



ANNUAL REPORT 2020

RESILIENCE IN ACTION

Protecting development
gains in a time of crisis



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INTRODUCTION

INTRODUCTION WHO WE ARE

ABOUT AECF

The AECF is an African development funder that supports innovative commercial businesses in the agribusiness and renewable energy sectors while avoiding/addressing the impact of climate change with the aim of reducing rural poverty, promoting resilient communities and creating jobs through private sector development.

The AECF provides patient capital to highly innovative, early-stage and growing enterprises that are hidden gems, poised for greatness, but that struggle to access funding from traditional sources of finance.

Launched in 2008, the AECF has mobilised over US\$ 392 million, leveraged more than US\$ 753.8 million in matching capital, improved the lives of more than 28 million people, and created and sustained 25,898 direct jobs. To date, we have supported 343 impact-focussed Small and Medium Enterprises (SMEs) in 26 countries across sub-Saharan Africa and across 40 value chains aligned to our focal sectors in agribusiness and renewable energy.

The AECF is headquartered in Kenya, with offices in Côte d'Ivoire and Tanzania.

VISION

To build a prosperous, enterprising and resilient Africa

MISSION

We unlock the power of the private sector to positively impact low-income households in rural and marginalised communities in Africa.



APPROACH

AECF uses a challenge fund approach to address market failures by incentivising private sector businesses to respond to development challenges through open competition as the lead principle. Successful businesses receive funding, as well as technical assistance and pre- and post-investment support. We incentivise businesses to provide sustainable solutions that contribute to poverty reduction and transform lives within rural and marginalised communities. Most of these businesses have innovative ideas but lack the capacity and funds to test and take them to scale. This is where AECF comes in.



CORE OBJECTIVE

AECF's goal is to bridge the investment gap between early-stage enterprise and business maturity for entrepreneurs serving the poorest communities. Through catalytic funding, we help surface and commercialise new ideas, business models, companies and technologies designed to increase agricultural productivity, expand energy access, and address the impact of climate change to alleviate poverty in rural and low-income areas.

HOW WE DELIVER

We deploy patient capital, technical advisory services, knowledge and insight services, as well as investment brokerage services to catalyse our investees into the next stage of business growth.

INTRODUCTION CHAIR'S MESSAGE

STRONG PERFORMANCE
AND PARTNERSHIP

HIXONIA NYASULU
CHAIR OF THE BOARD

For a pan-African organisation with a thriving portfolio of sustainable enterprises in 16 countries in 2020 and 26 countries including the closed projects, the COVID-19 pandemic presented multiple risks to the AECF's continued high performance and positive impact. In 2020, as we moved through this global emergency the AECF team demonstrated agility, leadership and vision in their rapid responses to these threats as well as their unwavering support for our investees and beneficiaries. Indeed, the crisis inspired us to deepen our strategic commitment to building the resilience of these communities through sustainable enterprises and markets.

Investee resilience and ingenuity

In ensuring that their business and its beneficiaries withstood the impact of COVID-19, Stewards Globe, the AECF's investee in Zambia, embodied the spirit of resilience and ingenuity displayed across our portfolios in 2020. Following transport constraints and border closures imposed by the pandemic, vital supply chains and delivery mechanisms were seriously disrupted in Africa. The restrictions on the movement of raw materials also impacted productivity, while imports and exports suffered as local operations slowed, limiting the ability of service providers to reach their customers in remote rural communities.

Stewards Globe found another way around this problem. With access to larger vehicles restricted, they applied for relief funding through the AECF to procure a fleet of motorcycles. This enabled their rural staff to continue delivering agricultural extension services and support to 46,215 households in that year.

Their story reflects the agility and vision demonstrated by the AECF during the pandemic. From the release of emergency funds through the Swedish International Development Cooperation (Sida) and Global Affairs Canada, to the launch of new programmes and the expansion of key services, we enabled SMEs to continue reaching rural and marginalised communities across sub-Saharan Africa.

Africa's premier development institution

I am extremely proud of our efforts during 2020. Above all, we ensured the safety of our staff while enabling the delivery of the work that was expected of us. The AECF was made for times like these, and our interventions and approach in 2020 proved to be highly effective and appropriate.

In 2019, having strengthened our organisation and processes, 2020 was a year of expansion and implementation. Even though 2020 was a very difficult year with the pandemic, we ran the most competitions and onboarded the most companies in the history of the AECF – a total of 71. Our new independent investment committee was crucial in expanding our capacity so the AECF Board could allocate, based on their recommendations, emergency funding awards as well as competition winners for our existing programmes. I am confident our investment decisions will result in an even stronger portfolio and greater development impact in the coming years.

We also initiated a rigorous strategy refresh, looking back to where we had come from and ahead to where we are going. We considered what has and has not worked in the past, and what we want to take forward into the future. While we were limited to virtual consultations, we engaged with all our stakeholders to ensure the real needs on the ground were reflected in our priorities. Our new 2021-2025 strategy, which you can read more about on page 50, anchors our work in the building of resilience for vulnerable communities.

2020 was also a year of exciting new partnerships with multilaterals that share our vision of a prosperous and sustainable Africa for all. We initiated major new programmes that demonstrate our continued belief in Africa's private sector to solve major development challenges, and we are grateful to our international donor partners for their continued belief in us.

Early in the year, we secured a new partnership agreement with the International Finance Corporation (IFC) for a US\$18.2 million programme to support displaced populations and their host communities in North-West Kenya. We also formalised a partnership with the European Union to deliver a €4.5 million pilot programme to

build stability and resilience in Somalia. With both of these programmes focusing on fragile contexts, we are deepening our engagement in conflict-affected environments where, more than anywhere else, the private sector requires de-risking to support the rebuilding of economies. Working together with our partners, we are committed to tackling the causes of conflict, as well as unemployment, inequality and poverty, in these and other fragile states.

Leading from the front

The Board and Executive leadership ensured we were well placed to navigate the uncertainty and disruption caused by COVID-19. Indeed, the strength of leadership across the AECF – expanded with the addition of a new Director of Investments and Portfolio and Director of Operations – meant we could re-engineer our ways of working and respond with speed and impact as the crisis deepened.

I want to thank all AECF employees for their tireless efforts during this difficult period. Our ability to ensure business continuity for our investees, and uninterrupted support for communities on the ground, underscores the sheer resilience and resourcefulness of the AECF as an institution. We look forward to working with all our beneficiaries, investees, partners and wider stakeholders in the year ahead.

Hixonia Nyasulu
Chair of the Board

“Our ability to ensure business continuity for our investees, and uninterrupted support for communities on the ground, underscores the sheer resilience and resourcefulness of the AECF as an institution.”

INTRODUCTION CEO STATEMENT

BUILDING RESILIENCE WITH COMMUNITIES AND BUSINESSES DESPITE COVID-19



VICTORIA SABULA
CHIEF EXECUTIVE OFFICER

2020 was an unusual year.. Everything and everyone was affected by the COVID-19 pandemic, in a year fraught with unimaginable suffering and loss across the globe. We reflect on the past 12 months with deep compassion for all those who lost loved ones, and for the billions of lives affected by the drastic but necessary measures undertaken by governments to contain the virus and protect their citizens.

Our absolute focus at the AECF was on community – our staff, investee companies, and the millions of households we reach. Leaning in with tireless energy to support the emergency response in Africa, we accelerated and multiplied what we had already been doing to bolster investees and reach more communities. In order to outpace disaster, we adapted, innovated, and moved rapidly to build resilience and continued hope for a prosperous Africa.

AECF's COVID-19 response

As one of Africa's leading development funder, based in Nairobi with staff in multiple countries, the AECF's presence close to our investee companies meant we could immediately pivot our entire operation into emergency response mode. This enabled us to protect, defend and support the families in vulnerable communities that were dependent on our investees for essential services, products and livelihoods. Indeed, our absolute priority was to protect these vital services and jobs for the poorest households.

Our investees faced exceptional challenges. For instance, companies supplying solar home systems were no longer allowed to meet their clients, agribusinesses were cut off from their supply chains, and women smallholder farmers struggled with additional care burdens and business disruption.

Unable to visit our investees in person, our staff quickly adapted to virtual office systems and found multiple ways for two-way engagement to ensure investees were fully supported and that their financing flowed. We also developed a deep understanding of the complex evolving risks facing each region, country and sector.

At the same time, our senior directors and I held virtual meetings with the majority of our investees to express our solidarity, provide advice, facilitate peer-to-peer learning and continually inform our emergency response. I was deeply inspired by the fearless determination of our entrepreneurs and their unwavering commitment to their communities.

Rapid relief funds, advisory services and community

As the crisis unfolded, we continued to provide vital support to businesses and worked hard to secure rapid relief funding from some of our donors, such as the Swedish International Development Cooperation Agency (Sida) and Global Affairs Canada, to protect lives and livelihoods.

As a result, we launched and implemented two relief funds with a combined total value of US\$ 3.3 million, providing emergency working capital to companies during the pandemic. This ensured that renewable energy, food and farming services for the poorest households were not disrupted at a time when they were most needed.

Although the pandemic created widespread disruption across Africa, impacting value chains, mobility, trade and exposing the vulnerability of systems, it also underscored the value of the private sector. In their ability to quickly adapt to and deal with the disruptions, the AECF-supported companies displayed true resilience by repurposing and downsizing their operations; rethinking supply chains; finding new ways to service markets, and creating new platforms for engagement – in short, they fought for business survival and continuity.

Highlights from 2020

Our mission has never been more urgent. I am proud that the AECF continued to provide catalytic finance, impacted communities, and made progress as a development organisation.

During the year, we reached 324,648 households and over 1.62 million people through our ongoing renewable energy and agribusiness programmes. We also onboarded a record 71 new companies – the highest number yet in any one-year period. This achievement demonstrates our commitment to building a pipeline of high-impact companies and a prosperous, enterprising and resilient Africa.

2020 was also a year of competition launches. Having secured funding in 2019, we went to market in 2020 with the Kakuma-Kalobeyi Challenge Fund (KKCF) attracting 84 private sector and 39 social enterprise applicants. KKCF represents a significant expansion of the AECF's interventions in fragile environments, echoed by the launch of our REACT SSA Somalia and Finance for Inclusive Growth (also in Somalia) competitions. We also launched a new innovative finance tool to reach low-income households, the REACT Kenya Results-Based Financing programme, which seeks to leverage and incentivise companies to deliver energy products and services in off-grid communities.

Post-2020 – new strategy and future focus

The year 2020 ushered in the end of the AECF's 2018-2020 strategy, enabling us to mature our challenge model in order to deliver maximum impact and improve the resilience of millions of rural and marginalised Africans. During this period, we expanded our fund size, growing it to US\$392 million. We recorded our highest impact, investing in 343 businesses (from 32 competitions) and benefiting 28 million lives. We saved on 1.2 million tonnes of CO₂ emissions through strategic renewable energy interventions, and we also mitigated against the impact of COVID-19 across our countries of operation.

Our past work has shown us the potential for transformation among low-income households when SMEs are supported with finance and intentional technical advisory support. To further support and expand this work, in January 2021, we launched our new strategy, The Building of Resilience. COVID-19 exposed all of us to the vulnerability of systems, and going forward the AECF will endeavour to build the resilience of low-income households, businesses and systems by supporting enterprises with patient capital, simplifying technical advisory architecture to fit SME

needs, supporting businesses to be investor ready, and connecting them to investors. We will also work with other stakeholders to advocate for an enabling environment that catalyses private sector investments.

