



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



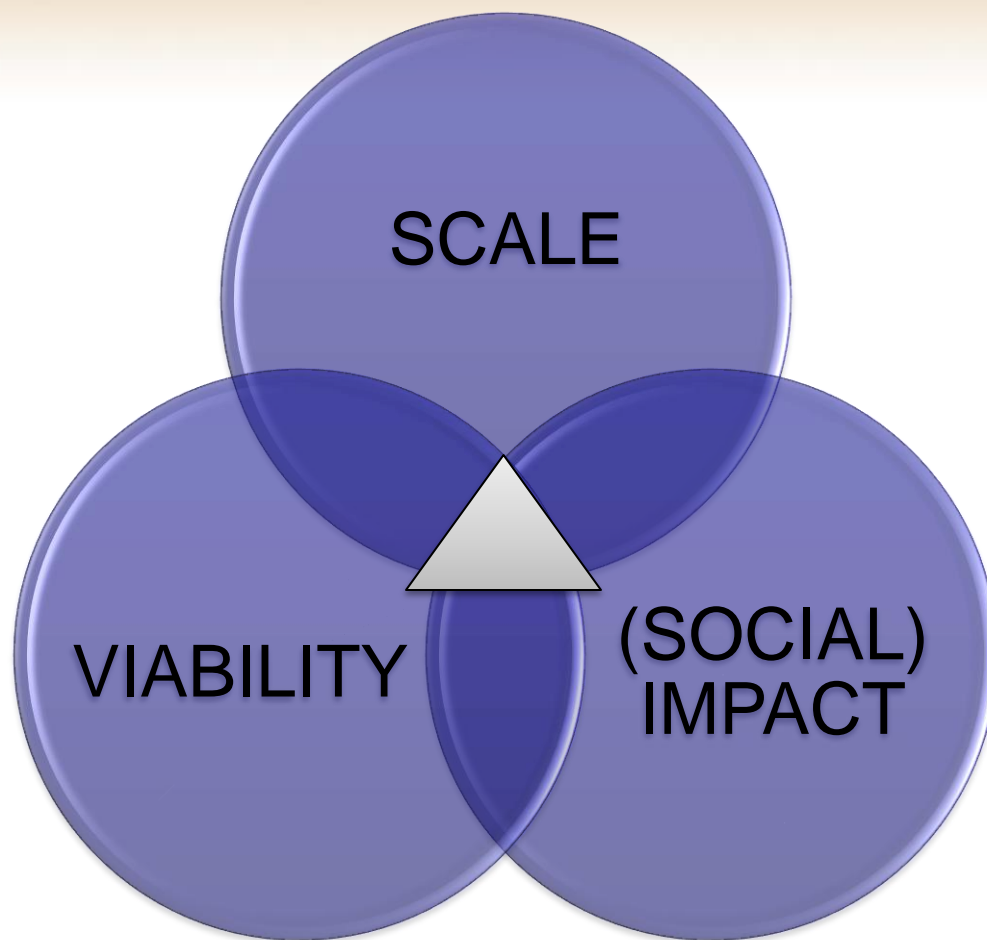
- 🌱 **Purpose:** to make agribusiness, finance, renewable energy and information market systems work better for the poor in rural areas in Africa
- 🌱 **Objective:** *Increase jobs and incomes for large numbers of people living in rural areas across Africa.*



