



Annual Report 2021

**DIFFICULT TERRAINS, REAL POSSIBILITIES**



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# INTRODUCTION

## WHO WE ARE

We are a leading African-led and based development organization catalyzing private sector investments for the benefit of rural and marginalized communities across Africa.

We are born from the understanding that the private sector must be mobilized to eradicate Africa's deep and systemic poverty. So we take a market-based approach to surfacing, investing, and growing high-risk early and growth stage innovative, impact-focused private sector businesses across the agricultural and clean energy sectors who struggle to access capital from commercial financiers looking for standard rates of return.

Our support addresses the sustained funding and capability gap faced by high-risk, high-potential, and high-impact businesses on the continent.

## 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 marginalized communities in Africa.

## HOW WE DELIVER

We are an integrated development organization that supports the private sector using a holistic development model. First, we surface and invest in high-potential businesses using our challenge fund model. Then, we support their growth through world-leading technical advisory services, and as firms grow and require growth capital, we ready and facilitate their graduation to commercial capital sources. With over a decade of operations and one of the continent's largest portfolios, we have codified enviable learning and insights that we are using to build more inclusive and resilient market systems.

## INTRODUCTION

# OUR IMPACT

## Cumulative impact



**\$221m**  
amount invested



**375**  
impact-focused businesses supported  
(200 agribusinesses and 175 renewable  
and adaptive climate change businesses)



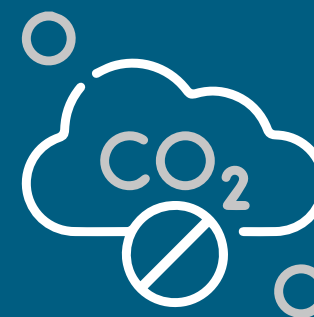
**\$771m**  
unlocked in matched funding



**30m**  
people reached



**26,530**  
direct jobs created and sustained



**1.48m**  
tonnes of CO<sub>2</sub> avoided



**35.43MW**  
clean energy installed



**\$1.3b**  
total development impact achieved



## Overview of impact in 2021



**2.4m**  
people reached



**159**  
impact-focused small and growing  
businesses supported



**2,700**  
direct jobs created and sustained



**\$83m**  
total development impact achieved



**\$11.43m**  
in matched funding unlocked



**81**  
customized TA interventions undertaken



**130,077**  
tonnes of CO<sub>2</sub> avoided

## INTRODUCTION



## SUMMARY OF ACHIEVEMENTS

## FINANCING

## ■ Onboarded 46 high-potential businesses

With a new cohort of investments across eight programmes, AECF in 2021 unlocked the private sector's potential where it matters. Our new investees are working to alleviate humanitarian challenges and address key sustainable development goals. We added a further US\$18 million to our commitments during 2021 and disbursed over US\$13.5 million during the year - catalyzing over US\$11.5 million in matching private sector funds.

## ■ New products and services mechanisms to drive SME development

We are translating our deep understanding of clean energy SMEs and geographical contextual needs to bring new products and services to the market that address systemic gaps. The AECF Innovation Fund, launched across eight countries, aims to address the critical gap between novel product design and market development for clean cooking and productive use of energy solutions.

## ■ Surfacing exciting possibilities by investing in new and difficult terrains

In 2021, AECF continued operating in fragile contexts and launched further funding competitions. Our Kakuma-Kalobeyei Challenge Fund (KKCF) is one of the first programmes to stimulate the private sector in refugee camps and

surrounding areas to alleviate the reliance on humanitarian aid by building markets. Our ground-breaking Investing in Women suite of programming entered South Sudan targeting SMEs and women's associations with a climate-smart agriculture programme. Our Finance for Inclusive Growth (FIG) programme ramped up its efforts to provide risk capital and training to microfinance institutions in Somalia. We continue solidifying our capacity as an institution that provides support to those who need it the most.

## TECHNICAL ADVISORY

## ■ Going beyond finance with in-house experts to grow our investees' businesses and impact

Support to SMEs goes beyond concessional and grant funding, especially for the locally and women-owned smaller enterprises that we are increasingly championing. We have built the AECF Advisory Studio with a complement of in-house Senior Technical Advisors (STAs) who bring best practices, coaching and mentorship to our investee companies across thematic business development areas. Our technical advisory architecture considers the context of sub-Saharan Africa, the early stage nature of the businesses we support and the challenge

of human capital in most of the markets we serve.

## ■ Empowering and building the next horizon of women leaders

Across Africa, women face biases that directly impact their ability to undertake and participate in business. For example, the World Bank identified that female business owners earn 34% less on average than their male counterparts. However, given that women account for 58% of the continent's self-employed population, AECF has developed a gender-specific business development programme, Nkwazi. By the end of 2021, we upskilled 33 women leaders to break the glass ceiling and challenge gender biases and will roll it out further in 2022 with additional funding from the AfDB.

## AECF CONNECT

## ■ Creating Africa's pipeline of investable businesses

In 2021, we hosted two matchmaking forums and facilitated 139 connections between our investees and potential investors. As a result, two of our investees have raised over US\$1 million, and we have created a pipeline of US\$30 million for commercially viable, investment-ready businesses demonstrating that we are a key part of building Africa's pipeline.



## INTRODUCTION

## CHAIR'S MESSAGE



Dear friends and supporters,

The lifeblood of African economies is small and medium enterprises (SMEs). They account for 90% of the private sector, sustain 80% of jobs and contribute up to 70% of GDP. Accordingly, SMEs are crucial in delivering sustainable economic growth with the potential to lift millions of Africans out of poverty. But sadly, the reality is that SMEs are an underexploited resource in driving growth and poverty alleviation because 80% do not, or cannot, receive any financing. A deficient SME environment disproportionately impacts our poorest, marginalized, and vulnerable communities, particularly women, youth, and those living in fragile contexts.

We are born from the doctrine that the SMEs, and more broadly the private sector, must be at the forefront of the African development journey. So, we beat the drum and continue the march to build SMEs for impact in Africa. And so, as of 2021, we have invested and grown 375 businesses through tailored

## FOR AFRICA BY AFRICA

2021 saw AECF solidify its position as a development institution for Africa, by Africa. The organization has established an eminent portfolio of early-stage businesses delivering a positive impact where it matters while forging more profound and decisive relationships.

programming and interventions solving the complex challenges of tomorrow today.

## A REVERSAL OF HARD-WON GAINS

2021 has been a tumultuous year, with the continued effects of Covid-19 and climate events converging to erode business confidence, impact local communities, and reduce opportunities. Sadly, Africa has seen a significant reversal of fortunes and has been one of the hardest-hit continents. As of the end of 2021, the World Bank estimates that poverty alleviation efforts have been set back by at least eight years, and we have an added 29 million Africans living in extreme poverty.

The reversal of Africa's fortunes has affected the promising private enterprises that drive the impact we desperately need. However, recognizing the impact felt across the investment portfolio, AECF mobilized the right interventions to shield our businesses

and has helped instigate a broader market-led recovery. Our interventions included our emergency relief funds, reconstituting our delivery architecture to increase business development support, and driving investment services to increase the level of available funds. As a result of these efforts throughout 2021, we limited the effect of COVID-19 on business outcomes and livelihood impact while shielding promising enterprises from one of the most significant events this millennium.

The COVID-19 pandemic has validated the existence of an institution like AECF to support the African private sector. Our private sector remains nascent, making it vulnerable to market externalities and needing the right level of support. AECF has stepped up to be Africa's premier institution to develop, grow and create a resilient private sector by making funding available in a style and form that fit the challenging operating environment.

## FORGING DECISIVE RELATIONSHIPS THAT DELIVER IMPACT

In 2021, AECF forged new partnerships with complementary funders that share our vision for a prosperous, enterprising, and resilient Africa. In particular, the institution made further progress in gender lens investing through partnerships with Global Affairs Canada (GAC) and the European Union, launching new programmes designed to enhance economic empowerment for women. In addition, we strengthened relations with the Swedish International Development Cooperation Agency (Sida) as one of our prominent renewable and clean energy funders. We also welcomed KfW as a new funding partner for Sudan's private sector and AfDB as a funder for our Women in Leadership program, Nkwazi. Through our new and strengthened partnerships, we remain firmly on track to execute our 2021-2025 strategy: The Building of Resilience, as we are mobilizing resources to better support locally-owned, women-owned, and women-led SMEs.

## CLOSING THE CHAPTER ON 2021

2021 has been a significant year; our organization has learned key lessons during the pandemic, both internally and externally. As a result, I am confident that we have future-proofed AECF with the dynamism and agility to see us adapting to challenges and exploiting opportunities as they arise.

I have been fortunate to have the support of a highly experienced and energized Board, who have used their skill and experience to

ensure that the AECF is a relevant and highly effective organization, well positioned to deliver the impacts it is targeting.

To further enhance our Board leadership, in 2021 we were delighted to welcome Joost Oorthuizen as a new member of the AECF Board. Joost is an experienced investment professional specializing in trade, finance, and sustainable development. With a Ph.D. in natural resource management, he brings additional project development and investment capacity to the board, deepening our expertise and insight.

I want to thank all AECF employees for their hard work and dedication as we emerge from the shadow of COVID-19 and continue working in 'difficult terrains' where few dare venture across sub-Saharan Africa. By ensuring ongoing financial and technical support for AECF investees, we are empowering the private sector to deliver sustainable solutions in fragile contexts and challenging environments. We look forward to working with all our beneficiaries, investees, partners, and wider stakeholders in 2022 and beyond.

**Hixonia Nyasulu**  
Chair of the Board

**“Through our new and strengthened partnerships, we remain firmly on track to execute our 2021-2025 strategy: The Building of Resilience, as we are mobilizing resources to better support locally owned, women-owned, and women-led SMEs.”**



## INTRODUCTION

CEO'S  
STATEMENT

Dear partners, friends, and supporters of AECF,

Africa continued to face the repercussions of the COVID-19 pandemic, with businesses and markets facing systemic and threatening challenges. To compound this trauma, 2021 was a landmark year where climate change continued to adversely affect the continent, with extreme weather events impacting millions of Africa's most vulnerable people. Unfortunately, by the end of this year, there is little to celebrate in sub-Saharan Africa, with an estimated 478 million people in extreme poverty, one in two people lacking access to electricity, and up to a quarter of the population being food insecure. The majority of people live in fragile contexts, and these are the areas that require the most effort but at the same time are the most neglected because they are difficult.

This tough terrain impacts the sustainability of Africa's most valuable development resource, small and medium enterprises (SMEs). In 2021, SME entrepreneurs in sub-Saharan Africa felt uncertain about their short-term future. If these businesses, which sustain 80% of jobs, lack proper support, Africa's

## POWERING AFRICA'S PRIVATE SECTOR

2021 demonstrated that AECF has the capacity and capability to go deeper into communities and support Africa's most fragile, vulnerable, and marginalized communities through a thriving private sector that solves pressing development challenges.

development journey will be hindered. So, we must help SMEs and high-potential businesses overcome the difficult terrain and unlock real possibilities.

## WORKING IN DIFFICULT TERRAINS

AECF exists to unlock the potential of difficult terrains across sub-Saharan Africa - fragile contexts where conflict, crisis, and trauma have been imposed upon local communities; and complex operational environments and transitioning economies, where hyperinflation, capital controls, and lack of infrastructure constrain progress and development.

Through our work, we realize that the challenges faced by people in Somalia or Sierra Leone do not get solved in corporate boardrooms or conference centers but rather on the ground. They do not allow for textbook 'business school' approaches. Instead, they demand models that start from the point of proximity and understanding. They require interventions anchored in tangible action. To

reach the poorest and most vulnerable, we must comprehend and speak to their trauma and unique contexts before we can help the market devise appropriate solutions.

At AECF, we believe there are opportunities for the private sector to unlock value in the region and for people to benefit from SME activity. While fragility and complexity can be barriers to investment, by incentivizing the private sector to make market systems work for vulnerable groups, we believe these barriers can be overcome. Our work in 2021 confirmed these beliefs.

