the synergies between AGRA's programs and the AECF interventions in agribusiness and financial services targeted at the rural poor, accept that there is sufficient complementarity in their missions and objectives to enter into a partnership for the establishment and operation of the AECF as a program of AGRA. As part of this partnership the AECF Donors will make financial contributions to AGRA for the hosting and operation of the AECF.

The AECF Donors have committed themselves to the principles of harmonisation as reflected in this MoU and to strive for the highest degree of alignment with the systems and procedures of AGRA so as to enhance effective implementation, and reduce the administrative burden on AGRA.

AGRA and the AECF Donors, inspired by their complementary objectives of promoting food security in Africa through rural development and reducing rural poverty on the continent, have therefore decided to enter into this MOU which, although not legally binding, captures the joint commitment of the participants to proceed with the establishment of the AECF:

1 Goal, purpose and objectives of the program

The goal of the AECF is to promote pro-poor growth in Africa, thereby increasing employment, livelihood opportunities and incomes, and reducing poverty. Its purpose is to catalyse private sector entrepreneurs in Africa to innovate and find profitable ways of improving market access and functioning for the poor – especially in rural areas. The AECF has three main objectives to achieve this goal and purpose:

- 1.1 To establish a robust and flexible funding mechanism, with administrative and decision-making processes, to allocate grants and non-recourse loans to private firms to implement commercially viable projects with a high social impact. The mechanism will enable funding allocations to be made, in multiple African regions, utilising an open, competitive and transparent process of multiple rounds and targeted funding windows.
- 1.2 To demonstrate the commercial viability of new business models and technologies in agribusiness and financial services that benefit the African poor directly.
- 1.3 To trigger wider (beyond any project specific impact) pro-poor systemic change in the way markets operate.

2. Scope of the MOU

The Proposal received from AGRA describes the approach, strategy and plan for the operations of the AECF.

This MoU outlines the procedures for the operation of the AECF and serves as a coordinating framework for the interaction between AGRA and the AECF Donors

The AECF Donors will coordinate their total commitments to the Fund. The projected initial capitalisation of the AECF is approximately \$50 million. Each donor will have its individual bilateral arrangement/agreements with AGRA to finance the formation of the AECF.

The AECF Donors will disburse their financial contributions to the Fund through bilateral grant arrangements with AGRA. The AECF Donors will ensure that these arrangements are compatible with the spirit and provisions of this MoU and will refrain, as far as possible, from setting provisions in the specification of bilateral arrangements which contradict or diverge from the spirit or provisions of this MoU. If there is any inconsistency or contradiction between the provisions of this MoU and any of the bilateral arrangements, the provisions of the bilateral arrangements will prevail. AGRA will review each donor agreement to ensure that it is consistent with the legal standards laid out below before signing.

3. Position of the AECF within AGRA

AGRA will operate the AECF as a separate program with its own identity, administrative processes, and branding, within AGRA's legal personality and systems.

The AECF will be housed within the office of the Vice President, Policy and Partnerships of AGRA as a "**Special Partnerships Initiative (SPI)**".

The AGRA Board will exercise oversight over and have ultimate fiduciary control and responsibility for all aspects of the operation of the AECF.

4. Governance arrangements

AGRA and the AECF Donors will establish a Governing Council operating under the authority of the AGRA Board. The Governing Council will consist of representatives of the AECF Donors or their nominees and the President of AGRA.

The Governing Council will be responsible for setting the mission, strategy, investment policy, budget, and annual work plans for the AECF, for review and approval by the AGRA board. No AECF Donor will be allowed to earmark its contribution to be granted to specific grantee organization but may do so by country as all funding decisions will be made by the Governing Council acting pursuant to policies adopted by the AGRA Board.

The Governing Council will appoint:

- (a) an Investment Committee;
- (b) a Fund manager; and
- (c) an Executive Manager for the Fund.

The Governing Council will also be responsible for advising AGRA with regards to additional participants and donors of the AECF. The AECF Donors and AGRA will seek to bring in additional participants and expand the capital base of the AECF, in line with agreed objectives.

5. Investment Committee

The Investment Committee will be responsible for reviewing and approving all investments of the AECF.

The Investment Committee will consist of five members. Three members will be appointed by the Governing Council, and approved by the AGRA Board, for their expertise in the target sectors of the AECF, financial management and evaluation, social and environmental impact evaluation and the management of investments. The other two members will be the AGRA Vice-President, Policy and Partnerships and its Chief Operating Officer. The Executive Manager will attend the meetings of the Investment Committee in an observer capacity and will report to the Governing Council on its proceedings and decisions. The Governing Council may appoint additional members to the Investment Committee should the need arise.

The Investment Committee will be chaired by one of the non AGRA members appointed by the Governing Council.

The Investment Committee may, with the approval of the Governing Council, source additional expertise should they consider this necessary.

6. Executive Manager

The AECF will have an Executive Manager who will be appointed by the Governing Council, who will be either a secondee of one of the AECF Donors or an AGRA employee. The Executive Manager will be accountable to the Governing Council and to the AGRA Board through the AGRA Vice President, Policy and Partnerships.

