Africa Enterprise Challenge Fund

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Presentation Outline

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What is the AECF?

- AECF is a high profile initiative, arising from the Commission for Africa report (2006).
- 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). AGRA is chaired by Kofi Annan and funded by Rockefeller and Bill and Melinda Gates.
- AECF is funded by a multi-donor consortium (DFID, Dutch, Ausaid, DANIDA, SIDA, IFAD). The donors form the Governing Council of the AECF.
- Final decisions are made by an Independent Investment Committee.
- It is managed by a KPMG led team (the Fund Manager). Other partners include Triple Line Consulting, Springfield Center, Creative Squares, and Y&R.
- Current capital is US$140m.
Aims and Objectives of the AECF

The Goal of the AECF is to accelerate pro-poor growth in Africa – increasing employment, livelihood opportunities, income and reducing poverty

- The purpose of the AECF is to make market systems work better for the poor in rural areas in Africa

- By impacting on market systems we aim to have a positive impact (jobs and incomes) on large numbers of people living in rural areas

- The AECF works by supporting private sector companies to develop and test new and innovative business ideas in agri-business, rural financial services and renewable energy/adaptation in Africa
Making market systems work

- Challenge is to select projects that will have a positive impact on the business and a direct impact on poor people and will make a systemic change to the way the market operates.
- Such projects are likely to be motivated by business objectives and are also innovative.
- Ideally we seek “disruptive” innovation that impacts on the way other players in the market behave.
- AECF as social venture capital.
How the AECF works

- The AECF manages a series of competitions, open only to for-profit-companies for innovative projects in Africa. Best bids win.
- We have open competitions and focused sectoral and geographic windows.
- The AECF provides grants and repayable grants from a minimum of US$250,000 up to a maximum of US$1.5m per project (the average grant/loan size is around US$750,000).
- Companies have to at least match the funds provided by the AECF (in fact 3x as much).
- AECF funds are provided on a reimbursement basis unless otherwise agreed.
AECF Performance

- Registered companies: 6,749
- Concept notes submitted: 4,230
- Shortlisted for IC: 537
- Business plans: 241
- Projects Approved: 89

Performance to date:
11 Rounds completed
5 June 2008 to 31 December 2011
Progress to date

- 89 projects in 17 countries
- US$66.80m committed (US$31.58m grant, US$35.22m repayable)
- US$242.26m matching funds committed by businesses
- Estimated 3 million rural people will benefit from these projects
- Progress to date has been excellent and all targets have been exceeded
Projects being Implemented

Projects include:

- Rural finance project in Nigeria with Monitise plc
- Smallholder Sorghum production with Guinness in Northern Cameroon
- Maize value chain project in Ghana with Yara International
- Smallholder Cocoa quality and export project in Sierra Leone with Biolands Ltd
- Cotton smallholder business in Kenya with Rift Valley Products Limited
- Pigeon Pea development and processing project in Tanzania with Export Trading Company
AECF leverage

AECF funding mobilizes commercial capital for the grantees in various ways.

**Example** Kencor, Zimbabwe, received loan from Tetrad investment bank + Stanbic bank to finance working capital.

**Example** Virtual City, Kenya (automated dairy supply chain management). Received funding from Acumen Fund. See barchart.
AECF grants are used to provide credit and inputs to smallholder farmers, supplemented by the business own financing.

**Example:** Ghana Grain Partnership, Ghana. Used the AECF Grant to provide inputs and credit to 400 smallholders. Stanbic provided a loan to expand the scale of the project.

**Example:** Progene Seeds, Zimbabwe. Used the AECF grant to provide credit to ± 2000 farmers to produce seeds.
Financial value chain: new partnerships

**Business Development Services/TA**
- SNV, Farm-Africa, AAA, GVEP

**Grants/ 0% interest loans**
- AECF

**Debt/equity**
- Financial partners
Partnership with investors

- Win-win; pipeline development for investors, exit strategy for AECF
- 3 options: joint, parallel or subsequent;
- Mostly debt (joint) or equity (parallel and subsequent)
- Announcement of partnership prior to competition; confidentiality clause;
- Harmonization of procedures under joint financing;
- Some cost sharing and finders fee charged;
- 5 partnerships under preparation