EXECUTING ON OUR STRATEGIC  
FOCUS AREAS: GENDER, INNOVATION,  
AND BUSINESS DEVELOPMENT

During the year, we expanded our programming to target women-owned or led enterprises that put women at the center of decision-making processes. Through gender-specific programmes, we are designing interventions to reach women as beneficiaries, to elevate women as business

leaders, and to understand and address social and cultural challenges that keep women constrained. For example, in Kenya, we began looking at opportunities for women-owned businesses in the blue economy to grow, formalize and create jobs. While in South Sudan, we are at the forefront of supporting climate-smart value chains that hold the promise of sustainable female empowerment. We also made the first disbursements under our Finance for Inclusive Growth (FIG) in Somalia programme, where we are unlocking the power of the financial sector to provide financing for women and youth working in the productive sectors.

I was excited to see some of our programmes surface pent-up demand for innovative solutions within fragile contexts. For example, our first competition window for the Kakuma-Kalobeyi Challenge Fund (KKCF) saw us committing over US\$5 million to support 17 high-potential businesses that directly impacted those living in the Kakuma refugee camp and Kalobeyi integrated settlement. Also, in Kenya, the first investee companies within our Results-Based Financing (RBF) programme began to operate, reaching 19,713 off-grid households with energy products and services. Through the provision of de-risked capital, we see opportunities to expand the horizons of the private sector and drive inclusive growth within these challenging environments.

We also operationalized the AECF Advisory Studio. Recognizing that capital is not enough, we provide expert technical advice in business critical areas, taking an integrated approach to SME support. As a result, we moved away from the short-term 'consultancy' model during the year and adopted a longer-term, multiple-touchpoint approach where advisors work with companies over a longer period and cover a wide range of subjects. Through this shift, we are ensuring our technical support is responsive to the needs of early-stage businesses and relevant to the contexts in which they operate.

Another significant development on the advisory side was the launch of the Nkwanzu Programme, which unlocks the entrepreneurial capacity of women-owned and led enterprises and provides dedicated technical assistance for women in business. Focusing on leadership and access to finance, Nkwanzu demonstrates our increased intentionality around helping women strengthen their business performance.

Complementing technical assistance, a priority focus for 2021 was driving wider conversations in the renewable energy space, where policy has not been conducive to achieving Sustainable Development Goal (SDG) 7 (universal energy access).

We engaged with ministries and associations in several countries, looking to build industry capacity to engage with government policymakers.

AFRICA'S LARGEST CONCESSIONAL  
INVESTOR IN SME BUSINESSES

AECF has solidified itself as the largest challenge fund supporting early-stage businesses in sub-Saharan Africa. We continue to progress, push boundaries, and adapt our model as an integrated development organization. Our investments support communities across our focus countries by exploiting our integrated model of catalytic finance, advisory, and investment services supplemented by on-the-ground knowledge and insights. We onboarded 46 new projects or enterprises to bring our total number of portfolio companies to 375 since inception, with 123 being active as of the end of 2021. As a result, we disbursed over US\$13.5 million, positively impacting over 470,000 households and over 2.3 million people. Most importantly, our funds and support have been leveraged and generated a total development impact of over US\$82 million in the year.

In more detail, our renewable energy and adaptive climate change programmes started to demonstrate the strong demand for energy services, with our portfolio reaching over 270,000 households and over 1.3 million people by the end of the year. At the same time, our agribusiness portfolio reached over 200,000 households, positively impacting over 1 million individuals, delivering impact where it matters. However, more work is required to alleviate poverty, so we look forward to what 2022 entails.

## 2022 AND BEYOND

In the year ahead, our goal is to leverage the private sector to address critical issues, such as humanitarian challenges, climate crisis, gender inequality, and displaced populations.

Looking forward, we do know that unique challenges require unique responses. Our role as a 'pipeline builder' into the ecosystem is therefore essential. We will continue to deploy patient capital to high-potential SMEs and accelerate our work on investor readiness and facilitation, helping build a broader ecosystem of investor-ready SMEs with innovative solutions, ideas, and answers for today's development challenges.

In 2022, we will continue to grow our presence in the region, expanding our operations in Burkina Faso and Benin while entering new markets - Sudan and South Sudan. Through our expansion into difficult terrains and fragile contexts, we continue in our belief that Africa's

SMEs have the potential to reshape the continent's future.

To this end, we remain thankful to our current funding and strategic partners - Swedish International Development Cooperation Agency (Sida), Global Affairs Canada (GAC), Foreign Commonwealth Development Office (FCDO), Alliance for a Green Revolution in Africa (AGRA), Syngenta Foundation for Sustainable Agriculture (SFSA), International Finance Corporation (IFC), African Development Bank (AfDB), Kreditanstalt für Wiederaufbau (KfW), and the European Union (EU) - without whom we would not realize our ambition of a prosperous, enterprising and resilient Africa.

I hope you enjoy this report.

**Victoria Sabula**  
Chief Executive Officer

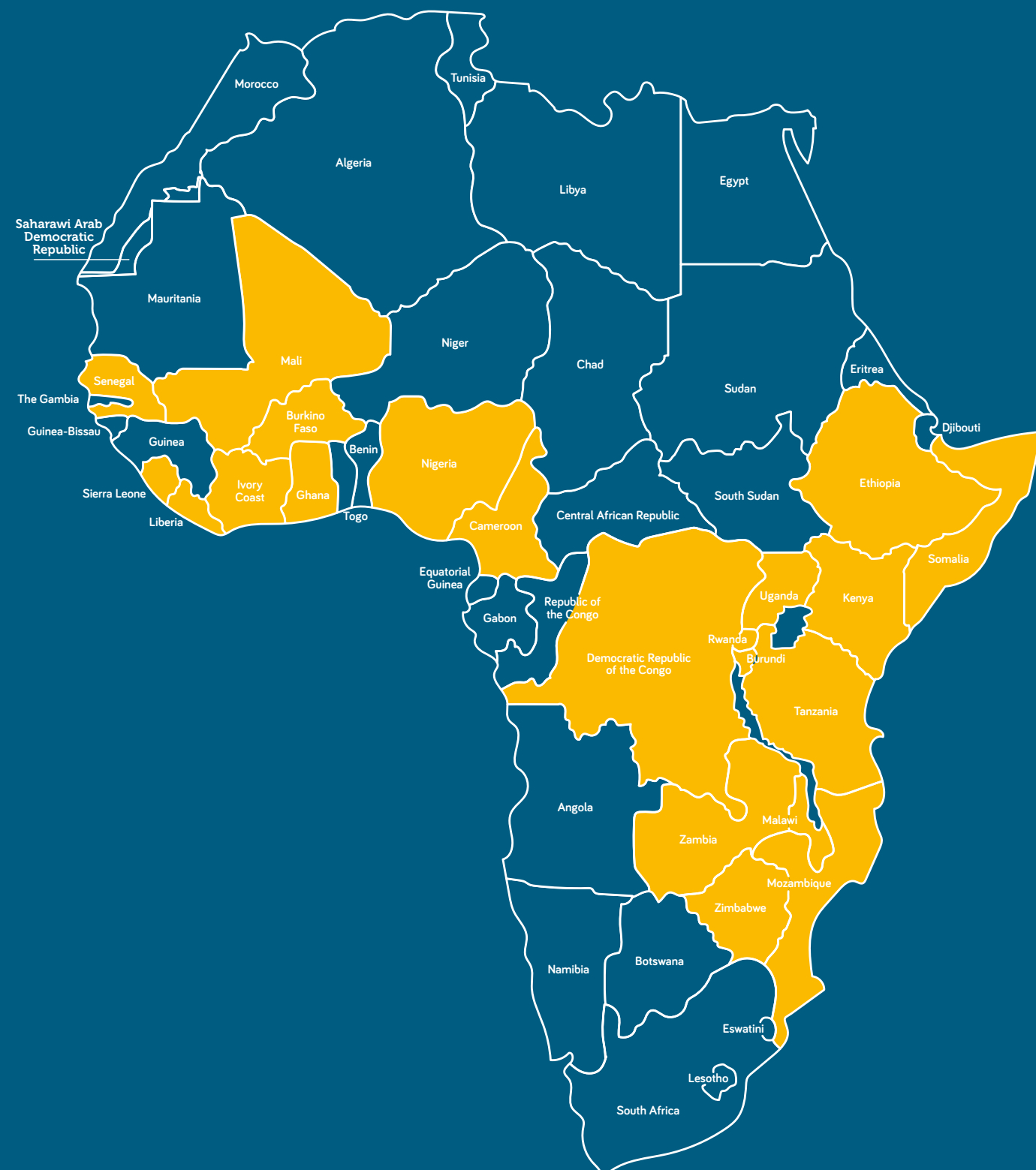
**“Our renewable energy and adaptive climate change programmes started to demonstrate the strong demand for energy services, with our portfolio reaching over 270,000 households and over 1.3 million people by the end of the year.”**



## INTRODUCTION

# OUR REACH IN 2021

Geographies that AECF operated in 2021:



## INTRODUCTION

# ACTIVE PROGRAMMES

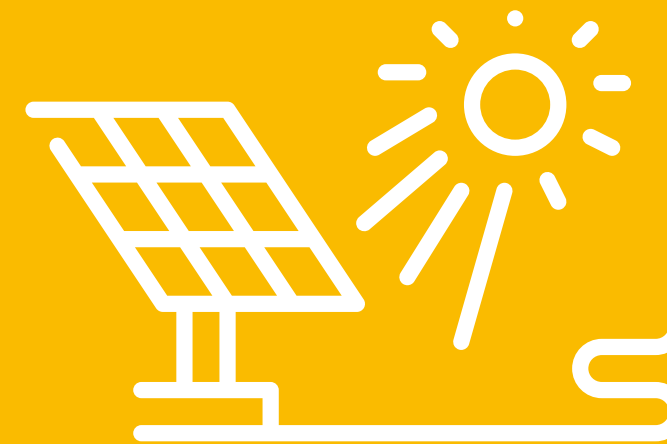


## AGRIBUSINESS

- Africa Agribusiness Window (AAW)
- Seeds for Impact (SIP)
- Tanzania Agribusiness Window (TZAW)
- Investing in Women in South Sudan (IIW-SS)
- Financial Inclusive Growth Somalia (FIG Somalia)

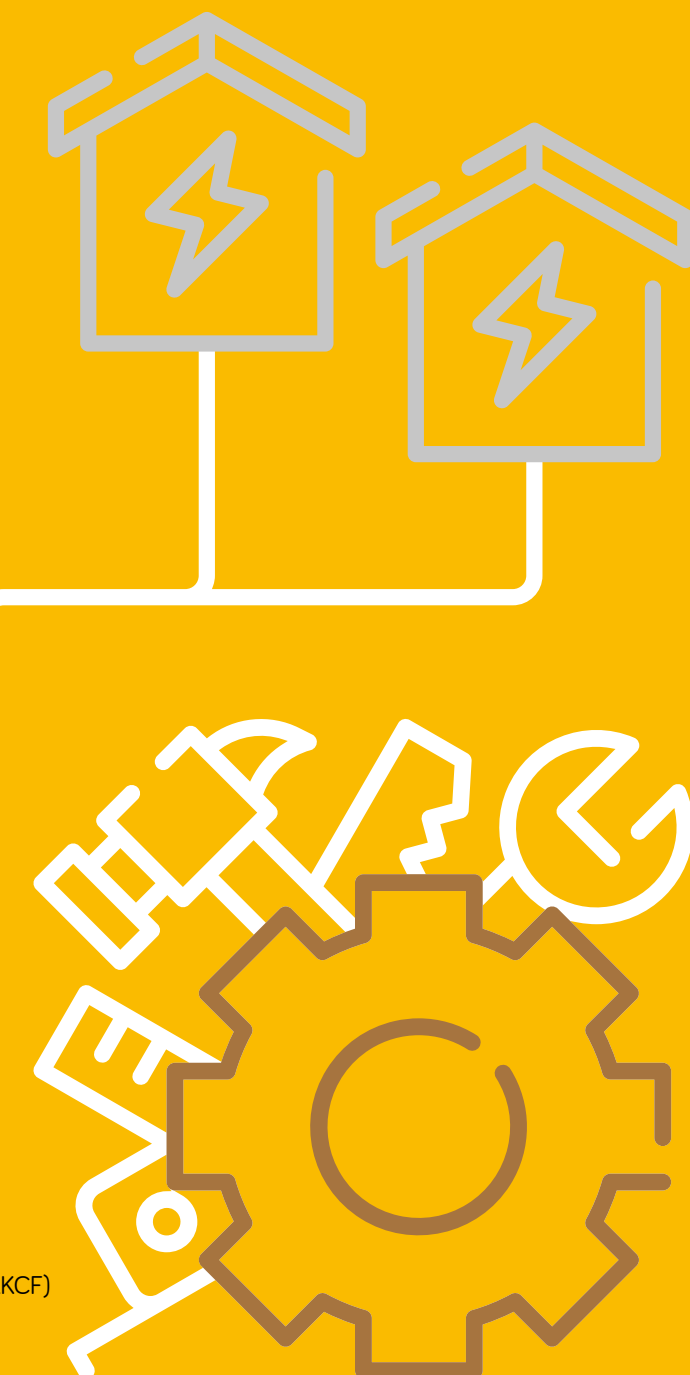
## RENEWABLE ENERGY AND ADAPTIVE CLIMATE CHANGE TECHNOLOGIES

- REACT Sub-Saharan Africa (REACT SSA)
- REACT Efficient Electrification Project (REACT EEP)
- Innovation Fund
- REACT Results-Based Financing (RBF)
- REACT Household Solar (REACT HS)