What the AECF does

- 🌱 “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



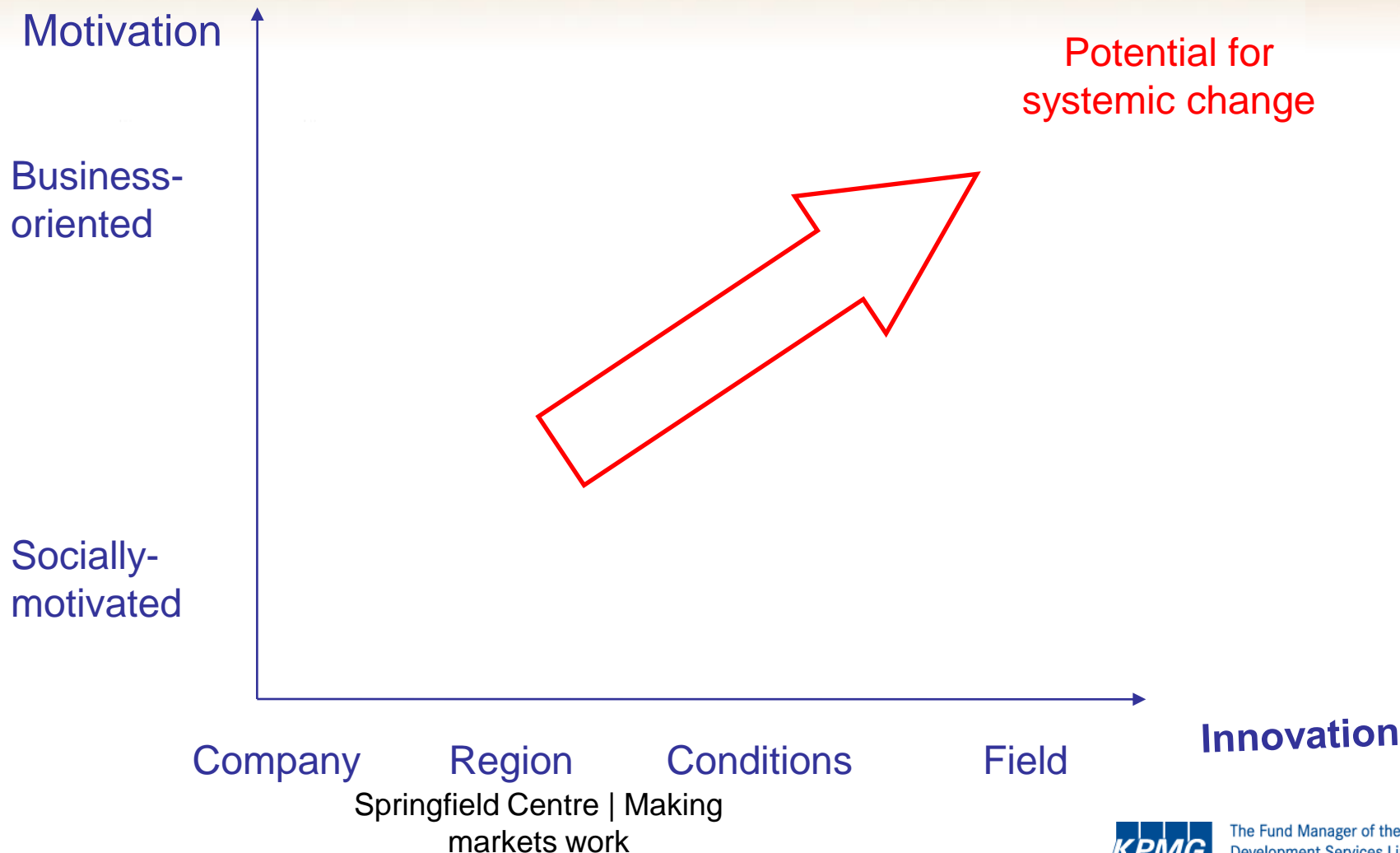


Finding the right projects

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



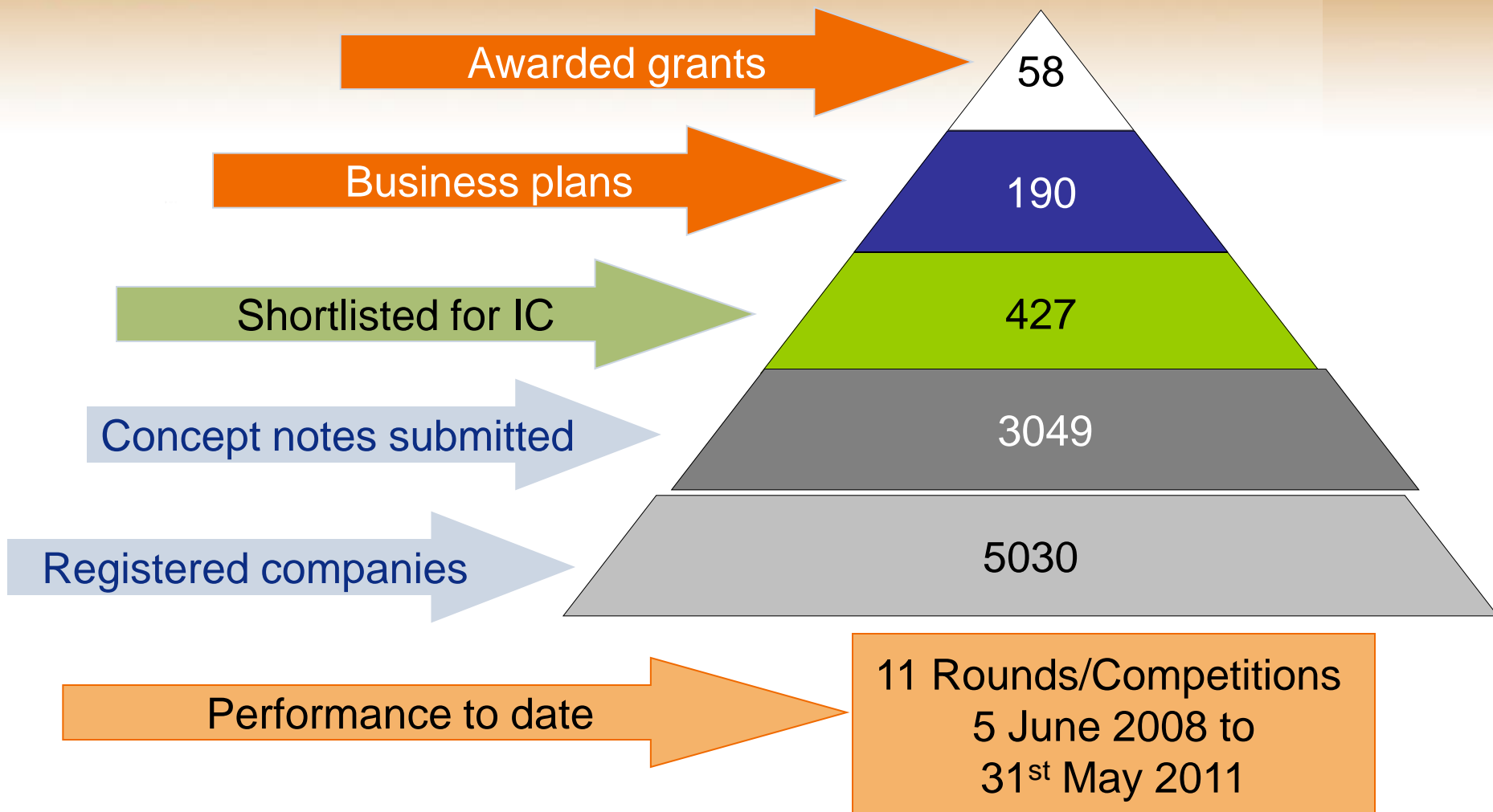


Achievements to date

