

**Southern Africa Enterprise  
Development Fund  
Implementation Assistance Report:  
Performance Monitoring Plan**

**Final Report**

**U.S. Agency for International Development**

**Prepared for USAID/RCSA**

**Prepared by Coopers & Lybrand L L P**

**Sponsored by Private Enterprise Development  
Support Project III  
Contract No PCE-0026-Q-00-3031-00  
Delivery Order No 815  
Prime Contractor Coopers & Lybrand, L L P**

**February 1998**

**Coopers  
&Lybrand**

**Southern Africa Enterprise  
Development Fund  
Implementation Assistance Report:  
Performance Monitoring Plan**

**Final Report**

**U.S Agency for International Development**

**Prepared for USAID/RCSA**

**Prepared by Dennis M Smyth, Coopers & Lybrand L L P  
Raymond W Suarez, consultant to Coopers &  
Lybrand L L P**

**Sponsored by Private Enterprise Development  
Support Project III  
Contract No PCE-0026-Q-00-3031-00  
Delivery Order No 815  
Prime Contractor Coopers & Lybrand, L L P**

**February 1998**

**Coopers  
&Lybrand**

**SOUTHERN AFRICA ENTERPRISE DEVELOPMENT FUND  
IMPLEMENTATION ASSISTANCE REPORT  
PERFORMANCE MONITORING PLAN**

**TABLE OF CONTENTS**

|          |   |           |
|----------|---|-----------|
| <b>I</b> | <b>NARRATIVE ANALYSIS OF PERFORMANCE INDICATORS AND PLAN</b>  | <b>1</b>  |
| <b>A</b> | <b><u>Review of Results Statements</u></b>  | <b>1</b>  |
| 1        | RCSA Intermediate Result 1 Broader participation in regional market through reduced barriers to entry | 1         |
| 2        | RCSA Intermediate Result 1 3 Use of financial resources increased                                     | 1         |
| 3        | RCSA Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs          | 2         |
| 4        | RCSA Intermediate Result 1 3 2 Self-sustaining regional enterprise fund                               | 2         |
| <b>B</b> | <b><u>Review of Performance Indicators and Definitions</u></b>  | <b>3</b>  |
| 1        | Intermediate Result 1 Broader participation in regional market through reduced barriers to entry      | 3         |
| 2        | Intermediate Result 1 3 Use of financial resources increased  | 5         |
| 3        | Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs               | 7         |
| 4        | Intermediate Result 1 3 2 Self-sustaining regional enterprise fund                                    | 7         |
| 5        | Eliminated Performance Indicator  | 8         |
| <b>C</b> | <b><u>Definitions of Micro, Small, Medium-Sized Enterprises</u></b>                                   | <b>9</b>  |
| <b>D</b> | <b><u>Review of Data Sources</u></b>  | <b>10</b> |
| 1        | RCSA Intermediate Result 1 Broader participation in regional market through reduced barriers to entry | 10        |
| 2        | Intermediate Result 1 3 Use of financial resources increased  | 11        |
| 3        | Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs               | 12        |
| 4        | Intermediate Result 1 3 2 Self-sustaining regional enterprise fund                                    | 13        |
| 5        | Eliminated Performance Indicator  | 14        |
| <b>E</b> | <b><u>Methodology for Data Collection</u></b>   | <b>15</b> |
| 1        | RCSA Intermediate Result 1 Broader participation in regional market through reduced barriers to entry | 15        |
| 2        | Intermediate Result 1 3 Use of financial resources increased  | 17        |

|           |  |    |
|-----------|--|----|
| 3         | Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs          | 18 |
| 4         | Intermediate Result 1 3 2 Self-sustaining regional enterprise fund                               | 20 |
| <b>F</b>  | <b><u>Data Quality and Reliability Issues</u></b>  | 22 |
| <b>G</b>  | <b><u>Recommendations Regarding Frequency of Data Collection</u></b>                             | 22 |
| <b>H</b>  | <b><u>Responsibility for Data Collection</u></b>   | 22 |
| <b>I</b>  | <b><u>SAEDF Activity Level Performance Data Tables</u></b>                                       | 23 |
| <b>II</b> | <b>SAEDF PERFORMANCE MONITORING PLAN</b>   | 23 |
| <b>A</b>  | <b><u>List of performance indicators</u></b>   | 23 |
| 1         | Intermediate Result 1 Broader participation in regional market through reduced barriers to entry | 23 |
| 2         | Intermediate Result 1 3 Use of financial resources increased                                     | 23 |
| 3         | Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs          | 24 |
| 4         | Intermediate Result 1 3 2 Self-sustaining regional enterprise fund                               | 24 |
| <b>B</b>  | <b><u>Definitions Associated with the Performance Indicators</u></b>                             | 24 |
| <b>C</b>  | <b><u>Performance Indicator Details</u></b>  | 25 |
| 1         | Performance Indicator # 1  | 25 |
| 2         | Performance Indicator # 2  | 26 |
| 3         | Performance Indicator # 3  | 26 |
| 4         | Performance Indicator # 4  | 27 |
| 5         | Performance Indicator # 5  | 28 |
| 6         | Performance Indicator # 6  | 28 |
| 7         | Performance Indicator # 7  | 29 |
| 8         | NEW Performance Indicator # 8  | 30 |
| 9         | Performance Indicator # 9  | 30 |
| 10        | Performance Indicator # 10   | 31 |
| 11        | NEW Performance Indicator # 11   | 31 |
| 12        | NEW Performance Indicator # 12   | 31 |

Appendix A SAEDF Activity Level Performance Data Tables

**SOUTHERN AFRICA ENTERPRISE DEVELOPMENT FUND  
IMPLEMENTATION ASSISTANCE REPORT  
PERFORMANCE MONITORING PLAN**

**I NARRATIVE ANALYSIS OF PERFORMANCE INDICATORS AND PLAN**

**A Review of Results Statements**

**1 RCSA Intermediate Result 1 Broader participation in regional market through reduced barriers to entry**

RCSA's Intermediate Result 1 is one of three Intermediate Results that support its Strategic Objective Number 2 A more integrated regional market RCSA will support regional market integration because of the perceived benefits to both producers and consumers In its view, "broader participation in economic activity, from the small-scale farmer to the large entrepreneur, will lead to more jobs, increased incomes and improved standards of living for all Southern Africans " The SAEDF Grant Agreement states that the purpose of SAEDF "is to encourage the creation and expansion of indigenous small and medium-sized enterprises in the Southern Africa region This will be accomplished through transactions which will assist in the initiation and expansion of a wide array of private enterprises "

Economic reports have indicated that only 3 percent of the total capital flows to the developing world is flowing to Africa, and that, within the region, most private investment continues to flow to South Africa In a broad sense, SAEDF's activities are a key instrument in RCSA's efforts to broaden participation in the regional market and remove barriers which have discouraged investment Investment barriers identified by RCSA include over-regulation of investors, high taxation, lack of credit, and complex licensing and registration requirements SAEDF addresses credit barriers by making credit and equity investments available to creditworthy businesses in the under-served SME sector RCSA's Intermediate Result 1 seeks to reduce barriers to entry Capital is well established as such a barrier, and SAEDF is in the business of providing capital

**2 RCSA Intermediate Result 1 3 Use of financial resources increased**

Intermediate Result 1 3 is aimed at increasing access to, and utilization of, financial services, including mechanisms for saving, borrowing and investing These activities will "broaden participation by increasing the level of funds that are available to entrepreneurs who will expand their regional business activities, generating income and employment opportunities throughout the region "

By virtue alone of SAEDF's existence as a vehicle through which US\$100 million is coming into the market, funding and financial resources will be increased Regarding the need to attract and leverage private investment funds, SAEDF's Grant Agreement states that SAEDF will "demonstrate to other potential investors that private sector investment can be undertaken profitably in Southern Africa "

### **3 RCSA Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs**

SAEDF's Grant Agreement states that the "success of the Fund will be judged based on the extent to which the Fund contributes to the development of new labor and management skills among small and medium firms "

SAEDF's investments will play a role in improving business competencies among indigenous entrepreneurs. In several recent investments, the investee companies have indicated they have benefitted, directly and indirectly, from SAEDF's investments. Benefits arising from pre-closing activities include analysis, due diligence, negotiation, deal structuring and pre-closing technical assistance. Benefits arising from post-closing activities include monitoring, board participation, and post-closing technical assistance such as education, training and promotional activities. Examples of benefits related to overall market impact include

- Kingdom Securities Holding Limited ("KSHL") is a new and aggressive competitor in the Zimbabwean capital marketplace. They believe their competitive advantage will be creativity, intellectual ability and training towards the design and/or importation of new products and services for the local market. They have achieved rapid growth since SAEDF's investment which suggests they have been successful in creating distinctive value in their national financial market. The Principals of KSHL indicated their intent to introduce financial derivatives in Zimbabwe which would add additional liquidity to the marketplace and distribute the firm's risk among other investors. Kingdom also expressed their desire to expand into overseas markets and to partner/joint venture with foreign Funds. Their expectation is that the SAEDF relationship will assist them, directly or indirectly, in developing such relationships and markets in the future.
- Rural Finance Facility (RFF), an NGO, formed Rural Housing Finance (RHF) as a wholly-owned subsidiary. The SAEDF investment provided the additional capital necessary to convince the National Housing Finance Corporation (NHFC) to provide RHF with a loan facility. This allowed RHF to expand the amount of mortgage finance available to the under-served part of the housing market. RHF's borrowers are lower middle class people who are generally unable to obtain traditional mortgage bonds.