At the AECF, we believe in Africa's SMEs and their potential to change Africa's story. We remain indebted to our current funding and strategic partners – Swedish International Development Cooperation (Sida), Foreign Commonwealth Development Office (FCDO), Global Affairs Canada (GAC), AGRA, Syngenta, International Finance Corporation (IFC) and the European Union (EU) – for their commitment to moving Africa forward through private sector development.

I hope you enjoy this report.

Victoria Sabula
Chief Executive Officer

INTRODUCTION

OUR IMPACT IN 2020

1.62M



lives improved across sub-Saharan Africa

124



active small and growing companies

43



customised Technical Assistance (TA) interventions commissioned

3,426



direct jobs created and sustained

50



investment readiness and facilitation interventions

US\$8.86M



matching funds unlocked from the private sector

US\$53.18M



development impact achieved

48,479



tonnes of CO₂ emissions avoided

OUR CUMULATIVE IMPACT

AECF's overall cumulative impact and achievements

25,898

direct jobs created and sustained

US\$753.8M

unlocked in matched funding from the private sector

12.23x

value of impact generated from AECF investments – Development Rate of Return (DRR)

28M

lives of rural and marginalised Africans reached

343

impact-focused small and growing businesses

5x

additional capital leveraged by AECF investees subsequent to AECF investments

US\$1.83BN

total development impact achieved

US\$220M

total committed capital to companies

1.2M

tonnes of CO₂ emissions avoided

COUNTRIES OF OPERATION



OUR PERFORMANCE IN 2020

THE AECF'S COVID-19 RESPONSE



**DELIVERING VITAL
SUPPORT DURING
THE COVID PANDEMIC**

OUR PERFORMANCE IN 2020

SUPPORT DURING COVID-19

The AECF provided much-needed support to investees in 2020 through emergency funding and tailored technical assistance. During the pandemic we helped companies to withstand shocks, mitigate risks and pivot to new opportunities, ensuring business continuity while protecting development gains.

COVID-19 hit African businesses and communities hard. Lockdowns, travel restrictions as well as supply and demand shocks combined to impact multiple sectors. With supply chains greatly disrupted, investors slowed down on funding as they became more risk averse. Consumer purchasing power diminished, and with working capital presenting major challenges, many businesses were forced to slow down operations and lay off staff. Indeed, while the overall socio-economic impact of the pandemic is not yet fully known, the United Nations Economic Commission for Africa (UNECA) suggests that four in five businesses on the continent were severely affected.

As the pandemic unfolded, the AECF conducted a risk categorisation exercise (see page 46 for more information) in order to better understand how our investees were being impacted. From the insights gained during the assessment, we identified a number of ways to support them.

The value of rapid-reaction finance

In particular, the pandemic sharpened our awareness of the value of rapid-reaction finance. With many countries in sub-Saharan Africa facing major shocks on a regular basis – floods, drought, locusts, conflict – we needed to expand access to rapidly available funding in order to build resilience among businesses and beneficiaries, and to ensure business continuity during challenging times.

Underpinned by technical assistance, knowledge and investment support, finance has emerged as a key intervention and contributor to resilience. By continuing to fund enterprises, we are able to open up possibilities for our beneficiaries.

Relief funding

In order to provide companies with rapid-reaction finance, we implemented two relief funds with support from key funding partners, one for our agribusiness investees and another for our renewable energy portfolio. These funds were designed to channel emergency working capital to companies through an agile re-engineering of the investment process. Amid the myriad challenges presented by COVID-19, our businesses required to be backed up by quick decisions and disbursements, which we were able to provide, and the 20 companies selected went on to validate our investments in them.



THE EMERGENCY FUNDS WERE:

KENYA REACT RELIEF FUND

Launched in June 2020 with support from Sida, the Kenya REACT Relief Fund, at a value of US\$ 2 million, benefitted 10 companies in Kenya. Funding was provided to cover short-term working capital needs.

Protecting development gains:

US\$2M

funds invested

10

number of companies benefitted

AFRICA AGRIBUSINESS PROGRAMME ROUND 2 RELIEF FUND

Backed by GAC, the Africa Agribusiness Programme Round 2 Relief Fund, at a value of US\$ 1.3 million, benefitted 10 companies and was designed to prevent project closure and protect vulnerable communities.

Protecting development gains:

US\$1.3M

funds invested

10

number of companies benefitted

The availability of the emergency funds for the companies allowed them to preserve development gains, specifically jobs and livelihoods.

These relief funds were pivotal to assisting investees bridge the gaps in working capital caused by their inability to access inputs and markets. In this way, we enabled investees to maintain operations, sustain jobs and continue delivering vital products and services to rural and marginalised communities.

The emergency funds were complemented by provision to companies of technical assistance in a number of areas including business continuity and risk management in a time of crisis.

OUR PERFORMANCE IN 2020

TAPPING INTO THE LOCAL PALM OIL MARKET IN SIERRA LEONE

NEDOIL ORGANIC PALM OIL

Nedoil is a Sierra Leonean company committed to the sustainable production of organic fair-trade palm oil. Established in 2007, Nedoil is a member of the Natural Habitats Group of Companies, with a marketing presence in the US and the Netherlands.

With the arrival of COVID-19, Nedoil faced two major challenges. The first revolved around organic certification for its network of smallholder farmers. Successful certification means higher export prices, and the disruption to this process in 2020 threatened to impact farmers' earnings. In response, Nedoil shifted from in-person field assessments to remote audits conducted via WhatsApp video calls with an office in Ghana. By maintaining communication with the official certification body, the team conducted the audits to EU standards, ensuring successful certification for 2,150 farmers in the Yele region.

The second major challenge was the loss of regular annual export volumes to the Netherlands, caused by COVID-19 freight and travel restrictions. To overcome this issue, Nedoil turned to the local market, transferring the sales of palm fruit and crude palm oil to a newly built refinery in Freetown. In total, Nedoil produced 199.85MT of organic crude palm oil in 2020, combined with oil carried over from 2019 to deliver 239.9MT to the local market.

While the loss of exports during the year was potentially damaging, the shift to in-country sales delivered localised development and kept over two thousand smallholder farmers in business, as Nedoil CEO Mohamed Kamara reflects:

“We didn’t collapse. Through our efforts we secured the local market for our farmers’ produce. Thanks to the AECF COVID Relief Fund, we purchased trucks for farmer outreach, fruit collection and certification. If we had not collected the farmers’ fruit, it would have increased their vulnerability, so our actions greatly limited the negative impacts on them.”

Nedoil CEO,
Mohamed Kamara

US\$100,000

in emergency funding through the AECF COVID Relief Fund

199.85MT

organic palm oil produced

Fatmata farms 3.2 hectares in Gbonkolenken, Yele, Sierra Leone, producing palm fruit, pineapples, timber, rice and groundnut. In September 2020, Fatmata's father died, placing additional pressure on the family business.

“When my father died I was forced to abandon my college studies and return to the plantation to run it and look after my sick mother. I had to help with the harvesting so we could sell our produce to Nedoil, who were buying our fruit bunches. We sold over 2 million Leones (US\$ 200) of fruit to Nedoil in 2020. I used to disagree with my father about selling fruit to Nedoil. But now I appreciate the workload they have relieved us of and the profit we make. I also observe that most of Nedoil's profits are retained for the benefit of the people of Gbonkolenken. If Nedoil continues to purchase our fruits, this will enable me to continue my studies in the future.”

Fatmata S. Conteh, Farmer

OUR PERFORMANCE IN 2020

NEW INNOVATIONS TARGETING KENYA'S FISHERFOLK

SUNTRANSFER SOLAR HOME SYSTEMS

Established in 2009, SunTransfer is an asset-financing company disseminating high-quality solar home systems to rural and peri-urban households in Kenya.

In 2020, as the pandemic hit, sales from SunTransfer's microfinance activities began to drop. With travel restrictions limiting field marketing activities, the company switched to digital exhibitions, videos and virtual group meetings to keep its message 'out there' while targeting specific geographical areas to optimise income generation.

With energy declared an essential service by the Kenyan Government, and a noticeable spike in household demand, SunTransfer was able to continue distributing PAYGO solar home systems via its 12 solar centres. It also plugged into an opportunity to pivot to alternative markets with the launch of a new product: the SunTransfer Solar Fish Lamp which replaces the use of conventional but harmful kerosene lamps. The Solar Fish Lamp is used by fishermen at night to attract fish into their nets. Sales of the product rose from 20 in June 2020 to 474 by December 2020.

Not only did this product account for 20% of SunTransfer's total annual income, but it also helped to sustain a vital rural value chain. However, the purchase of the lamps would not have been possible without the AECF's intervention, as Gathu Kirubi, CEO of SunTransfer, explains:

"We received US\$ 200,000 in emergency funding through the AECF COVID Relief Fund. This support was a gamechanger. It enabled us to maintain our inventory and retain staff during this difficult period. It also helped us access the Fish Lamps and open up a new income stream"

SunTransfer CEO,
Gathu Kirubi

Fishing is the primary source of income for Millicent, a 56-year-old widow and mother of eight from Siaya County, Kenya. From her home in Ugambe Beach, on the shores of Lake Victoria, Millicent sets out in her boat each evening to catch fish, which she sells at the local market.

In 2020, Millicent switched to SunTransfer's solar Fish Lamps. The new lamps cost just Ksh 50 a day, delivering a 50% saving on fuel alone. Crucially, they also provide better and brighter light which attracts more fish to the nets, boosting Millicent's catch and income by 25% rising from Ksh 2,050 to Ksh 2,500, owing to the switch from kerosene to solar lamps. Powered entirely by the sun's energy the Solar Fish Lamps have no negative impact on hygiene, public health or the environment.

"Previously, I used kerosene lamps while out on the lake at night. The kerosene cost me Ksh 100 a day and had its own set of challenges, I had frequent fuel leakages that polluted our fishing waters and contaminated the fish in my boat.

When I purchased the SunTransfer lamps, I was able to save more money which has gone to my children's school fees and major household costs. With five children in primary school, two in secondary school and one in college, the lamps are making a vital contribution to my family's education and wellbeing."

Millicent Anyango Omondi, Fisherwoman

US\$200,000

in emergency funding
through the AECF COVID
Relief Fund

OUR PERFORMANCE IN 2020

MOZAMBIQUE'S FARMERS MEET A DEMAND FOR DRIED FRUIT IN EUROPE

6.5T

new weekly orders

94%

AfriFruta's swift response saw the company increase its sales by 94% and achieved profitability for the year, with a positive knock-on effect for the predominantly female workforce and smallholder networks that supply mangoes, bananas, pineapples, papaya and coconut.

AFRIFRUTA FRUIT SUPPLY CHAINS

AfriFruta builds and manages fruit supply chains in Inhambane, Mozambique. Through direct sourcing, extension and buying stations, AfriFruta has reached over 2,000 local smallholder farmers, connecting them to local and international markets. It also provides technical support to ensure standards are met, and actively engages local women in agriculture. Over 80% of its farmer base are women.

In the wake of the COVID pandemic, an opportunity arose that would enable the business to preserve existing jobs and support farmers. With increased demand for dried fruit in Europe, the company secured new weekly orders of 6.5T, creating the need to source fruits from further afield, venturing into other provinces like Gaza and Sofala.