- 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



Project Examples: Tanga Fresh



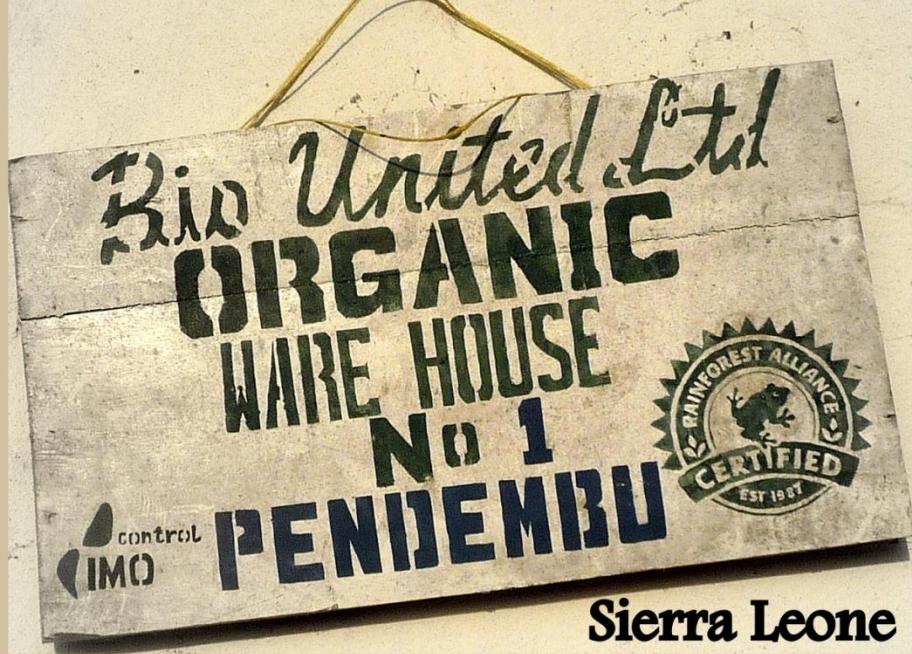
Dairy Milk Farmer in Tanga



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 Volkswagen 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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