

# About AECF

The Africa Enterprise Challenge Fund (AECF) is a US \$310 million private sector challenge fund that supports innovative commercial businesses in the agribusiness and renewable energy sectors with the aim of reducing rural poverty, promoting resilient rural communities and creating jobs through private sector development. The AECF provides catalytic funding to enterprises in 24 countries in sub-Saharan Africa by investing in businesses that struggle to meet traditional risk-return standards for commercial investors.

The AECF was launched at the World Economic Forum as an initiative of the Alliance for a Green Revolution in Africa (AGRA). Since 2008, it has been supported by donor governments namely Australia, Canada, Denmark, Netherlands, Sweden, United Kingdom, and international finance institutions such as the Consultative Group to Assist the Poor and International Fund For Agricultural Development.

In 2017, the AECF entered a new phase as an independent entity with the objective of expanding its geographical reach, double its funding base and increase its transformative impact on inclusive growth. To achieve this the Fund will deepen its focus on gender issues, youth and employment.

## How does the Challenge Fund work?

The AECF provides between US\$100,000 and US \$1.5 million in funding to businesses allocated through business competitions in priority sectors in Africa. The winning proposals are selected on the basis of their commercial viability, innovation and potential development impact on the rural poor. To ensure the Fund does not crowd out other sources of finance, grantees co-finance a minimum of 50 percent of the total cost of the project.

### AECF's Impact

#### Delivers High Impact

In 2016, the AECF support has produced a total net benefit of US \$270 million benefiting over 13 million rural poor across Africa.

#### Leverages Additional Funding

Since 2008, the AECF has provided US\$105 million and leveraged additional US \$548 million from private sector commitments.

#### Effective Mechanism to Deliver Funds

The AECF is an effective mechanism to deliver funds to African businesses and has a track record in identifying and supporting private sector businesses that have a high development impact. For every US \$1 in AECF investment results in approximately US \$8 in development impact.

## Where we work

The AECF has investments in 267 businesses in 24 countries across Africa, including:



#### East Africa 154 businesses

Kenya  
Burundi  
Tanzania  
Uganda  
Rwanda

#### Horn of Africa 16 businesses

Somalia  
Ethiopia  
South Sudan

#### Central Africa 6 businesses

Cameroon  
DR Congo

#### West Africa 26 businesses

Sierra Leone  
Mali  
Burkina Faso  
Senegal  
Nigeria  
Liberia  
Ghana  
Cote d'Ivoire  
Gambia

#### Southern Africa 65 businesses

Mozambique  
Zimbabwe  
South Africa  
Malawi  
Zambia

# What Sectors does AECF work in?

## 1 Agribusiness

Agriculture and agribusiness accounts for 32 percent of GDP in sub-Saharan Africa and employs 65 percent of the work force. It is likely to have a bigger impact on poverty reduction than in other sectors as it offers the most direct route of raising returns to poor people's main assets, i.e. land and labour. The AECF's work in the agriculture sector is the oldest and largest of its investments across Africa. The Fund supports businesses to establish a new activity or expand existing businesses across the value chain, as long as the primary beneficiaries of the businesses are rural households living on less than US \$2 per day. Our main focus areas are:

- i) **Accessible Innovations for Smallholders:** The Fund supports innovative models which target smallholder farmers by de-risking the introduction or expansion of a novel approach or product that brings a business into the smallholder space;
- ii) **Scaling Up Innovative Businesses:** The Fund supports new technologies and outputs from agricultural research that can be scaled up and commercialized for the benefit of smallholders.
- iii) **Post Conflict and Fragile States:** The Fund supports agricultural investments in post-conflict and fragile states facing particular challenges in social, economic and regulatory infrastructure where in most cases it's the only source of funding;
- iv) **Open Data and Media to Increase Productivity:** The Fund finances concepts on information dissemination that have a significant outreach and provide information to smallholder farmers enabling them to improve yields and incomes.
- v) **Promoting Financial Inclusion and Mobile Finance:** The Fund seeks to improve access to finance in its thematic areas by supporting businesses that promote the use of mobile money systems, create local financial mechanisms, establish credit systems amongst others

## 2 Renewable Energy and Adaptation to Climate Change (REACT)

Renewable Energy and Adaptation to Climate Technologies (REACT) window is demonstrating how renewable energy technologies and businesses have the potential to reach Africa's rural communities. Limited access to sources of energy, (especially in rural areas) continues to undermine the productivity of households and businesses, limit growth, experience high emissions and deteriorating living standards. Climate change has the potential to reduce agricultural yields, increase water scarcity and the frequency of extreme weather.

REACT has shown that private sector innovation has the potential to reach people in ways that large-scale government investment in grid extension and climate adaptation infrastructure struggle to deliver. REACT funded companies implement innovative business models that provide increased access to clean energy, financial services and climate smart solutions for the rural poor. Our main focus areas for funding are:

- Increased **access to low cost, clean energy** for rural businesses and households. This includes cost effective renewable power, commercially viable renewable fuels and other clean energy alternatives;
- Products and services that help rural people and smallholder farmers **adapt to climate change**;
- Financial services that **increase access to finance** for low cost, clean energy and climate resilient technologies or to catalyze financial solutions.

## What Support does AECF provide?

### Grants

Businesses are provided with grants in staged payments against contractually agreed targets and contribution of matching funds.

### Concessional Loans

In addition to grants, some companies are also offered interest free loans which are repaid once the project is successful.

### Technical Assistance

More recently, the Fund has begun to introduce advisory support to successful grantees, from establishing their financial and accounting systems to more technical advice on the specific sectors where they operate. This, along with a strengthened measurement of project results, will become increasingly important support in the future.

### Linkages to follow-on Investors

For grantees moving towards commercial finance, AECF Connect acts as a match making service. It provides technical and financial services both to prepare companies to approach the market and to facilitate connections with potential investors. Through AECF Connect, the Fund has so far mobilized additional US \$35 million from other investors.

