



# Africa Enterprise Challenge Fund

André Dellevoet  
Executive Manager AECF



The Fund Manager of the AECF is KPMG  
Development Services Limited



# Presentation Outline

- 🌱 What is the AECF
- 🌱 Aims and Objectives of the AECF
- 🌱 Making market systems work
- 🌱 How the AECF works
- 🌱 Progress to date
- 🌱 Project examples
- 🌱 Financial value chain
- 🌱 Partnership with investors



# 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

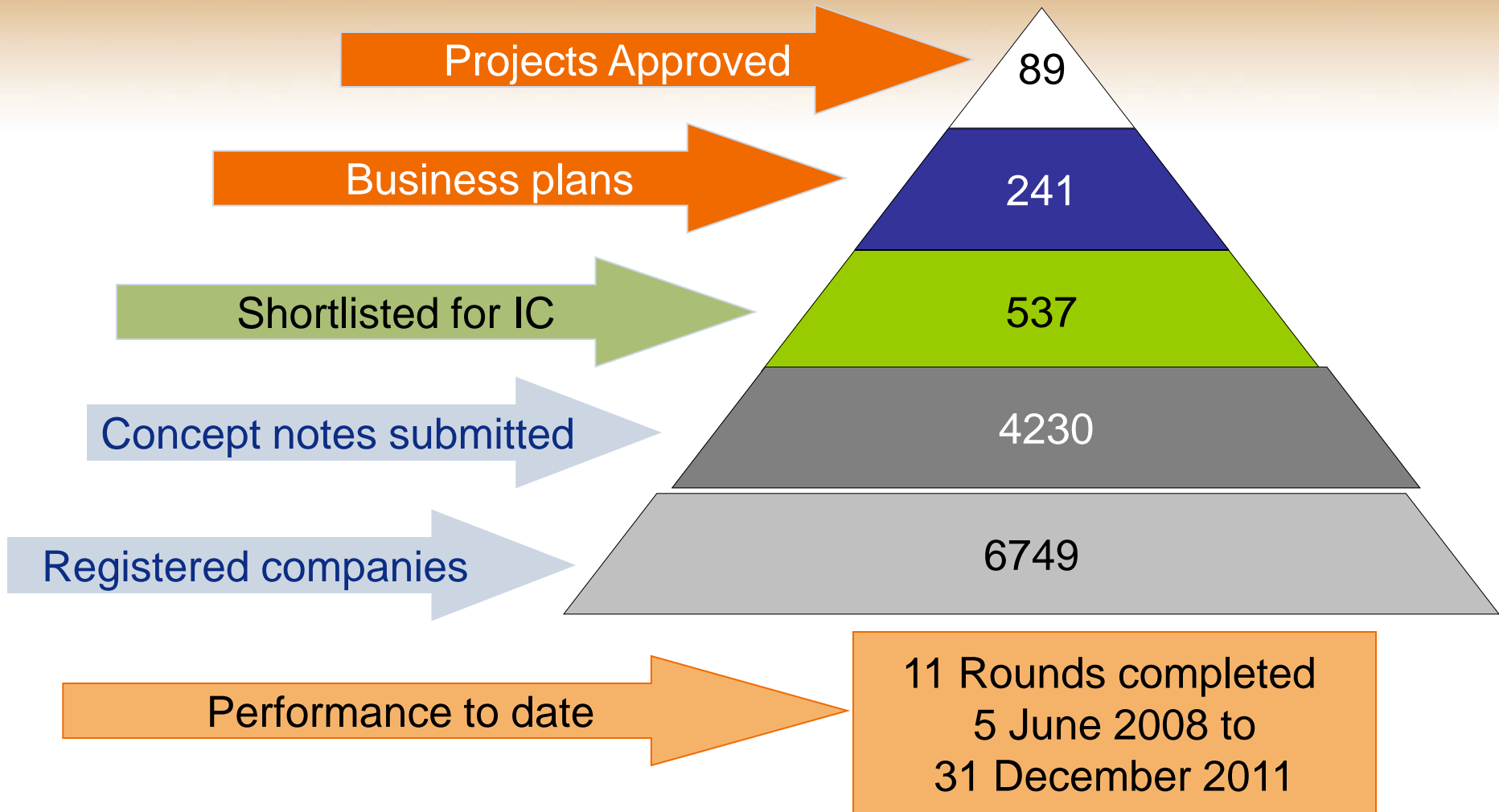


# How the AECF works

- 🌱 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





# 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

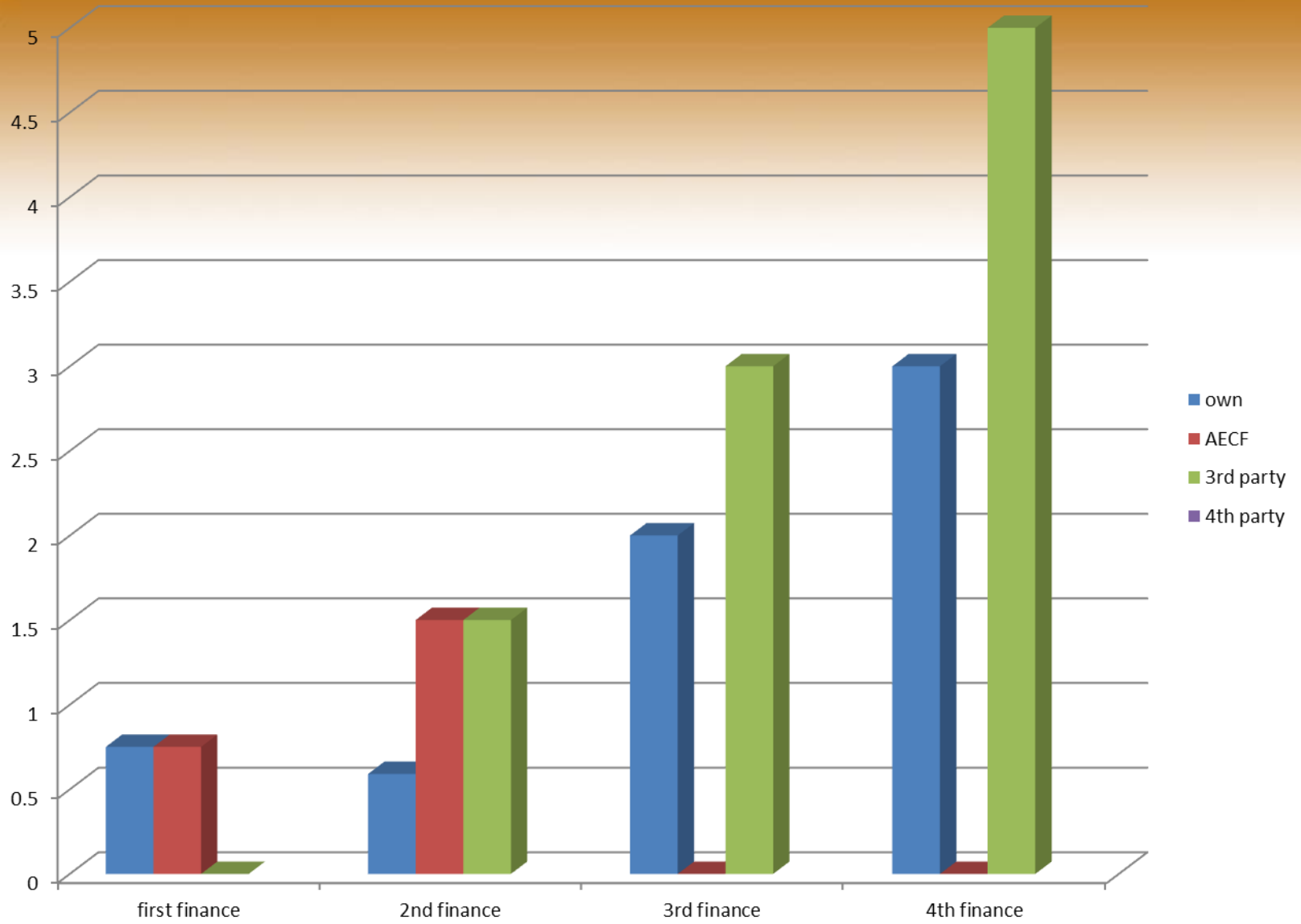
Projects include:

- 🌱 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.