### **4 RCSA Intermediate Result 1 3 2 Self-sustaining regional enterprise fund**

There is a direct link between sustainability and the proposed long-term strategy of SAEDF. The Grant Agreement states that the Fund will be judged by the extent to which "it is able to meet its annual operating expenses from investment reflows and non-U S Government sources of income within six years from the date of this agreement, and, over the long-term, is able to develop an investment portfolio whose inflation-adjusted value is at least equal to the amount of funding provided to the Fund for investment under this Agreement "

## **B Review of Performance Indicators and Definitions**

As required in the scope of work, the Implementation Assistance Team analyzed the existing performance indicators and definitions in the context of several key questions. These questions included:

- *Are the performance indicators direct? Do they measure the results they are intended to measure?*
- *Are they objective?*
- *Are they adequate?*
- *Are they quantitative where possible?*
- *Are they disaggregated appropriately?*
- *Are they practical?*
- *Are they reliable?*

Those questions which resulted in a negative response, or require some explanation, are explained below in relation to whether the particular indicator, or the definitions associated with it, needs to be refined or replaced.

### **1 Intermediate Result 1 Broader participation in regional market through reduced barriers to entry**

- a Performance Indicator # 1 Increased employment in indigenous enterprises assisted by SAEDF and partners, either directly or through intermediate financial institutions (IFIs)

*Direct?* This is a useful indicator for the purpose of measuring the impact of SAEDF's investments but it does not always have a direct relationship with the result it is intended to measure. Increased employment may be independent of reduced barriers to entry. In addition, while some investee companies will be able to indicate the number of additional employees hired as a direct result of a SAEDF investment, many may not be able to link specific hiring decisions to particular capital or debt sources.

*Disaggregated appropriately?* It appears that most firms in the region do not routinely maintain employment data disaggregated by gender or national origin. The lack of such readily available data at existing investee companies may make it difficult to obtain precise data on gender or national origin. However, questionnaires developed by the implementation assistance team, in cooperation with SAEDF staff, are designed to collect this and other information in cases where it is readily available and easily obtained from direct investee companies or IFIs. In cases where such information is not readily available from investee companies or IFIs, SAEDF will use best efforts to encourage and assist them to do so.

*Practical?* Beyond the question of whether the employment data gathered can be disaggregated appropriately is the question of whether it is practical to gather certain types of data. For example, collecting data by national origin may be impractical in countries or regions where emphasis on equal opportunity is high.

*Reliable?* As data collected by gender or national origin may be unofficial or impractical, it may also be unreliable

Recommendation Performance Indicator #1, and the definitions associated with it, is satisfactory, with the exception that the word “increased” should be replaced with “cumulative” so that the indicator can be used to measure cumulative employment levels

- b Performance Indicator # 2 Increased sales in indigenous enterprises assisted by SAEDF and partners, either directly or through IFIs

*Direct?* This is a useful indicator for the purpose of measuring the impact of SAEDF’s investments but it does not always have a direct relationship with the result it is intended to measure. Sales may be independent of reduced barriers to entry. In addition, while some investee companies will be able to indicate the amount of sales or revenue achieved as a direct result of a SAEDF investment, many may not be able to link specific sales or revenue changes to particular capital or debt sources.

*Adequate?* Understates impact in cases where sales are stable

*Disaggregated appropriately?* It will be difficult to disaggregate ownership data in cases where corporate shareholders are involved or the enterprise’s shares are widely-held. However, questionnaires developed for SAEDF are designed to collect this and other information in cases where it is readily available and easily obtained from direct investee companies or IFIs. In cases where such information is not readily available from direct investee companies or IFIs, SAEDF will use best efforts to encourage and assist them to do so.

Recommendation Performance Indicator # 2, and the definitions associated with it, is satisfactory, with the exception that the word “increased” should be removed so that the indicator can be used to measure annual sales levels

- c Performance Indicator # 3 Increased ownership of shares in SAEDF investee companies by indigenous, previously-disadvantaged Southern Africans

*Adequate?* Discussions with SAEDF staff and investees, as well as several members of the investment and venture capital community, caused the Implementation Assistance Team to reconsider the appropriateness of the term “previously-disadvantaged”. This term implies that the targeted individuals were disadvantaged only in the past. Several of the individuals interviewed, and most USAID Missions in the region, believe the term “historically-disadvantaged” better reflects the situations of the individuals targeted by SAEDF.

*Disaggregated appropriately?* It may be difficult to disaggregate specific ownership data in cases where SAEDF investee companies have institutional shareholders. The investee companies will certainly know, or be able to determine, if their institutional shareholders are

indigenous enterprises, as defined above. These same companies, however, may not maintain detailed information on whether the individual shareholders of its enterprise are historically-disadvantaged. Impact monitoring questionnaires ask companies to list the percentage of their shares held by Southern Africans, defined in the questionnaires as “ownership by individuals or institutions indigenous to Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, South Africa, Tanzania, Zambia or Zimbabwe”.

Recommendation Performance Indicator # 3, and the definitions associated with it, is satisfactory, with the following changes. The team recommends that the term “previously-disadvantaged” be replaced with “historically-disadvantaged” for the reason indicated above. Also the SAEDF data collection questionnaires make a distinction between individuals and institutions so that the required ownership information can be measured accurately.

## **2 Intermediate Result 1.3 Use of financial resources increased**

- a Performance Indicator # 4 Number of indigenous firms receiving financing from SAEDF and partners, either directly or through IFIs

*Adequate?* The usefulness of this indicator is enhanced if it is considered in conjunction with performance indicator number 5 “dollar volume of financing provided to indigenous SMEs by SAEDF and partners, either directly or through IFIs”. Given the broad definition of “IFI” used by SAEDF and RCSA, the units of measurement for this indicator will be more appropriate if “loans” is changed to “financing”.

*Disaggregated appropriately?* As indicated earlier, it appears that most firms in the region do not routinely maintain employment, ownership, or transaction data disaggregated by gender or national origin. The lack of such readily available data at existing investee companies may make it difficult to obtain precise data on the gender of these companies. However, SAEDF data collection questionnaires are designed to collect this and other information in cases where it is readily available and easily obtained from direct investee companies or IFIs. In cases where such information is not readily available from direct investee companies or IFIs, SAEDF will use best efforts to encourage and assist them to do so.

*Practical?* Since it appears that firms in the region do not routinely maintain employment, ownership or transaction data disaggregated by gender, it raises the question of whether it is practical to gather this type of data.

*Reliable?* As data collected by gender may be unofficial or impractical, it may also be unreliable.

Recommendation Performance Indicator # 4, and the definitions associated with it, is satisfactory, with the following changes. It should be considered in conjunction with dollar financing, the term “financing” should be substituted for “loans” in the units of measurement portion of the table.

- b Performance Indicator # 5 Dollar volume of financing provided to indigenous SMEs by SAEDF and partners, either directly or through IFIs

*Direct?* It may not be possible to directly link the volume of financing provided to SMEs by IFIs to SAEDF or its partners because some of it may be related to other sources

*Adequate?* This indicator may obscure SAEDF's role in institutionalizing IFIs. This indicator may not capture SAEDF's role in IFIs where early support results in subsequent financing and on-lending to SMEs. Also, there may be cases where SAEDF exits relatively early after playing a major role in building an institution.

*Practical?* It may be more practical for SAEDF to collect the volume of local currency financing and for SAEDF staff to convert all of the reported data to a U.S. dollar equivalent. This will simplify collecting the data and will ensure consistency and reliability in the conversion process.

Recommendation Performance Indicator # 5, and the definitions associated with it, is satisfactory, with the following changes: in order to ensure consistency in the conversion process, SAEDF should ask investee companies and IFIs to collect and report "monetary volume" or "local currency volume" so that SAEDF can convert financing amounts to "U.S. dollar volume."

- c Performance Indicator # 6 Innovative financial deals structured by SAEDF/RTAA and accepted by client companies and/or financial institutions

*Direct?* This performance indicator is also related to intermediate result 1.3.1: improved business competencies among indigenous entrepreneurs.

*Objective?* No. This indicator is qualitative, rather than quantitative.

*Adequate?* The narrative should describe transaction-specific (pre-closing) innovation or benefits resulting from SAEDF or the RTAA involvement. This will include, but not be limited to, analysis, due diligence, negotiation, structuring, and pre-closing technical assistance.

*Quantitative?* No. This indicator is not quantitative and does not necessarily have to be in order to be useful. The unit of measurement is narrative, which is appropriate, although there is room for explaining the potential quantitative impacts.

Recommendation Performance Indicator # 6 should be rephrased as "Pre-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement."

**3 Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs**

- a Performance Indicator # 7 Improved business practices introduced by SAEDF and the RTAA as a result of monitoring investments, participating on company boards, or otherwise providing transaction-specific technical assistance

*Objective?* No This indicator is narrative and subjective Need to remove “transaction-specific” from indicator and replace with “post-closing ”

*Adequate?* No It is too general as presented It should include post-transaction impact and technical assistance, among other things

*Quantitative?* No, for reasons mentioned above

*Disaggregated appropriately?* The most appropriate categories for this indicator include monitoring, board participation, other advisory roles, contacts and relationships, joint venture opportunities, and post-closing technical assistance such as education, training and promotional activities

Recommendation Performance Indicator # 7 should be rephrased as “Post-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement”, narrative should be edited to include examples of post-closing innovations or benefits

- b NEW Performance Indicator # 8 Employment efficiency of indigenous enterprises assisted by SAEDF and partners

This is a new performance indicator introduced by the Implementation Assistance Team It will be measured by tracking the dollar value of annual sales to the current number of investee company employees

**4 Intermediate Result 1 3 2 Self-sustaining regional enterprise fund**

- a Performance Indicator # 9 Percentage of administrative expenses covered by investment income

*Adequate?* This indicator needs to be fine tuned and additional indicators need to be added to provide a more complete measurement of sustainability

Recommendation Performance Indicator # 9, and the definitions associated with it, is satisfactory, with the following changes rephrase the indicator, replacing “administrative” with “operating”, develop additional indicators (see below) related to the performance of a self-sustaining regional enterprise fund, use definitions of gross operating income and operating expenses included in the revised business and financial projections (Worksheet A of the Activity Level Performance Data Table)