The Executive Manager will provide the ongoing strategic management of the AECF, including liaison with AGRA, the AECF Donors and the Fund Manager. The Executive Manager will also be responsible for coordinating the activities of the Governing Council.

The Executive Manager will be an observer member of the Investment Committee.

7. Fund Manager

The Fund Manager will be responsible for the day-to-day operations of the Fund and will be appointed by the Governing Council, and approved by the AGRA Board, through an international competitive tender process and be contracted by AGRA. The procurement process for the appointment of the Fund Manager will be conducted in the name of the AECF, but a third-party service provider will be contracted to manage the process in terms of a procurement procedure for the Fund Manager which will be decided between AGRA and the AECF donors.

8. AGRA hosting arrangement

AGRA will host the AECF. This will entail the following:

- Providing reasonable office space for the AECF;
- Providing a working environment for the AECF's international and other support staff who will observe AGRA's office working hours and abide by any other such administrative procedures applicable at the AGRA offices;
- Supporting the Executive Manager in the recruitment of support staff;
- Providing administrative and financial management support services to AECF;
- Procuring goods and services on behalf of the AECF. This procurement will be carried out in accordance with AGRA's procurement rules, guidelines and procedures;
- Keeping a full set of financial records and ledgers, separate from the records of AGRA's other activities, for the operations of the AECF within AGRA's financial management systems;
- Maintaining a separate fund for the purposes of operating the AECF;
- Performing fund management and treasury functions on behalf of the AECF; and
- Providing the grant management system as well as other back office functions as may be decided from time to time for the AECF;

The AECF, as a special partnership initiative of AGRA, will benefit from the benefits and privileges enjoyed by AGRA under its host country agreement with the Kenyan government.

The AECF will reimburse AGRA for all direct costs of its operations while being hosted within AGRA and will make a reasonable contribution to the operational costs of AGRA incurred by AGRA for hosting the AECF. As far as possible the operational costs will be allocated to the AECF on a pro rata basis. AGRA will provide an estimate of cost in advance at the beginning of each financial year.

The Executive Manager will be responsible for the day to day management and coordination of all AECF activities within AGRA.

9. Coordination

AGRA and the AECF Donors further accept:

- to share information of mutual concern and interest relating to the objectives of this MoU;
- to resolve their differences and disputes peacefully and bilaterally; and
- that activities conducted during the course of this partnership will be transparent and publicly accounted for.

10. Confidential information

From time to time commercial information relating to either the activities of AGRA or the AECF will come into the possession of the respective staff members of AGRA, the AECF and the AECF Donors. These participants accept to keep all such information confidential to safeguard the interests of the generators of such information. However, it is recognised that AGRA and the AECF Donors may be subject to legal obligations to disclose information, except where there are exemptions from doing so under such legislation.

11. Reporting

AGRA will provide the AECF Donors with all information relevant to the implementation of the AECF. This will include the following reports:

- One annual report on the activities of the Fund; and
- One annual audit report.

AGRA's Vice-President, Policy and Partnerships, will report to the AGRA Board on the AECF special partnership initiative

The Executive Manager of the AECF will provide regular reports, but not less than 4 times in a year, to the Governing Council and the AECF Donors.

12. Monitoring and evaluation

The Executive Manager will establish a monitoring and evaluation function. The Executive Manager will also be responsible for monitoring the day to day operations of the AECF.

The AECF Donors will initiate strategic reviews of the AECF which will be coordinated with AGRA. The AECF Donors will endeavour to carry out joint reviews.

AGRA and the AECF Donors will maintain a close dialogue regarding the support and the implementation of the AECF.

13. Audit

The annual audit report will be presented to the AECF Donors within a period of 3three months after the closure of AGRA's financial year. The audit will be taken by AGRA's independent auditors.

14. Effective date:

The MoU will come into effect upon signature.

15. Termination:

The MoU may be terminated at any time by mutual acceptance or on 90-days' notice by a letter from either AGRA or the AECF Donors. The AECF will be allowed at least six months to arrange for its departure subsequent to the date of termination. After termination, the AECF funds may be used to reimburse AGRA for any reasonable costs flowing from the termination of the AECF's hosting arrangement with AGRA, but the use of the AECF funds is otherwise governed by the bilateral agreements between AGRA and each of the AECF Donors. The future of the AECF following the termination of the hosting agreement will be decided by the AECF Donors at the time.

16. Amendments

The MoU may be amended or revised if the participants hereto approve. Amendments or revisions will come into effect upon signature.

17. Disputes

Disputes or disagreements relating to the interpretation of the arrangement will be resolved by negotiation between the participants.

Annexe A: Signatures:

For AGRA

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Name: **Dr. Namanga Ngongi**
Title: President

for the AECF Donors

C. E. Walker
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Name: Catherine Walker
Title: Deputy Director General, Global Programs, AusAID