Initially, the farmers would deliver the fruits to the factory, but with the government restricting movement to contain the pandemic, farmers could not transport fruits to the factory in Inhambane.

AfriFruta Managing Director, Jaco le Roux said "We needed to procure a refrigerated truck to source and transport fruits from farms that are far from the factory. In addition, the truck enabled us to source more fruits from the farmers and to transport the dried fruits to the port in South Africa, for shipment on time. The

AECF helped us secure this truck, ensuring workers did not lose jobs while providing a source of income for smallholder farmers."

The AECF provided AfriFruta with emergency funds to procure the much-needed refrigeration truck as well as making sure the US\$ 450,000 processing facility that the AECF helped set up maintained biosafety standards in line with the government's COVID containment regulations.

AfriFruta's swift response saw the company increase its sales by 94% and achieved profitability for the year, with a positive knock-on effect for the predominantly female workforce and smallholder networks that supply mangoes, bananas, pineapples, papaya and coconut.

"We needed to procure a refrigerated truck to source and transport fruits from farms that are far from the factory. In addition, the truck enabled us to source more fruits from the farmers and to transport the dried fruits to the port in South Africa, for shipment on time. The AECF helped us secure this truck, ensuring workers did not lose jobs while providing a source of income for smallholder farmers."

AfriFruta Managing Director, **Jaco le Roux**

OUR PERFORMANCE IN 2020

AGRIBUSINESS PORTFOLIO

Boosting agricultural productivity and food security in sub-Saharan Africa

Resilience in agriculture is about equipping farmers to withstand shocks to agricultural production and overcome the challenges that limit income. It is about giving them the resources, technologies and information that allow them to thrive.

Low levels of productivity and poorly integrated value chains greatly limit Africa's ability to feed itself. And yet in sub-Saharan Africa, agriculture accounts for 32% of GDP and employs 65% of the workforce. The potential for agriculture to reduce food insecurity and poverty on the continent is not to be underestimated.

At the AECF, we believe small and growing businesses hold the key to driving agricultural transformation and building resilience among smallholder communities.

By providing catalytic funding and technical support to these enterprises, we work to boost productivity and improve the lives of smallholder farmers in Africa.

Since 2009, the AECF's agribusiness work has supported 198 companies across 26 countries in over 40 value chains. Through this portfolio we have invested over US\$ 210 million, and currently have more than 35 active projects in the field. We have supported a diverse range of enterprises, including improved seed varieties and livestock vaccines, the introduction of new farming systems and agribusiness models, as well as the provision of financial, media and information services and technologies.



AGRIBUSINESS IMPACT

In 2020, our agribusiness projects achieved the following

US\$ **129M** 

committed to Agribusiness portfolio companies

35 

active portfolio companies

979,155 

total number of lives impacted

1,358 

total number of direct jobs created

US\$ **249.7** 

average net benefit per household per year

42%

Crops

19%

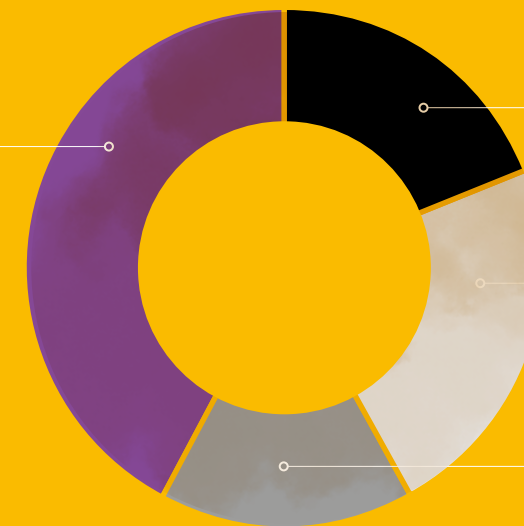
Livestock

23%

Agricultural Inputs and Services

16%

Banking and Services (ICT, Machinery, and Insurance)



OUR PERFORMANCE IN 2020

BUILDING THE RESILIENCE OF AGRI-SMES

AGRIBUSINESS PORTFOLIO ACTIVITIES

Many of our agribusiness portfolio companies faced major challenges in 2020. To help us understand these challenges and provide the best possible support for our investees, we conducted a survey across the entire agribusiness portfolio.

From the survey, we learned that our investees took the necessary precautions and created awareness among staff to address the COVID-19 situation. According to the survey results, some of the challenges faced by businesses included government-enforced lock-downs that led to unprecedented slow down, and in some instances cessation of business activities. Working capital was another major issue, with some companies unable to convert inventory into cash. The reduction of consumer purchasing power also had a negative impact on orders.

At the same time, as revenues declined, certain overheads remained fixed. Leased facilities (e.g. warehouses, office space)

continued to eat into operational budgets despite staff working from home. And in many cases, salaries continued to be paid even when staff were unable to work.

Companies across the board were impacted by disrupted markets and supply chains, many unable to import and export products and services – especially for those companies that source from or supply to China and Italy. Local markets were also unable to absorb products, causing many businesses to seek alternative market routes.

Elsewhere, government restrictions limited the movement of raw materials, severely impacting production and sales in several

sectors, while currency collapse and devaluation – particularly in Zimbabwe – led to skyrocketing input costs. Overall, 83% of the survey respondents were forced to make changes to their businesses as a result of COVID-19.

The survey informed the design of the AECF's emergency relief funds and other response measures designed to ensure business continuity and access to capital. Despite the disruption caused by COVID-19, we continued to support existing investees across East, West and Southern Africa. We also implemented a major new programme and onboarded new investees.



SEEDS FOR IMPACT

Co-funded by AGRA and the Syngenta Foundation for Sustainable Agriculture (SFSA), Seeds for Impact aims to break the cycle of low productivity and poverty among smallholder farmers by expanding access to quality seeds.

The programme is designed to support the scaling of publicly bred seed varieties and innovative seed technologies, with a view to reducing dependency on food imports and improving smallholder incomes.

In 2020, we invested in seven companies from Malawi, Mozambique, Kenya, Tanzania, Ghana, and Nigeria. Focusing on a mix of crops and value chains, the investees offer huge potential to improve seed production and nutrition in these focus countries. Projects include the commercialisation of early generation seed, the development of climate-smart maize, and the use of aeroponics to deliver yam seed to market. We committed US\$ 2.9 million spread over seven seed companies – Afritec Seeds Limited, Beula Seed Company, DA-AllGreen Seeds Limited (DAGS), Legacy Crop Improvement Centre (LCIC), Multi-Seed Company (MUSECO), Oruweru Limitada and Value Seeds.

In 2020, the Seeds for Impact achieved the following:

7,173

net households reached

419

total jobs created

US\$401

average net benefit per household

3,033

total acreage under seeds production

3,621MT

total seed produced

3,332MT

total seeds sold

US\$2,739,177

value of seeds sold

US\$3,587,128

value of seeds produced

In the year, planned programme activities were impacted by COVID-19. Business models based on farmer engagement were severely affected, with social distancing protocols reducing opportunities for field demonstrations and group interventions. Although many of the investees focused on expanding production facilities and capacity, they were also forced to adapt to new ways of mobilising farmers and resources.

Where possible, the AECF assisted companies to pivot to digital platforms and channels. Our partner, Syngenta Foundation for Sustainable Agriculture (SFSA) delivered the technical assistance to the companies

and between February and August, all seven companies received support in business strategy development, as well as marketing and financial management. AECF's Investment Advisory Services team conducted technical assistance webinars, informed by our COVID-19 risk assessment and survey. Following these interventions, three investees were selected to participate in the AGRF Deal Room 2020.

All seven Seeds for Impact participants were still active at the end of 2020, and we look forward to continuing our work with them in the year ahead.

TANZANIA AGRIBUSINESS WINDOW

The AECF's Tanzania Agribusiness Window (TZA) was established to help agricultural businesses in Tanzania to support smallholder farmers to increase their productivity and income. Funded by FCDO and Sida, to date, the programme has been implemented through four rounds of competition. It encompasses 52 investees across a wide range of projects, from seed sector research and outgrower schemes to ag-tech investments and vaccine development.

With 29 active investees across Rounds 3 and 4, and one from Round 2, 2020 began with a flurry of programme activity. As COVID-19 hit, the companies responded as best they could, adapting their operations to the new restrictions and implementing measures to protect employees and customers. Those investees focused on field activities, such as soil testing and training exercises, were the most affected, while logistics companies and other enterprises dependent on imports and exports struggled.

Leveraging findings from our portfolio risk assessment, the AECF provided tailored support packages and technical assistance to enable our investees overcome their challenges. Supporting the shift to virtual training and digital extension services were just some of the actions taken to mitigate the impact of the pandemic.

However, the seed sector proved resilient, with several investees taking advantage of government efforts to safeguard food production. One such company was Rogimwa Agro, which provides input financing to smallholder farmers as well as buying and selling produce. During the year, Rogimwa generated revenues through lucrative supply contracts for beans and maize. They achieved overall sales of US\$ 1.9 million against a target of US\$ 1.2 million, with a gross margin of 27%. Another company, Africasia Seed, also recorded sales that were significantly above target.

Future focus

Looking ahead, the AECF will closely monitor all agribusiness programme activity as our host countries recover from COVID-19 and other localised shocks, such as the Kenyan locust crisis. As we work to get all investees back on track, we will continue to explore new programmes and investments, with a view to increasing market efficiency and agricultural production across Sub-Saharan Africa.

OUR PERFORMANCE IN 2020

AFRICA AGRIBUSINESS PROGRAMME

The Africa Agribusiness Window (AAW) is the AECF's flagship Programme in the agribusiness sector. It consists of Round 1 that came to a close in 2020 and Round 2 that extends to 2022.

ROUND 1

The Agribusiness Africa Window Round 1 came to a close in 2020. The programme was designed to reduce poverty in sub-Saharan Africa by making agribusiness systems work better for the rural poor. It intended to achieve this goal by encouraging and supporting the private sector to invest in agribusiness projects that benefit the poor as employees, out-growers/suppliers of produce, and as users of new and improved products or services.

The programme commenced in September 2012 with funding from FCDO (US\$ 26.7m) and Sida (10.3m).

The programme comprised of 21 investees. At its close, 805,884 rural households had been reached, with one high-impact project (Mekelle Farms PLC from Ethiopia) reaching 621,399 rural households in the last year of programme activity, over three times the target, with a total net benefit of US\$ 183 million.

Overall, the programme succeeded in unlocking other funding windows, widening horizons and expanding opportunities across our portfolios. It reached 805,884 rural households, which translates to 4,029,420 people, with a cumulative

additional net income of US\$ 1,284 per household over the lifetime of the programme. It also created and sustained 3,674 jobs against a target of 2,500.

Round 1 performance highlights in 2020:



ROUND 2

Round 2 of the Africa Agribusiness Programme is a CAD 20 million facility which aims to surface innovative, inclusive business models implemented by small and medium enterprises (SMEs) in the agribusiness sector. It comprises 19 investees and has benefited 566,092 rural households to date (121,123, or 21%, headed by women), 60% of whose beneficiaries live on less than US\$ 2 a day.

