

# The U.S. African Development Foundation

Fiscal Year 2018

Operating Plan

#### Introduction

Created by Congress in 1980, the U.S. African Development Foundation (USADF) functions as a complement to other U.S. foreign assistance efforts by implementing distinctive, high impact programs in Africa that deliver results for underserved communities. USADF aligns with U.S. economic and strategic priorities in Africa to create jobs, new markets and shared prosperity for Americans and Africans. USADF complements and extends the reach of U.S. assistance to critical and often remote regions, increasing U.S. strategic presence in areas such as the Sahel, Horn of Africa and Great Lakes region. The USADF model promotes self-reliance, entrepreneurship and community-led solutions for poor and vulnerable populations in over 20 countries. USADF invests directly in early stage African enterprises and utilizes in-country technical experts to improve the lives and livelihoods of those beyond the reach of other development initiatives, including smallholder farmers, women and girls, and unemployed youth.

The USADF development model is effective, efficient and delivers a significant return on investment to the U.S. taxpayer. Its programs contribute to peace, stability and local economic development by cultivating sustainable business solutions to address food insecurity, unemployment, and poverty throughout Africa. USADF's size and operating model, which utilizes 100% African staff and partners, makes it a highly flexible, innovative, and effective foreign assistance provider to Africa. An independent study¹ of U.S. Government foreign assistance providers by the Center for Global Development ranked USADF second only to the Millennium Challenge Corporation (MCC) on the maximizing foreign aid efficiency scale.

Additionally, USADF extends the reach of taxpayer dollars by leveraging funding from private sector organizations and host country governments. Thirteen African governments have provided \$25 million directly to USADF programs over the past ten years. USADF also leverages funding from corporate partners such as General Electric, the Citi Foundation, All On (an impact investing company) and Dahabshiil Bank. This leveraged funding allows USADF to provide more small enterprises with transformative seed capital, maximizing U.S. foreign assistance dollars and impacting communities often left behind in Africa's growth story. Over the past five years, USADF has invested \$100 million in more than 800 enterprises that have helped create \$200 million of new economic activity across African communities. For many African countries and communities, as well as private sector corporations, USADF has become a partner of choice to gain measurable results in creating pathways to prosperity for poor and vulnerable populations.

#### **USADF FY 2018 Priorities**

To continue the agency's distinctive and impactful programs, USADF fiscal year 2018 priorities focus on three key pillars: achieving transformative programs through innovation and pilot initiatives, investing in African implementing partners, and leveraging partnerships. USADF will also continue its drive toward greater impact and results, with a focus in FY 2018 on implementing a revised grant outreach, selection, design and evaluation process which ensures a consistent, scalable approach to selecting grants that can achieve significant results for communities across Africa. The agency's FY 2018 appropriation of \$30 million enables USADF to award approximately 145 new grants in more than 20 countries to support enterprise expansion, resilience-building and off-grid energy access expansion for hundreds of communities. These resources will allow USADF to continue monitoring an active total grant portfolio of \$45 million.

<sup>&</sup>lt;sup>1</sup>Center for Global Development's "Quality of Official Development Assistance Assessment Report," 2010 and 2013.

#### **Transformative Programs**

USADF invests directly in grassroots, early stage African enterprises, providing seed capital and local technical assistance for underserved communities. USADF has established a model for transformative programs based on effectiveness, efficiencies and return on taxpayer investments. USADF grants currently support 400 community enterprises across more than 20 countries in Africa. In FY 2017, new USADF grant funding helped community enterprises generate over \$40 million of new economic activity benefiting more than 625,000 people.

USADF investments support local enterprise development, beginning with a significant focus on agriculture as Africa's largest sector. USADF catalyzes inclusive agricultural-led economic growth to build self-sufficiency and increase productivity and incomes for small-scale farmers. Complementing its work in agriculture, USADF pioneers efforts to direct development resources toward two other key challenges on the continent, rural off-grid energy connectivity and support for young entrepreneurs to build businesses.

Under the U.S. Government's Power Africa initiative, USADF and General Electric are collaborating to provide grant financing of \$100,000 to more than 70 enterprises to bring connectivity and energy solutions to communities far from the grid. In partnership with the Citi Foundation, USADF supports an entrepreneurial financing program for hundreds of Africa's most promising young business leaders. To date, USADF has funded more than 200 entrepreneurs with \$4 million in grant financing to those who are starting their own businesses and creating jobs.