## SECTOR AGNOSTIC

- Kakuma Kalobeyi Challenge Fund (KKCF)





## OUR PERFORMANCE IN 2021

OUR  
AGRIBUSINESS  
PORTFOLIO

## GROWING PROSPERITY

Small and growing businesses are key to driving agricultural transformation and expanding the horizon of possibilities for rural and marginalized communities. By providing catalytic funding and technical support to these businesses, we boost productivity, improve the lives of smallholder farmers in Africa and support the delivery of Sustainable Development Goals (SDGs).

Agriculture and food systems in Africa face multiple challenges. Inefficient farm sizes, climate-related shocks, declining soil and water resources, inefficient supply chains, demographic shifts, and lack of access to quality inputs continue to weaken agricultural productivity and food security.

Currently, nearly one-fifth of Africans suffer from acute hunger, while a further fifth experience chronic undernourishment. Yet economies in sub-Saharan Africa remain principally agrarian, with agriculture accounting for 32% of GDP and employing 65% of the workforce. So, the potential for agriculture to reduce food insecurity and poverty on the continent is significant. At AECF, we believe small and growing businesses have a vital role to play in driving agricultural productivity and building a prosperous, enterprising, and resilient Africa.

Since 2009, our agribusiness work has supported 200 companies across 26 countries in over 75 value chains. Through this

portfolio, we have invested over US\$ 130.47 million and have supported a diverse range of enterprises and initiatives including improved seed varieties, livestock vaccines, new farming systems and agribusiness models, agro-processing, financial services, media, information services and technologies.

## OUR PERFORMANCE IN 2021

In 2021, as older agribusiness projects closed, we prepared the ground for new ones, with our teams consolidating success from ongoing and previous programmes.

Throughout the year, the effects of the COVID-19 pandemic continued to impact agricultural businesses and communities. Consumer purchasing power remained constrained, resulting in decreased turnover, lower returns, and reduced margins for SMEs. At the same time, mitigation measures implemented by governments yielded limited returns. Changes in tax regimes, for example, did not deliver the desired uplift in SME productivity. In addition, increased electricity prices meant the cost of doing business went up, particularly for companies involved in processing. As a result, many businesses were unable to operate or produce profitably.

The effects of climate change were also much in evidence, with poor rainfall and lingering drought impacting many countries across sub-Saharan Africa. In November 2021, the Famine Early Warning System Network predicted unprecedented drought in the Horn of Africa, estimating that up to 22 million people would experience severe food and water shortages in 2022.

Responding to the business and market challenges faced by our investees, we continued to implement a Relief Fund through the Africa Agribusiness Window Round 2. The Relief Fund aims to ease operational cost absorption, protect salaries, maintain business continuity, and prevent investee closure. The Relief Fund also protects the development gains made over the previous seven years and we are pleased to report that all of the companies supported through the Relief Fund were able to continue their operations in 2021.

Furthermore, conscious of the negative impact of the macroenvironment on business performance, throughout 2021 we offered our investees increased flexibility on disbursement targets, reporting deadlines, and project milestones. Our aim here was to unlock future tranches of funding and help companies raise matching funds.

Despite the difficult conditions of 2021, our agribusiness investees performed well, reaching over 200,000 households and benefiting more than 1 million people.

Overall, our agribusiness projects achieved the following:



206,244

households reached



\$299

average net benefit per household per year



Over 1m

people reached



38

active portfolio companies



\$3.18m

matched funding unlocked  
by agribusinesses



1,128

jobs created



## OUR PERFORMANCE IN 2021

# AGRIBUSINESS PROGRAMMES AT AECF

## SEEDS FOR IMPACT

A precondition for sustainable returns on investments for farmers is the availability and accessibility of high-quality seeds.

In our years of operating in the agricultural sector, AECF has determined that local seed production focuses mainly on the breeding and multiplication of staple crops, such as maize. This disproportionate focus results in a trade-off where local seed firms do not propagate more climate-resilient, globally-demanded and productive crops like beans, soy, and groundnuts. In addition, the limited investment available for seed propagation and distribution by governments results in seed producers that usually focus on single crop lines that exhibit sub-optimal genetic potential and intolerance to adverse climatic conditions.

Therefore local seed companies have not built the requisite capabilities or have the appetite to drive the commercialization of new seed varieties. Sadly, rural smallholder farmers bear the brunt of seed providers' deficiencies, as they cannot access or afford high-yielding, in-demand, and climate-responsive seed varieties. This is reflected by a continent where 40% of our land is dedicated to agriculture. Yet, we are increasingly food insecure, with typical yields in sub-Saharan Africa being nearly two-thirds less than yields produced by farmers in commercially oriented parts of the world.

Our Seeds for Impact programme (SIP), co-funded by AGRA and the Syngenta Foundation for Sustainable Agriculture (SFSA), seeks to unlock the power of local seed companies in Africa. The programme

provides locally-owned seed companies with the financing and technical capabilities to propagate and distribute new, more productive, globally demanded, and more climate-resilient seed varieties. This benefit is passed to smallholder farmers who can then access and afford seed varieties that boost yield and income.



**33,273**

households reached

**2,695**

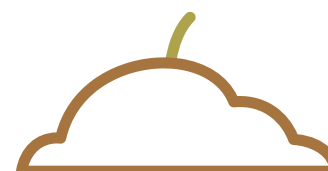
Seed production in Hectares (Ha)

**4,582**

Volume of seeds produced in Metric Tons (MT)

**2,299**

Volume of seeds sold in Metric Tons (MT)



**6,261,401**

Value of seeds produced in USD

**3,028,645**

Value of seeds sold in USD



**695 (126 female)**

Number of outgrowers supported



Commencing in 2018 and lasting six years, our programme has seen smaller locally-owned seed businesses grow and expand into new markets and escalate the availability of varieties that would not have been possible without our financing and technical assistance. Accordingly, our investment in these local companies has created significant additionality, increasing the frequency and speed of bringing new varieties to market.

In 2021, we learned that smallholder farmers are increasingly worried about climate effects in sub-Saharan Africa. We have seen more than 25,000 households switch their seed choices to new drought-resistant varieties of crops. Our learning is supplemented by our on-the-ground conversations, which indicate the generational concern of farmers that they are exposed to more erratic weather events. As a result, they are demanding new services and products, such as insurance and seed, better to protect them against the catastrophic impacts of climate change including increasing poor soil fertility. Accordingly, our beneficiaries indicated they would be willing to pay more for more climate-resilient seeds, exposing an opportunity for locally owned seed companies. Lastly, we have confirmed our hypothesis that smallholder farmers demand but typically cannot access highly productive commercial seed varieties, as locally owned seeds companies saw a 136% increase in the value of commercial seeds sold.

For the companies benefiting from SIP funding, 2021 was a year where we demonstrated the business case for investing in sub-Saharan Africa's locally owned commercial seed firms. Participant firms have collectively surpassed the project targets and have cumulatively produced eight thousand metric tons of seed and distributed four thousand metric tons of 14 improved seed varieties to 31,299 producers.



## OUR PERFORMANCE IN 2021



## TANZANIA AGRIBUSINESS WINDOW

The Tanzania Agribusiness Window (TZAW) seeks to address challenges of the availability, acceptability, affordability, and accessibility of agricultural produce and products. The programme does this by improving food supply chains, improving inputs services, and proving that the processing infrastructure can be made available in rural and remote areas to serve populations in urban regions.

Funded by the UK's Foreign and Commonwealth Development Office (FCDO) and the Swedish International Cooperation Development Agency (Sida), TZAW has selected 52 portfolio companies across a range of value chains and made available

US\$ 38.9 million, dispensed through grant and repayable grant mechanisms over the past ten years in four competitions.

2021 was the penultimate year of TZAW, and it was a year in which we consolidated results and harvested lessons. In this period, we learned the importance of a firm policy and that political response was vital to addressing COVID-19's impact in Tanzania. Many of our investee operations saw significant operational challenges that would have depressed growth or business viability. We were able to limit the exposure of COVID-19 to our investee companies by successfully deploying tailored technical advisory services

that helped the businesses better navigate the shocks.

As a result, our portfolio delivered solid results and reached over 45,000 households in the year with agricultural products and services, bringing the cumulative impact to 533,550 households.

A key highlight was the work of Novel Vaccine and Biological Company Limited (NOVABI), which launched a major innovation in the form of a new poultry vaccine (see page 22). From an initial idea in 2016 to a fully commercialized product in 2021, NOVABI's journey exemplifies our approach

in Tanzania, where we have focused on taking calculated risks to bring innovations to the market. NOVABI's success also highlights the importance of 'staying with a company.' If the value proposition is strong, our investment, technical assistance, and support can help a company develop and grow. In 2021, NOVABI delivered 1 million doses of the Tatu Moja® vaccine, a three-in-one vaccine for Newcastle Disease, Infectious Coryza, and Chicken Pox.

TZAW is on course to achieving all its key objectives in two ways. First, the project is proving the case for investing in agricultural start-ups especially those turning research into innovative products to fill a proven

demand. Secondly, we have learned the case for investing in end markets development primarily by enhancing the ability of firms to process niche products for niche markets, extruding maximum benefits from respective value chains eg, YYTZ, a cashew processor in Tanzania which has grown to access US and Canada markets. Looking ahead, we know we have to invest smartly. We know we need to focus on investment readiness, to assess whether companies are configured for additional private sector support. And we know we need to believe in and back new ideas, entrepreneurs, and innovations. Tanzania is a crucial market with huge potential. It will remain a key focus for us in the future.

2021

Cumulative

45,000

households reached in 2021, bringing the cumulative impact to 533,550 households.



## OUR PERFORMANCE IN 2021



### AFRICA AGRIBUSINESS WINDOW

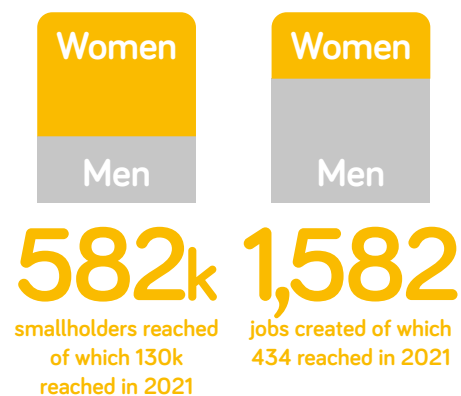
The Africa Agribusiness Window (AAW) is our flagship agribusiness programme, with Round 1 having closed in 2020, and Round 2 closing in 2022. The project was designed to identify and invest in innovative business ideas in Africa's agricultural sector with the potential to increase productivity, employment, livelihood opportunities, and incomes amongst the poor in Africa, specifically focusing on women. AAW Round 2 is a CAD 20 million facility aiming to surface innovative, inclusive business models implemented by agri-SMEs. It comprises 19 investees and, in 2021, benefitted 233,390 rural households with 21.1% headed by women. AAW R2 investees operate across various agricultural value chains, from palm oil production, access to finance, fruit processing to seed development and more.