The Fund Manager of the AECF is KPMG Development Services Limited

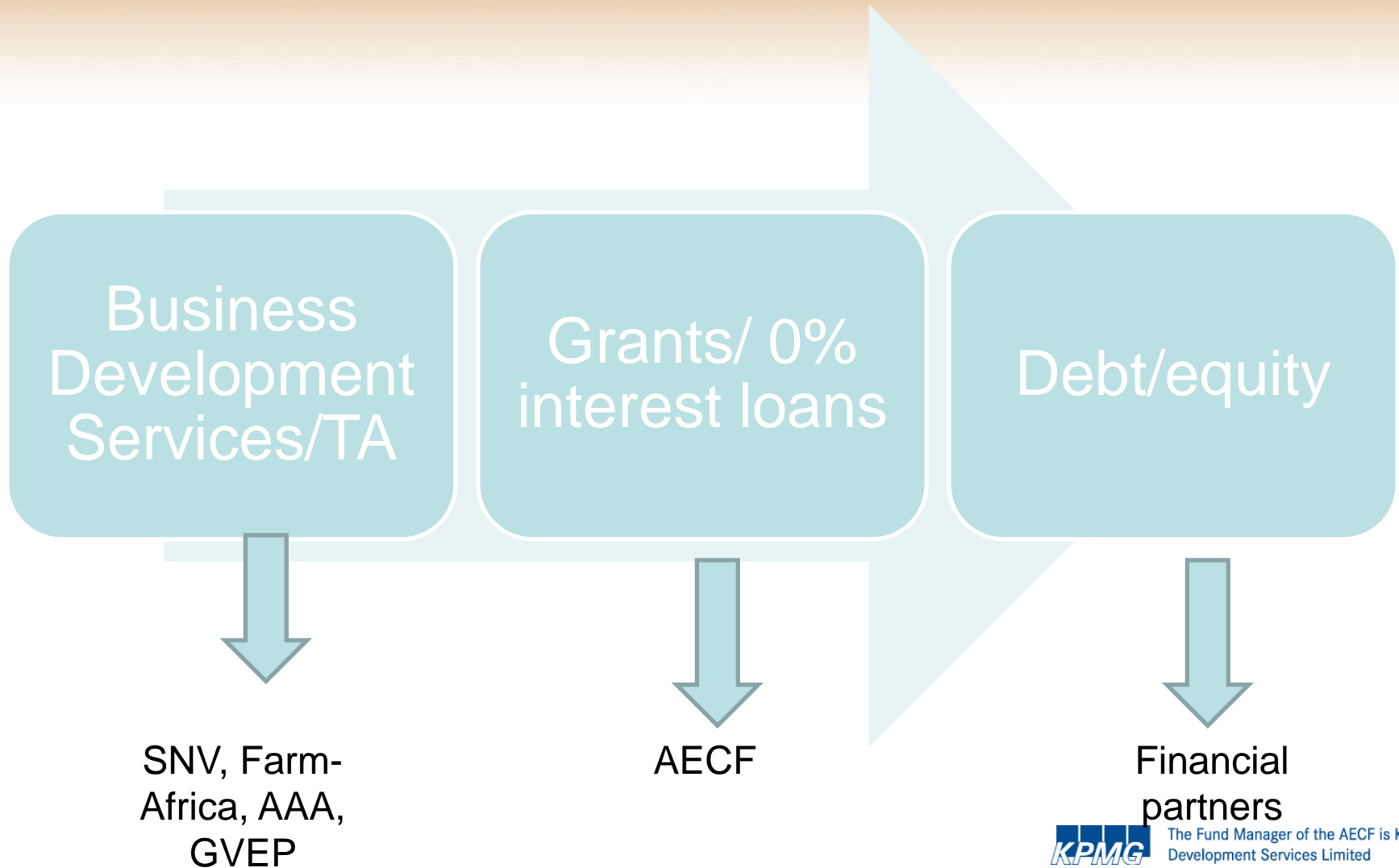


# Trickle down effect of AECF capital

- 🌱 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  $\pm$  2000 farmers to produce seeds.



# Financial value chain: new partnerships



SNV, Farm-Africa, AAA, GVEP

AECF

Financial partners



The Fund Manager of the AECF is KPMG Development Services Limited



# 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