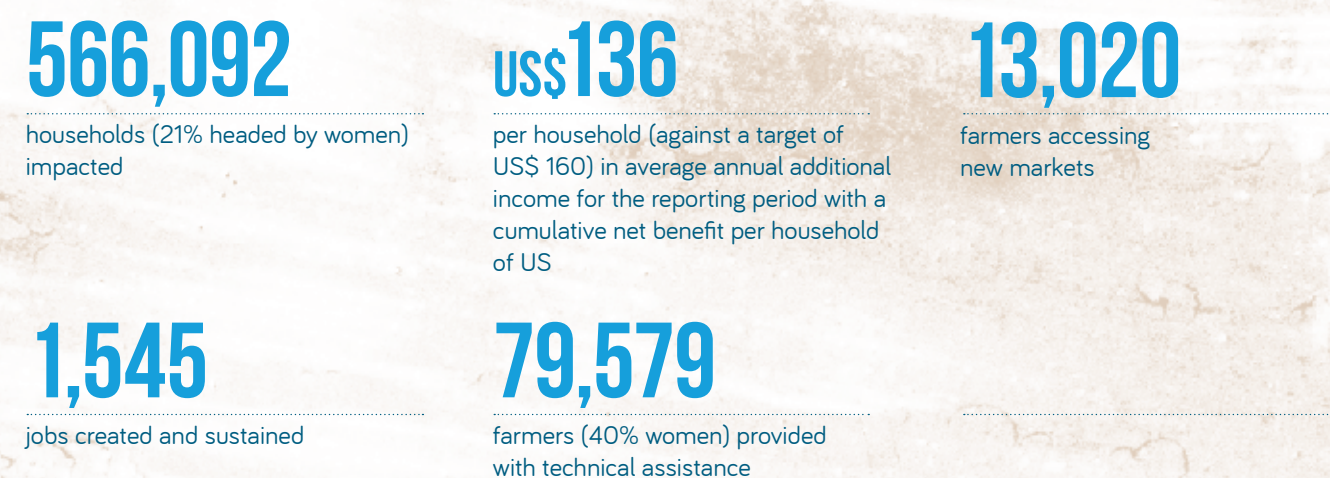
Programme investees operate across a range of agricultural value chains. They include Kenyan mango pulp exporter, Best Tropical Fruits, palm oil producer, Nedoil from Sierra Leone, Nigerian agricultural processing company, Hills Global, and Zambian seed company, Stewards Globe.

The programme launched in November 2014 and was expected to end in December 2020. In May 2020, the main donor, GAC, approved an 18-month, no-cost extension to June 2022 to enable the completion of activities in the wake of COVID-19. GAC also approved the use of the remaining uncommitted funds to set up the **Africa Agribusiness Programme Round 2 Relief Fund**.

Designed to prevent investee closure, the Relief Fund also aimed to protect the development gains made over the previous six years. From a total fund value of US\$ 1.3 million, we disbursed close to US\$ 845,000 across 10 programme participants. The relief funding went towards easing operational

costs, protecting salaries and maintaining business continuity. By the end of the year, all Round 2 investees were still in business, with some even recording tangible successes. Hills Global, for example, made traction with its sweet potato business, venturing into Shoprite as their distribution outlet in Nigeria. Meanwhile, Mozambique Organicos received orders to meet an increasing demand for dried fruits in Europe.

Round 2 performance highlights in 2020:



OUR PERFORMANCE IN 2020

MAXIMISING PRODUCTIVITY AND INCOME FOR **TANZANIA'S** AVOCADO FARMERS



OLIVADO AVOCADO OIL PRODUCTION

Traditionally, avocado farmers in Tanzania would sell their produce to middlemen from Dar es Salaam. Without certification, the farmers lacked the muscle in the marketplace and were forced to contend with low prices for their produce. The middlemen would select the best fruit and leave the rest to rot.

In 2015, with US\$ 1 million of match-funding from AECF, Olivado Tanzania Ltd was founded to provide a better deal for avocado farmers. Purchasing avocados directly from local smallholders, Olivado processes oil from the harvested fruit and uses the waste to produce biogas. This model enables farmers to receive payment from every fruit they pick, significantly boosting their income. Olivado also provides free training and extension support and helps farmers achieve organic certification, which means produce can fetch higher prices through export.

Although certain programme activities were disrupted during 2020 due to COVID-19, Olivado's temporary facility processed 1,200MT of avocado at an average oil yield of 10.2%, with 80% of the processed fruit purchased from local farmers.

According to Mr. Firoth Mgunda, an avocado farmer from Itulalumba village who joined the programme in April 2019, "Olivado rescued us from the middlemen who didn't really care about us, [just] their profit". Having achieved certification through Olivado, Firoth complies with all biodiversity criteria and organic farming standards, which brings him a premium price for his produce.

US\$ 1 MILLION

match-funding from AECF
to support avocado farmers

80%

of processed fruit purchased
from local farmers

In 2020, Firoth harvested over 16,000kg of avocado worth US\$ 2,350.

"Previously," says Firoth, "this fruit would have been wasted on the farm without any buyer due to poor quality."

With the income boost, Firoth has been able to pay his children's school fees and purchase building materials for a new house. He believes that Olivado not only transformed his livelihood but his life.

OUR PERFORMANCE IN 2020

TAPPING INTO NIGERIA'S INCREASING DEMAND FOR HEALTHY FOOD



HILLS GLOBAL SWEET POTATO CHIPS AND FLOUR

Hills Global is an agricultural processing company based in South-West Nigeria.

In 2020, Hills Global and its network of farmers faced the triple challenge of COVID-19 with crippling movement restrictions affecting product sourcing and distribution, African swine fever which affected grasscutter and pig sales and attacks from Fulani herdsmen who invaded the farms in Ogun State, disrupting production.

With the pandemic disrupting the importation of Irish potatoes from Europe which dominates the market, Hills Global tapped into the opportunity to diversify its products while meeting the demand for potatoes.

Rich in Vitamin A, sweet potatoes are fast becoming a popular food item in Nigeria. Hills Global had previously processed sweet potatoes for animal feed, but when the opportunity for a healthy alternative to imported potato chips presented itself, the company swiftly pivoted to this new market.

With relief funding and technical advice from the AECF, the company focused on increasing its market share for sweet potatoes through the introduction of sweet potato chips and flour, while revitalising the outgrowers' schemes that had faced disruption from the Fulani herdsmen.

The Hills Global sweet potato chips entered most major supermarket outlets across Nigeria, and in December 2020, secured a contract to supply their sweet potato chips to Shoprite, a large supermarket chain in Nigeria. The company estimates it will sell 100 tonnes of sweet potato chips and 25 tonnes of sweet potato flour a month by the end of 2021, providing a boost to local agricultural value chains with at least 907 sweet potato farmers poised to reap long-lasting benefits.

25

The company estimates it will sell 25 tonnes of sweet potato flour a month by the end of 2021

OUR PERFORMANCE IN 2020

RENEWABLE ENERGY PORTFOLIO

Resilient communities depend on a regular, reliable and sustainable supply of energy – and contingencies for when that supply fails. Energy access, and in particular electricity generation for productive use, is essential to building efficiency and effectiveness among rural and marginalised populations in Africa.

Today, sub-Saharan Africa is home to three quarters of the global population without electricity. Within the region, as of 2019, 580 million people had no access to energy, while the International Energy Agency (IEA) expects COVID-19 to cause the level of energy access across Africa to fall for the first time in six years.

Over the past ten years, we have supported 145 companies across three regions and 14 countries through our Renewable Energy and Adaptation to Climate Technologies (REACT) portfolio. In this time, our funding commitment has expanded from US\$ 10.9 million in 2010 to US\$ 80.48 million in 2020. Through REACT portfolio activities, the AECF actively supports the UN's Sustainable Development Goal (SDG) 7, which aims to achieve universal access to "affordable, reliable, sustainable and modern energy" by 2030.



REACT IMPACT

In 2020, our REACT projects achieved the following

US\$ **91M**

committed to REACT portfolio companies



89

active portfolio companies



644,085

total number of lives impacted



48,479

tonnes of CO₂ emissions avoided



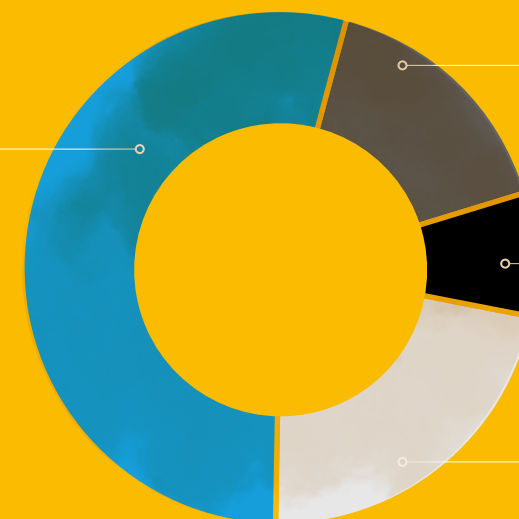
US\$ **184.6**

average net benefit per household per year



54%

Off-grid electrification (mini grids, green loans, e-waste)



16%

Productive Use of Energy (PUE)

8%

Clean Cooking

22%

Climate Smart Agriculture

OUR PERFORMANCE IN 2020

EXPANDING ENERGY ACCESS

REACT PORTFOLIO ACTIVITIES

Population growth in Africa continues to drive demand for alternative sources of light and power. These sources are necessary across a whole spectrum of uses, from basic electricity requirements to productive power technologies. Clean cooking solutions are also essential to household health and wellbeing.

Recent improvements in energy access have largely resulted from rapid electrification in select countries, such as Kenya, Rwanda, Senegal, Ghana and Ethiopia. Significantly, this progress has been driven by the deployment of cheaper and more efficient off-grid systems.

But our learnings indicate that productive use of energy is essential since access to energy alone does not necessarily improve lives. Only through productive use and the deployment of appropriate technologies can we transform and build resilience among rural and marginalised communities.

At the same time, Africa remains uniquely vulnerable to climate change. According to Oxfam International, by 2030 it is expected that over 52 million people in sub-Saharan Africa will be negatively impacted by the climate crisis. Therefore, we must build resilience for communities, businesses and individuals by enhancing their ability to withstand climate shocks and extreme weather events.

2020 was a year of transition and expansion for our REACT portfolio. With some programmes coming to an end, we focused on implementing existing programmes and

expanding our activities into West Africa. We also oversaw a number of competition launches (see below), while continuing to mobilise funds and accelerating access to clean, affordable energy and climate adaptation technologies.

Across sub-Saharan Africa, working from home and school closures resulting from COVID-19 generated an increased demand for household energy. The AECF supported companies and communities to withstand the impact of the pandemic, adapting our processes to ensure investees received the capital and assistance they required.



Through REACT Sub-Saharan Africa, we onboarded 65 new companies from seven countries including Burkina Faso, Mali, Liberia, Mozambique, Kenya, Zimbabwe and Ethiopia.

We carried out virtual site visits and mobilised external consultants to conduct physical verifications. These measures ensured we did not have to cut the flow of working capital to investees. We also allowed breaks in repayment schedules to relieve the financial pressure.

With the AECF's support, some of the REACT investees exceeded expectations during this challenging period. In Zimbabwe, for example, Zonful Energy reached 20,494 households with solar solutions during the year. Owing to the confidence that the AECF had shown in the company, other investors such as the Energy and Environment Partnership (EEP) provided € 500,000.