Notable successes include Stewards Globe in Zambia, Zvikomborero in Zimbabwe, and Ecofix Kenya Limited in Kenya. Stewards Globe exceeded its company revenues and farmer/customer reach targets. The business recorded a non-maize sales turnover of US\$

12.9 million for the year, compared to US\$ 11.5 million in 2020, representing a 15% business growth. It also reached over 61,470 households. Zvikomborero Farm retained its status as farmers' choice for quality breeding stock for goats, sheep, and cattle. In addition, the firm commenced on-farm feed formulation and production to improve the feed conversion ratio, which is a key gross margin success factor. This measure has decreased associated costs by 40% and increased feeding efficiency. Meanwhile, Eco Fix Kenya Limited recorded a 50% increase in sales from 2020, with strong seedcake sales allowing the business to source more croton nuts from farmers in Kenya. In addition, the firm rebranded its newest cosmetic product line, Nea By Nature, and saw good preliminary sales in 2021.

Overall, AAW Round 2 investees' input supply and credit services reached 718,006 smallholder farmers (65% women) in 2021 and stimulated the creation of 434 full-time jobs, of which 151 were for women.

As Round 2 comes to a close in 2022, we anticipate a shift in agribusiness funding strategies among donors towards more intra-regional investments. Taking these and other lessons forward, we aim to extend Round 2's legacy into different contexts and markets. In particular, we will prioritize the integration of climate adaptation into private sector business models, ensuring that resilience is embedded into our investees and the people they work with.



### NEW AGRIBUSINESS PROGRAMMES

In 2021, we prepared the ground for the launch of two new 'Investing in Women' programmes. These programmes are a new dawn for purposive investing in African women entrepreneurs.

#### INVESTING IN WOMEN IN THE BLUE ECONOMY IN KENYA

Investing in Women in the Blue Economy in Kenya (IIW-BEK) is a five-year programme whose main goal is to enhance the economic empowerment of women-owned enterprises, their suppliers, and producers within Kenya's blue economy. Specifically, the programme will target key supply chains where women face discrimination and disadvantage, focusing efforts around Kenya's Lake Victoria Basin and the Indian Ocean.

Funded by Global Affairs Canada, the programme will use a blended finance model to increase the performance and sustainability of women and young women-owned enterprises.

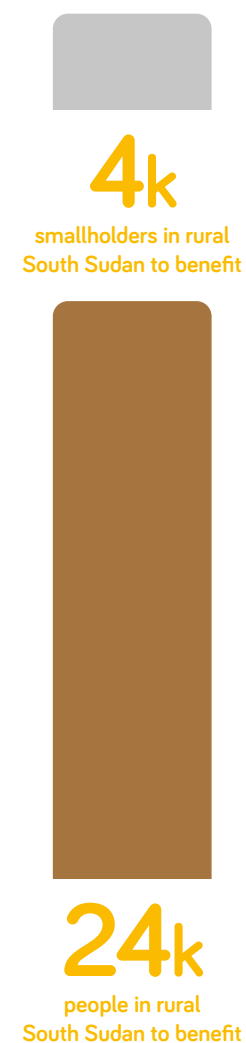
The project will directly support up to 20 women-led or owned medium-sized enterprises and up to 90 women-led or owned micro or small enterprises. It aims to directly benefit 1,560 women entrepreneurs and create 1,490 new jobs, of which 60% would be for women, while reaching 50,000 poor and vulnerable people.



#### INVESTING IN WOMEN IN SOUTH SUDAN

Investing in Women in South Sudan (IIW-SS) is a five-year conflict and climate-sensitive programme aimed at enhancing women's economic empowerment in the agricultural sector in South Sudan. This Global Affairs Canada programme seeks to reduce gender-specific barriers to women's participation in the shea, honey, sorghum, sesame, and groundnut value chains, increase the adoption of gender-sensitive and climate-smart agricultural practices, and improve employment opportunities and livelihoods for women in agriculture and food systems.

As well as providing catalytic investment capital to South Sudanese businesses, the programme will work through women's associations to reach individual women farmers. A vital programme element will involve engaging men and other power holders to help women access markets and retain the associated economic benefits. We anticipate the programme will benefit 4,000 smallholder farmers and impact 24,000 people in rural South Sudan.





## OUR PERFORMANCE IN 2021

# BRINGING VACCINE INNOVATION TO TANZANIA'S POULTRY FARMERS

## NOVEL VACCINE AND BIOLOGICAL COMPANY LIMITED (NOVABI)

NOVABI produces innovative veterinary vaccines for farmers in poor rural communities. Targeting chicken, sheep, goats, and cattle, NOVABI's vaccines are designed to protect livestock assets and enhance smallholder income.

Newcastle Disease, Infectious Coryza, and Fowl Pox collectively account for 90% of chicken deaths in Tanzania each year, impacting poultry farmers' livelihoods and disrupting key value chains.

In 2016, the Novel Vaccine and Biological Company Limited (NOVABI) conceived a new vaccine, offering three-in-one protection against these virulent chicken diseases. The vaccine had the potential to revolutionize Tanzanian poultry farming, but first, NOVABI

needed funding to establish a production plant in line with Good Manufacturing Practice (GMP) standards.

Believing in NOVABI's vision and value proposition, AECF provided NOVABI with financial and technical support as part of the Tanzania Agribusiness Window (TZAW) Round 4. Thanks to this catalytic funding and guidance, NOVABI was able to renovate its production facility, purchase state-of-the-art equipment and supplies, and recruit skilled

labor. The AECF's assistance also paved the way for early-stage trials and efficacy tests.

Following the completion of regulatory requirements, commercial production began in 2020. The vaccine, called Tatu Moja®, is thermostable and can be easily stored and administered, even in remote rural villages with no cold chain facilities. As a result, it saves poultry farmers' time and money while helping to protect their livestock from infection.

In 2021, NOVABI's new vaccine and production facilities were registered by the Tanzania Medicines and Medical Devices Authority (TMDA), leading to the launch of Tatu Moja® as a fully commercialized product. By the end of the year, NOVABI had sold more than 30 million vaccine vials, reaching thousands of smallholder farmers. The company is now set to produce over 100 million doses annually, with plans to export to surrounding countries.



## 30m

vaccine vials sold by NOVABI in 2021

### ELIZABET'S STORY

Elizabet Edward is the supervisor of the Amani Centre for people with mental disabilities in Mvomero, Morogoro. For many years she ran a poultry project, but until recently has never realized a profit due to disease among her chickens.

Each year, as her chicks started developing adult feathers, many would become infected with Newcastle Disease, Fowl Pox, and Infectious Coryza, resulting in them dying. But since the arrival of the Tatu Moja® vaccine, Elizabet has kept her brood safe and well, enhancing the prospects of income generation and profit.

"Thanks to the Tatu Moja® vaccine, my chickens have stopped dying. I now have 50 chickens, and I think this vaccine will bring a great change in this village, the ward, and the district."

Elizabet, vaccine beneficiary



## OUR PERFORMANCE IN 2021

EXPANDING ACCESS  
TO **QUALITY SEEDS**  
IN NIGERIA

**4,000MT**  
grain aggregated by VSL

“The Seeds for Impact programme redefined additionality for VSL, enabling us to achieve in two years what would otherwise have taken six. The number of farmers we have reached, the employee capacity we have built, and the ultra-modern machinery we have acquired would have remained a distant aspiration had it not been for AECF’s intervention. Now we can reach and support smallholder farmers significantly through the exponential growth of our business, reach and impact.”

Sir George Zangir KSG,  
President - Value Seeds Limited

## VALUE SEEDS LTD

Value Seeds Ltd (VSL) is a leading agricultural production and distribution company. Providing field crops, vegetable seeds, and bundled input technology to smallholder farmers, VSL aims to break the cycle of low productivity and poverty by expanding access to quality products.

Lack of access to quality seeds negatively impacts the livelihoods and lives of smallholder farmers. Without high-performing, drought-resistant seed varieties, smallholders cannot produce crops at sufficient volume or quality to meet consumer demand and market requirements.

Founded in 2009, VSL is a leading agricultural value chain solution provider specializing in field and garden crop production and distribution. VSL is the only seed company in Nigeria offering a one-stop shop for smallholder farmers, providing its customers with modern technologies in seeds, fertilizers, and crop protection.

During its early years, VSL struggled to access the finance it needed to expand production capacity and grow its business. At a crossroads in its development journey, lacking external investment, it looked like the company would have to taper its growth ambitions. But through AECF’s Seeds for

Impact, VSL could access an interest-free loan of US\$ 750,000 and a package of technical assistance on gender, marketing, finance, leadership, and talent retention.

The funding and technical support proved transformational, enabling VSL to enhance its internal capabilities and expand its operations. Within two years, the company had recruited 100 more staff and installed a modern, fully automated PETKUS seed conditioning machine capable of producing 10MT an hour.

As a result of these improvements, the company could impact more than 6,500 smallholder farmers directly by providing high-quality inputs. It also reached over 500,000 customers and aggregated more than 4,000MT of grains, which were then sold in niche markets. Crucially, through the distribution of sophisticated seed technologies, training, and best agronomic practices, the company has been able to help its smallholder beneficiaries transform their yields and incomes.



## DIFFICULT TERRAIN

Post-COVID-19 sub-Saharan Africa presents a challenging operational environment for agri-SMEs. Constrained purchasing power, disrupted supply chains, and deteriorating economic environments have left many businesses struggling to achieve profitability.



## REAL POSSIBILITY

Through patient capital, relief measures, increased flexibility, and technical support, AECF enables companies to continue to operate in this complex landscape – protecting jobs, adapting business models, and bringing game-changing innovations to market.



## OUR PERFORMANCE IN 2021

# OUR RENEWABLE ENERGY AND ADAPTATION TO CLIMATE CHANGE TECHNOLOGIES PORTFOLIO

## POWERING AFRICA'S AMBITIONS

In order to increase energy access in sub-Saharan Africa, the growth rate of early-stage companies needs to be much higher. To drive impact and power the future of Africa, we are shifting our focus to smaller and locally led companies to drive an equitable and inclusive renewable transition aligned to the needs of rural and marginalised communities.

In recent years, energy access on the continent has been improving, driven by progress in developing off-grid energy systems and other innovations in countries including Kenya, Rwanda, Senegal, Ghana, and Ethiopia. Despite this positive progress, the International Energy Agency (IEA) identified that people without access to energy in sub-Saharan Africa increased in 2020 for the first time since 2013. The region's share of the global population without electricity rose to 77%, up from 74% in 2019, primarily driven by the economic impacts of COVID-19.

AECF is committed to solving energy poverty and promoting climate resilience in sub-Saharan Africa. At least US\$ 51 billion a year will be needed until 2030 to achieve UN Sustainable Development Goal (UN SDG) 7, which aims to ensure universal access to “affordable, reliable, sustainable and modern energy.”

The AECF's early-stage grants are helping to unlock these funds through the private sector and direct them to where they are needed most. In this way, our work is directly

linked to the realization of UN SDG 7. Across the Renewable Energy and Adaptation to Climate Technologies (REACT) programme, 47% of our investees focus on distributing and financing off-grid solar products. But most of the impact in this space is driven by just a handful of companies, with 18% of investees delivering 80% of the results within the off-grid energy portfolio.

This picture is replicated more broadly across the investment space for energy access, where a few companies absorb the vast majority of available concessional capital. A recent report from GOGLA noted that of the financing raised across the sector, the majority goes to ten companies, and 63% goes to just three. Many of these scaled companies have struggled to become profitable in providing energy access, especially to low-income consumers, and are looking to increase sales to more credit-worthy customers.