- b Performance Indicator # 10 Percentage of total operating expenses covered by investment income

*Adequate?* This indicator is appropriate but additional indicators need to be added to provide a more complete measurement of sustainability

Recommendation Performance Indicator # 10, and the definitions associated with it, is satisfactory, with the following changes rephrase the indicator, removing “operating”, develop additional indicators (see below) related to the performance of a self-sustaining regional enterprise fund, use definition of total expenses included in the revised business and financial projections (Worksheet A of the Activity Level Performance Data Table)

- c NEW Performance Indicator # 11 Profitability

This is a new performance indicator introduced by the Implementation Assistance Team Profitability is fundamental to the intermediate result (self-sustainability) It will be measured by tracking SAEDF’s internal rate of return (IRR), calculated by using its cash drawdowns (from USAID and other donors/sponsors/investors) and cash reflows (fees, interest, dividends, principal repayments, proceeds on the sale of equity and other income to SAEDF)

- d NEW Performance Indicator # 12 Second Round Capitalization

This is a new performance indicator introduced by the Implementation Assistance Team It will be measured by tracking the level of U S dollars committed to SAEDF by donors, sponsors and investors, other than USAID, for re-investment in the Southern African region

## 5 **Eliminated Performance Indicator**

Eliminated Performance Indicator Percentage of indigenous firms still operating 2, 4, 6 and 8 years after receiving financing from SAEDF and partners, either directly or through IFIs

*Direct?* This indicator is not a direct measurement of Immediate Result 1.3.1, as survivability is dependent on several factors Success or failure may or may not be related to SAEDF investment

*Objective?* This indicator, as currently phrased, would not be an objective measure of improved business competencies among indigenous entrepreneurs In order for it to be more objective, the survivability of SAEDF investee companies would need to be benchmarked against comparable survival rates by country and region for all businesses, venture capital-backed businesses and other USAID venture capital funds

*Adequate?* No As indicated earlier, this indicator is generally inadequate across most criteria specified Our research indicated that the other USAID enterprise funds are not collecting such data

*Disaggregated appropriately?* As indicated earlier, it appears that most firms in the region do not routinely maintain employment, ownership or transaction data disaggregated by gender. The lack of such readily available data at existing investee companies may make it difficult to obtain precise data on the gender make-up of these companies.

*Practical?* It may not be practical to attempt to collect data from firms that SAEDF is no longer financing, either directly or through IFIs.

*Reliable?* No. This indicator is not reliable for many of the reasons cited above.

Recommendation Eliminate this indicator for the reasons cited above.

### **C Definitions of Micro, Small, Medium-Sized Enterprises (SMEs)**

SAEDF targets indigenous SMEs that have been disadvantaged by their lack of access to financial resources and generally employ no more than 100 persons. Specific definitions of the target group may vary from one country to another, but SAEDF currently defines small, medium and large enterprises as follows:

| <b>SIZE CATEGORY</b> | <b>EMPLOYEES</b> |
|----------------------|------------------|
| Micro                | 0 - 10           |
| Small                | 0 - 50           |
| Medium               | 51 - 100         |
| Large                | over 101         |

The Implementation Assistance Team examined the micro, small and medium-sized enterprise definitions used by USAID Missions, International Finance Corporation, World Bank, local IFIs, Government of Namibia and SAEDF clients. Based on this review and discussions with SAEDF and USAID staff, the Team recommends that SAEDF continue to use the above definitions. Using numbers of employees, as opposed to sales or asset levels, appears to be the most straightforward and fairest method of categorizing SMEs.

The Implementation Assistance Team also recommends that these definitions be reviewed within one year or so, i.e., once more investments have been made, to determine if adjustments need to be made to accommodate the types of investments being made in certain countries.

## **D      Review of Data Sources**

### **1      RCSA Intermediate Result 1**

- a      Performance Indicator # 1    Employment in indigenous enterprises assisted by SAEDF and partners, either directly or through intermediate financial institutions (IFIs)

*Data source(s) originally proposed*    SAEDF to collect information from operating companies and IFIs, per formal investment agreements    RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data    Indirect employment effects to be estimated via periodic impact assessment consultancies

*Capacity of the proposed sources to provide the required data*    As noted in I B , data disaggregated by gender does not appear to be routinely kept    Also, collecting employment data by national origin may be impractical in countries where emphasis on equal opportunity is high

*Recommendations to strengthen capacity of source(s)*    SAEDF must ensure that investment agreements clearly state the type and format of information to be provided to SAEDF by the investee    SAEDF should examine the value, relevance and appropriateness of collecting employment data by national origin

*Recommended changes to data source(s)*    none

- b      Performance Indicator # 2    Sales in indigenous enterprises assisted by SAEDF and partners, either directly or through IFIs

*Data source(s) originally proposed*    SAEDF to collect information from operating companies and IFIs, per formal investment agreements    RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data    RCSA will obtain inflation rates from national statistical offices

*Capacity of the proposed sources to provide the required data*    satisfactory

*Recommendations to strengthen capacity of source(s)*    SAEDF must ensure that investment agreements clearly state the type and format of information to be provided to SAEDF

*Recommended changes to data source(s)*    none

- c      Performance Indicator # 3    Increased ownership of shares in SAEDF investee companies by indigenous, historically-disadvantaged Southern Africans

*Data source(s) originally proposed*    SAEDF project summaries, shareholder/investment agreements, trip reports from SAEDF/RCSA monthly meetings, periodic impact assessments

*Capacity of the proposed sources to provide the required data* satisfactory

*Recommendations to strengthen capacity of source(s)* SAEDF should consider disaggregating individual and institutional indigenous owners

*Recommended changes to data source(s)* Add trip reports from SAEDF investment officers, investee annual financial statements, routine monitoring of changes in ownership of shares, as part of SAEDF annual portfolio monitoring visits

## **2 RCSA Intermediate Result 1 3**

- a Performance Indicator # 4 Number of indigenous firms receiving financing from SAEDF and partners, either directly or through IFIs

*Data source(s) originally proposed* SAEDF to collect information from operating companies and IFIs, per formal investment agreements RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data

*Capacity of the proposed sources to provide the required data* As noted in I B , data disaggregated by gender does not appear to be routinely kept

*Recommendations to strengthen capacity of source(s)* SAEDF must ensure that investment agreements clearly state the type and format of information to be provided to SAEDF by the investee SAEDF should clarify objectives and methodology for on-lending by IFIs, as well as the direct impact of SAEDF financing

*Recommended changes to data source(s)* none

- b Performance Indicator # 5 Dollar volume of financing provided to indigenous SMEs by SAEDF and partners, either directly or through IFIs

*Data source(s) originally proposed* SAEDF annual reports and audited financial statements Information on amount invested by partners to be collected by SAEDF from operating companies and IFIs RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data

*Capacity of the proposed sources to provide the required data* satisfactory

*Recommendations to strengthen capacity of source(s)* In order to ensure consistency and reliability of the currency conversion process, SAEDF should take responsibility for converting local currency figures to U S dollars

*Recommended changes to data source(s)* Add internal investment and disbursement documentation

- c Performance Indicator # 6 Pre-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement

*Data source(s) originally proposed* SAEDF project summaries, investment agreements, trip reports from SAEDF/RCSA monthly meetings, interviews with client companies and IFIs conducted during periodic impact assessments

*Capacity of the proposed sources to provide the required data* satisfactory

*Recommendations to strengthen capacity of source(s)* SAEDF should sharpen the focus for this indicator by tracking pre-closing innovations or benefits introduced by SAEDF and/or the RTAA and the potential quantitative impact on the SME clients or the marketplace. This would include, but not be limited to, analysis, due diligence, negotiation, structuring, pre-closing technical assistance, etc. This will also include the impact and demonstration effects of disseminating American practices, skills and concepts to the region.

*Recommended changes to data source(s)* The proposed data sources should be supplemented by annual SAEDF portfolio monitoring visits and trip reports by SAEDF investment officers.

### **3 RCSA Intermediate Result 1 3 1**

- a Performance Indicator # 7 Post-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement

*Data source(s) originally proposed* SAEDF project summaries, shareholder agreements, trip reports from SAEDF/RCSA monthly meetings, RTAA technical assistance and training reports, and interviews with client companies, co-investors and technical assistance partners during periodic impact assessments

*Capacity of the proposed sources to provide the required data* satisfactory

*Recommendations to strengthen capacity of source(s)* To best complement performance indicator # 6, SAEDF should sharpen the focus for this indicator by tracking post-closing innovations or benefits introduced by SAEDF and/or the RTAA and the potential quantitative impact on the SME clients or the marketplace. This would include, but not be limited to, monitoring, board participation, post-closing technical assistance, etc. This will also include the impact of promotion campaigns (e.g., increased public understanding of entrepreneurship or risk-taking behavior) and any demonstration effects in Southern African financial markets.

*Recommended changes to data source(s)* The proposed data sources should be supplemented by annual SAEDF portfolio monitoring visits and trip reports by SAEDF investment officers.