And in Mozambique, Sogepal, a company working to provide sustainable lighting and clean cooking solutions to off-grid households, exceeded its goals by 48%. Working in a depressed economy against the backdrop of COVID-19, in 2020 Sogepal reached 3,701 households with renewable energy products against a target of 2,500.

REACT SUB-SAHARAN AFRICA

Our REACT Sub-Saharan Africa (SSA) programme aims to bring the benefits of clean energy to off-grid, low-income households. By de-risking unique business models, it supports the private sector to innovate and invest in diverse technologies. Through the programme, we are expanding into West and Southern Africa and to fragile states as well as broadening into a range of renewable energy solutions.

Having finalised some competition work in 2019, in 2020 we focused on programme implementation. Throughout the year, we onboarded 65 new companies from a number of countries including Burkina Faso, Mali, Liberia, Mozambique, Kenya, Zimbabwe

and Ethiopia. Significantly, many of these companies are start-ups and 70% are locally owned. They offer a variety of business models, technologies and services, from e-learning and e-waste to off-grid solar, clean cooking and productive power.

Funded by Sida, REACT SSA has a total fund size of US\$ 63 million, of which we committed US\$ 33.58 million by the end of 2020. Consequently, although in its very early stages, in 2020 the supported businesses were able to create 1,297 direct jobs, 39% of which went to female employees. These businesses also enabled 37,687 households to benefit from clean energy technologies, impacting 188,435 people.

REACT HOUSEHOLD SOLAR

Our REACT Household Solar Programme aims to increase energy access for low-income households, supporting private sector delivery of solar home system products and services.

REACT Household Solar Round 1 has a total fund size of US\$ 10 million, with 10 companies – Energen Wao, MoneyMart Finance, Zuwa Energy, Zonful Enterprises, Vitalite Zambia, FINCOOP SACCO, Kazang Solar, WidEnergy Africa, Community Energy Malawi and Recapo Solar Systems supported to date, across Zimbabwe, Zambia, Malawi and Sierra Leone. In 2020, the investees recorded an overall development impact of 66,376 households, or 331,880 people, saving US\$ 44.86 million in energy related expenditure. The total net development impact was US\$ 4.86m.

During the year, the AECF carried out all planned technical assistance activities under REACT Household Solar Round 1, ensuring our investees had all the required strategic tools and support.

In November 2020, FCDO approved the continuation of REACT Household Solar Round 2, paving the way for implementation in 2021.

Future focus

In 2021 we will launch a new innovation fund to stimulate innovations in clean cooking and productive use of energy.



€500,000

additional capital raised by Zonful subsequent to AECF investment

3,701

households reached by Sogepal against a target of 2,500.

OUR PERFORMANCE IN 2020

EXPANDING ENERGY
ACCESS IN MALAWIZUWA ENERGY
SOLAR HOME SYSTEMS

Zuwa Energy is a social enterprise committed to addressing energy needs in Malawi through the provision of affordable PAYGO Solar Home Systems.

Since 2017, Zuwa Energy has sold four thousand solar home units, reaching 25,000 people in Malawi. But in 2020, COVID lockdowns led to the closure of mobile markets and restricted the movement of Zuwa agents, leading to a significant drop in sales. Zuwa switched to online marketing and payment processing, but with few beneficiaries having access to digital technology, traction was limited.

At the same time, Zuwa's 2016-20 financial plan was coming to an end. And with a new plan needed to attract future funding, the company turned to AECF's Investment Advisory Services (IAS) team for help.

"The AECF helped us devise a new financial model and develop a clear picture of what we needed to do," says Zuwa Energy CEO Jones Ntaukira. "It is a 10-year model, with assumptions for crisis-impacts and growth plans for financing. The resilience contingency element is key, giving us a clear idea of how we move forward and how we respond to future shocks. The AECF team also helped us develop a cashflow planning tool, a data room and evaluation model, which means we can now approach more commercially oriented investors."

With a new plan in place, Zuwa Energy was able to raise an additional US\$ 400,000, to be disbursed over three phases. This money will enable Zuwa to meet its operational and capital expenditure and continue providing vital energy services to rural households in Malawi.

25,000

solar home systems sold

US\$400,000

additional committed capital
subsequent to AECF investment

After two years working in South Africa, Kamadyola returned to Zankutu, Malawi, with some money saved. After speaking with a local Zuwa agent, Kamadyola saw an opportunity. Zankutu has no electricity, but many locals love to watch football on TV, so, Kamadyola decided to invest in a MACHEZA Solar Plus system and solar Bluetooth speaker.

Kamadyola's Video and Sports Centre screens live football and movies to the local community, at a cost of MWK100-MWK200 per person. From the income he makes, Kamadyola easily covers the cost of his monthly installation and takes home money for his family.

"I have never regretted the decision of investing in a Zuwa solar home system for business. I am now able to take care of my family and I earn enough profits to invest in more businesses."

Kamadyola, Businessman

OUR PERFORMANCE IN 2020

LIGHTING HOMES ACROSS LIBERIA

LIB SOLAR

SOLAR HOME SYSTEMS AND SOLAR-POWERED APPLIANCES

LIB Solar installs, finances, and maintains solar systems and solar-powered appliances for rural communities in Liberia. The company's main product provides high-quality lighting, phone charging, and a radio for 32 payments of US\$ 8 per month. LIB Solar also offers upgraded home systems that include fans and TVs, and a business system for women entrepreneurs that includes a commercial refrigerator.

Liberia is a challenging market for pay-as-you-go solar (PAYG). Few households can afford the US 11-US\$ 12 per month charged by PAYG solar companies and mobile money is not in common use. Rural areas are especially challenging due to poor roads and spotty mobile network coverage. Liberians, and especially rural citizens, continue to lack access to lighting or asset-based financing.

LIB Solar's business model overcomes these challenges by leveraging the most valuable resource in rural areas: tight-knit communities. By focusing on communities, rather than selling to individuals, the company can reach economies of scale in each area, making it economically feasible to collect cash payments monthly. The company also works with communities to reduce the costs of payment collection and maintenance by training locals within the community. This business model is based on behavioral

economics research on how Liberian villages raise funds for public good. This same business model is used to distribute and service a range of products, including nano-grids, standalone home systems, and business systems.

With support from the AECF, the company expanded operations to three new counties in 2020, Nimba, Grand Bassa, and Sinoe. LIB Solar grew from 3,150 customers at the start of the year to over 8,000 customers at year end. LIB Solar also grew their monthly revenue from approximately US\$ 21,000 at the start of the year to over US\$ 50,000 per month at the end of the year. More importantly, the households served by LIB Solar, which are 94% rural and 6% peri-urban (0% urban) while 72% live below the poverty line, can now access affordable electricity.

Walid Shellif is a forty-year-old mother with a family of seven. Walid began as a community payment collector, earning a commission of approximately US\$ 80 per month as an additional source of income. Her hard work has earned her a full-time position on the LIB Solar team. She previously earned US\$ 80 per month, so the LIB Solar commission increased her income by 10% but has since increased her earnings to over US\$ 200 per month. She uses the money to pay school fees and other household expenses.

“During the pandemic, learning was paralysed for many school children. Government restrictions meant that children could not attend school and were not able to study outdoors during the rainy season. Furthermore, their houses were too dark to study in the morning and evenings. Affordable modern lighting solutions from LIB Solar allowed children to study indoors. Some of the beneficiaries began home schooling in their houses during the pandemic.”

Walid Shellif, Solar beneficiary

3

new regions reached –
Nimba, Grand Bassa, and Sinoe

8,000

customers at year end
from 3,150

OUR PERFORMANCE IN 2020

OUR SEARCH FOR NEW INVESTEES

In 2020, AECF ran more competitions in a single year than ever before. Through these competitions, we are continuing our search for new, innovative and impact-focused investees to support our vision of an enterprising Africa.

€4.5m

Finance for Inclusive Growth in Somalia is a €4.5 million European Union pilot programme created in partnership with the AECF.

8,000

households to benefit, specifically women and youth

US\$18.2m

Kakuma-Kalobeyei Challenge Fund (KKCF) is a five-year program designed to support private sector investment and unlock the economic potential of refugees and their hosts in the Kakuma-Kalobeyei refugee-hosting area of Northern Kenya.

Within our Agribusiness and Fragile Context portfolio, in addition to the Africa Agribusiness Round 2 Relief Fund in 2020, we launched:

FINANCE FOR INCLUSIVE GROWTH IN SOMALIA (FIG — SOMALIA)

Cutting across the sectors, FIG – Somalia is a € 4.5 million European Union pilot programme created in partnership with the AECF. It aims to build stability and resilience in Somalia by stimulating inclusive economic opportunities and protecting the most vulnerable groups. The programme will target women and youth-owned enterprises, agricultural producers and finance institutions, looking to benefit 8,000 households and in turn, building the stability and resilience in Somalia.

Partnering for impact, reaching the underserved

The AECF cannot achieve its objectives on its own. To deliver lasting impact for beneficiaries and businesses, and to realise systemic change, we must collaborate with others. By working in partnership, we can ensure complementarity of effort to maximise development on the ground.

In 2020, we worked with a number of key international donors who continue to make vital contributions to the realisation of the AECF's goals. Our donor partners provided emergency support to new and existing portfolio companies through COVID-19 relief funds. They also pledged long-term support to major new programmes, underscoring our credentials as a leading development institution.

Future focus

Looking ahead to the future, our goal is to raise US\$ 43 million in donor funding in 2021. We will also focus on funding diversification, increased donor engagement, and partnership risk management.



In our REACT portfolio, we launched three new competitions:

REACT SUB-SAHARAN AFRICA (SSA) SOMALIA

REACT SSA Somalia, funded by Sida, is a US\$ 8.5 million fund that seeks to reduce poverty through a transformational increase in the use of renewable energy by off-grid households in Somalia and Somaliland. It promotes private sector investment and innovation in low-cost clean energy and climate change adaptation technologies.

The competition launched in December 2020 and was open to applicants capable of delivering clean energy products and services that benefit poor and internally displaced persons, with a focus on women and youth. Plans for gender inclusivity and e-waste management were key criteria. There was great interest from the market, and the competition closed with 149 applications. The AECF's review and shortlist of applicants is due to take place in early 2021.

REACT RESULTS-BASED FINANCING (RBF)

Also launched in December 2020, REACT RBF is a US\$ 6.5 million facility funded by Sida, targeting energy companies in Kenya. The AECF is continually evolving its financing instruments to meet the demands of the energy sector, and REACT RBF is a prime example of our commitment to innovation.

Taking a totally different approach to past AECF funding models, it aims to expand access to low-cost clean energy for households across the country, with additional incentives for companies to reach the poorest families. Financing will be offered through a results-based framework, meaning payment will only be made upon delivery of measurable and verifiable outputs.

The two-and-a-half-year programme aims to reach 87,000 beneficiary households. The allocated funds will also support transformational business models that accelerate access to cleaner fuels, cookstoves, grid power alternatives and other clean energy innovations.

KENYA REACT RELIEF FUND

In response to the COVID-19 pandemic, in June 2020, we launched the Kenya REACT Relief Fund – a US\$ 2 million initiative to award emergency finance to 10 companies in Kenya. The funding, designed to protect jobs and service provision, was extended to companies meeting the energy needs of low-income off-grid households.