To achieve a just and equitable energy transition, we believe we must stimulate a broader ecosystem of smaller, local energy companies that understand and can tap into local markets. For this reason, AECF is increasingly focused on surfacing and

investing in companies that fit this profile. These SMEs, equipped with local knowledge, are better positioned to serve rural areas and low-income consumers. They require smaller ticket sizes, have lower growth trajectories, and need significant time and advisory support to grow. But while they are likely to deliver lower headline numbers in the short term, they have a significant role to play in a sustainable renewable energy ecosystem, representing the investible enterprises of the future. We believe they will ultimately deliver sustainable long-term value with increased capacity and links to funding. This approach will help create a balanced, inclusive portfolio that meets the needs of high numbers of low-income households while being more closely aligned to the budgets of marginalized communities.

Over the past 11 years, we have supported 175 companies across 16 countries in sub-Saharan Africa. We continue to operate in high-risk early-stage markets, where without AECF support, the clean energy SMEs would be unable to take off.

### OUR PERFORMANCE IN 2021

By the start of 2021, some of our older renewable energy programmes achieved a point of maturity, while our newer programmes continued to scale and drive deeper levels of impact. From a slow start in 2019 and 2020, all our programmes' funds are now largely committed, and our investees are starting to gain traction in reaching the bottom-of-the-pyramid households with energy access.

There were many externalities to contend with in 2021, including ongoing supply chain delays linked to COVID-19, credit tightening, and increased logistics costs. These conditions, together with price rises for raw materials and finished products, and significant impacts on consumer income, led to major affordability issues among low-income beneficiaries. In addition, some markets continued to struggle with policy changes. Meanwhile, difficulties in obtaining hard currency, military coups, and extreme climatic events created complex operational environments.

Despite these challenges, our investees delivered impressive results, reaching over 200,000 households, equivalent to 1.1 million people.

In addition to the headline numbers, we worked with impact measurement company 60 Decibels to better understand our energy portfolio's welfare impacts and customer experience. So far, ten studies have been commissioned, focusing primarily on our high-impact projects, validating the challenge model as most effective for reaching low-income households.

Specifically, in 2021 our REACT projects achieved the following:



## 130,077

tonnes of CO2 emissions avoided



## 228,956

households reached with new or improved energy access



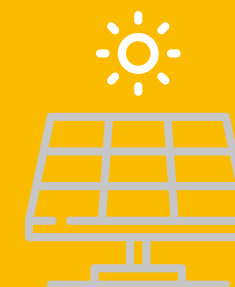
## 227,010

people with access to clean and improved cooking solutions



## 8,567

SMEs benefitted



## 915,670

people with access to off-grid solar products and services



## 4.24MW

of clean energy capacity installed



## 1,617

direct jobs created (37% female)



## OUR PERFORMANCE IN 2021

# RENEWABLE ENERGY AND ADAPTATION TO CLIMATE TECHNOLOGIES PROGRAMMES AT AECF

Also in 2021, we launched REACT SSA Somalia Round 2. We have so far invested US\$1.6 million in four companies in Somalia, with more companies expected to be onboarded in 2022.

Off-grid solar remains the primary driver of impact within the REACT SSA programme, accounting for 62% of households reached. Off-grid solar home systems are now the least-expensive option for rapidly deploying affordable 'first' electricity access to underserved off-grid customers. However, the trends show that off-grid solar companies will continue to require subsidies to provide energy access products and services to the rural poor, otherwise, they will transition to less risky consumers, more urban areas, and other products (such as mobile phones and insurance) to reduce their risk profile and boost their chances of being profitable.

Clean cooking businesses in our portfolio reached over 45,000 households in 2021. While scaling clean-cooking solutions remains challenging, REACT SSA investees continue to design innovative business models and attractive, simple, affordable product offerings. Despite challenges in accessing investment capital compared to other energy access business models, data is beginning to support AECF's belief that clean cooking market-based approaches can reach more women.

Productive Use of Energy (PUE) businesses account for only 2.3% of the total households reached in 2021. However, with accelerated growth and innovation needed in this subsector, AECF investees continue to focus on translating energy access into new potential for revenue generation and long-term socio-economic development in rural areas. Trends in this sub-sector show that PUE products are often expensive and not appropriately designed to meet the demand for rural businesses and households, which is a significant barrier to uptake, leading to limited commercial viability and a lack of investor interest.

## REACT SUB-SAHARAN AFRICA

Our REACT Sub-Saharan Africa (SSA) programme aims to bring the benefits of renewable energy to off-grid, low-income households in Kenya, Ethiopia, Somalia, Zimbabwe, Burkina Faso, Mali, Liberia and Mozambique. By de-risking unique business models, it supports the private sector to innovate and invest in diverse technologies, positively impacting people's quality of life by providing cleaner, cheaper and healthier energy sources.

In 2021, this Sida-funded programme reached over 130,000 households, with each REACT SSA country reaching 20,000 households on average. In line with our increased focus on smaller companies, AECF worked to subvert the prevailing financing narrative in sub-Saharan Africa, prioritising small, locally owned and women-led companies. We also continued to respond to local contexts – for example, addressing mobile money infrastructure issues in countries in West Africa.



130,361

households reached



71

number of investees



14

women-led businesses



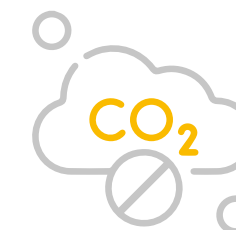
2.04MW

clean energy installed



1,265

direct jobs created



124,873

tonnes of CO<sub>2</sub> avoided



## RELIEF FUND

During the year, the REACT SSA Relief Fund came to a close. The fund was established through the support of Sida to enable business continuity during the COVID-19 pandemic



**\$1.67m**

working capital funding disbursed

among Kenya-based Decentralised Energy Access Companies (DESCOs). It aimed to help maintain customer access to clean energy products and services by supporting supply chains and distribution networks disrupted by public health restrictions. Ten companies were selected, with US\$ 1.67 million working capital funding disbursed alongside targeted technical support.

An evaluation of the fund revealed positive results, showing that:

- Our response in launching the relief fund to mitigate the impact of the pandemic was fast, and the pre-contracting phase was detailed and robust.

- The speed of the launch of the fund was unparalleled, providing invaluable support when it was needed most.
- Half of the survey respondents attributed their follow-on investments to relief funding.

The success of the REACT SSA Relief Fund demonstrates that the market can respond well to crises. And although the Fund is now closed, we will carry its lessons forward into future programmes and initiatives. Specifically, we expect to continue to deploy this model in response to droughts, floods and other extreme events, aiming to ensure the private sector delivers when needed.

## INNOVATION FUND

Launched in April 2021 as part of REACT SSA, the AECF Innovation Fund aims to de-risk new-generation technologies and validate market fit within the clean cooking and productive use of energy sub-sectors. It is a new approach by AECF to target and support emerging innovations, with grant funding and technical assistance.

The Fund acknowledges that, while we have made progress scaling off-grid solar, we need to do more to boost clean cooking and productive use solutions. It also acknowledges that we need to give companies 'learning grants' to assess customer demand and market viability.

The Innovation Fund deals in smaller grants compared to mainline REACT SSA funding. The focus is on learning and iterating from an initial product rather than hitting specific milestones. It gives companies the freedom and support to develop potentially game-changing innovations.

In 2021, we held two competitions, one in April and the other in November. Four companies were selected within the first round, with another five being assessed for 2022. In the year ahead, we will continue to support the growth of these businesses through capacity building and coaching, readying their innovations for full market entry and expansion.



## RESULTS-BASED FINANCING

During the year, we launched our REACT SSA Results-Based Financing (RBF) programme with the support of Sida. Focused on Kenya only, RBF targets companies that have graduated from the AECF matching grant model. The programme aims to expand access to low-cost clean energy for households across the country, with additional incentives for companies to reach the poorest families. As a results-based framework,



**255,300**

households to receive new or improved access to clean energy by 2024

payment is only made upon delivery of measurable and verifiable outputs, with the AECF reimbursing a percentage of the cost to help balance the risks involved.

RBF is geared towards companies capable of raising upfront finance and delivering higher outputs. Under the scheme, the full implementation risk is taken on by the investee, who then receives a supply-side subsidy. It is another example of our 'graduation of grants' approach, where we provide an extra incentive for companies to reach rural customers. Without unduly distorting markets, less concessional financing tools address the unmet demand for off-grid access to electricity, clean cooking, and productive power among poorer, rural, marginalised households.

We recruited 11 companies within the RBF programme, whom we expect to deliver

new or improved access to clean energy for 255,300 households by 2024. Programme implementation began in Q3 2021, with our RBF businesses reaching 19,713 households or 8% of the overall goal, by the end of the reporting year.

Through the programme, we expect the majority of impact to come from clean cooking solutions, where the biggest gains regarding carbon emissions reductions are made. Furthermore, most beneficiaries reached so far are female, corroborating the hypothesis that investing in clean cooking delivers enhanced outcomes for women. In this way, RBF aims to incentivise companies to achieve additionality on three fronts: by reaching underserved areas, making net contributions to the environment through reductions in charcoal and kerosene usage, and by positively impacting women beneficiaries.

## FUTURE FOCUS

We will focus on improving energy access in more challenging markets, in riskier geographies and with next generation technologies. The successes and failures in our REACT programmes will pave the way for businesses to scale models and innovations that bring affordable light, productive use and clean cooking to rural Africa, leaving no one behind.

We will also continue to work towards a just and equitable energy transition by including and focusing more on smaller, local SMEs. They play a critical role in tapping into local energy markets. An equitable energy transition also means increasing the representation of women-owned and led businesses in the sector and the workforce and will remain a key focus for AECF.



## REACT HOUSEHOLD SOLAR

Our REACT Household Solar (HS) programme supports private sector delivery of solar home system products and services in Southern and Western Africa, aiming to accelerate energy access for low-income households. The programme, funded by UK's Foreign and Commonwealth Development Office (FCDO), delivers financial and technical support to companies through grants, repayable grants, and technical assistance.

Private sector innovation has shown that, in addition to the potential market opportunity, there is strong latent demand across the continent for off-grid solar home solutions that bring electricity into households. Further market drivers include mobile phone access and data services, mobile payment systems, and global innovations in battery, LED and internet-of-things (IoT) technologies. These developments provide an opportunity to overcome multiple hurdles that have previously restricted both access to and by African rural and underserved markets.

The first round of REACT HS is being implemented in Malawi, Sierra Leone, Zambia and Zimbabwe, with ten companies funded. The second round of the programme, launched in 2021, is being implemented in Ethiopia, Senegal, and Nigeria, with a further seven companies funded. Through REACT HS we have de-risked companies that continue to demonstrate how business innovation in off-grid solar has the potential to meet the energy needs of rural and marginalised communities.

With REACT HS Round 1 entering its final year, we saw growth among investees plateau

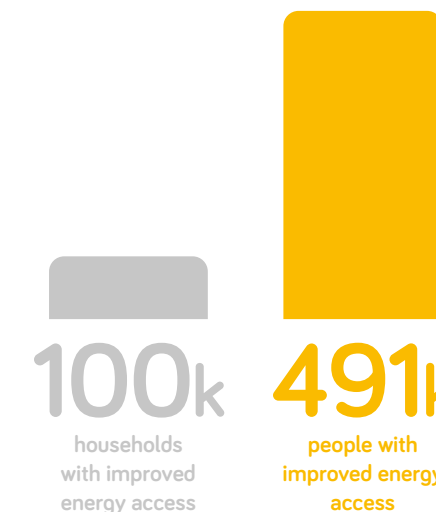
due to the ongoing impact of COVID-19. Nevertheless, during the year, our portfolio companies improved energy access for just under 100,000 households (490,875 people), creating 342 direct jobs and income-generating opportunities for 1,300 commission-based agents. A total of 130 Mega Watt-peak (MWp) of clean energy capacity was installed, equivalent to each household receiving an average of 13.24 Watt-peak (Wp) in solar capacity, which enables full Tier 1 electricity access. Through the Round 2 portfolio, we delivered on our promise to continue to expand into West Africa, with four of the seven investee companies based in Senegal and Nigeria.

