

**The Seed Company Window (SCW) Sub - Saharan Africa
Overall Term Sheet / Selection Criteria**

AECF The Seeds for Impact Program (SIP) Sub - Saharan Africa – Overview	
1	<p>SIP seeks to increase small holder farmers (SHF) access to seeds of new high yielding varieties and planting materials beyond hybrid maize, effectively enabling them to increase production and improve their livelihoods. SIP is a new competitive financing initiative for small and medium-sized seed companies in Africa. SIP is aimed at addressing the funding gap and technical issues that many seed companies face when producing seed of a wider range of food security crops, particularly of publicly-bred varieties. This funding will specifically be a “bridge” program for seed companies between early growth (e.g. with grant funding) and major scale up with social impact investors (via AECF Connect). SIP will achieve this by providing:</p> <ul style="list-style-type: none"> • Finance to approximately 40-60 small- and medium-sized seed companies and distributors to satisfy seed market needs in SSA through the introduction of improved varieties. SIP will specifically target small and medium-sized enterprise (SME) seed companies; • Targeted technical assistance, including (i) linking the financed businesses to the research and development (R&D) information available in indigenous public research stations, (ii) services such as technology scouting, business planning, trialing, licensing, registration, technical support for seed production, and monitoring and evaluation through AGRA and SFSA (iii) access to AECF Connect services which include financial advisory and match-making for follow-on financing. <ul style="list-style-type: none"> ▪ The Goal of the SIP is to make seed market systems work better for smallholder farmers across Africa. ▪ The Purpose is to increase the incomes of hundreds of thousands of smallholder farmers (SHFs) households across Africa. In total, at least 3 million people are expected to benefit within six years. ▪ The Objective is to increase SHF access to seeds of new high yielding varieties and planting materials (including climate-smart varieties) beyond hybrid maize to increase production, mitigate against adverse climate and to diversify food production. <p>Duration and targeted applicants: Six years (rolling competitions). SIP will specifically target the scaling of SME seed companies.</p>
2	<p>Geography</p> <p>To maximize systemic impact, while building on on-going investments, SIP funds will prioritise countries with favourable policies, political will, favourable response from partners in the countries, high commitment to agriculture sector growth, considerable investments made (to leverage on) in the sector, and countries that have already registered high impact and growth in the seed sub-sector. The eligible countries are: Nigeria, Ghana, Mali, Senegal and Burkina Faso in West Africa; Ethiopia, Kenya, Uganda, Rwanda and Tanzania in East Africa; Malawi and Mozambique in Southern Africa.</p> <p>The official launch of the competition took place on 30th October 2018 in Nairobi, Kenya.</p>

<p>3</p>	<p>Focus areas</p>	<p>Applicants must deliver solutions that improve how seed market systems will work better for SHF. They should generally present innovative ideas that stimulate and/or enrich/contribute to next generation approaches in growing Africa’s seed sector (efficiency, productivity, market growth in Africa). The SIP will prioritize scaling publicly-bred varieties of food crops (climate-smart and nutrition focus to be considered an advantage). Interventions by seed companies must also present strategies that lay out partnerships to improve the availability of other key inputs necessary for maximising the benefits of improved varieties of seed. Partnerships that enable farmers’ access to appropriate finance, extension services and markets will also have to be demonstrated. Companies are encouraged to develop areas/products of African competitiveness, amongst others through the ‘rediscovery’ of indigenous African crops, and promotion of essential nutrient dense crops, with high marketability.</p> <p>Based on lessons from previous investments by SFSA, AECF and AGRA, some areas of focus will include, but not be limited to:</p> <ul style="list-style-type: none"> • Enabling existing seed companies to expand their production and sales to SHF; • Enabling existing seed companies to expand their crop portfolio to include a wider variety of marketable food crops appropriate for SHF; • Encourage the formation of public-private partnerships for maximum impact, as seed businesses commercialize publicly bred varieties; and • Leverage and optimize investments made by other seed industry support initiatives, including those of AGRA, SFSA, Governments and others; • Enable expansion of production and distribution of highly nutritious crops which could include bio-fortified seed/planting material. <p>All models presented would have to demonstrate how the following key success factors are ensured; i) enabling access to appropriate financing by SHF ii) demonstration of the availability and readiness of the end/output market for the variety (market size, location, growth trends, some level of end buyer commitment to off-take that variety) iii) understanding of end market requirements (quantity, variety, quality, price) and the related plan for meeting the required investments along the supply chain iv) Present how SHF (as seed multipliers and seed users) will access a bundled package of inputs to maximise yield v) how women will particularly be engaged to benefit.</p>
<p>4</p>	<p>Desired socio - economic Impact</p>	<p>This will be measured by;</p> <ul style="list-style-type: none"> • Net number of primary beneficiary households benefitting from the business concept, by year; • Average net additional benefit per household per year, and cumulated net benefits (US\$); • Net additional jobs created (FTE) directly in enterprises through AECF support, disaggregated by gender and age; • Average worker wage and total net additional wages (US\$), disaggregated by gender; <p>Others include:</p>