Of the US\$ 2 million, the AECF committed US\$ 1.7m, with grants of between US\$ 50,000 and US\$ 200,000 to cover short-term working capital needs and technical assistance. This support helped hard-hit companies and communities build resilience in the face of COVID-19, benefitting 11,990 households and impacting 59,950 people. These efforts also sustained 512 direct jobs, 45% of which went to female employees.

ABOUT KAKUMA-KALOBEYEI CHALLENGE FUND (KKCF)

The Kakuma-Kalobeyei Challenge Fund (KKCF) is a US\$ 18.2 million five-year program designed to support private sector investment and unlock the economic potential of refugees and their hosts in the Kakuma-Kalobeyei refugee-hosting area of Northern Kenya.

KKCF, which is funded by the International Finance Corporation (IFC), aims to attract private companies and grow the local entrepreneurship potential to create jobs and improve service provision in the Kakuma area.

This urban area is a bustling US\$ 56 million market, home to around 250,000 people, including over 190,000 refugees, thousands of businesses, entrepreneurs, and discerning consumers. In recent years, refugees from half a dozen African conflicts have, together with their host community, created in Kakuma an urban area equivalent in size to Kenya's seventh-largest city.

The KKCF Program has three components and AECF is implementing one of these components, the Competitive Business Challenge, which offers three windows of competitive funding opportunities in the form of financing and technical assistance to small and medium-sized private companies seeking to establish operations in the Kakuma-Kalobeyei area or extend already existing operations. The program seeks to reach and support 20 medium and large, national and international private sector companies and/or social enterprises. 100 local small and micro enterprises will be funded to scale up their businesses. 50,000 people will be given access to improved services, and 500 direct and 1,000 indirect and induced jobs will be supported/created through Beneficiary companies.

The funding windows include:

- I. The Private Sector Window (PSW), which targets private sector companies currently present in Kakuma and interested in expanding operations, and those willing to set up businesses in the Kakuma and Kalobeyei area (Window 1). Launched competitions towards the end of 2020 received 84 applications. Successful candidates will be announced in 2021.
- II. The Social Enterprise Window (SEW), which targets social enterprises currently present in Kakuma and Kalobeyei and interested in expanding operations, and those willing to set up operations in the Kakuma and Kalobeyei area (Window 2). Launched competitions towards the end of 2020 received 39 applications. Successful candidates will be announced in 2021.
- III. The Local Enterprise Development Window (LED), which targets local enterprises currently present in Kakuma and Kalobeyei with finance and technical assistance (Window 3). Launch of the window and competitions are scheduled for 2021.

The other components of the KKCF program include Investment Climate and Policy Advisory, and Hands-On Support to larger firms, which will be implemented by UNHCR and the IFC, respectively.

OUR PERFORMANCE IN 2020 CROSS-CUTTING THEMES

INVESTING IN WOMEN, YOUTH AND FRAGILE CONTEXTS

In our commitment to building resilience, we focus on the most vulnerable and disenfranchised members of Africa's rural and marginalised communities: women, youth and those living in fragile states and contexts.

The AECF works to find new companies and stimulate enterprise opportunities among these vulnerable groups. In this way, we ensure that development impacts and innovations reach those that need them most.

Since its inception the AECF has impacted over 28 million lives, while out of the 25,898 jobs we have created, 68% have gone to the youth.

The AECF is working to tackle gender-based inequalities that continue to frustrate progress in agriculture and renewable energy, as well as youth unemployment that threatens to undermine their demographic dividend. Our goal is to overcome the structural bias that exists in society today by generating empowerment and employment.

The AECF also works in fragile contexts. Our work is driven by courage, and by the conviction that people in these communities are as deserving as those in thriving economies.

Private sector development is essential to achieving progress and stability in conflict-affected environments. With a strong track record in entering nascent markets, the AECF specialises in de-risking and attracting investment to create positive impact in fragile states. Since 2012, our investment in fragile, frontier markets has benefitted over 4 million people, creating over 795 additional jobs and generating US\$ 5.8 million in wages, with a total benefit of around US\$ 25.6 million.

One of our flagship initiatives in this area is the Finance for Inclusive Growth in Somalia (FIG) programme, which aims to open up inclusive economic opportunities and protect the vulnerable – especially women and youth (for more information, see page 40).

As part of our commitment to increasing opportunities for displaced populations and their host communities, in 2019, we entered

a partnership with the International Finance Corporation (IFC) in the Kakuma-Kalobeyei area of northern Kenya. Home to 250,000 people, 190,000 of whom are refugees, Kakuma-Kalobeyei is a US\$ 56 million market brimming with entrepreneurial potential. To realise this potential, the IFC and the AECF have designed the Kakuma-Kalobeyei Challenge Fund (KKCF), a competitive financing mechanism to incentivise companies, social enterprises and entrepreneurs to start or scale operations.

As an implementation partner, the AECF supports three KKCF competitions aimed at building resilience among refugees who ordinarily struggle to engage in business activities or access financial services. In 2020, following delays and complications linked to COVID-19, we set up a project office in Kakuma and initiated a range of programme activities. The official launch in November 2020, attracted 384 registered participants and was attended by UNHCR and other key stakeholders. This was followed by two technical webinars, which marked the launch of the KKCF Private Sector Window and Social Enterprise Window. Both events were well attended.

Closing in late December 2020, the Private Sector and Social Enterprise Windows secured 84 and 39 applicants respectively, with due diligence and shortlisting to follow in 2021. The Private Sector Window encompasses a range of business models, from clean cooking and household solar to financial services, irrigation, hydroponics and small-scale manufacturing. Meanwhile the Social Enterprise Window saw proposals for water recycling, childcare and health provision, among other key services.

Having successfully gone to market during the pandemic, we look forward to building on the momentum and interest generated in 2020. In the year ahead, we will launch the KKCF Local Enterprise Window, as we continue to support Kakuma's refugees and host communities to deliver lasting co-existence and development.



MAINSTREAMING GENDER LENS INVESTING

By addressing the structural imbalances and inequities that stand in their way, the AECF is committed to empowering women in Africa. Our ambition is to reorient the investment process to find and support businesses focused on increasing gender equality.

In 2020, we worked to build resilience among women and women-owned businesses amid the shocks of the COVID-19 pandemic. Through the Kenya REACT Relief Fund (which you can read about on pages 13 and 39), at least 60% of the jobs we sustained and 35% of the new jobs we created were women's roles. With the relief funds supporting innovations in clean cooking and productive use, about 60% of the beneficiaries of these measures were also women.

Elsewhere, our gender lens investing activities focused mainly on technical assistance.

We achieved an extension to a Sida-funded programme to support companies whose business models work for the inclusion and economic empowerment of women. As part of this process, we selected Reliance Financial Services from the Gambia, C-Dorman from Rwanda and AACE Foods from Nigeria, all of whom have pioneered gender-smart solutions in their respective sectors. We provided these companies with funding and technical assistance, helping them further integrate gender for increased business value, and developing gender action plans for the next three years.

Through the extended programme activity, we enabled these companies to achieve the following additional impact:

15,788
households reached

US\$178
in average net benefit
per household

US\$2,810,264
total net benefit

969
(381 men and 588 women)
jobs created

US\$614,588
net wage bill

In our REACT Household Solar programme, we worked with Kazang Solar in Zambia, who employ female agents in the field. We provided a gender action plan to elevate these agents into more senior positions and to fully integrate gender into the company business model. We also conducted a gender audit and delivered gender mainstreaming training activities.

Also in Zambia, we devised a gender strategy for seed company Stewards Globe. This work involved training and technical assistance with a view to engaging more female

producers across the seed value chain. We also made recommendations for recruitment, performance management and gender policies to ensure equal opportunities for female employees.

In addition to our technical assistance activities, we commissioned a study to assess how increased access to energy products drives financial inclusion for women. Focusing on AECF investees, FINCOOP in Malawi and MoneyMart in Zimbabwe, the study provided a number of key inclusivity learnings and recommendations, among them:

- Involving women at all stages of the design and delivery of financial and energy services
- Customising loan and repayment options, and marketing and distribution strategies, to meet women's specific needs
- Employing women as sales agents and marketers to reach more women

These and other recommendations are now used to inform the implementation of our renewable energy programme, REACT Household Solar Round 2.

OUR PERFORMANCE IN 2020

HELPING WOMEN ACHIEVE FINANCIAL INDEPENDENCE THROUGH FLEXIBLE LOANS



MONEYMART FINANCE MICROFINANCE INSTITUTION

For women in Africa, consumer finance remains a key barrier to financial inclusion and access to off-grid solar energy. Often denied loans and funding, women are also under-represented as leaders, employees, entrepreneurs and consumers in off-grid solar value chains, limiting their overall economic opportunities.

Founded in Zimbabwe in 2014 with support from the AECF, MoneyMart Finance (MMF) is a microfinance institution that aims to overcome traditional obstacles to financial inclusion. Targeting informal female traders and households, MMF's mission is to enable women achieve financial independence.

“The women we serve and the stories they share, especially about the independence that they now have as a result of financial literacy, are my source of inspiration.”

MoneyMart Finance Founder,
Ethel Mupambwa

Through MoneyMart, clients can apply for loans with a tenure of up to 12 months, with daily, weekly or monthly repayments tailored to the cashflows of micro-businesses. The company also offers customer loans for the purchase of solar home systems, with repayments once again aligned to individual financial circumstances. Financial literacy and product training are also provided.

To date, women make up 70% of MMF's customer base, and 694 women-headed households have benefitted from the MMF solar loan programme. The company is also an equal opportunities exemplar; 41% of MMF's employees are women, of whom 55% are in managerial positions.



70%

of MMF's customers are women and 694 women-headed households have benefited from the MMF solar loan programme

55%

of management are women

For many years, Venus and her family used candles and paraffin lamps for lighting. But after her husband died, Venus, who lives in a rural area of Mashonaland West Province, Zimbabwe, struggled to afford even the most basic of amenities. She and her three children, two of whom are at school, would go for days without proper lighting, often sitting in the dark with only the light of the cooking fire to see by.

But recently, following a good harvest season, and thanks to MMF's flexible payment terms, Venus was able to purchase an M400 solar home system. Today, Venus and her children benefit from clean and constant lighting, as well as being able to charge their phone – something they had never imagined possible. They also received guidance from MMF about how to get the most from their solar home system, which has made a huge difference to their lives – as Venus explains:

“It was initially burdensome to pay for the lights, we have had to make grave sacrifices. However, after fully paying off the loan, we still retain the benefits that include 24-hour lighting and phone charging. The lighting helps with security and most importantly safety, as we are not afraid to go out in the dark anymore. Our place is a haven for snakes and other crawling creatures and the light gives us the confidence to move around freely. More importantly, the children use the same lights for studying and we hope and expect better results as they sit for their national examinations.”

Venus Marere, Solar beneficiary

OUR PERFORMANCE IN 2020 INSIGHTS & LEARNINGS

SHAPING OUR INTERVENTIONS THROUGH KNOWLEDGE

During the year, AECF published a number of key insight reports and studies. These include:

Studies



DOING BUSINESS DURING COVID-19

This learning report captures the findings from our COVID-19 risk categorisation exercise and survey. It shares vital learnings on investee performance during the pandemic, with insights for future relief funding and preparedness.