These programs work together to increase food security, power local enterprise growth, and provide meaningful work and income potential for Africa's rising youth populations. Furthermore, USADF's work in these areas ensures that critical U.S. development initiatives enacted by Congress such as the Global Food Security Act, Electrify Africa Act, and the African Growth and Opportunities Act (AGOA) extend to rural populations living beyond Africa's growth frontier.

USADF's agile development model allows it to establish programs in post-conflict areas in months, not years, and prioritizes innovative programs and new approaches to be integrated into core investments. For example, USADF partnered with a private sector partner to pilot a new digital mapping tool for farmers in Rwanda and Tanzania to predict exact information on the size of their land, which will help farmers increase crop yields and sale revenues.

In order to design innovative, transformational programs, in FY 2018 USADF began implementing a new grant outreach, identification and selection process and updating its Monitoring and Evaluation approach to better align all program activities with strategic priorities and to expand its evidence-based approach. Continuous improvement efforts such as these enable USADF to fulfill its mission and deliver innovative, transformational programs.

# **High Impact Partners**

USADF's distinctive and impactful approach is predicated on its in-country network of local implementing partners. All USADF funding in Africa increases the capacity of African institutions and leaders. USADF's operating model utilizes local African staff and partner organizations to implement, manage and monitor over 400 active project grants across 20 countries valued at \$45 million. Working through host country staff and African partners increases local ownership in the development process and creates strong links that help community enterprise grant organizations achieve results-driven growth. USADF's selected African implementing partner institutions bring local knowledge of market linkages, connections to government and other actors in-country and a strong enterprise development background. Local staff are also uniquely positioned to help USADF operate successfully in challenging environments and post-conflict communities.

In FY 2018, USADF will continue refining its monitoring and evaluation (M&E) systems to drive additional efficiencies and effectiveness. Aligned with the ADF Act mandate to invest in and increase the capacity of local partner institutions, USADF is broadening the strategies used to strengthen the capabilities and skills of its local implementing partners. In March 2018, USADF staff and implementing partners came together in Ghana for a monitoring and evaluation workshop focused on strengthening the M&E capacities of implementing partners, as well as enhancing and standardizing their current tools, best practices and approaches to performance and outcomes monitoring and evaluation. Going forward, USADF will seek opportunities for continuous improvement of its M&E infrastructure, ensuring measurable results in creating pathways to prosperity for underserved communities in Africa.

#### **Expanded Impact Through Partnerships and Collaboration**

USADF maximizes the impact of U.S. taxpayer dollars by matching appropriated funds with those from host African governments who invest their own funds directly into USADF programs. Thirteen African governments have provided \$25 million directly to USADF programs over the past ten years. In FY 2017, USADF leveraged matching funds from the Governments of Benin, Malawi and Uganda. In FY 2018, USADF will continue strengthening relationships with host country governments and leveraging additional matching funds. Over the next five years, African governments have pledged \$20 million of co-funding for USADF programs, demonstrating their continued commitment to partnering with USADF and the U.S. Government in support of peace and prosperity.

USADF also extends the reach of U.S. tax dollars by leveraging funds from private sector partners such as General Electric and the Citi Foundation. In partnership with USADF, GE has donated nearly \$1 million to expand energy connectivity to rural communities in nine countries in Africa. The Citi Foundation has a shared vision to support youth-led enterprise, and has partnered with USADF to provide over \$1 million in seed capital to young entrepreneurs. These are just two examples of the innovative ways that USADF and its private sector partners maximize their social impact and extend the reach of U.S. foreign assistance funds.

USADF also contributes to critical U.S. development initiatives enacted by Congress such as the Global Food Security Act, the Electrify Africa Act and the Africa Growth and Opportunities Act (AGOA), including coordinating with other U.S. Government agencies, such as USAID, MCC and the Department of Commerce International Trade Administration. USADF's unique grassroots model ensures that U.S. foreign assistance extends to rural, vulnerable populations living beyond Africa's growth frontier.