An impact study conducted on REACT HS's top three performing businesses shows that these companies are satisfying energy customers who see positive outcomes in their lives as a result of taking on new energy products. Prior to buying from AECF's investees, the majority of customers were not connected to the grid and mostly used candles as their main source of light. Two-thirds reported they had no access to alternatives to the energy product/service provided by the companies. 89% of customers were accessing a solar home system product/service for the first time, showing that these companies are serving a largely underserved market.

However, profitability in the 'pay-as-you go (PAYGO)' sector remains largely elusive and the effects of the pandemic have reversed its progress in many cases. Industry studies have estimated that it would take a PAYGO

company more than five years to become profitable. Therefore, the more aggressive a PAYGO company's growth, the greater the need for external funds. Over the past decade, PAYGO investees demonstrated their ability to grow their customer base, which supported the belief that these investees were maturing and readily able to meet their forecasts. Despite the scale already reached, even market leaders are still testing and adjusting core elements of their business models.

Off-grid solar systems have significant climate adaptation and resilience benefits. For example, off-grid solar can offer a vital energy source during climate emergencies and we are increasingly seeing adaptation co-benefits in off-grid solar. As a result, we are strategically positioning AECF to access new climate funding sources, to support our initiatives that help poor people adapt to a changing climate.





## OUR PERFORMANCE IN 2021

# EXPANDING CLEAN COOKING SOLUTIONS IN KENYA



## 20,000

households reached through AECF support out of the 450,000 Kenyan households reached by KOKO

### HALIMA'S STORY

Halima is a food vendor in Bamburi, Mombasa, where she makes and sells chapatis and other food items in her small restaurant. In December 2021, not long after KOKO's launch in her home city, she began using KOKO fuel solutions, acquiring a clean-fuel KOKO Cooker for her everyday cooking activities.

Ever since, Halima and her customers have experienced major health and safety benefits, while Halima's business has made significant savings. The money she spends on KOKO Fuel is half the amount she would typically use to buy charcoal, and on average, she uses one canister per day to cook 3 kgs of chapati. The benefits of clean cooking have also been transformational; the KOKO Cooker emits no smoke, meaning her customers can sit and eat without the fear of indoor air pollution, while her pots and utensils remain soot-free.

"I bought a KOKO cooker and since I started using KOKO fuel, I've spent less money on fuel than before. We used to have frequent health issues because of charcoal smoke, but with the KOKO cooker we enjoy a lot of the benefits of clean cooking since there is no smoke."

**Halima, clean cooking beneficiary**

## KOKO NETWORKS

KOKO Networks is one of Africa's leading climate-tech consumer platforms, driving the shift from deforestation-based charcoal and kerosene to modern and sustainable fuel solutions.

In countries across sub-Saharan Africa, charcoal, fuelwood and kerosene dominate the US\$ 40bn market for cooking fuel, with devastating implications for the environment and public health. Some negative externalities of charcoal include deforestation and indoor air pollution, which pose a significant health hazard for families, especially women and children.

KOKO Networks leverages cloud and IoT technologies to provide an innovative, modern, clean bioethanol fuel solution – KOKO Fuel.

The company uses existing infrastructure to distribute its low-cost fuel product via a network of 'fuel ATMs' installed in local convenience stores. This approach lowers the retail price of bioethanol fuel by as much as 50% compared to traditional ethanol distribution models, which employ single-use plastic bottles. At the same time, the ATM system provides a new revenue stream for trusted local shopkeepers.

Through these innovations, KOKO is looking to out-compete polluting cooking fuels in the

two areas that matter most to consumers: affordability and convenience. Customers can buy their fuel digitally, with top-up options starting at US\$ 0.30, and pay the same unit price irrespective of top-up size. With huge customer interest in this unique and sustainable fuel proposition, KOKO's footprint has grown steadily, with the company now reaching over 450,000 households in Greater Nairobi, Greater Mombasa and Kisumu.

In 2021, looking to scale its operations, KOKO turned to AECF for help with an expansion

project in Mombasa, where local uptake was strong. AECF provided funding to significantly reduce the cost of customer acquisition in areas where charcoal prices are lower, and investment is required to support consumer education. As a result of this support, KOKO has extended stove and fuel sales to the lowest-income households in Greater Mombasa. Selling over 20,000 cookers since launch, it has established a network of cloud-connected fuel ATMs across nine neighbourhoods, with plans to expand to Kwale County by August 2022.



## OUR PERFORMANCE IN 2021

# PROMOTING CLEAN COOKING SOLUTIONS IN MOZAMBIQUE



## AIRES'S STORY

Sogepal's increased distribution of improved cookstoves obviates the need for households to purchase expensive fuel sources, such as charcoal. This, in turn, frees up money for food, health and education. In addition, low smoke emissions mean families are no longer exposed to indoor air pollution, while stoves can also be used for income-generating activities, such as food preparation.

"I am a resident of Matola Gare neighbourhood in Maputo, Mozambique. In 2021, I purchased an improved cookstove from Sogepal for domestic use. My wife and I are delighted with this new product we use to prepare daily meals. It's easy to light, and we can use it inside the house because it doesn't emit much smoke. We also now purchase much less charcoal than we used to, which has helped us save money for other domestic needs. It has been a very great acquisition."

**Aires, clean cooking beneficiary**

## SOGEPAL

Sogepal provides a range of renewable energy products and services for domestic use in Mozambique, committed to expanding access to clean energy and improved cooking solutions.

In 2013, Sogepal entered the renewable energy sector in Mozambique as a provider of improved stove solutions. Its innovative products deliver an energy efficiency of 45% compared to conventional stoves, helping rural households make savings while enjoying the health benefits of clean cooking.

As the company grew, it diversified its range of renewable energy products, including solar systems for domestic use. It also began expanding its distribution across the south of Mozambique.

In 2021, Sogepal developed plans to enter the carbon credit offset market by expanding its cookstove business. But a financial investment was needed to make these ambitions a reality. Although the company already had a foothold in the market, local partnership opportunities were limited, and investors were wary, mainly due to the ongoing financial crisis in the country. In

addition, a lack of bank guarantees meant Sogepal were restricted to short-term financing options with high-interest rates.

Seeing strong potential in Sogepal's business plans and proposals, AECF provided much-needed financial support through a non-refundable grant, enabling Sogepal to access the investment it needed. Beyond finance, AECF also delivered training in financial management, commercial operations, marketing and production while creating links to support strategic partnerships for carbon credit and software services.

As a result of AECF's interventions, Sogepal has successfully implemented its expansion plans. The company has sold over 16,857 stoves, reaching 85,000 families with innovative clean cooking technologies. The new project has also led to job creation, with Sogepal hiring 47 additional employees, 28 of whom are women.



## DIFFICULT TERRAIN

During 2021, a series of tropical cyclones hit Mozambique, causing widespread devastation, flooding and loss of life. Many rural communities were left highly vulnerable, without access to clean water or energy.



## REAL POSSIBILITY

In the absence of contingency grid power supply, solar energy offers a vital climate adaptation solution. It provides a source of much-needed lighting at night and power during the day – a lifeline for local populations impacted by climatic events.



## OUR PERFORMANCE IN 2021

# INVESTING FOR AFRICA'S MOST VULNERABLE GROUPS



## REACHING THE POOR AND MARGINALISED

Working in 'difficult terrains' means extending support to the poorest and most vulnerable members of rural and marginalised communities. Women, youth and people in fragile contexts are key target groups for AECF.

In our 2021-2025 strategy, The Building of Resilience, we confirmed our commitment to Africa's rural and marginalised communities who lack the products, services and resources they need to increase income, choice and opportunity, and to the private sector as the vehicle for reaching them.

In particular, with our new strategic direction established, we have sharpened our focus on women, youth and people in fragile contexts as our key beneficiaries. With the lingering impacts of COVID-19 and ongoing climate shocks highlighting the vulnerability of these groups, we are committed to:

### WOMEN

- Delivering targeted initiatives that integrate women into value chains and understand the power dynamics at household,

community and regional levels to ensure women retain agency over the product of their labour.

- Providing capital and technical support for women-led, women-owned and women-empowering businesses.
- Strengthening advocacy and women's rights organisations to help mainstream gender evaluation in policy, legislation and practice.

### YOUTH

- Sustainably addressing poverty and employment challenges among young people.
- Providing investment and advisory support targeted to young people and to value chains that specifically employ young people in decent work.

- Surfacing innovations that best address the employment gap and promise meaningful opportunities for young people.

### FRAGILE CONTEXTS

- Designing and delivering 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 and environments threatened by climate change.
- Broadening the scope of engagement beyond the private sector where necessary to also invest in producer associations and other organisations that bring low-income households together.

Our goal is to overcome structural and gender-based inequalities by generating income and employment for young people, women and low-income households. While in fragile contexts, such as thin, nascent markets or conflict-affected environments, we specialise in de-risking and attracting investment to contribute to stability and progress.

AECF has to date invested a total of US\$ 41 million in 94 businesses operating in fragile and conflict-affected states within the agribusiness and renewable energy sectors.



## OUR PERFORMANCE IN 2021

## AECF IN FRAGILE CONTEXTS

## FINANCE FOR INCLUSIVE GROWTH IN SOMALIA

Finance for Inclusive Growth in Somalia (FIG Somalia) is an innovative fragile context initiative that provides a revolving loan and guarantee scheme to financial intermediaries. Launched in 2020, FIG Somalia is a €4.5 million European Union (EU) pilot programme that aims to build stability and resilience in Somalia by stimulating inclusive economic opportunities and protecting vulnerable groups. The programme targets women and youth-owned enterprises, agricultural producers and finance institutions, looking to benefit 8,000 households.

In 2021, we made the first disbursements under the programme to two financial intermediaries in Somalia. This support will enable our investees to make loans to people they wouldn't otherwise reach. The programme intends to increase access to finance for young people, women and producer groups in the agriculture sector. We also provide technical assistance to financial

institutions to improve their capacity to understand and manage risks. This will enable them to take on a broader range of customers in the future.

To date, 740 small businesses have been financed, and US\$ 1,412,451 has been disbursed through the programme's revolving loan fund. Of the beneficiaries reached, half have been women; just over a third have been producer groups, with two-thirds under 35 (youth), which is in line with expectations. We have also undertaken six training modules and trained 92 loan officers to provide coaching, mentoring and knowledge transfer to two financial institutions.

FIG Somalia is a prime example of AECF entering a challenging environment where private investment is stifled due to the inherent uncertainty, a lack of data, and the precarious security situation. As demonstrated by our activities in 2021, we do not view

these conditions as a barrier to engagement. On the contrary, we view them as an opportunity to help beneficiaries gain access to finance for productive use; and a chance to stimulate inclusive economic growth in challenging terrains.



**\$1,412,451**

disbursed by FIG Somalia through financial intermediaries

## KAKUMA-KALOBYEI CHALLENGE FUND

The Kakuma-Kalobeyi Challenge Fund (KKCF) is an US\$18.2 million, five-year programme designed to support private sector investment and unlock the economic potential of refugees and their hosts in the Kakuma-Kalobeyi area of Northern Kenya. Funded by KfW, FCDO, EU and SDC, and implemented by the International Finance Corporation (IFC) and AECF, KKCF aims to attract private companies and grow entrepreneurship to create jobs and improve local service provision.

This urban area is a bustling US\$ 56 million market. It is home to more than 250,000 people, including over 190,000 refugees, thousands of businesses, entrepreneurs, and discerning consumers. Looking to enable economic integration and self-reliance, the IFC and AECF have designed KKCF as a competitive financing mechanism to incentivise companies, social enterprises and entrepreneurs to start or scale operations.

Following the official programme launch in 2020 and the establishment of an AECF office in Kakuma in 2021, we implemented the first competitions. As of April 2022, we have onboarded 37 new KKCF investees – seven under Private Sector Window, four under Social Enterprises Window, and 26 under Local Enterprises Development Window. These businesses, which include nine women-owned enterprises, encompass a range of services, from agribusiness to finance to construction, health and education. The majority of the investment into the programme will take place in the latter half of 2022.