<http://aecfafrica.org/sites/default/files/file/knowledge-hub/AECF%20COVID-19%20Learning%20Paper.pdf>

Technical field reports

We also published three technical reports, which provide key learnings, insights and recommendations for a range of stakeholders:



MAINSTREAMING LESSONS FROM ADAPTIVE AGRICULTURE IN THE ASALs

Conducted jointly with NIRAS Africa, this report explains how the private sector can deliver adaptation and resilience benefits through activities that address specific climate-related risks, enhance livelihood diversification, and strengthen the resilience of natural resources.

Key lessons from the study include:

- Knowledge of ASAL challenges is essential for business success
- Investment in the ASALs for the private sector can lead to transformative adaptation
- Investment in ASAL businesses can demonstrate additionality
- Soft investment in the ASALs, in the form of training, awareness creation and community engagement, is key for business success
- De-risking value chains is a useful strategy that can enhance adaptation benefits for businesses and communities in the long run
- Overall, the report considered the level of support the companies required to adapt, survive and thrive in challenging and fragile contexts

<http://aecfafrica.org/sites/default/files/file/knowledge-hub/RE10122020%20AECF%20ASAL%20Final%20Report%2010%20Dec%202020.pdf>



DRIVING FINANCIAL INCLUSION THROUGH RENEWABLE ENERGY

From early on in the programme, the REACT team was receiving reports that its renewable energy products and services were having a positive impact on financial inclusion. To confirm whether this financial inclusion effect was taking place structurally or in isolated cases, and to understand how to strengthen these impacts, AECF engaged L-IFT to conduct an investigative study.

Key lessons from the study include:

- There is currently insufficient focus on solar lanterns
- Companies should be encouraged or obligated to provide clients with their repayment history and credit rating
- Companies should start to promote savings and develop savings services to bring about energy access and better financial health
- Standardised reporting and data sharing would significantly enhance the renewable energy sector
- The lowest income households could access low levels of credit for the smallest solar units via shopkeepers or savings groups

<http://aecfafrica.org/sites/default/files/file/knowledge-hub/RE01122020%20AECF%20Driving%20financial%20inclusion%20through%20renewable%20energy%20PROOFED.pdf>



SCALING-UP MINI-GRIDS FOR RURAL ELECTRIFICATION

This report is a collaboration between ENEA Consulting and the AECF. It provides an overview of the key challenges facing the mini-grid sector in Africa, and the solutions mini-grid companies, governments and development partners are implementing to overcome them. It also analyses the AECF's future role in this area.

Key lessons from the study include:

- Significant public financial support is required in Africa to increase rural electrification
- More coordination is needed in the mini-grid sector between financial actors, governments and developers
- Private sector operators have a strong incentive to encourage productive uses of energy
- A mixed public-private approach is likely to be the best solution to the challenges facing the mini-grid sector
- Public-private partnerships hold huge potential for the sector in Africa, whereby mini-grid distributed energy service companies (DESCOs) work with national governments to launch decentralised mini-grid networks

<http://aecfafrica.org/sites/default/files/file/knowledge-hub/RE18112020%20AECF%20Scaling-up%20mini%20grids%2018%20Nov%202020.pdf>

CREATING ENABLING ENVIRONMENTS

As part of our commitment to strengthening communities, companies and markets, we are initiating a range of policy and advocacy interventions. In 2020, we developed a Policy and Advocacy Strategy under our REACT SSA programme. The aim of this strategy is to promote an enabling environment for renewable energy deployment in the eight REACT SSA countries.

Renewable energy projects are often hampered by limitations in regulatory, financial, technical, institutional and market conditions. To overcome these challenges, we will work with national off-grid taskforces, Technical Working Groups (TWGs), committees, donor platforms, advisory groups and industry associations, to address taxation barriers and other operational constraints for energy businesses. We look forward to implementing this strategy in 2021.

FUTURE FOCUS

In 2021 and beyond, we will continue to embed and leverage the expertise that exists within our organisation as we strive to become a thought leader on the African continent in the mobilisation of concessional capital for inclusive business models. In line with our new strategy, knowledge support and thought leadership will continue to play a central role in our work, as we cascade learnings to beneficiaries to drive lasting and meaningful change.

OUR PERFORMANCE IN 2020 INVESTMENT ADVISORY SERVICES

BEYOND FINANCE

The AECF's Investment Advisory Services (IAS) function provides dedicated technical assistance, investment readiness and facilitation advisory support to investees across our portfolio. In 2020, IAS provided targeted technical support to companies impacted by COVID-19, and expanded its reach through the launch of the AECF Advisory Studio (AAS).

IAS performance in 2020:

9

SSA countries

43

customised TA interventions

7

AAS specialists

66

diagnostic assessments

11

investment readiness programs

50

advisory charters

39

investment facilitation interventions

70+

strategy & business advisory interventions

2020 wholesale interventions:

- Investment Readiness
- Business continuity and recovery
- Building resilience of SMEs

- Digital solutions working for Agribusinesses to adapt to COVID-19 disruptions
- How SMEs attract and retain great talent
- Building a private sector culture among SMEs in emerging economies

The AECF understands the importance of technical advisory support at every stage of the investment journey. We know that if we do not capacitate businesses in areas where they are struggling, financial assistance alone will not help them achieve their goals or overcome the challenges they face. To this end, we provide fit-for-purpose technical support for individual companies, sectors and markets. Our interventions include strategic planning, financial management, and people and leadership development. We also help companies strengthen their executive teams and map pathways for future growth and external investment.

AECF Advisory Studio

A key focus for AECF in 2020 was to operationalise IAS, establish a strong delivery framework for technical assistance, and launch the AECF Advisory Studio (AAS).

The AAS leverages all relevant in-house capabilities, from audit to portfolio to finance, supplemented by a team of specialists, to drive service delivery. As a centre of excellence, it is designed to extend coaching and technical assistance across longer-term contracts, helping high-risk companies achieve clear strategic, operational and executional plans. Through longevity of engagement, AAS enables AECF to build stronger relationships with investees, while delivering added value and efficiencies through bundled service delivery.

In 2020, AAS officially opened for business. With four long-term specialists brought into the studio, we continued to deepen our expertise and effectiveness in technical assistance during the year. The four specialists bring strategy and financial management expertise to AAS – two areas our diagnostics revealed were key capacity building priorities for our investees. In 2021, we plan to bring additional specialists onboard to cover investor readiness, legal, market development and human capital, among others. Our aim is to expand our capabilities and work towards providing 70% of our investees with customised technical assistance services by 2023.

70%

of our investees with customised technical assistance services by 2023

Advisory and technical assistance

In what was a challenging year for our investees, IAS devised a number of technical support programmes. Initially, our interventions focused on business continuity planning, cash and risk management and human resources. Later in the year, we supported investees with recovery planning and long-term resilience measures as they took it upon themselves to build back from the pandemic. Gender integration, tax compliance, e-waste management, quality management, operations, marketing and sales and distribution were the key focus areas.

Overall, in 2020, IAS commissioned 66 diagnostic assessments and 43 customised technical assistance (TA) interventions. We delivered 50 advisory charters and closed 13 TA interventions (a blend of training and consultancy). We also convened three virtual group sessions on:

- Integrating digital solutions to cope with the impacts of COVID-19 in agribusiness (90 participants)
- Adapting digital solutions to build resilience in the off-grid energy sector (160 participants)
- Achieving business recovery and building resilience (67 participants)

Although COVID-19 led to restrictions on opportunities for travel, we provided webinars and online learning activities via the AECF Exchange platform. These included peer-to-peer learning on coping with the pandemic (55 participants), and a webinar on how SMEs can attract and retain talent (67 participants). In Liberia, we provided companies with online lessons in talent management strategies designed to support the transition to a private sector economy (nine participants).

Investments

On the investment side, we continued to focus on investment readiness and facilitation. In 2019, we developed an investment readiness tool which enables us to understand how best to support investees through their investment journey. In 2020, we continued to use this tool and other interventions to identify gaps and needs across our portfolio and to prepare companies for investor engagement.

In terms of investment facilitation, our approach involves connecting AECF graduate companies – those that have gained traction and are ready to scale – with investors who can provide follow-on capital. When our investees move beyond patient capital and find investors to take them to the next level of growth, our aim is to prevent these companies from falling.

Future Focus

Looking ahead, our future priorities include a further expansion of AAS capabilities, full implementation of the AECF Exchange, the launch of our Investment Readiness Programme; and the launch of the AECF Academy, which will provide structured models for learning and service delivery.

STRATEGIC OVERVIEW

REFRESHED, REFOCUSED:
A NEW DIRECTION FOR THE AECF

**THE BUILDING
OF RESILIENCE**
**AECF 2021-2025
STRATEGY**



STRATEGIC OVERVIEW

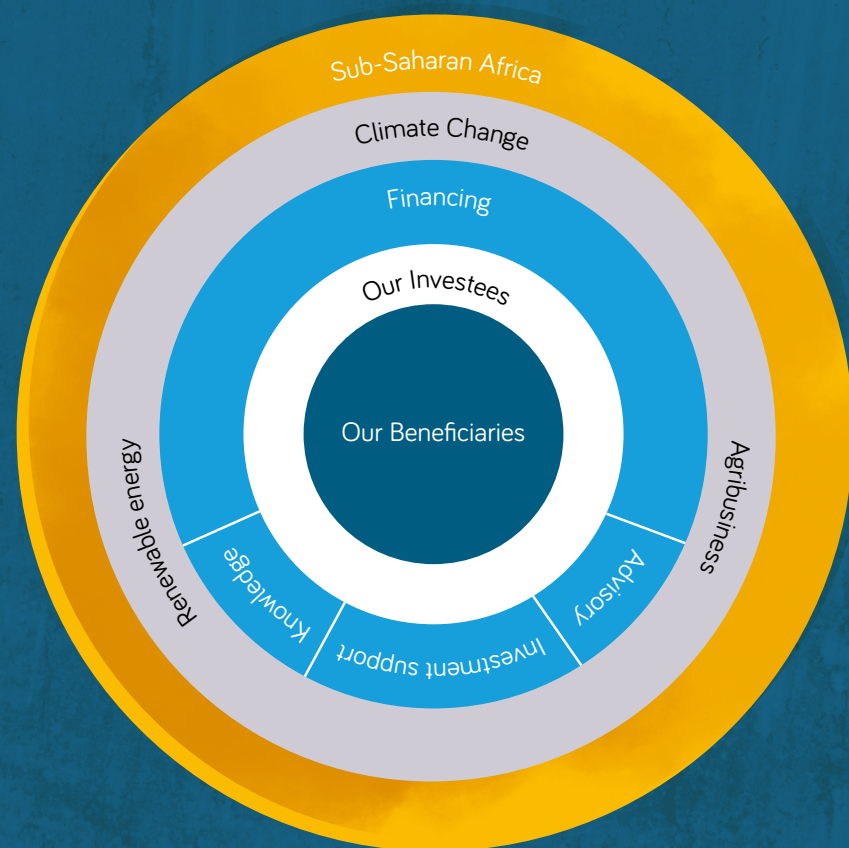
AECF 2021-2025 STRATEGY

In 2020, the AECF underwent a strategy refresh. Our new strategy, which runs from 2021 to 2025, is anchored on the theme of resilience. By increasing the range of businesses that we finance and increasing our focus on advisory, knowledge and investments support, the strategy strengthens AECF's commitment to The Building of Resilience of communities, businesses and market systems in Africa.