- b NEW Performance Indicator # 8 Employment efficiency of indigenous enterprises assisted by SAEDF and partners

*Data source(s) originally proposed* n a

*Capacity of the proposed sources to provide the required data* satisfactory

*Recommendations to strengthen capacity of source(s)* n a

*Recommended data source(s)* Investee financial statements Information from operating companies and IFIs, per formal investment agreements

#### **4 Intermediate Result 1 3 2**

- a Performance Indicator # 9 Percentage of operating expenses covered by investment income

*Data source(s) originally proposed* Targets from SAEDF business plan (1996-2005), data from SAEDF annual financial statements

*Capacity of the proposed sources to provide the required data* satisfactory

*Recommendations to strengthen capacity of source(s)* none

*Recommended changes to data source(s)* Revise business and financial projections

- b Performance Indicator # 10 Percentage of total expenses covered by investment income

*Data source(s) originally proposed* Targets from SAEDF business plan (1996-2005), data from SAEDF annual financial statements

*Capacity of the proposed sources to provide the required data* satisfactory

*Recommendations to strengthen capacity of source(s)* none

*Recommended changes to data source(s)* Revise business and financial projections

- c NEW Performance Indicator # 11 Profitability

*Data source(s) originally proposed* n a

*Capacity of the proposed sources to provide the required data* satisfactory

*Recommendations to strengthen capacity of source(s)* n a

*Recommended data source(s)* Targets from SAEDF management reports and revised business and financial projections, data from SAEDF annual financial projections

d NEW Performance Indicator # 12 Second-Round Capitalization

*Data source(s) originally proposed* n a

*Capacity of the proposed sources to provide the required data* satisfactory

*Recommendations to strengthen capacity of source(s)* n a

*Recommended data source(s)* Targets from SAEDF management reports and revised business and financial projections, data from SAEDF annual financial projections

## **5 Eliminated Performance Indicator**

Eliminated Performance Indicator Percentage of indigenous firms still operating 2, 4, 6 and 8 years after receiving financing from SAEDF and partners, either directly or through IFIs

*Proposed data source(s)* SAEDF to collect information from operating companies and IFIs, per formal investment agreements RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data

*Capacity of the proposed sources to provide the required data* Survivability is multi-factorial, not attributable to SAEDF alone It is impractical to collect data from firms SAEDF is no longer financing, either directly or through IFIs

*Recommendations to strengthen capacity of source(s)* SAEDF should track 5- and 10-year survival experience of direct investments

*Recommended changes to data source(s)* Benchmark SAEDF investees to survival rates by country and region for all businesses, venture capital-backed businesses, and other USAID venture capital funds

NOTE In I B , the Implementation Assistance Team recommended that this indicator be removed If SAEDF/RCSA decides to retain this indicator, we recommend that the data source be modified to measure SAEDF's SME investment experience against that of 5- and 10-year survival rates by country and region for SMEs generally, venture capital-backed SMEs and for SMEs funded by other USAID enterprise funds

## **E      Methodology for Data Collection**

While the general methodology for collecting activity level performance data is outlined in the Data Collection, Processing and Reporting Manual (a separate report produced under this consultancy), particular considerations related to collecting the required data for each indicator are covered below

### **1      RCOSA Intermediate Result 1    Broader participation in regional market through reduced barriers to entry**

- a      Performance Indicator # 1    Cumulative employment in indigenous enterprises assisted by SAEDF and partners, either directly or through intermediate financial institutions (IFIs)

*Unit of analysis*    This indicator will track the number of new jobs created, as well as those maintained or strengthened, in indigenous enterprises assisted by SAEDF and partners. Jobs “maintained or strengthened” are considered to be those which, while not created by a particular investment, benefit nonetheless because the assistance enhanced, in some way, the economic or financial viability of the investee company.

One shortcoming in using aggregate employment levels is that it may not reflect actual job growth (e.g., two employees of the investee company move to other employers and the investee company hires eight new employees, the performance indicator will reflect a net increase of six jobs). Also, sectors of economies have varying degrees of capital intensiveness so that value and impact don't necessarily correspond to jobs. For this reason, a new performance indicator (# 8, Employment Efficiency), tracking the relationship between revenue and employment, was added to complement this indicator.

*Data disaggregation needs*    As noted in I B , data disaggregated by gender and national origin is often not readily available and may be unreliable. For this reason, when collecting this data, investment officers will have to exercise care and sensitivity over time and the investees will eventually develop a greater capacity to track such data. Over time, SAEDF will, therefore, be able to obtain more reliably disaggregated data.

*Sampling techniques*    SAEDF will attempt to sample 100 percent of its population of investees, equivalent to a census, through annual monitoring and reporting.

*Techniques and instruments for acquiring data*    The main data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers.

- b Performance Indicator # 2 Sales in indigenous enterprises assisted by SAEDF and partners, either directly or through IFIs

*Unit of analysis* The unit of analysis for this indicator is gross sales by SAEDF direct investees and SMEs funded indirectly by SAEDF. This data is readily available and easy to collect. Since the portfolio is not static -- i.e., companies move in and out of the portfolio -- it should not be expected to increase steadily. Its impact is more accurately measured as an annual number put into context by the accompanying narrative.

*Data disaggregation needs* The data disaggregation needs for this indicator are simple and straightforward, and therefore should be readily met by the techniques and instruments outlined below.

*Sampling techniques* SAEDF will attempt to sample 100 percent of its population of investees, equivalent to a census, through annual monitoring and reporting.

*Techniques and instruments for acquiring data* The principal data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by financial statements and reports, as well as impact monitoring data provided through periodic visits by SAEDF investment officers.

- c Performance Indicator # 3 Increased ownership of shares in SAEDF investee companies by indigenous, historically-disadvantaged Southern Africans

*Unit of analysis* The unit of analysis for this indicator is the percentage and value of shares held by indigenous, historically-disadvantaged Southern Africans in SAEDF investments. This data is readily available from SAEDF project summaries, shareholder agreements, trip reports from SAEDF/RCSA monthly meetings, periodic impact assessments, trip reports from SAEDF investment officers, investee annual financial statements, and routine monitoring of changes in ownership of shares, as part of SAEDF annual portfolio monitoring visits.

*Data disaggregation needs* During the project field work, it became evident that shareholders of SMEs in the region may include institutions as well as individuals. For this reason, data collection instruments have been designed to accommodate this regional characteristic.

*Sampling techniques* SAEDF will attempt to sample 100 percent of its population of investees, equivalent to a census, through annual monitoring and reporting.

*Techniques and instruments for acquiring data* The principal data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers.

## **2 Intermediate Result 1 3 Use of financial resources increased**

- a Performance Indicator # 4 Number of indigenous firms receiving financing from SAEDF and partners, either directly or through IFIs

*Unit of analysis* The number of indigenous firms receiving financing is readily available, easy to collect and adequately captured by the methodologies recommended in this report

*Data disaggregation needs* The SAEDF Activity Level Performance Data Table will disaggregate the required data according to the following categories microenterprises assisted through IFIs, other SMEs assisted through IFIs, indigenously-owned enterprises assisted directly, and all indigenously-owned enterprises assisted The data is further disaggregated by gender of ownership The proposed disaggregation presents no foreseeable methodology issues with respect to data collection

*Sampling techniques* SAEDF will attempt to sample 100 percent of its population of investees, equivalent to a census, through annual monitoring and reporting

*Techniques and instruments for acquiring data* The principal data collection instruments will be SAEDF's impact monitoring questionnaires The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers

- b Performance Indicator # 5 Dollar volume of financing provided to indigenous SMEs by SAEDF and partners, either directly or through IFIs

*Unit of analysis* This unit of analysis for this indicator is the actual investment amount in U S dollars, provided by SAEDF and partners to direct investees and SMEs, through IFIs The required data will be collected through a combination of SAEDF internal records and the SAEDF impact monitoring questionnaires

*Data disaggregation needs* The data will be disaggregated by direct investments and on-lending Direct investments will be further disaggregated by the following categories IFIs, operating companies, and total Investments on-lent through IFIs will be further disaggregated by the following categories microenterprises, other SMEs, and total This approach is straightforward, simple and well within the capabilities of the collection methodologies and instruments recommended

*Sampling techniques* SAEDF will attempt to sample 100 percent of its population of investees, equivalent to a census, through annual monitoring and reporting

*Techniques and instruments for acquiring data* The principal data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers.

- c Performance Indicator # 6 Pre-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement

*Unit of analysis* The unit of analysis for this indicator is qualitative in substance and narrative in form. In the data collection instruments, as designed, examples are used to guide the respondents through possible areas of innovation and benefit, such as analysis, due diligence, negotiation, structuring and pre-closing technical assistance.

*Data disaggregation needs* Given the unit of analysis as described above, disaggregating the areas of innovation and benefit by category of impact will assist in generating useful data.

*Sampling techniques* SAEDF will attempt to sample 100 percent of its population of investees, equivalent to a census, through annual monitoring and reporting.

*Techniques and instruments for acquiring data* The principal data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers as well as press reports and other sources.

### **3 Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs**

- a Performance Indicator # 7 Post-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement

*Unit of analysis* Like the previous indicator, the unit of analysis for performance indicator # 7 is qualitative in substance and narrative in form. In the data collection instruments, as designed, examples are used to guide the respondents through possible areas of innovation and benefit, such as monitoring, board participation and post-closing technical assistance.

*Data disaggregation needs* Given the unit of analysis as described above, disaggregating the areas of innovation and benefit by category of impact will assist in generating useful data.

*Sampling techniques* SAEDF will attempt to sample 100 percent of its population of investees, equivalent to a census, through annual monitoring and reporting.

*Techniques and instruments for acquiring data* The principal data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers as well as press reports and other sources.

- b NEW Performance Indicator # 8 Employment efficiency of indigenous enterprises assisted by SAEDF and partners

### ***Primary Data***

*Unit of analysis* Like the previous two indicators, the unit of analysis for performance indicator # 8 is qualitative in substance and narrative in form. The unit of analysis for this indicator is aggregate dollars per job, calculated by combining total revenue of operating companies, IFIs and their SME clients and dividing it by the total number of jobs created, maintained or strengthened during the period being measured. This data is calculated based on primary data obtained from measurement of other performance indicators.

*Data disaggregation needs* The data will be disaggregated by the following categories: microenterprises assisted through IFIs, other SMEs assisted through IFIs, indigenously-owned enterprises assisted directly, and all indigenously-owned enterprises assisted. This approach is straightforward, simple and well within the capabilities of the collection methodologies and instruments recommended.