We look forward to leveraging these investments, along with our technical expertise, to help the businesses and communities of Kakuma-Kalobeyi overcome the challenges they face, paving the way for wealth creation in this uncertain and underserved market.



**37**

new KKCF investees onboarded



## OUR PERFORMANCE IN 2021

AECF'S GENDER  
LENS INVESTING

AECF is committed to empowering women in Africa. Our ambition is to enable women and women-owned businesses to thrive by reorienting the investment process and increasing gender equality.

In 2021, we continued our efforts to reach women and women-headed households. We also focused on generating employment for women in key value chains and supporting companies whose business models work for women's inclusion and economic empowerment. Across all our programmes, of the 2,708 jobs created through AECF interventions in 2021, 1,028 were jobs for women – representing 38%. Meanwhile, of the 435,200 total households reached, 92,985 were women-headed households.

**NEW PROGRAMMES, NEW OPPORTUNITIES**

In 2021, we initiated two new agribusiness programmes designed to enhance the economic empowerment of women and women-owned enterprises.

Investing in Women in the Blue Economy in Kenya (IIW-BEK) is a five-year programme targeting women-owned businesses within Kenya's blue economy. The programme aims to help women transition from informal to formal operations within blue economy value chains. By overcoming discrimination and disadvantage, its end-goal is to increase women's participation as economic actors in this high-potential market. We also launched Investing in Women in South Sudan (IIW-SS); a five-year conflict-sensitive programme

aimed at empowering women in the agricultural sector in South Sudan.

These programmes, which you can read more about on page 21, demonstrate the increased intentionality with which we are expanding our gender lens investment focus. Within agribusiness, in particular, we anticipate an accelerated shift in this direction over the next three to four years.

**UNLEASHING THE POTENTIAL OF AFRICAN WOMEN IN LEADERSHIP**

Within our Advisory Services portfolio, in 2021 we launched a major initiative targeting women leaders in sub-Saharan Africa. The Nkwanzu Programme addresses the needs of women in leadership while supporting female

entrepreneurs to attract financing to scale their businesses.

In November 2021, we held a two-day Nkwanzu Women in Energy Leadership Development Conference, engaging 33 women executives in a series of training workshops. The event aimed to help women improve their performance as leaders and the overall performance of their businesses. During the workshops, women CEOs and executives from AECF's REACT portfolio learned how to address self-confidence issues, and overcome gender-specific barriers and constraints.

The workshops were followed by one-on-one coaching sessions in 2022 to further enhance the lessons learned. We also facilitated virtual

peer-to-peer coaching, led by women within the AECF portfolio. Sessions focused on how to increase visibility via LinkedIn, how to manage business profiles, and how to market a business successfully.

A second Nkwanzu initiative, Scaling Women SMEs through Access to Finance, received approval in December 2021. Funded by the African Development Bank (AFDB), this US\$ 250,000 programme is designed to help 30 women collectively raise US\$ 1 million in financing through coaching, investment readiness and facilitation. Launching in September 2022, this vital intervention will further our efforts to drive economic empowerment and enfranchisement among African women in business.

**DIFFICULT TERRAIN**

Refugee-based economies, such as the Kakuma-Kalobeyei urban area, are incomplete markets. In such consumptive economies, supply and demand are unevenly matched and the resources required to generate wealth are difficult to access. In addition, poor fund absorption capacity and low business skills levels limit local enterprises' impact.

**REAL POSSIBILITY**

AECF is working to incentivise communities and businesses in incomplete markets to overcome these challenges via technical assistance, skills development and investment. We are exploring how refugees and their host communities can become the basis for wealth creation through dedicated stakeholder engagement, communication, and guidance.



## OUR PERFORMANCE IN 2021

# BUSINESS ADVISORY SERVICES

## GOING BEYOND FINANCE

The AECF's Advisory Services provides expert technical assistance to investees across our portfolio. In 2021, we expanded our reach and impact in this area through several key interventions. We also developed a long-term, multiple-touchpoint approach to advisory support – an approach more aligned to the needs of SMEs operating in 'difficult terrains'.

At AECF, we know that financial assistance alone will not help SMEs realise their ambitions or overcome their challenges. In complex markets, advisory support is critical at every stage of a business's journey. Leveraging the world-class expertise at our disposal, we provide fit-for-purpose and context-relevant advisory interventions. From leadership development to financial management to strategy execution, we offer

services designed to support SME growth and development.

In 2021, we operationalised the AECF Advisory Studio and readied the AECF Academy for launch. We also increased the gender-lens focus of our technical assistance with the launch of a major new programme, called Nkwanz, for women business leaders. Overall, we delivered 81 TA interventions as

AECF increased its footprint in challenging operational environments.

### AECF ADVISORY STUDIO

The AECF Advisory Studio is a centre of excellence designed to extend coaching and technical assistance to high-risk companies. Officially launched in 2020, it aims to help our SME investees overcome the challenges they face and achieve clear strategic, operational and execution objectives.

In 2021, as part of the operationalisation of the Advisory Studio, we evolved the Senior Technical Advisor (STA) role. These developments move AECF away from the short-term, single-touchpoint 'consultancy' model, which is best suited to developed economies and mature SMEs, to a longer-term, multiple-touchpoint approach to advisory support. Blending coaching, training, and consultancy is more responsive to the needs and contexts of early-stage businesses with diverse needs and limited managerial bandwidth. In addition, by building trust in the collaborative partnership and using advisors

with broad experience complemented by specialists, we can incrementally address the wide range of business challenges companies face as they grow.

TA has been a game-changer for many of our investees. For example, Natfort Energy in Zimbabwe raised US\$ 80,000, while Sogepal in Mozambique signed an agreement that could generate US\$ 273,420 in annual carbon revenues over the next ten years. In agribusiness, we saw vanilla processor Natural Extracts Industries in Tanzania grow their key accounts by 44% due to advisory support in sales and marketing. This enabled them to access new and stable vanilla markets. And as a result of our marketing advice, YYTZ, cashew processors in Zanzibar, launched their e-commerce-enabled website to diversify their customer base and integrate online buyers. They also completed their traceability system to penetrate more lucrative markets in the US. Meanwhile, Live Support Systems, a provider of soil testing in Tanzania, received TA in operations and coverage, leading to a large government contract to supply 1,500 soil scanners (worth €6.3M). The government has

approved the company to be the sole supplier of soil scanners to the Ministry of Agriculture and has already supplied 143 units.

Deepening our pool of expertise within the Advisory Studio is enabling us to change the nature of investee engagement. A single company can now be assisted by multiple technical advisors, each with their own area of specialization. Looking ahead, we believe this approach will optimise efforts to resolve bottlenecks, unlock financing, and position businesses for scale.

**\$80k**  
raised by Natfort  
Energy in Zimbabwe

**\$273k**  
ten year carbon  
revenues that  
could be generated  
by Sogepal

### NKWANZI PROGRAMME

Increasing gender equality in business is a key objective for AECF, and in 2021 we launched a major new initiative designed to empower women leaders. The Nkwanz Programme (advisory facility for women leading businesses), which you can read more about on page 36 was developed jointly by our advisory and gender teams, and addresses the needs of women in leadership to enable them to effectively lead their organisations. The programme also supports female entrepreneurs in becoming investor-ready to attract financing to scale their businesses.

### FUTURE FOCUS

2022 will see the launch of the AECF Academy. The AECF Academy comprises self-directed learning modules for investees who cannot participate in online, real-time interventions, with additional coaching support from our STAs. It also includes the AECF Exchange, where investees can interact with each other, discuss issues they are facing, and provide valuable peer-to-peer support.



## OUR PERFORMANCE IN 2021

# NON-FINANCIAL SUPPORT SPURRING RURAL ELECTRIFICATION IN ETHIOPIA

## ATO'S STORY

Ato Teklu Gebriel is a 48-year-old farmer from Debre Sina, North Shewa. He is married with six children, three of whom still live in the family home. Farming is Ato's primary source of income, and he has been named 'best model farmer' in the North Shewa zone three times. His most recent accolade came in 2019, but Ato could not watch the award ceremony on the evening news due to a lack of household energy. Over the years, Ato and his family have got by on limited energy supply and polluting fuel sources that harm health and wellbeing. Indeed, his mother recently lost her eyesight due to excessive use of kerosene.

Determined to change this situation, Ato purchased a solar home system with an accompanying TV set. But he found no suppliers in the market who could be trusted to deliver or install such technology. The products available were also poor in quality.

When MODIFY began distributing its solar home system solutions in the region, Ato became an early adopter. Now, he has an affordable supply of clean household energy. His children can study in the evenings without being exposed to kerosene, and he and his family can watch TV together whenever they please. Ato has also encouraged three friends to purchase the MODIFY solar home system with a TV set. He even helped MODIFY to identify and reach these and other new customers in the community.

One thing is for sure; the next time Ato wins 'best model farmer' in North Shewa, he won't miss news coverage of the award ceremony.

## MODIFY

MODIFY is a professional engineering firm committed to providing clean, affordable, high-quality renewable energy products to off-grid rural communities in Ethiopia.

Established in 2011, MODIFY has a strong track record as a provider of professional engineering services. But it also harboured ambitions to support the Ethiopian rural electrification effort. As a result, MODIFY wanted to expand and diversify its business portfolio to redirect its engineering capabilities to supplying and installing clean energy products.

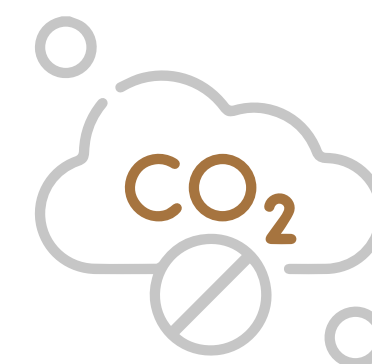
Financial challenges, however, stood in the way of these plans, with its intended shift to the renewable energy sector requiring significant upfront investment. In addition, working capital and foreign exchange issues presented especially formidable barriers to progress.

As they assessed their options, the MODIFY team became aware of a recently launched AECF competition for renewable energy. They submitted a proposal for their Solar for Energy project and were accepted for grant finance and relief funding, with two-thirds of the project funds provided in hard currency.

In addition to finance, AECF provided technical assistance in leadership and business skills development. As a result, MODIFY received a raft of capacity-building interventions covering organisation management, business management and investor readiness, plus exposure to the marketing relationships involved in off-grid community engagement. AECF hired a dedicated external consultant to

support MODIFY's financial planning and strategic development.

As a result of AECF's financial and technical support, MODIFY's ambitions became a reality, and the Solar for Energy project was launched. In 2021, the company distributed more than 3,000 solar home system units in the off-grid rural areas of North Shewa, Amhara Region. The project reached 13,000 people in just six months, achieved 96.3 tonnes of CO<sub>2</sub> emissions reduction, and produced 34KW of energy. Seventy percent of the project's customers were women, with each household saving US\$ 30.00 in fuel costs on average while enjoying the health and security benefits of clean and reliable energy.



**96.3 tonnes**  
reduction in CO<sub>2</sub> emissions from  
MODIFY's distribution of 3,000 solar  
home system units in off-grid rural areas



## OUR PERFORMANCE IN 2021

# TECHNICAL ASSISTANCE ACCELERATING FINANCIAL INCLUSION IN ZIMBABWE

## VIRL MICRO FINANCE

VIRL Micro Finance is committed to extending financial products and services to remote and rural areas. Targeting smallholder farmers, SMEs, women and youth, VIRL aims to reach marginalised and financially disenfranchised groups.

Smallholder farmers and SMEs struggle to grow their businesses without access to finance, remaining locked in local markets with limited potential for profit or value chain progression.

VIRL Micro Finance is a development finance company that offers an array of financial products to marginalised communities in Zimbabwe, aiming to stimulate investment in solar energy. In addition, VIRL contributes to

sustainable development by providing tailor-made loans, business skills development and financial education training.

The company needed to expand its reach in rural areas with loans enabling local communities to generate income and access renewable energy. But they faced major challenges accessing the patient capital needed to implement these plans.

