TERMS OF REFERENCE FOR CONSULTANCY SERVICES

Developing a methodology for disaggregating the attribution of benefit between collaborative donors to individual companies in the private sector

1.0 Background to AECF

The AECF is a US$ 300 million private sector challenge fund that provides catalytic funding to enterprises in 24 countries in Sub-Saharan Africa. It was launched in 2008 as an initiative of the Alliance for a Green Revolution in Africa (AGRA) and has been supported by donor governments of Australia, Canada, Denmark, Netherlands, Sweden, United Kingdom. AECF supports innovative commercial businesses in the agribusiness, renewable energy and adaptation to climate change technology sectors with the aim of reducing rural poverty, promoting resilient rural communities and creating jobs through private sector development. It invests in businesses that struggle to meet traditional risk-return standards for commercial investors and which offer significant impact on poverty alleviation by creating jobs and sustainable incomes. Catalytic funding in the form of grants and zero interest loans of matched finance between USD100,00 and USD 1.5m is provided to businesses that would not otherwise have access to adequate financing.

Since 2014, AECF's donors have supported a comprehensive process of strengthening results measurement and reporting, which has led to the implementation of the Donor Committee for Enterprise Development's result measurement standard across the portfolio. A core technical advisory team works to maintain the consistency and quality of results measurement and reporting as well as design and oversee a programme of learning for both internal and ecosystem audiences. It maintains a constant communication with its donors and increasingly seeks to benchmark its systems, tools and performance both formally and informally amongst its peers.

2.0 Purpose, Scope and Deliverables of the Assignment.

Private companies providing social benefit as part of their business model frequently seek soft financing from impact investors and other providers of high risk yet affordable capital to offset the costs of reaching low income people. These enterprises typically move from small, highly concessional finance in their early stages to larger and more commercially costed capital as they scale and their business models prove successful. Multiple rounds of fund raising bring in multiple funding institutions, many of whom have reporting obligations to those who provide their original capital on how the end beneficiaries of this investment in the private sector actually benefit. Whilst there is increasing convergence around benefit measurement methodologies and metrics, there is no agreed process for disaggregating the benefit generated by the individual business to the various financiers.

Different impact investors report the results and impact on target populations of their interventions in the private sector space in different ways, although with increasing convergence especially in specific areas of intervention such as renewable energy and increasingly using common metrics such as those offered by IRIS. For reasons of cost, these reporting mechanisms primarily use models populated with objective data that can be supplied by the investee company and other sources to make an estimate of results and impact on target populations. These models are verified using a range of techniques, again depending largely on the resources available and the level of confidence in the data that the donor requires. Whichever way that the concessional finance provider chooses to measure, most can state a benefit figure with varying degrees of accuracy.

Impact investors during their due diligence also make significant effort to ensure that their soft funding will be additional (they are funding something that the company could not realistically do from other more commercial sources) and will not duplicate the investment from another party. When funding enterprises they typically fund either the entire business or a specific element or project within a business. This makes a significant difference to the measurement of the results generated by the company on target populations. When investing in a specific element that impacts on a defined sub-set of the business, the investor can easily disaggregate the benefit generated by that particular component. When investing in an element that affects the whole of the business, the investor cannot disaggregate the benefit and records as benefit the incremental performance of the business as a whole. Where more than one investor provides funds to a whole business, there is a clear risk for double counting of both numbers of end beneficiaries and the overall benefit that is being generated.

Whilst this is not a common problem, it has a disproportionate effect on consolidated development impact reporting as it often occurs in successful companies as they scale and take on more investors. For AECF, investing is a portfolio exercise whereby typically 80% of reportable development impact is generated from 20% of projects. Many of the companies in that 20% will have investments from other actors in the impact investing space and frequently from the same original source.

Donors are increasingly looking to aggregate performance from a range of development partners to make informed analysis of contribution to broader development goals, such as the SDG. Assessing the reach and impact generated by the private sector through impact investors is likely to be compromised by this double counting. At AECF, this issue of double counting is becoming increasingly prevalent at both the project level with the introduction of additional financiers through AECF Connect[1] and at the macro level with the development of blended finance tools such as AECF Scale[2]. As a leader in the practical application of results measurement methodologies, AECF would like to generate proposals for a technical solution that can initially be applied firstly to individual cases within the portfolio but with the potential to be subsequently adopted more broadly across the sector.