*Sampling techniques* SAEDF will attempt to sample 100 percent of its population of investees, equivalent to a census, through annual monitoring and reporting.

*Techniques and instruments for acquiring data* The principal data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by financial statements and reports, as well as impact monitoring data provided through periodic visits by SAEDF investment officers.

### ***Secondary Data***

*Methodology for calculating the specific indicator data point* The specific data point is calculated by combining total revenue of operating companies, IFIs and their SME clients divided by the total number of jobs created, maintained or strengthened during the period being measured. It is calculated based on primary data obtained to measure the impact under other performance indicators.

*Methodology for sources of data* SAEDF will collect the required data from the operating companies and IFIs.

**4 Intermediate Result 1 3 2 Self-sustaining regional enterprise fund**

- a Performance Indicator # 9 Percentage of operating expenses covered by investment income

***Primary Data***

*Unit of analysis* The unit of analysis for this indicator is the percentage of investment income to operating expenses, which is expected to increase over time. The sources are straightforward and the unit of analysis poses no problems with respect to data collection methodology.

*Data disaggregation needs* This data does not require disaggregation.

*Sampling techniques* no sampling required.

*Techniques and instruments for acquiring data* Target data will be calculated based on the revised business and financial projections, whereas actuals will be drawn from annual audited financial statements.

***Secondary Data***

*Methodology for calculating the specific indicator data point* The specific indicator data point is the product of SAEDF's gross investment income (includes interest, dividends and realized cap gains) and SAEDF's operating expenses.

*Methodology for sources of data* Target data will be calculated based on the revised business and financial projections, whereas actuals will be drawn from annual audited financial statements.

- b Performance Indicator # 10 Percentage of total expenses covered by investment income

***Primary Data***

*Unit of analysis* The unit of analysis for this indicator is the percentage of income to total expenses, which is expected to increase over time. The sources are straightforward and the unit of analysis poses no problems with respect to data collection methodology.

*Data disaggregation needs* This data does not require disaggregation.

*Sampling techniques* No sampling required.

*Techniques and instruments for acquiring data* Required data will be calculated based on business and financial projections, whereas actuals will be drawn from annual audited financial statements.

### ***Secondary Data***

*Methodology for calculating the specific indicator data point* The specific indicator data point is the product of SAEDF's gross investment income (includes interest, dividends and realized capital gains) and total expenses

*Methodology for sources of data* Target data will be calculated based on business and financial projections, whereas actuals will be drawn from annual audited financial statements

c      NEW Performance Indicator # 11 Profitability

### ***Primary Data***

*Unit of analysis* The unit of analysis for this indicator is the internal rate of return (IRR) of reflows and drawdowns Profitability will be measured by determining SAEDF's IRR, calculated using its cash drawdowns (from USAID and other donors/sponsors/investors) and cash reflows (fees, interest, dividends, principal repayments, proceeds on the sale of equity and other income to SAEDF)

*Data disaggregation needs* This data does not require disaggregation

*Sampling techniques* No sampling required

*Techniques and instruments for acquiring data* Required data will be calculated based on business and financial projections, whereas actuals will be drawn from annual audited financial statements

### ***Secondary Data***

*Methodology for calculating the specific indicator data point* The specific indicator data point is the internal rate of return of reflows (in cash) and drawdowns (in cash), calculated using a standard computational algorithm

*Methodology for sources of data* Target data will be calculated based on business and financial projections, whereas actuals will be drawn from annual audited financial statements

d      NEW Performance Indicator # 12 Second-Round  
Capitalization

*Unit of analysis* The unit of analysis for this indicator is additional, non-USAID, commitments of capital to SAEDF for investment in SMEs The sources are straightforward and the unit of analysis poses no problems with respect to data collection methodology

*Data disaggregation needs* Data could be disaggregated by investment focus, e.g., gender, specific countries, or sectoral targets but, realistically, it is unlikely that this would be necessary

*Sampling techniques* no sampling required

*Techniques and instruments for acquiring data* Required data will be obtained from SAEDF records and reports

## **F Data Quality and Reliability Issues**

Issues relating to data quality and reliability have been addressed in I B and I D , but SAEDF could implement measures that would serve to maintain a high level of data quality and reliability, including an evaluation of the effectiveness of questionnaires after a “pilot” period to see if changes need to be made SAEDF could also explore the possibility of providing post-closing technical assistance to investees to enable them to improve their record-keeping and data disaggregation capabilities

## **G Recommendations Regarding Frequency of Data Collection**

Direct investments Most of the primary and secondary level data related to the performance measurement of direct investments can be collected by SAEDF on an annual basis, mainly from investees’ financial statements and portfolio monitoring visits by SAEDF investment officers The team recommends that SAEDF conduct performance monitoring activities throughout the year, choosing the dates for on-site visits according to the schedules of SAEDF staff and investees The visits must be done with the understanding that reports are due to RCSA by February 28<sup>th</sup> In order to maximize effectiveness and minimize SAEDF should combine, when possible, annual performance monitoring visits with its annual portfolio monitoring visits

Investments made through intermediate financial institutions Most of the primary and secondary level data related to the performance measurement of investments made through IFIs can be collected from the IFIs by SAEDF on an annual basis as part of its normal portfolio review process As described earlier, SAEDF has developed questionnaires for collecting the data from the IFIs, which it will process into report format The team recommends that SAEDF representatives meet with the IFIs during the year to gather the data collected from the SME sub-borrowers by the IFIs

## **H Responsibility for Data Collection**

Direct investments Most of the primary and secondary level data related to the performance measurement of direct investments can be collected by SAEDF through the various mechanisms outlined in this report SAEDF investment officers will have the ultimate responsibility to collect the data and see that it is processed into a report format that is a useful performance measurement tool for SAEDF senior management and USAID/RCSA

Investments made through intermediate financial institutions Most of the primary and secondary level data related to the performance measurement of investments made through IFIs can be collected from the IFIs by SAEDF investment officers. While the IFIs will be expected to use the appropriate tools (questionnaires, etc.) to collect the required data, the SAEDF investment officers will be ultimately responsible for collecting the data on a timely basis from the IFIs and ensuring that it is processed into a report format that is a useful performance measurement tool for SAEDF senior management and USAID/RCSA.

One possibility is that the currently unfilled data collection clerk position will facilitate this process, which should represent a fractional full-time equivalent (FTE) position. The data should be reported to RCSA in the form of consolidated schedules, not individual or raw data.

## **I SAEDF Activity Level Performance Data Tables**

A separate report, including revised the revised SAEDF Activity Level Performance Tables, has been produced under this consultancy.

## **II SAEDF PERFORMANCE MONITORING PLAN**

### **A List of performance indicators**

#### **1 Intermediate Result 1 Broader participation in regional market through reduced barriers to entry**

Performance Indicator # 1 Employment in indigenous enterprises assisted by SAEDF and partners, either directly or through intermediate financial institutions (IFIs)

Performance Indicator # 2 Sales in indigenous enterprises assisted by SAEDF and partners, either directly or through IFIs

Performance Indicator # 3 Increased ownership of shares in SAEDF investee companies by indigenous, historically-disadvantaged Southern Africans

#### **2 Intermediate Result 1 3 Use of financial resources increased**

Performance Indicator # 4 Number of indigenous firms receiving financing from SAEDF and partners, either directly or through IFIs

Performance Indicator # 5 Dollar volume of financing provided to indigenous SMEs by SAEDF and partners, either directly or through IFIs

Performance Indicator # 6 Pre-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement

### **3 Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs**

Performance Indicator # 7 Post-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement

NEW Performance Indicator # 8 Employment efficiency of indigenous enterprises assisted by SAEDF and partners

### **4 Intermediate Result 1 3 2 Self-sustaining regional enterprise fund**

Performance Indicator # 9 Percentage of operating expenses covered by investment income

Performance Indicator # 10 Percentage of total expenses covered by investment income

NEW Performance Indicator # 11 Profitability

NEW Performance Indicator # 12 Second-Round Capitalization

#### **B Definitions Associated with the Performance Indicators**

Employment Cumulative number of full-time equivalent workers directly employed by SMEs assisted by SAEDF or partners For direct investments in indigenously owned enterprises, indirect or downstream employment effects will also be estimated

Female-owned Business is 100 percent-owned by one or more females In the case of enterprises assisted directly, gender of ownership refers only to private shareholders or owner-operators

Gross Investment Income Corresponds to Total Returns on Investments in the revised business and financial projections (Worksheet A, attached)

Indigenous enterprise An enterprise with indigenous majority ownership or a plan to achieve indigenous majority ownership "Indigenous majority ownership" means the enterprise is owned, controlled and operated by a citizen or citizens of a country within the region

Male-owned Business is 100 percent-owned by one or more males In the case of enterprises assisted directly, gender of ownership refers only to private shareholders or owner-operators

Microenterprise USAID defines a microenterprise as an enterprise engaged in manufacturing, commercial or service activities that employ 10 or fewer persons Excluded from this definition are traditional small farm crop production enterprises Other on-farm, non-crop production activities are included

Mixed Ownership Business is jointly owned by at least one male and at least one female. In the case of enterprises assisted directly, gender of ownership refers only to private shareholders or owner-operators.

Operating Expenses Corresponds to Operating Expenses in the revised business and financial projections (Worksheet A, attached).

Other SMEs Enterprises employing 11-100 persons.

Partners Co-investors, such as venture capital companies, development finance institutions, financial intermediaries, etc., but excluding the beneficiary entrepreneurs or owner-managers.

Profitability SAEDF's internal rate of return, calculated using its cash drawdowns (from USAID and other donors/sponsors/investors) and cash reflows (fees, interest, dividends, principal repayments, proceeds on the sale of equity, and other income to SAEDF).

Sales Gross revenues from goods and services, adjusted by country-specific annual rates of inflation.