#### U.S. African Development Foundation FY 2018 Operating Plan

The Consolidated Appropriations Act, 2018 provides the U.S. African Development Foundation with an appropriation of \$30 million to carry out the mission of the African Development Foundation Act (title V of Public Law 96–533). The \$30 million appropriation provides USADF with resources to improve lives in poor and vulnerable communities in Africa by awarding approximately 145 new grants to African-owned enterprises across the continent. USADF's FY 2018 appropriation also enables the agency to continue monitoring an active grant portfolio of \$45 million, representing more than 400 active enterprises. The table below (Table 1) provides a summary of the FY 2018 planned allocation of resources to support USADF's mission of providing seed capital and local technical support to early stage agriculture, off-grid energy and youth-led enterprises in more than 20 countries in Africa. A strength of USADF's program model is its ability to put a large percentage of its program funds to work directly in Africa. Nearly 80% of USADF's overall budget supports programs, of which nearly 90% is spent in Africa through grants and support for local implementation partners. Program Support costs, which account for approximately 20% of USADF's budget, increased from FY 2017 to FY 2018 due to investments to meet critical needs related to staffing, IT cybersecurity, and support services.

# **USADF Program Priorities**

USADF programs focus on three key programmatic areas: agriculture and food security, off-grid energy access, and youth-led enterprise. USADF invests directly in qualified African community enterprises that create sustainable economic growth opportunities to increase incomes, improve food security and expand regional and international trade. Approximately 70 percent of USADF grants help local communities increase food production for local consumption and achieve higher income levels. About 20 percent of these grants also involve the production and value-add processing of goods sold in regional and international markets. These activities help local communities, associations, and enterprises to become more self-sufficient and better integrated into local economies. This in turn provides a peaceful and productive alternative to the violence that is often found in conflict and post-conflict regions across Africa.

# **Agriculture & Food Security**

Approximately 70 percent of USADF investments are focused on supporting agricultural-led economic growth for smallholder farmers, who represent nearly 70 percent of Africa's labor force and the backbone of its economies. USADF grants assist agricultural cooperatives to develop better enterprise management skills, improve production and distribution capabilities, access larger markets, improve marketing capabilities and increase revenues, all of which result in increased incomes for smallholder farmers.

For instance, USADF investments in Ntende Cooperative in Rwanda led to increased production and capabilities by training members on improved rice cultivation practices and acquiring equipment. With more rice to sell, members saw their incomes double in less than two years. Ntende Cooperative has grown from 500 to over 4,000 farmers in the community who now have better food security.

USADF contributes to Feed the Future, the U.S. Government's global hunger and food security initiative, and maintains a presence in 6 of the 12 designated target countries, and has food security programs in an additional 12 of the designated aligned countries under the new Feed the Future guidelines. In fact, USADF represents the only U.S. Government food security investments in Mauritania and Burundi. Since 2011, USADF has added a focus of funding food security projects in conflict and post-conflict areas of northern Nigeria, the Niger Delta and in South Sudan. These projects bring economic security to grassroots communities in those areas affected by conflict.

# **Off-Grid Energy**

As there are more than 600 million Africans lacking electricity, USADF has made off-grid energy access a priority. Under the U.S. Government-led Power Africa initiative, USADF partnered with General Electric (GE) to launch the Off-Grid Energy Challenge and fund African energy entrepreneurs to deliver solutions using solar, wind, hydro and biogas technologies. Through the Off-Grid Energy Challenge, USADF has funded more than 70 African energy entrepreneurs, totaling an investment of \$7 million in off-grid energy solutions. Through the Challenge, USADF and its partners, including GE and All On, support African energy entrepreneurs in 9 countries across the continent to include Ethiopia, Ghana, Kenya, Liberia, Nigeria, Tanzania, Rwanda, Uganda and Zambia. This year, USADF plans to launch a second Women in Energy Challenge to finance women innovators. The Challenge creates a platform for women to compete in both the local and global economy while also ensuring that African women reap the benefits of energy access.

The Off-Grid Energy Challenge awards grants of up to \$100,000 each to African enterprises providing off-grid solutions that deploy renewable resources, power local economic activities and demonstrate a sustainable, scalable business model. Challenge winners have near-term solutions to power the needs of productive and commercial activities, including agriculture production and processing, off-farm businesses, and commercial enterprises. Maria Senkezi, CEO of Joint Energy and Environments Projects, is installing six green power plants in rural communities near Lake Victoria and saving the local fishing industry. With USADF funding, Green Village Energy Limited has scaled operations and now delivers uninterrupted electricity to nearly 10,000 people in remote villages in Nigeria. Our off-grid energy investments have connected more than 100,000 people to electricity, and continued USADF investment in 2018 will help connect thousands more.