In 2017, the Africa Enterprise Challenge Fund transitioned from being a challenge fund programme to become a fully independent institution – The AECF. At this time, a strategy was developed for the 2018-2020 period, which committed the AECF to doubling its development impact to US\$ 2 billion. In the period, the AECF received additional funding from Sida and FCDO, growing its fund size to US\$ 392 million. By 2020, the AECF had recorded significant development milestones, with 343 businesses supported across more than 40 value chains, 28 million lives impacted (37% of them women), 25,898 jobs created (68% of them among youth) and US\$ 753.8 million leveraged in matching funds.

With a new Board in place, the AECF took the opportunity to step back and reflect on its journey so far. We looked at what we had achieved over the past decade and the lessons we had learned. We considered what had worked and what had been less successful, what we would take with us on our onward journey, and what we would leave behind.

We saw that while we had made excellent progress linking private sector solutions to development challenges, there is still much work to be done. We also agreed that in all our future work, we would continue to focus firmly and fully on the end-beneficiary and on the private sector as the vehicle for reaching them.



Indeed, the beneficiary sits at the heart of our new strategy. These are the smallholder farmer, the small trader or head of household and those members of rural and marginalised communities that lack the products, services and resources they require to increase income, choice and opportunity.

Take for example, Millicent, the fisherwomen from Kenya, who in 2020, made the move from kerosene to solar fishing lamps (see page 17). Through this adoption of renewable energy technology, Millicent cut her costs by US\$ 3 a day, making savings for her household and providing a better outlook for her children. Millicent is a great example of those we are trying to reach and how, through improved access to vital services, lives can be transformed.

OUR NEW STRATEGIC PRIORITIES

Financing, advisory, investment and knowledge services

Within our new strategy, in addition to finance we will increase our provision of advisory, knowledge and investment support to investees. Recognising that finance alone is never enough, these key pillars support the strategy in the following ways:

Financing

deploying a range of financing mechanisms to address different market failures with ticket-size segmentation and a diverse mix of products to embrace the full financing continuum.

Advisory Services

improving investees' internal capabilities through the AECF Advisory Studio and AECF Academy, providing world-class advisory services and training.

Investment Support

assisting early and growth stage enterprises in raising commercial capital through investment readiness and investment facilitation.

Knowledge Services

leveraging our expansive and unique portfolio as well as key insights to address market gaps and influence market systems through policy and advocacy initiatives.

Small and Growing Businesses

Whereas we have historically focused on larger growing businesses, we have now introduced the small businesses segment that will reach businesses looking for capital under US\$ 100,000. We believe expanding this reach to cover the broader SGB ecosystem will better address Africa's need for catalytic finance, and leverage the knowledge we have gained over the past decade. Combined, these businesses have the potential to drive major development impact through improved livelihoods and employment opportunities.

Beneficiaries

As we increase our efforts to build resilience, we are clarifying our focus on key beneficiaries. Moving into the strategic period 2021-25, we will continue to target rural and marginalised communities, with a focus on youth, women, and people living in fragile contexts. With COVID-19 further demonstrating the underlying vulnerabilities of these groups, we are committed to:

YOUTH

- Sustainably addressing poverty and employment challenges among young people
- Surfacing innovations that best address the employment gap and promise meaningful opportunities for young people

WOMEN

- Delivering targeted initiatives that consider women's circumstances while simultaneously creating opportunities for women
- Providing capital and technical support for women-led, women-owned and women-empowering businesses

FRAGILE CONTEXTS

- Delivering targeted initiatives that address the drivers of conflict and provide opportunities for people living in fragile contexts
- Empowering the private sector to contribute to the recovery of post-conflict economies

Sectors

Our new strategy will focus on the following sectors:

Agribusiness – we will be focusing on smart agriculture and digital solutions, as well as continuing our efforts in the more traditional areas of agricultural development (aggregation, post-harvest management, soil health, and seeds). With the agribusiness space changing rapidly, and the sub-Saharan region being hardest hit by the climate crisis, we will intentionally increase our focus on climate smart agricultural interventions.

Renewable energy – while continuing to work on renewable energy investments, we will focus separately on surfacing innovative companies whose business models work to improve the climate resilience of communities.

Targets

Through The Building of Resilience, by 2025, we intend to impact 10 million people directly, onboard 500 new businesses, and attract additional capital to our portfolio companies by a multiple of three. We also aim to surface/pioneer/engage at least five multi-stakeholder consortiums to influence policies that address market system challenges and failures within the agribusiness and renewable energy sectors, represented in the below graphic:

Our goals in building resilience

BENEFICIARIES (RURAL AND MARGINALISED)

- Impact 10 million (direct) rural and marginalized people, by increasing their income and standard of living to make them more resilient to social, economic and environmental shocks.

BUSINESSES

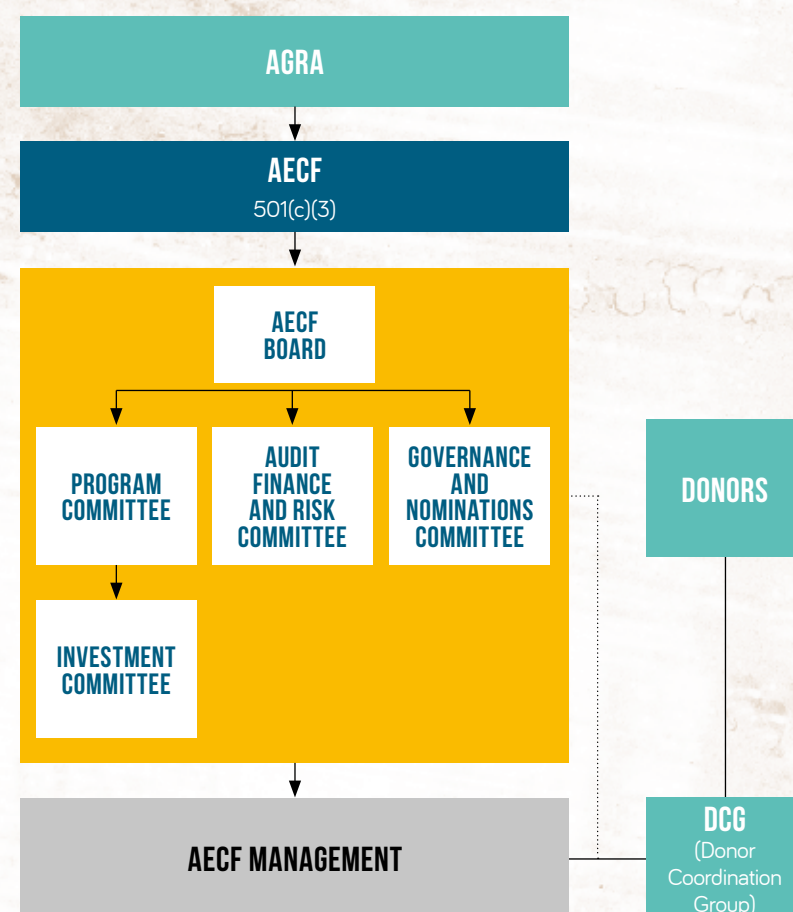
- Catalyse 500 businesses by providing financing to grow businesses to sustainability and attract additional capital (by a multiple of 3) from the private sector to enable them to address market inconsistencies and navigate market shocks.

GOVERNANCE

THE AECF BOARD

AECF's Board of Directors is a governing body with legal duties and responsibilities. As the governing body for AECF, the Board is legally accountable for the organisation and is required to act in the best interests of AECF's stakeholders, employees and the public good. In support of these goals, the Board provides strategic leadership for the organisation, maintains independent oversight of its financial and programmatic performance, and ensures effective management and governance.

Governance structure



BOARD MEMBERS

In carrying out its mandate, the Board is supported by several committees, including:

PROGRAM COMMITTEE:

The Program Committee is responsible for advising the AECF Board and senior leaders on the suitability of the AECF mission and strategy. It provides oversight over investments and monitors AECF's impact to ensure the attainment of the company's strategic goals.

AUDIT, FINANCE AND RISK COMMITTEE:

The Audit, Finance and Risk Committee provides AECF's Board of Directors, donors and stakeholders with complete assurance that AECF's financial reporting, internal controls and risk management meet the highest standards. It also ensures that AECF complies with all relevant laws and regulations.

GOVERNANCE AND NOMINATIONS COMMITTEE:

The Governance and Nominations Committee is responsible for developing and annually updating plans relating to Board composition, and reviewing directors' compensation packages. It also oversees the human resources aspects of the organisation, ensuring proper succession planning and compliance with statutory and labour-related best practices.



HIXONIA NYASULU
BOARD CHAIR



FRANK N. J. BRAEKEN
BOARD MEMBER



ENOCK CHIKAVA
BOARD MEMBER



DAVID GOVERNEY
BOARD MEMBER



YANA KAKAR
BOARD MEMBER



DUNCAN E. ONYANGO
BOARD MEMBER



VICTORIA SABULA
CHIEF EXECUTIVE
OFFICER

FINANCIAL STATEMENTS

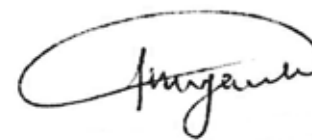
THE AECF STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 USD	2019 USD
Revenue			
Grant Income	4	20,504,191	13,777,724
Foreign currency translation gain	19	193,691	247,670
		20,697,882	14,025,394
Expenses			
Investments to Companies			
Disbursements to investees	5	13,635,182	6,781,247
Technical Assistance	10	792,664	35,262
AECF Connect	6	139,397	119,895
Total Investments to Companies		14,567,243	6,936,404
Operational Costs			
Staff Costs	8	3,243,618	3,794,124
Travel Costs	7	157,090	603,654
Consultants & Professional fees	7	724,556	1,029,252
Conferences, Meetings & Seminars	7	68,620	188,879
Office Expenses and Services	9	927,457	716,713
Governance and legal costs	7	349,626	201,123
Expensing of asset additions	12	292,270	174,250
Total Operational Costs		5,763,237	6,707,995
Evaluation Management Unit Costs	11	131,122	133,325
Total Expenses		20,461,602	13,777,724
Surplus before tax		236,280	247,670
Income tax	21	-	-
Surplus for the Year		236,280	247,670

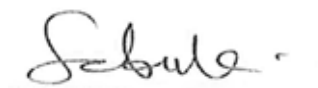
THE AECF STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 USD	2019 USD
Assets			
Non-Current Assets			
Property and equipment	12	-	-
Current Assets			
Cash and cash equivalents	13	28,169,606	26,108,641
Receivables and prepaid expenses	14	4,723,438	9,326,044
Due from Donors	16	9,363,684	4,981,679
		42,256,728	40,416,364
Total Assets		42,256,728	40,416,364
Fund Balances			
Deferred income- short term	16	25,819,425	20,824,066
Deferred income- long term		-	16,198
Revolving fund	16	9,147,048	8,625,040
Foreign currency translations reserve	19	25,493	(168,198)
Unrestricted operating reserve	17	42,589	-
		35,034,555	29,297,106
Current Liabilities			
Accounts payable and other liabilities	18	7,222,173	11,119,258
Total fund balance and liabilities		42,256,728	40,416,364

The financial statements were approved by the Board of Directors on 12 April 2021 and signed on its behalf by:



Hixonia Nyasulu
Board Chair



Victoria Sabula
Chief Executive Officer

OUR PARTNERS



luminous

Consultancy, design and production
www.luminous.co.uk