The Africa Enterprise Challenge Fund
Using grant based instruments effectively

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Presentation outline

- What is the AECF?
- Aims and objectives
- What the AECF does?
- What have we done so far?
- (What has been the impact)
- What are the challenges and what have we learnt?
- What is the future?
What the AECF is

- AECF is a fund of donor money available to the private sector on a competitive basis
- AECF is a special partnership initiative of the Alliance for a Green Revolution in Africa (AGRA)
- AECF is funded by a multi-donor consortium (DFID, Dutch, Danida, IFAD, CGAP, AusAID, SIDA etc). The donors form the Governing Council of the AECF
- It is managed by KPMG DAS (the Fund Manager)
- Initial capital was US$36m; now over US$150m
AECF Aims and Objectives

Purpose: to make agribusiness, finance, renewable energy and information market systems work better for the poor in rural areas in Africa

Objective: *Increase jobs and incomes for large numbers of people living in rural areas across Africa.*
“Bespoke” competitions to allocate funds to “best bids”

Provides financial support (grants and loans) for innovative business ideas (using matching fund principles)

AECF “offer”: US$100,000 to US$1.5m mix of grants and repayable grants. 6 year contracts, M&E.

Sectors covered: Agribusiness, rural financial services, renewable energy, adaptation to climate change, information and media services

Geographic: Africa
Finding the right projects

SCALE

VIABILITY

(SOCIAL) IMPACT
Finding the right projects

*We seek projects that are commercially motivated & innovative to get systemic impact*

- **Commercial Motivation**: Scale required for systems impact; scale will only be reached if business model is (very) profitable

- **Disruptive Innovation**: as a key indicator of systemic change potential
  - Upsetting the market such that others will copy and replicate – the more innovative the better
  - **Principle**: Start races rather than picking winners
Commercially motivated and innovative projects that impact on market systems

Motivation

Business-oriented

Socially-motivated

Company
Region
Conditions
Field

Potential for systemic change

Springfield Centre | Making markets work

The Fund Manager of the AECF is KPMG Development Services Limited
Achievements to date

- 11 competitions completed since June 2008
- 3 competitions currently running
- 87 companies awarded funding in 17 countries
- US$44m committed to projects (US$22m grant, US$22m repayable) – ratio 50:50
- US$130m matching funds committed by business into these projects) – leverage 3
- Approx 2m poor rural people in Africa benefited from AECF funded projects in 2010
Achievements to date

- Registered companies: 5030
- Concept notes submitted: 3049
- Shortlisted for IC: 427
- Business plans: 190
- Awarded grants: 58

Performance to date

11 Rounds/Competitions
5 June 2008 to 31st May 2011
Project Examples: Tanga Fresh

Dairy Milk Farmer in Tanga
Dominion Farms
Challenges

- Addressing the purpose – making a market systems impact
- A fund or a series of donor projects? Flexible vehicle but ...
- Introducing “loans” to a grant mechanism, pressure to move to equity
- Grant giver or an impact investor?
- Structure and Governance matter
- A Volkeswagen or a Porsche? (not a light touch mechanism)
The future
Getting more out of the AECF

Knowledge Management Facility
• To allow AECF to work more closely with grantees
• Learning, understanding and documenting wider market system constraints experienced by investee companies

Partnerships with others
• Taking learning to others with capacity to address issues e.g. ICF, TradeMark EA, Business Advocacy Funds.

Leveraging the pipeline
• Facilitating investment by others

Systemic Change Facility
• add SCF to AECF to enable wider systemic constraints to be addressed by AECF and AGRA
AECF Contact Information

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