# **Youth-Led Enterprise**

With 65 percent of the population under age 35, Africa has the largest concentration of young people in the world. As Africa's youth population continues to grow, supporting youth-led enterprise is a key priority for the agency. USADF engages young African entrepreneurs by providing seed capital and technical assistance to help young entrepreneurs to grow their social enterprises and impact thousands of lives. USADF provides young entrepreneurs with the tools needed to invest in their own communities and grow Africa's next generation of business leaders. These young business leaders employ marginalized people, train other youth, impact their communities and create or expand markets by providing goods and services. USADF has leveraged over \$1 million in funding from the Citi Foundation to support youth entrepreneurship. USADF selects Africa's top entrepreneurs from the Mandela Washington Fellowship, the flagship program of the Young African Leaders Initiative (YALI), through highly competitive business plan competitions. For instance, Adepeju Jaiyeoba received \$80,000 in seed capital to expand her business, Mother's Delivery Kits, which sells low-cost maternal birth kits in rural areas in northern Nigeria, many of which are affected by Boko Haram. To date, through local female agents, Mother's Delivery Kits has reached over 300,000 women and children across 50 communities in Nigeria with birthing kits and safer birth outcomes. Another young entrepreneur, Wesley Owiti, is the founder of Cherehani Africa, which uses asset backed-financing and mobile technology to reach new customers- women and girls in Kenya – to start their own businesses. Additionally, USADF launched an innovative program in Somalia to address the high rate of youth unemployment. The program focuses on job skills training and job placement for Somali youth aged 15-35. Since 2011, USADF has provided over 6,000 Somali youth with vocational job training and the tools to start their own businesses.

# **Table 1: FY 2018 USADF Operating Plan**

(in thousands of dollars)

	Description	FY 2017 ACTUAL	FY 2018 OPERATING BUDGET
	Federal Funds- Program Support (Operating Expense)		
	USADF/W	5,555	6,871
	Operating Expense Subtotal:	5,555	6,871
	Program		
	Federal Funds -ADF Program Costs		
	Grant Investments	13,241	13,480
	Grant Management Partners	4,999	5,193
	Grant FOREX Adjustments	129	100
	Grant & CPC Audits		248
Expenses	New Opportunities Funds Country Offices US Program Support Subtotal:	1,850 4,407 <b>24,626</b>	1,285 1,861 2,900 25,067
Ex	Total Operating Expense and Program (Federal funds)	30,181	31,938
	Donated Funds- ADF Program Costs		
	Grant Investments	1,764	2,030
	Grant Management Partners	309	240
	Subtotal:	2,073	2,270
	Total Program Donated funds	2,073	2,270
	Total Operating Expense and Program (All funds)	32,254	34,208

#### **Grant Allocation by Country**

The table below (Table 2) provides details of U.S. government appropriated dollars allocated to grant activity by country. Pursuant to the African Development Foundation Act, the size of USADF's grants may not exceed \$250,000. Through its market-driven enterprise development model, USADF helps low capacity, high potential community based enterprises move along a continuum of development – first gaining core capabilities, then expanding market access and ultimately 'graduating' to access other types of growth capital. USADF implements its model utilizing four primary grant types, which include:

**Operational Assistance Grant (OAG):** Many community enterprises in Africa require initial capacity building prior to pursuing expansion. OAGs are awarded to groups that have a potential for longer term growth and business success, but require business planning, technology assessment, management and financial systems development, market research, training, and technical assistance to position themselves for follow-on investment. Outputs from the OAG are a business plan, improved production and products, a defined market opportunity, an investment plan, improved management capacity, and a fully auditable set of business records.

OAG grants are one to two years in length and range from \$25,000 to \$100,000.