Total Expenses Operating expenses, plus investment losses, corresponds to sum of Operating Expenses and Provision for Capital Losses in Worksheet A.

## **C Performance Indicator Details**

### **1 Performance Indicator # 1 Employment in indigenous enterprises assisted by SAEDF and partners, either directly or through intermediate financial institutions (IFIs)**

*Data Source(s)* SAEDF to collect information from operating companies and IFIs, per formal investment agreements. RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data. Indirect employment effects to be estimated via periodic impact assessment consultancies.

*Methods of Data Collection* The main data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers.

*Frequency and Schedule of Collection* Annual, based on most recent employment data available as of 12/31, with SAEDF report due to USAID no later than 2/28.

*Responsibilities for Acquiring Data* SAEDF investment officers and data collection clerk will collect data from direct investees and work with IFIs to collect data from SME clients.

*Targets* The cumulative employment targets listed in the Activity Level Performance Data Table were derived by the Implementation Assistance Team in January 1998 (Worksheet B, attached), based on revised business and financial projections and assumptions regarding portfolio composition, leveraging of funds, lags between receipt of funds and creation of jobs, and cost per job

## **2 Performance Indicator # 2 Sales in indigenous enterprises assisted by SAEDF and partners, either directly or through IFIs**

*Data Source(s)* SAEDF to collect information from operating companies and IFIs, per formal investment agreements RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data

*Methods of Data Collection* The principal data collection instruments will be SAEDF's impact monitoring questionnaires The data gathered from the questionnaire responses will be supplemented by financial statements and reports, as well as impact monitoring data provided through periodic visits by SAEDF investment officers

*Frequency and Schedule of Collection* Annual, based on most recent annual sales data available as of 12/31, with report due to USAID no later than 2/28

*Responsibilities for Acquiring Data* SAEDF investment officers and data collection clerk will collect data from direct investees and work with IFIs to collect data from their SME clients

*Targets* A narrative describing current annual sales by SAEDF portfolio companies will be used in place of numerical reporting alone This will provide a more full and accurate communication of SAEDF's real impact Projecting targets is likely to be inaccurate and less useful as SAEDF's portfolio will be shifting and diverse in its composition Actual sales data will be collected and categorized by type of business and gender

## **3 Performance Indicator # 3 Increased ownership of shares in SAEDF investee companies by indigenous, historically-disadvantaged Southern Africans**

*Data Source(s)* SAEDF project summaries, shareholder/investment agreements, trip reports from SAEDF/RCSA monthly meetings, periodic impact assessments Source should also include trip reports from SAEDF investment officers, investee annual financial statements, routine monitoring of changes in ownership of shares, as part of SAEDF annual portfolio monitoring visits

*Methods of Data Collection* The principal data collection instruments will be SAEDF's impact monitoring questionnaires The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers

*Frequency and Schedule of Collection* Project summaries and shareholder agreements available approximately quarterly, coinciding with SAEDF Board meetings  
Portfolio and performance assessments to be conducted annually

*Responsibilities for Acquiring Data* SAEDF investment officers and data collection clerk will collect data from direct investees and work with IFIs to collect data from their SME clients

*Targets* A narrative describing the actual percentage and value of shares held in SAEDF investee companies by indigenous, historically-disadvantaged Southern Africans will be used in place of numerical reporting alone. This will provide a more full and accurate communication of SAEDF's real impact. Projecting targets is likely to be inaccurate and less useful as SAEDF's portfolio will be shifting and diverse in its composition. Actual ownership data will be collected and categorized by type of business and gender

**4 Performance Indicator # 4 Number of indigenous firms receiving financing from SAEDF and partners, either directly or through IFIs**

*Data Source(s)* SAEDF to collect information from operating companies and IFIs, per formal investment agreements. RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data

*Methods of Data Collection* The principal data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers

*Frequency and Schedule of Collection* Annual, as of 12/31, with report due to USAID no later than 2/28

*Responsibilities for Acquiring Data* SAEDF investment officers and data collection clerk will collect data from direct investees and work with IFIs to collect data from their SME clients

*Targets* Preliminary targets derived from revised business and financial projections (Worksheet A, attached) and several assumptions regarding portfolio composition, leveraging of funds, average loan size, and lags between IFI receipt of funds and disbursement of loans to clients. These targets were reviewed and revised by the Implementation Assistance Team in January 1998. The team also established targets for male-owned, female-owned and mixed-ownership enterprises, based on empirical evidence relating to distribution of ownership by gender

**5 Performance Indicator # 5 Dollar volume of financing provided to indigenous SMEs by SAEDF and partners, either directly or through IFIs**

*Data Source(s)* SAEDF annual reports and audited financial statements Information on amount invested by partners to be collected by SAEDF from operating companies and IFIs RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data Additional sources should include internal investment and disbursement documentation

*Methods of Data Collection* The principal data collection instruments will be SAEDF's impact monitoring questionnaires The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers

*Frequency and Schedule of Collection* Annual, as of 12/31, with report due to USAID no later than 2/28

*Responsibilities for Acquiring Data* SAEDF investment officers and data collection clerk will collect data from direct investees and work with IFIs to collect data from their SME clients

*Targets* Preliminary targets were derived from the revised business and financial projections (Worksheet A, attached) and assumptions regarding portfolio composition, leveraging of funds, and lags between IFI receipt of funds and disbursement of loans to clients These targets were revised by the Implementation Assistance Team in January 1998

**6 Performance Indicator # 6 Pre-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement**

*Data Source(s)* SAEDF project summaries, investment agreements, trip reports from SAEDF/RCSA monthly meetings, interviews with client companies and IFIs conducted during periodic impact assessments Should be supplemented by annual SAEDF portfolio monitoring visits and trip reports by SAEDF investment officers

*Methods of Data Collection* The principal data collection instruments will be SAEDF's impact monitoring questionnaires The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers as well as press reports and other sources

*Frequency and Schedule of Collection* Project summaries and shareholder agreements available approximately quarterly, coinciding with SAEDF Board meetings Portfolio monitoring and impact assessments to be conducted annually

*Responsibilities for Acquiring Data* SAEDF investment officers and data collection clerk will collect data from direct investees and work with IFIs to collect data from their SME clients

*Targets* Due to the qualitative nature of the required data, a narrative describing the pre-closing innovations or benefits introduced by SAEDF and/or RTAA -- and the impact, actual or potential, on SME clients or the marketplace -- will be used in place of numerical reporting. This will provide a more complete and accurate communication of SAEDF's real impact. The innovations and benefits described will include analysis, due diligence, negotiation, structuring and pre-closing technical assistance, as well as the impact and demonstration effects of disseminating U S practices, skills and concepts to the region

**7 Performance Indicator # 7 Post-closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement**

*Data Source(s)* SAEDF project summaries, shareholder agreements, trip reports from SAEDF/RCSA monthly meetings, RTAA technical assistance and training reports, and interviews with client companies, co-investors and technical assistance partners during periodic impact assessments. These data sources should be supplemented by annual SAEDF portfolio monitoring visits and trip reports by SAEDF investment officers

*Methods of Data Collection* The principal data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by impact monitoring data provided through periodic visits by SAEDF investment officers as well as press reports and other sources

*Frequency and Schedule of Collection* Project summaries and shareholder agreements available approximately quarterly, coinciding with SAEDF Board meetings. Portfolio monitoring and impact assessments to be conducted annually. Portfolio monitoring and impact assessment to be conducted annually

*Responsibilities for Acquiring Data* SAEDF investment officers and data collection clerk will collect data from direct investees and work with IFIs to collect data from their SME clients

*Targets* Due to the qualitative nature of the required data, a narrative describing the post-closing innovations or benefits introduced by SAEDF and/or RTAA -- and the impact, actual or potential, on SME clients or the marketplace -- will be used in place of numerical reporting. This will provide a more complete and accurate communication of SAEDF's real impact. The innovations and benefits described will include monitoring, board participation and post-closing technical assistance, as well as the impact of promotional campaigns and any demonstration effects in Southern African financial markets

**8 NEW Performance Indicator # 8 Employment efficiency of indigenous enterprises assisted by SAEDF and partners**

*Data Source(s)* Annual financial statements and interim financial reports, as well as information outlined in formal investment agreements

*Methods of Data Collection* The principal data collection instruments will be SAEDF's impact monitoring questionnaires. The data gathered from the questionnaire responses will be supplemented by financial statements and reports, as well as impact monitoring data provided through periodic visits by SAEDF investment officers.

*Frequency and Schedule of Collection* Annual, based on most recent annual sales data available as of 12/31, with report due to USAID no later than 2/28.

*Responsibilities for Acquiring Data* SAEDF investment officers and data collection clerk will oversee the collection of the data by SAEDF finance and accounting staff.

*Targets* A narrative describing the employment efficiency, measured by comparing annual aggregate sales to the number of investee company employees, will be used in place of numerical reporting alone. This will enable SAEDF to measure the approximate number of jobs "strengthened," by SAEDF and partner investments. Actual employment data will be collected and categorized by type of business and gender.

**9 Performance Indicator # 9 Percentage of operating expenses covered by investment income**

*Data Source(s)* Revised SAEDF business and financial projections, data from SAEDF annual financial statements.

*Methods of Data Collection* Target data will be calculated based on the revised business and financial projections, whereas actuals will be drawn from annual audited financial statements.

*Frequency and Schedule of Collection* Annual, as of 9/30, with report due to USAID no later than 2/28.

*Responsibilities for Acquiring Data* SAEDF financial and accounting staff, in coordination with data collection clerk, will collect and process this data. SAEDF investment officers will have ultimate responsibility for this task.

*Targets* These targets were determined by a simple calculation of anticipated coverage of operating expenses by gross investment income, based on information drawn from the revised SAEDF business and financial projections.