Seeing the strong potential for growth and development impact, AECF stepped in to capitalise a revolving loan fund and provide technical assistance. The advisory services focused on enabling a smooth flow of operations and improving key areas, such as risk management, leadership, business resilience and sustainability. Under the

AECF's guidance, VIRL also engaged with new technologies, such as PAYGO, expanded more efficiently into last mile distribution, and enhanced digitalisation.

As a result of AECF's support, VIRL is providing 9,200 marginalised individuals with financial services and loans. The company has increased its outreach to communities and SMEs, providing loans for solar products and services. It also provides solar pumps loans to improve production among smallholder farmers. VIRL has issued 1,114 loans in just 15 months, of which almost two-thirds have been for women, while 21 agents, three-quarters of whom are women, have been trained to expand outreach further. More than US\$ 200,000 in loans were disbursed by the end of December 2021, despite the ongoing impact of COVID-19.



### DIFFICULT TERRAIN

Gender-based inequalities in business mean African women often struggle to realise their leadership ambitions. Saboteurs (those who disrupt and undermine), access to social networks, self-confidence issues and gender-specific barriers can constrain women CEOs and executives, impacting business performance and thwarting their leadership potential.

## PRINCESS KHUMALO'S STORY

Throughout the communities reached, the impact of VIRL's work can be seen in improved family bonding and access to media, with family members spending more time together. Children can study after sundown under clean solar lights instead of polluting kerosene lamps. Security has also improved through outdoor motion sensors and lighting, while business owners can extend their working hours, leading to increased productivity and profit.

Princess Khumalo, who runs a grocery shop, is one of the many beneficiaries of VIRL's AECF-enabled outreach. Previously, Princess struggled to keep her shop open in the evenings due to a lack of affordable lighting. As a result, she would have to close when the sun set, losing valuable custom during peak business hours.

But thanks to a loan through VIRL, Khumalo was able to purchase a Solar Home 400. The unit she keeps in the back of her shop now powers lighting for her business and home. As a result, Princess can extend her working hours, sometimes until 8 pm, which was previously impossible. In addition, she keeps a television on in her shop, which draws in more customers during the day and generates sales of drinks, sweets and snacks – especially for children after school. Meanwhile, a recently installed motion sensor provides an additional layer of security.

"I am so happy with my Solar Home 400. I have seen a big profit improvement, with sales up by 50%. And I am protected from thieves during the night, as people do not move where they know they will be lit."

Princess, solar energy beneficiary



### REAL POSSIBILITY

By tackling gender-based constraints in business, AECF is helping women improve their leadership skills and increase the effectiveness with which they run their organisations. Through the delivery of dedicated advisory support in this area, we aim to bridge the gender gap in business and unleash the potential of African women leaders.



## OUR PERFORMANCE IN 2021

## INVESTMENT SERVICES

## ONWARD AND UPWARD

Investment support is critical to helping SMEs attract commercial investors as they scale or enter new geographies and markets. By building organizational infrastructure, preparing documentation and linking companies to investors, our investment support helps SMEs acquire the follow-on capital they need as their business grows.

At AECF, we recognise that we are but one financing partner for our investees on their development journey, and we are committed to helping them find subsequent investors. Focusing on investment readiness and facilitation, we identify company needs and prepare them for engagement with potential investors. We connect AECF portfolio companies – those that have gained traction and are ready to scale – with investors who can provide follow-on capital.

**PATH TO FUNDRAISE**

In 2021, we launched a new Path to Fundraise programme. Path to Fundraise

aims to position companies based on their investment readiness level based on investee categorisation. In addition, it creates visibility around a company's current situation, helping determine which businesses to present to investors.

The Path to Fundraise approach uses a five-point grading system, placing companies in different categories based on how far they are from being investor-ready. This approach enables us to identify the critical path to successful fundraising in the shortest time possible. It also enhances our understanding of a company's gaps and highlights priority interventions required

to achieve investor readiness from an investor lens.

During investee assessments in 2021, we identified financial modelling, unit economics and profitability, management competency, and investment material as key focus areas for AECF interventions.

**INVESTMENT FACILITATION**

In the year, we hosted two matchmaking forums for the AECF REACT portfolio, which together facilitated 139 connections between investees and investors. We have a pipeline of almost US\$ 30 million.

**DIFFICULT TERRAIN**

SMEs often encounter significant challenges trying to expand into new geographies and markets, with many failing to attract investment. Without follow-on capital, companies can struggle to attain the next level of growth and development.

**REAL POSSIBILITY**

AECF helps investees to raise additional capital and prepare them for future growth through dedicated investment support. By identifying needs and gaps, we enable companies to move beyond patient capital and engage with investors, helping them achieve the funding they need to move forward.



## OUR PERFORMANCE IN 2021

POLICY AND  
ADVOCACY

## ACCELERATING POLICY AND REGULATORY REFORMS

Improvements in policy and regulatory frameworks are needed to achieve SDG7: universal energy access. AECF aims to create an enabling environment for the sector through evidence-based advocacy. By accelerating reforms, facilitating dialogue and addressing key bottlenecks, we are laying the foundations for increased energy access in target countries.

Across sub-Saharan Africa, renewable energy policy development lags behind private sector growth. While there is increasing interest in delivering renewable energy in SSA, the regulatory landscape creates a challenging business environment. Complex issues relating to customs, foreign exchange, payment systems and infrastructure frustrate business activities, limiting the availability of energy products and services.

## AECF'S ADVOCACY WORK

As part of our commitment to expanding energy access, we have gathered knowledge

and evidence to shape policy reforms. But until now, we have not been able to impact regulatory frameworks significantly. To address this issue, in 2020 we established the AECF Advocacy Unit, which aims to create an enabling environment to support the achievement of energy access in some of the countries where we work.

Several fundamental principles underpin the Advocacy Unit. Firstly, we recognise the diverse energy needs of individual countries, and we aim to provide on-the-ground, fact-based evidence relevant to each country's context. We empower the private sector,

promote ownership and participation, and ensure multistakeholder dialogue and collaboration.

In 2021, we strengthened the Advocacy Unit and updated our Policy and Advocacy Strategy to define three core areas of intervention:

- Delivering compelling evidence to help the renewable energy sector influence governments.
- Delivering effective coordination, collaboration and partnership across the renewable energy sector.
- Strengthening the capacity of National Renewable Energy Associations (NREAs) to enable them to resolutely represent the collective interests of their members.

## OUR PERFORMANCE IN 2021

In 2021, the AECF Advocacy Unit made progress within each of its three strategic areas:

## Publishing policy papers with evidence for advocacy

We spent the first half of the year engaging with stakeholders and building key relationships. We convened meetings in six countries – Mali, Ethiopia, Burkina Faso, Liberia, Somalia, and Mozambique – to

understand the policy challenges impacting renewable energy in these markets.

Through these meetings, we gathered credible evidence on key policy and regulatory bottlenecks. We then leveraged this evidence to provide input into three position papers. These include the 'Economic Impact Assessment on Removal of Tax Exemptions on Stand-Alone Solar Products in Kenya', led by the Africa Clean Energy Technical Assistance Facility (ACE TAF). Alongside GOGA and other actors, we also supported the Kenya Renewable Energy Association (KERE) in preparing proposals for an improved taxation regime for renewable energy. In addition, in December, we assisted the Clean Cooking Alliance of Kenya (CCAK) in designing and submitting a policy proposal to the National Treasury Budget Committee on the taxation of clean cooking products.

These evidence-based papers and proposals provide a solid foundation for engagement with decision-makers. The intention is to increase the likelihood of success in advocating improvements to the enabling environment for the renewable energy sector.

## Influencing the development and implementation of policies while forming working groups

In Zimbabwe, we are spearheading

the revival of the country's Distributed Renewable Energy Task Force. Through the task force, we are helping to enhance coordination and collaboration between sector actors, supporting the Ministry of Energy and Power Development to drive improvements in Zimbabwe's policy and regulatory landscape.

We are working with Somalia's Ministry of Energy and Water Resources to support the formation of the Somalia Off-Grid Working Group. Here, as in Zimbabwe, we are helping to establish an effective dialogue and coordination platform to drive renewable energy sector development.

## Improving the advocacy capacity of industry associations

In Ethiopia, we developed a policy brief on the allocation of ethanol in support of the Ethiopian Clean Cooking Association (ECCA). By strengthening ECCA's capacity to deliver, we are assisting efforts to reinstate ethanol for clean cooking across the country after it was redirected to help combat COVID-19. If successful, these efforts will result in access to ethanol cookstoves for marginalised communities, delivering improved health outcomes and climate mitigation benefits.



## DIFFICULT TERRAIN

Across SSA, current policy and regulatory frameworks restrict the ability of the private sector to deliver renewable energy technologies. Multiple complex issues hinder business activities, impacting the distribution of products and services and undermining development.



## REAL POSSIBILITY

By building the capacity of these associations to engage with governments we are addressing key bottlenecks and barriers and we are helping companies to surface and expand energy access in Kenya, Ethiopia, Somalia, Mozambique and Zimbabwe.



OUR VALUES AND PEOPLE

# THE TEAM



The 2021 AECF Team

# OUR VALUES

## WE INNOVATE

We creatively turn ideas into beneficial reality and have fun while at it!



## WE COLLABORATE

We achieve greatness together as a team.



## WE VALUE PEOPLE

We care for each other and the communities we serve.



## WE PURSUE EXCELLENCE

We work relentlessly to obtain the highest quality results.

OUR VALUES AND PEOPLE

# OVERSIGHT AND ACCOUNTABILITY

## 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.



Hixonia Nyasulu  
Board Chair



Frank N. J. Braeken  
Board Member



David Governey  
Board Member



Enock Chikava  
Board Member



Yana Kakar  
Board Member



Duncan E. Onyango  
Board Member



Joost Oorthuizen  
Board Member



Victoria Sabula  
CEO



## OUR VALUES AND PEOPLE

## GOVERNANCE

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

**NOMINATIONS AND GOVERNANCE COMMITTEE**

The Nominations and Governance 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.

**PROGRAM COMMITTEE**

The Program Committee is responsible for advising the AECF Board and senior leaders on suitability of AECF mission and strategy. It provides oversight over investments and monitors AECF's impact with a view to ensuring 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 reasonable 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.

## DONORS AND PARTNERS

Our work in 2021 was made possible through the generosity of Swedish International Development Cooperation Agency (Sida), Global Affairs Canada (GAC), Foreign Commonwealth Development Office (FCDO), Alliance for a Green Revolution in Africa (AGRA), Syngenta Foundation for Sustainable Agriculture (SFSA), International Finance Corporation (IFC), African Development Bank (AfDB), Kreditanstalt für Wiederaufbau (KfW), and the European Union (EU).



**Together, we are boldly tackling today's development challenges.**

## YEAR ENDED 31 DECEMBER 2021

## STATEMENT OF FINANCIAL POSITION

ASSETS	Note	2021 USD	2020 USD
<b>Non-Current Assets</b>			
Property and equipment	13	-	-
<b>Current Assets</b>			
Cash and cash equivalents	14	36,670,704	28,169,606
Receivables and prepaid expenses	15	460,790	169,676
Repayable grants due from investees	17	5,407,515	4,553,762
Due from Donors	18	2,233,314	9,363,684
		<b>44,772,323</b>	<b>42,256,728</b>
<b>TOTAL ASSETS</b>		<b>44,772,323</b>	<b>42,256,728</b>
<b>Fund Balances</b>			
Deferred income- short term	18	25,008,913	25,819,425
Repayable grants fund	17	5,407,515	4,553,762
Repaid grants fund	16	12,326,859	9,147,048
Foreign currency translations reserve	21	(277,804)	25,493
Unrestricted operating reserves	19	89,885	42,589
		<b>42,555,368</b>	<b>39,588,317</b>
<b>Current Liabilities</b>			
Accounts payable and other liabilities	20	2,216,955	2,668,411
<b>TOTAL FUND BALANCES AND LIABILITIES</b>		<b>44,772,323</b>	<b>42,256,728</b>

The financial statements were approved by the Board of Directors on DD MMMM 2022 and signed on its behalf by:

Chair

Director





## **KENYA**

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