**Enterprise Expansion Grant (EEG):** The EEG is the principal financing mechanism USADF utilizes to assist grantees with an established market and defined business strategy to scale up their activities. The purpose of the EEG is to assist grantees to: generate increased revenues; increase incomes; improve profitability; create jobs; and position themselves for future investment. Applicants for an EEG must have a business track record that reflects a strong production capacity; market knowledge, quality products, and well-developed financial systems and records that will enable the applicant to obtain a USADF financial certification.

EEG grants are typically three to four years in length and range from \$100,000 to \$250,000.

**Enterprise Linkage Grant (ELG):** Currently in pilot phase, the Enterprise Linkage Grant was developed as a tool to position an enterprise to scale-up operations by securing outside financing from targeted investors, donors and/or financial institutions. ELGs will be awarded to groups which have built a strong organizational foundation and achieved significant revenue growth, but are still considered too high risk to secure traditional financing. USADF assists these grantees in identifying the financing criteria for one or more targeted funders, further developing the enterprise's operations and securing follow-on financing independent of USADF.

ELG grants are six months to one year in length and typically average \$50,000 or less.

**Fixed Amount Awards (FAA):** The Fixed Amount Award is a grant type which USADF provides for a specific level of financial support where grant risks are identified and mitigated up front and financial requirements are determined based on a defined set of milestones. The recipient's accountability is based primarily on performance and results as determined by the achievement of established milestones. USADF's Off-Grid Energy and Youth-Led Enterprise grants fall within this category.

FAAs are for a term not to exceed 18 months and range from \$10,000 to \$100,000.

All grants have a detailed project plan that includes measurable goals and objectives, project outcomes and impact and a detailed project budget. USADF monitors grant performance and funds accountability through its local African implementing partners, quarterly progress reports, periodic site visits from Washington-based staff and semi-annual Washington-based project performance assessments. In FY 2018, USADF expects to award approximately 145 new grants, investing primarily in early stage agriculture, off-grid energy and youth-led enterprises. Over the full grant lifecycle, the new grants awarded in FY 2018 are projected to benefit approximately 70,000 people directly and more than 350,000 additional family members.

In FY 2018, USADF launched a new grant outreach, identification and selection process. The new process standardizes USADF's application solicitation and selection to ensure an efficient, effective, and transparent system to identify high impact grants. USADF issues a series of public requests for proposals to promote awareness of USADF grant opportunities and ensure a robust pool of potential applicants. USADF staff then review and identify applications that meet country strategy objectives and specific USADF grant success factors. The new selection process provides greater opportunities for potential applicants to apply for USADF funding, ensures selected grants meet standard criteria, and contributes to a consistent, scalable approach to identify, select, and award grants that can achieve significant results for community groups across Africa.

USADF selection criteria are used to assess grant applications and ensure they demonstrate the ability to create jobs, increase incomes, grow enterprise revenues, build organizational capacity and resilience, and ensure results scale to hundreds of cooperative members. The selection process helps ensure a high return on grant investments and is central to the USADF enterprise development model that provides seed capital to potential high-impact enterprises that can grow revenues in a way that will increase income levels for smallholder farmers and other community members linked to that enterprise's operations.

The table below also includes resources allocated to support African implementing partners Cooperative Agreements in 20 countries. African implementing partners are a key component of USADF's unique development model, which focuses on empowering Africans to lead and manage the projects benefiting their communities and countries. The model draws on local development expertise in each country to provide technical assistance which helps ensure successful operations and outcomes of USADF grants for community groups and enterprises. In the short-term, these organizations provide essential implementation support to local grantees, which ensures financial accountability and is integral to the success of USADF grants. Over time, African implementing partners become long-term assets and advocates for grassroots development in their respective countries. Over the last 38 years, USADF's efforts have created a locally based network of technical assistance partners who are experts in enterprise development.