**10 Performance Indicator # 10 Percentage of total expenses covered by investment income**

*Data Source(s)* Revised SAEDF business and financial projections, data from SAEDF annual financial statements

*Methods of Data Collection* Target data will be calculated based on business and financial projections, whereas actuals will be drawn from annual audited financial statements

*Frequency and Schedule of Collection* Annual, as of 9/30, with report due to USAID no later than 2/28

*Responsibilities for Acquiring Data* SAEDF financial and accounting staff, in coordination with data collection clerk, will collect and process this data SAEDF investment officers will have ultimate responsibility for this task

*Targets* These targets were determined by a simple calculation of anticipated coverage of total expenses by gross investment income, based on information drawn from the revised SAEDF business and financial projections

**11 NEW Performance Indicator # 11 Profitability**

*Data Source(s)* Targets from SAEDF management reports and revised business and financial projections, data from SAEDF annual financial statements

*Methods of Data Collection* Required data will be calculated based on business and financial projections, whereas actuals will be drawn from annual audited financial statements

*Frequency and Schedule of Collection* Annual, as of 9/30, with report due to USAID no later than 2/28

*Responsibilities for Acquiring Data* SAEDF financial and accounting staff, in coordination with data collection clerk, will collect and process this data SAEDF investment officers will have ultimate responsibility for this task

*Targets* The targets were determined using the internal rate of return of reflows (in cash) and drawdowns (in cash), calculated using a standard computational algorithm

*Methodology for sources of data* Target data will be calculated based on business and financial projections, whereas actuals will be drawn from annual audited financial statements

**12 NEW Performance Indicator # 12 Second-Round Capitalization**

*Data Source(s)* SAEDF management reports and revised business and financial projections, data from SAEDF annual financial statements

*Methods of Data Collection* Required data will be obtained from SAEDF records and reports

*Frequency and Schedule of Collection* Annual, as of 9/30, with report due to USAID no later than 2/28

*Responsibilities for Acquiring Data* SAEDF financial and accounting staff, in coordination with data collection clerk, will collect and process this data SAEDF investment officers will have ultimate responsibility for this task

*Targets* These targets are being developed

**APPENDIX A**

**SAEDF ACTIVITY LEVEL PERFORMANCE DATA TABLES**

**Southern Africa Enterprise Development Fund (SAEDF)  
Activity Level Performance Data Table**

| Intermediate Result 1 Broader participation in regional market through reduced barriers to entry  |  |  |        |        |        |        |        |        |        |        |        |        |        |        |
|---|--|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Performance Indicator #1  | Units of Measurement   | 1996   | 1997   |        | 1998   |        | 1999   |        | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   |
|   |  | Baseline   | Target | Actual | Target | Actual | Target | Actual | Target | Target | Target | Target | Target | Target |
| Employment in indigenous enterprises assisted by SAEDF and partners either directly or through intermedrate financial institutions (IFIs) | <u>Microenterprises assisted through IFIs</u>  |  |        |        |        |        |        |        |        |        |        |        |        |        |
|   | male employees   | 0  | 0      | 0      | 244    |        | 887    |        | 1 702  | 2 534  | 3 366  | 4 198  | 5 030  | 5 862  |
|   | female employees   | 0  | 0      | 0      | 244    |        | 887    |        | 1 702  | 2 534  | 3 366  | 4 198  | 5 030  | 5 862  |
|   | total employees  | 0  | 0      | 0      | 488    |        | 1 774  |        | 3 404  | 5 068  | 6 732  | 8 396  | 10 060 | 11 724 |
|   | <u>Other SMEs assisted through IFIs</u>  |  |        |        |        |        |        |        |        |        |        |        |        |        |
|   | male employees   | 0  | 0      | 0      | 244    |        | 887    |        | 1 702  | 2 534  | 3 366  | 4 198  | 5 030  | 5 862  |
|   | female employees   | 0  | 0      | 0      | 244    |        | 887    |        | 1 702  | 2 534  | 3 366  | 4 198  | 5 030  | 5 862  |
|   | total employees  | 0  | 0      | 0      | 488    |        | 1 774  |        | 3 404  | 5 068  | 6 732  | 8 396  | 10 060 | 11 724 |
|   | <u>Indigenously owned enterprises assisted directly</u>  |  |        |        |        |        |        |        |        |        |        |        |        |        |
|   | male employees   | 0  | 0      | 77     | 292    |        | 526    |        | 760    | 994    | 1228   | 1462   | 1696   | 1930   |
|   | female employees   | 0  | 0      | 45     | 171    |        | 309    |        | 447    | 585    | 723    | 861    | 999    | 1137   |
|   | total employees  | 0  | 0      | 122    | 463    |        | 835    |        | 1207   | 1579   | 1951   | 2323   | 2695   | 3067   |
|   | <u>All indigenously owned enterprises assisted</u>   |  |        |        |        |        |        |        |        |        |        |        |        |        |
|   | Southern African employees   | 0  | 0      | 118    | 567    |        | 1 377  |        | 2 548  | 4 080  | 5 972  | 8 225  | 10 839 | 13 814 |
| non Southern African employees  | 0  | 0  | 4      | 18     |        | 43     |        | 79     | 126    | 185    | 255    | 336    | 428    |        |
| Definition(s)   | <p><u>Employment</u> Cumulative number of full time equivalent workers directly employed by SMEs assisted by SAEDF or partners For direct investments in indigenously owned enterprises indirect or downstream employment effects will also be estimated</p> <p><u>Indigenous enterprise</u> An enterprise with indigenous majority ownership or a plan to achieve indigenous majority ownership "Indigenous majority ownership" means the enterprise is owned controlled and operated by a citizen or citizens of a country within the region</p> <p><u>Partners</u> Co investors such as venture capital companies development finance institutions financial intermediaries etc but excluding the beneficiary entrepreneurs or owner managers</p> <p><u>Microenterprise</u> A microenterprise as an enterprise engaged in manufacturing commercial or service activities that employ 10 or fewer persons Excluded from this definition are traditional small farm crop production enterprises Other on farm non crop production activities are included</p> <p><u>Other SMEs</u> Enterprises employing 11 150 persons</p> |  |        |        |        |        |        |        |        |        |        |        |        |        |
| Data Source(s)  | SAEDF to collect information from operating companies and IFIs per formal investment agreements RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data Indirect employment effects to be estimated via periodic impact assessment consultancies   | <p><b>Comments</b> These targets were derived by Implementation Assistance Team in January 1998 (Worksheet B attached) based on revised business and financial projections and assumptions regarding portfolio composition leveraging of funds lags between receipt of funds and creation of jobs and cost per job</p> |        |        |        |        |        |        |        |        |        |        |        |        |
| Frequency of Data Availability  | Annual based on most recent employment data available as of 12/31 with SAEDF report due to USAID no later than 2/28  |  |        |        |        |        |        |        |        |        |        |        |        |        |
| Responsible Officer   | SAEDF Investment Officers  |  |        |        |        |        |        |        |        |        |        |        |        |        |

| Intermediate Result 1 Broader participation in regional market through reduced barriers to entry |   |  |      |      |      |      |      |      |      |      |      |
|--|---|--|------|------|------|------|------|------|------|------|------|
| Performance Indicator #2   | Units of Measurement  | 1996   | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Sales by indigenous enterprises assisted by SAEDF and partners either directly or through IFIs   | <p>Narrative</p> <p><u>Microenterprises assisted through IFIs</u></p> <p>male owned</p> <p>female owned</p> <p>mixed ownership</p> <p>total</p> <p><u>Other SMEs assisted through IFIs</u></p> <p>male owned</p> <p>female owned</p> <p>mixed ownership</p> <p>total</p> <p><u>SMEs and IFIs assisted directly</u></p> <p>male owned</p> <p>female owned</p> <p>mixed ownership</p> <p>total</p> <p><u>All indigenously owned enterprises assisted</u></p> <p>male owned</p> <p>female owned</p> <p>mixed ownership</p> <p>total</p>  | Narrative summarizing current annual sales by indigenous historically disadvantaged enterprises assisted by SAEDF and partners either directly or through IFIs |      |      |      |      |      |      |      |      |      |
| Definition(s)  | <p><u>Sales</u> Gross revenues from goods and services</p> <p><u>Male owned</u> Business is 100% owned by one or more males In the case of enterprises assisted directly gender of ownership refers only to private shareholders or owner operators</p> <p><u>Female owned</u> Business is 100% owned by one or more females In the case of enterprises assisted directly gender of ownership refers only to private shareholders or owner operators</p> <p><u>Mixed Ownership</u> Business is jointly owned by at least one male and at least one female In the case of enterprises assisted directly gender of ownership refers only to private shareholders or owner operators</p> |  |      |      |      |      |      |      |      |      |      |
| Data Source(s)   | SAEDF to collect information from operating companies and IFIs per formal investment agreements RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data RCSA will obtain inflation rates from national statistical offices  | Comments   |      |      |      |      |      |      |      |      |      |
| Frequency of Data Availability   | Annual based on most recent annual sales data available as of 12/31 with report due to USAID no later than 2/28   |  |      |      |      |      |      |      |      |      |      |
| Responsible Officer  | SAEDF Investment Officers   |  |      |      |      |      |      |      |      |      |      |