An additional, but allied, problem is attributing the benefit generated from preparatory or advisory work done by impact investors that has a subsequent benefit to investee companies. AECF Connect, for example, has enabled 11 companies where the AECF has invested to access US$35m of additional capital, yet none of the benefit subsequently generated for target households by these companies accrues to the AECF. Equally, AECF Connect has provided various levels of consulting support to a large number of companies to prepare them for accessing funding or to get them closer to accessing funding yet gets no recognition of this in subsequent impact. Most other impact investors also make significant advisory investments in companies where the benefit comes either indirectly or after the involved firm has ceased to have a reporting relationship.

There are a number of reasons why the distribution of benefit between investors has not yet been undertaken: investors measure impact in different ways, many private commercial investors are not particularly interested in social impact, data from different partners may be confidential, attribution of social benefit from investment is already a complex and difficult process, introducing new approaches is costly, there may be resistance from investors who have already approved performance targets if this leads to a reduction in reportable benefit, and most donor funded investors are already implementing result measurement mechanisms that have been agreed with their donors. The objective of this assignment is to define an approach that will be cognisant of these issues and create an approach that can have broad appeal within the impact investing community.

[1] AECF Connect is the existing matchmaking service of AECF which has raised US$36m for 11 AECF companies to date.
[2] AECF Scale is a new feature of AECF that will bring more commercial financing to AECF companies graduating from the soft funding parts of the institution.

Scope of work

The study consists of the design and testing of an approach to solve a complicated and increasingly important issue on the attribution of benefit and is intended to build upon the key conclusions of a discussion paper developed by the DCED in mid-2017[3]. It will form the basis for more accurate calculations of benefit across the AECF's portfolio and also inform broader community thinking on the development of common guidance.

Using an illustrative non-representative sample of projects invested in by the AECF and a small selection of partner investors (Trademark East Africa, Acumen and AgDevCo), this study is intended to explore a methodological framework that will enable multiple investors in a single entity to transparently allocate any subsequent benefit generated for target populations to individual investors. To gain broader endorsement of the approach, AECF is already engaged with a number of sectoral institutions as well as individual companies to initiate discussion on the specific measurement issue. The contractor will be expected to support this communication and consultation effort to engender broad appeal of the developed methodology.

The proposal for a framework needs to consider:

- Issues affecting common buy-in of the approach and procedural/policy issues within individual investors;
- Potential impact on currently reported benefit and the influence that this will have on willingness of market actors to accept a new approach;
- Existing result measurement mechanisms of the actors and their complementarity in reporting results;
- Complexity, cost and verification effort of introducing a new approach;
- Potential consequences in terms of changes in benefit reported for the group of impact investors in the study;
- Range of reporting systems and metrics in use by investors;
- Potential issues for expansion/replicability across the impact investing space;
- How benefit attribution dilutes existing investors as new investors appear and equally how attribution changes to remaining investors as others exit;
- Practical aspects of how to collaborate given variations in reporting cycle and processes;
- How to value different types of support provided at the company level;
- Opinion of donors on the model and acceptance of the approach

Although the project consists of a sample of investments from a limited number of actors, it has a clear ability to replicate and scale either within the context of other bilateral investment opportunities or more broadly if it finds interest and acceptance across the industry.

The study is expected to develop simplified attribution models for 3-5 of the companies identified in annex 1 to illustrate how benefit can be allocated to different investors. The precise projects will be defined together with AECF and its investment stakeholders during the inception phase.

Implementation of the study is expected to be completed at the home offices of the contractor with telephone and email communication with the various companies. No international travel is foreseen. The

[3] https://www.enterprise-development.org/wp-content/uploads/DCED-Report-on-Attribution-in-Results-Measurement-for-Impact-Investors.pdf

assignment is expected to be undertaken by an individual or small team with an indicative time input of approximately 30 working days.