**Table 2: Grant Allocation by Country** 

COUNTRY	FY 2017 ACTUAL	FY 2018 OPERATING BUDGET		
COUNTRY		DONATED FUNDS	APPROPRIATED FUNDS	TOTAL
Benin	1,397,043	750,000	1,062,571	1,812,571
Burkina Faso	982,770	-	1,121,823	1,121,823
Burundi	624,141	-	835,338	835,338
Cameroon	25,000	-	-	-
Central African Republic	10,000	-	-	-
Cote d'Ivoire	-	-	250,000	250,000
Democratic Republic of the Congo	413,096	-	490,000	490,000
Ethiopia	67,820	-	-	-
Guinea	497,008	-	548,902	548,902
Kenya	1,365,428	-	1,516,439	1,516,439
Liberia	746,109	-	498,334	498,334
Madagascar	10,000	-	-	-
Malawi	828,165	200,000	512,964	712,964
Mali	775,109	-	997,080	997,080
Mauritania	691,367	-	829,995	829,995
Mauritius	-	-	250,000	250,000
Niger	810,318	-	543,760	543,760
Nigeria	1,444,363	-	1,407,485	1,407,485
Rwanda	1,476,671	-	1,125,063	1,125,063
Senegal	852,876	-	634,117	634,117
Somalia	1,366,597	50,000 <sup>2</sup>	845,000	895,000
South Sudan	536,918	-	946,168	946,168
Tanzania	986,831	-	671,913	671,913
Chad	10,000	-	-	-
Uganda	2,434,434	1,040,000	1,220,954	2,260,954
Zambia	1,301,052	=	1,350,155	1,350,155
Zimbabwe	1,100,964	-	685,000	685,000
Total	20,754,080	2,040,000	18,343,061	20,383,0613

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<sup>&</sup>lt;sup>2</sup> Dahabshiil Bank is expected to donate \$50,000 as part of a Memorandum of Understanding with USADF to support youth enterprise development and job creation in Somalia.

<sup>&</sup>lt;sup>3</sup> Citi Foundation donated funds of \$460,000 will also be obligated in FY 2018, which brings the total country grant estimate to \$20,843,061.

#### **USADF Donated Funds**

Section 506(a)(9) of the African Development Foundation Act provides USADF with gift acceptance authority. Funds donated to USADF pursuant to this authority are highlighted in the table below (Table 4). This unique authority enables the agency to extend the reach of taxpayer dollars by leveraging funding from host country governments. In FY 2017, USADF leveraged matching funds from the governments of Benin, Malawi and Uganda. Over the next five years, African governments have pledged \$20 million of co-funding for USADF programs, demonstrating their continued commitment to partner with USADF and the U.S. Government in support of peace and prosperity. USADF also leverages funding from corporate partners such as General Electric, the Citi Foundation, All On (an impact investing company) and Dahabshiil Bank. This leveraged funding allows USADF to provide more small enterprises with transformative seed capital, maximizing U.S. foreign assistance dollars and impacting communities often left behind in Africa's growth story.

**Table 4: Donated Funds (2008 – 2017)** 

AFRICAN GOVERNMENT CONTRIBUTIONS	COUNTRIBUTIONS PAST 10-YR
Benin	3,628,583
Botswana	976,089
Cape Verde	612,550
Ghana	1,009,480
Guinea	324,988
Malawi	1,907,369
Mali	1,395,270
Nigeria	1,761,450
Rwanda	1,943,903
Senegal	898,938
Swaziland	330,041
Uganda	8,354,756
Zambia	31,965
Total	23,175,382

PUBLIC & CORPORATION CONTRIBUTIONS	COUNTRIBUTIONS PAST 10-YR
General Electric Africa	750,000
Citi Foundation	900,000
Willie Grace Campbell	32,000
Morgan Davis Family	5,000
Total	1,687,000

From 2008 to 2017, African Governments and private sector donors contributed a total of \$24,862,382 to USADF programs.

#### Conclusion

USADF is a model for doing development differently. Created as a complement to other U.S. Government development agencies, USADF directly supports small-grant enterprise development at the grassroots level in Africa. By investing directly in early stage African enterprises and utilizing in-country technical experts, USADF helps improve lives and livelihoods, including those of smallholder farmers, women and girls, and unemployed youth. USADF aligns with U.S. economic and strategic priorities in Africa to create jobs, new markets and shared prosperity for Americans and Africans.

Over the past five years, USADF reached almost 3 million people leading to improved livelihoods, greater food security and shared prosperity. With expanded energy access through USADF's off-grid energy focus, over 120,000 people have affordable and renewable energy connections. Over 200 youth entrepreneurs have access to seed capital to grow and expand their social enterprises, create jobs and help grow the local economy in over 30 countries. In FY 2018, USADF will continue implementing distinctive, high impact programs in Africa that support U.S. Government priorities and deliver results for underserved communities across Africa.