		<ul style="list-style-type: none"> • Increased acreage planted (improved varieties) by SHF, by crop type; • Average increased yield achieved by SHF, by crop type; • Improved business performance of targeted seed companies <p>Progress in attaining the above will be monitored by observing:</p> <ul style="list-style-type: none"> • Reduction in distance by SHF to access new seed varieties; • Increasing numbers of SHF buying improved seed; • Growth in volumes of seed bought by the same SHF; • Increasing availability of Early Generation Seed to seed companies.
6	Type of support available	Apart from direct financing of business models, SIP will provide successful applicants with technical assistance in areas, such as technology scouting, business management, trialling, licensing, registration, technical support for seed production, marketing, distribution, contract farming, out grower schemes, financing, processing and monitoring and evaluation.
7	Funds available	<p>The SIP is a US\$ 60million fund, with initial funding commitment of US\$ 10million from AGRA and SFSA (including US\$ 2 million of in-kind contribution towards technical assistance from SFSA).</p> <p>Applicants are expected to submit a funding application, justifying their requirements for the business/ business idea to be funded, as well as funding amount and duration;</p> <p>Funding must be used for a specific project in the target countries, e.g. scaling up an existing product or service or replication/expansion to a new market.</p> <p>Investees can apply for a range of funding depending on their development stages, scale, and the business model. SIP will provide an average fund award of US\$ 250,000 - maximum of US\$ 1.5 million, mostly in loans. Disbursement of funding will be based on mutually agreed milestones that have been delivered.</p>
8	Matching contributions	AECF Limited will require matching contribution to the relevant award from the applicant in order to demonstrate interest and commitment. Funding provided must be matched on a 1:1 basis as a minimum.
9	Eligible companies	<p>To be eligible for funding, companies (either existing and/or early stage but not start-ups) must meet the following criteria:</p> <ul style="list-style-type: none"> • Be a private sector company that is aligned with the focus areas, and that is located in one of the focus countries; • Be able to show commitment of matching AECF funding; • Be compliant with fundamental in country and international human rights, labour standards, environmental management laws, seed laws/policy; • Must be legally registered and physically established in the country of doing business; • Must NOT be involved in any act of terrorism or support terrorists' activities and must allow regular due diligence on this; • Must be an SME seed company • Can be an existing or previous investee of AECF, SFSA or AGRA;

		<ul style="list-style-type: none"> • Must not be (i) multi-nationals, (ii) regional seed companies or (iii) other organisations of similar character with financial muscle, opportunity and capacity to generate funds from other sources. • Demonstrate additionality - see broad view guide below.
<p>10</p>	<p>Selection Criteria</p>	<p>Each applicant will be evaluated and scored against the following criteria:</p> <ul style="list-style-type: none"> • Outline a business model that is commercially sustainable; • Outline a business model that clearly presents how the SHF will sustainably benefit; • Demonstrate sound leadership and strong team capacity to successfully implement the business model. For existing companies, provide a track record of successes made and revenues from existing clients / in at least one market; • Have a product that is certified in line with your specific country standardization procedures and clearly marked as an acceptable quality of a product to be marketed in the country and the region, or is in the process of being certified; • For existing companies, demonstrate sound financial health, including two years audited financial accounts, established financial management processes and procedures and dedicated financial management and extension staff; • Demonstrate understanding of the country context and culture where the project is proposing to operate, in relation to up-take of improved varieties, and how this will be integrated in the proposed model; • Present a sound plan on partnerships to deal with the weakest links or critical success factors in the model e.g. increase volumes of Early Generation Seed accessed, delivery of bundled inputs (seed, fertilizer and agro-chemicals), farmers’ access to finance for production & marketing, and linkage to forward linkages to sustainable markets (grain) to guarantee “evacuation” and continued seed demand by farmers; • The company should be in line with its own country’s environmental laws and processes, and should have plans/policies for promoting equal opportunities for women and men; • Demonstrate how the model will crowd in a large number of women as employees, suppliers/farmers, trainers or distributors.

<p>11</p>	<p>Classification of additionality</p>	<p>A project is additional if it enables something to be achieved by the investee that would not have been achieved without the subsidy by AECF.</p> <ul style="list-style-type: none"> • Faster: The company could be expected to make the investment from other sources but in several years to come, meaning development impact is delayed or lost. SIP funds can make the proposed investment / business happen faster, create transformational change so soon, and expose the business to attract additional investments. • Bigger: The company could be expected to make the investment from other sources but it would not be as large as it is to happen with SIP funding, to achieve scaling multiples of the development impact and market systems development. • Wider scope: The company could be expected to make the investment from other sources but AECF resources will enable it to expand the scope of the goods or services geographically or to different groups of beneficiaries to multiply the development impact, participation and recognition of effort into own development. • More inclusive: The company will be able to access people closer to the bottom of the pyramid than it would otherwise do, enhancing the benefit to very poor people. Poor people tend to be difficult and expensive to reach, requiring physical networks, smaller packages of goods with smaller profit margins (or none at all), longer repayment terms, actualised by irregular payment patterns and/ or are susceptible to greater payment default. Applicants / companies should be able to demonstrate how SIP funds will be used to cushion their businesses from such operating environment risks. • Demonstrate effectiveness through piloting new technologies and models: The company would not otherwise get funding for a new technology / model in the sector which is viewed as ‘not business, not tested and not impactful’. Companies must demonstrate how their work will contribute to next generate approaches / delivery models which will ramp up access to improved seed and inputs in Africa and how funding from SIP is timely to make a difference.
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