4.0 Output and Reporting Requirements.

The project will have the following outputs:

- An inception report submitted within 30 calendar days of the start of the assignment confirming the methodology, sample of projects and review of the role, timing and scope of investments by different actors in the sample companies included in the assignment;
- A draft final report containing a methodology on approach for ranking, scaling, or otherwise calculating distribution of development impact amongst investors in the same company as well as a process for changing calculations over time to reflect diluting or concentrating investment

5.0 Duration of Service

The assignment must be completed by the end of October 2018 and tenderers should include sufficient experts to enable the work to be completed in the time available.

6.0 Proposal submission.

Interested and appropriately qualified (individual or institutional) consultants are invited to submit their proposal comprising of the following:

- An understanding of the requirements of the consultancy;
- Methodology and work plan for performing the assignment;
- Detailed reference list indicating the technical scope and financial scale of completed work;
- Contact details of at least two professional referees;
- Financial proposal showing a detailed cost breakdown, including daily fee rate, daily allowances, direct costs/reimbursable expenses and any applicable taxes;

Registration and other relevant statutory/tax documents will be required from the successful bidder prior to contracting but should not be submitted at this stage.

Depending on jurisdiction, AECF is obliged by the Kenyan tax authorities to withhold taxes on services fees as well as any applicable VAT. Tenderers are advised to ensure that they have a clear understanding of their tax position with regard to the provisions of Kenyan tax legislation when formulating their financial proposals.

7.0 Qualifications.

The assignment will require the services of a recognised thought leader in the field of results measurement for donor funded investments in the private sector who is able to effectively interface with donors, impact investors and investee companies.

The applicant should demonstrate the following minimum experience:

- At least 10 years' experience in supporting donor programmes in the private sector in sub Saharan Africa;
- An in-depth understanding of impact and result measurement methodologies, recent/current professional experience in developing result measurement tools within the impact investing community and strong collaborative experience with key donors, including DFID;
- A published academic career would be considered an advantage;
- Proven ability to effectively discuss and disseminate the findings of the study throughout the impact investing community would be considered an advantage;

- Fluency in written and spoken English.

7.0 Selection Criteria

The successful tenderer will be selected through an evaluation of the technical proposal in line with the attached scoring grid in annex 2. The financial offers of those tenderers reaching a minimum score will be evaluated to generate an overall assessment for review and selection by the procurement committee of AECF.

Applications, referenced 'AECF Result Measurement' must be received at procurement@aecfafrica.org by **20th July 2018.**

Annex 1: Sample of projects co-financed between AECF and other impact investors

CO FINANCING

AgDevCo

1. GADCO
2. Phoenix Seeds
3. Kigali Farms
4. Moz Agro
5. E A Fruits and Farm Company
6. Equity for Tanzania
7. Kilombero Plantations
8. Rungwe Avocados
9. Sao Hill Agriculture
10. Suma Hydro

TRAC – TRADEMARK EAST AFRICA CHALLENGE FUND

Innovating for trade

1. Ishamba
2. Africado
3. Darsh Industries Ltd
4. Kokoa Kamili
5. Rugofarm S.A

ACUMEN

CHANGING THE WAY THE WORLD TACKLES POVERTY

1. Devergy
2. Mekelle
3. Solarnow
4. Virtual City
5. Western Seed
6. Esoko

Annex 2: Evaluation Grid

EVALUATION CRITERIA FORM

RFP: Result measurement at AECF

No.	Criteria for Assessment	Marks	Score
1.	**Understanding of the terms of reference**	**15**	
	- Explanation of the background to the sector	5	
	- Description of the problem to be solved	5	
	- Understanding of what AECF is expecting from the work	5	
2.	**Methodology and workplan**	**20**	
	- Relevance of the methodology proposed to the needs of the assignment	15	
	- Adequacy of the workplan, including key deliverables and timing	5	
3.	**Technical experience of staff offered**	**15**	
	- Relevant tertiary level qualification	2	
	- Years of professional experience	3	
	- Evidence of similar scale research based background (academic/consulting)	10	
	Total Score	**50**	