| Intermediate Result 1 Broader participation in regional market through reduced barriers to entry                     |  |  |      |      |      |      |      |      |      |      |      |
|--|--|--|------|------|------|------|------|------|------|------|------|
| Performance Indicator #3   | Units of Measurement   | 1996   | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Increased ownership of shares in SAEDF investee companies by indigenous historically disadvantaged Southern Africans | Narrative  | Narrative summarizing actual percentage and value of shares held by indigenous historically disadvantaged Southern Africans upon SAEDF redemption or exit from investments. Narrative will be updated annually to show cumulative impact as investments are redeemed or exit strategies are modified.  |      |      |      |      |      |      |      |      |      |
| Definition(s)  |  |  |      |      |      |      |      |      |      |      |      |
| Data Source(s)   | SAEDF annual financial statements and routine monitoring of changes in ownership of shares as part of SAEDF annual portfolio monitoring procedures. Supplemented by trip reports from SAEDF investment officers. | <p><b>Comments</b> SAEDF exit strategies are expected to have a significant impact on broadening ownership of shares in investee companies however in most cases exit will occur only after 5-7 years. Thus in the short run it will be difficult to realize actual impact and projected impact will be derived from negotiated exit strategies. To properly assess the longer term actual impact of SAEDF's investments on broadened ownership USAID will need to conduct a formal impact assessment in 2005 or beyond.</p> <p>In January 1998 the Implementation Assistance Team reviewed exit strategies and their impact for investments approved by the SAEDF Board through September 1997.</p> |      |      |      |      |      |      |      |      |      |
| Frequency of Data Availability   | Project summaries available approximately quarterly coinciding with SAEDF Board meetings. Impact assessments to be conducted annually.   |  |      |      |      |      |      |      |      |      |      |
| Responsible Officer  | SAEDF Investment Officers  |  |      |      |      |      |      |      |      |      |      |

| Intermediate Result 1 3 Use of financial resources increased   |   |   |        |        |        |        |        |        |        |        |        |        |        |        |
|--|---|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Performance Indicator #4   | Units of Measurement  | 1996  | 1997   |        | 1998   |        | 1999   |        | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   |
|  |   | Baseline  | Target | Actual | Target | Actual | Target | Actual | Target | Target | Target | Target | Target | Target |
| Number of indigenous firms receiving financing from SAEDF and partners either directly or through IFIs | Number of   |   |        |        |        |        |        |        |        |        |        |        |        |        |
|  | Microenterprises receiving financing through IFIs   |   |        |        |        |        |        |        |        |        |        |        |        |        |
|  | male owned  | 0   | 0      |        |        |        |        |        |        |        |        |        |        |        |
|  | female owned  |   |        |        |        |        |        |        |        |        |        |        |        |        |
|  | mixed ownership   |   |        |        |        |        |        |        |        |        |        |        |        |        |
|  | total   | 0   | 0      | 0      | 2 382  |        | 6 267  |        | 7 939  | 8 108  | 8 108  | 8 108  | 8 108  | 8 108  |
|  | Other SMEs receiving financing through IFIs   |   |        |        |        |        |        |        |        |        |        |        |        |        |
|  | male owned  | 0   | 0      |        |        |        |        |        |        |        |        |        |        |        |
|  | female owned  |   |        |        |        |        |        |        |        |        |        |        |        |        |
|  | mixed ownership   | 0   | 0      |        | 95     |        | 405    |        | 634    | 648    | 648    | 648    | 648    | 648    |
| total  | 0   | 0   |        |        |        |        |        |        |        |        |        |        |        |        |
| SMEs and IFIs receiving financing directly   |   |   |        |        |        |        |        |        |        |        |        |        |        |        |
| male owned   |   |   |        |        |        |        |        |        |        |        |        |        |        |        |
| female owned   | 0   | 0   | 4      | 11     |        | 12     |        | 12     | 12     | 12     | 12     | 12     | 12     |        |
| mixed ownership  |   |   |        |        |        |        |        |        |        |        |        |        |        |        |
| total  | 0   | 0   |        |        |        |        |        |        |        |        |        |        |        |        |
| All indigenously owned enterprises receiving financing directly or through IFIs                        |   |   |        |        |        |        |        |        |        |        |        |        |        |        |
| male owned   | 0   | 0   |        |        |        |        |        |        |        |        |        |        |        |        |
| female owned   |   |   |        |        |        |        |        |        |        |        |        |        |        |        |
| mixed ownership  | 0   | 0   | 4      | 2 488  |        | 6 684  |        | 8 585  | 8 768  | 8 768  | 8 768  | 8 768  | 8 768  |        |
| total  | 0   | 0   |        |        |        |        |        |        |        |        |        |        |        |        |
| Definition(s)  |   |   |        |        |        |        |        |        |        |        |        |        |        |        |
| Data Source(s)   | SAEDF to collect information from operating companies and IFIs per formal investment agreements RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data | <b>Comments</b> Preliminary targets derived from revised business and financial projections (Worksheet A attached) and several assumptions regarding portfolio composition leveraging of funds average loan size and lags between IFI receipt of funds and disbursement of loans to clients These targets were reviewed and revised by the Implementation Assistance Team in January 1998 The team also established targets for male owned female owned and mixed ownership enterprises based on empirical evidence relating to distribution of ownership by gender |        |        |        |        |        |        |        |        |        |        |        |        |
| Frequency of Data Availability   | Annual as of 12/31 with report due to USAID no later than 2/28  |   |        |        |        |        |        |        |        |        |        |        |        |        |
| Responsible Officer  | SAEDF Investment Officers   |   |        |        |        |        |        |        |        |        |        |        |        |        |

| Intermediate Result 1 3 Use of financial resources increased   |  |   |        |        |        |        |        |        |        |        |        |        |        |        |
|--|--|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Performance Indicator #5   | Units of Measurement   | 1996  | 1997   |        | 1998   |        | 1999   |        | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   |
|  |  | Baseline  | Target | Actual | Target | Actual | Target | Actual | Target | Target | Target | Target | Target | Target |
| Dollar volume of financing provided to indigenous SMEs by SAEDF and partners either directly or through IFIs | <u>US\$ million invested in</u>  |   |        |        |        |        |        |        |        |        |        |        |        |        |
|  | IFIs   | 00  | 38     |        | 14     |        | 23     |        | 24     | 24     | 24     | 24     | 24     | 24     |
|  | operating companies  | 00  | 150    |        | 127    |        | 207    |        | 216    | 216    | 216    | 216    | 216    | 216    |
|  | total  | 00  | 188    | 38     | 141    |        | 230    |        | 240    | 240    | 240    | 240    | 240    | 240    |
|  | <u>US\$ million on lent to</u>   |   |        |        |        |        |        |        |        |        |        |        |        |        |
|  | microenterprises   | 00  | 9      |        | 7      |        | 12     |        | 12     | 12     | 12     | 12     | 12     | 12     |
|  | other SMEs   | 00  | 9      |        | 21     |        | 24     |        | 26     | 26     | 26     | 26     | 26     | 26     |
|  | total  | 00  | 19     |        | 28     |        | 46     |        | 48     | 48     | 48     | 48     | 48     | 48     |
| Definition(s)  |  |   |        |        |        |        |        |        |        |        |        |        |        |        |
| Data Source(s)   | SAEDF annual reports and audited financial statements Information on amount invested by partners to be collected by SAEDF from operating companies and IFIs RTAA will assist its own clients to establish appropriate information systems to collect and process the necessary data Internal investment and disbursement documentation | <b>Comments</b> Preliminary targets were derived from the revised business and financial projections (Worksheet A attached) and assumptions regarding portfolio composition leveraging of funds and lags between IFI receipt of funds and disbursement of loans to clients These targets were revised by the Implementation Assistance Team in January 1998 |        |        |        |        |        |        |        |        |        |        |        |        |
| Frequency of Data Availability   | Annual as of 12/31 with report due to USAID no later than 2/28   |   |        |        |        |        |        |        |        |        |        |        |        |        |
| Responsible Officer  | SAEDF Investment Officers  |   |        |        |        |        |        |        |        |        |        |        |        |        |

158

| Intermediate Result 1 3 Use of financial resources increased  |   |  |      |      |      |      |      |      |      |      |      |
|---|---|--|------|------|------|------|------|------|------|------|------|
| Performance Indicator #6  | Units of Measurement  | 1996   | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Pre closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement | Narrative   | Pre closing innovations or benefits introduced by SAEDF and/or the RTAA and the impact actual or potential on the SME clients or the marketplace This would include but not be limited to analysis due diligence negotiation structuring pre closing technical assistance etc This will also include the impact and demonstration effects of disseminating U S practices skills and concepts to the region |      |      |      |      |      |      |      |      |      |
| Definition(s)   |   |  |      |      |      |      |      |      |      |      |      |
| Data Source(s)  | SAEDF Project Summaries investment agreements trip reports from SAEDF/RCSA monthly meetings interviews with client companies and financial institutions conducted during periodic impact assessments Supplemented by annual SAEDF portfolio monitoring visits and trip reports by SAEDF investment officers | Comments In October 1997 the Implementation Assistance Team reviewed documentation and conducted interviews with SAEDF investment officers client companies co investors and technical partners (including the RTAA) to determine the extent to which SAEDF and/or the RTAA have introduced such innovations to date   |      |      |      |      |      |      |      |      |      |
| Frequency of Data Availability  | Project summaries available approximately quarterly coinciding with SAEDF Board meetings Portfolio monitoring and impact assessments to be conducted annually   |  |      |      |      |      |      |      |      |      |      |
| Responsible Officer   | SAEDF Investment Officers   |  |      |      |      |      |      |      |      |      |      |

29

| Intermediate Result 1 3 1 Improved business competencies among indigenous entrepreneurs                      |   |  |      |      |      |      |      |      |      |      |      |
|--|---|--|------|------|------|------|------|------|------|------|------|
| Performance Indicator #7   | Units of Measurement  | 1996   | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Post closing innovations or benefits to SME clients or the marketplace resulting from SAEDF/RTAA involvement | Narrative   | Post closing innovations or benefits introduced by SAEDF and/or the RTAA and the impact actual or potential on the SME clients or the marketplace This would include but not be limited to monitoring board participation post closing technical assistance etc This will also include the impact of promotion campaigns (e.g. increased public understanding of entrepreneurship or risk taking behavior) and any demonstration effects in Southern African financial markets |      |      |      |      |      |      |      |      |      |
| Definition(s)  |   |  |      |      |      |      |      |      |      |      |      |
| Data Source(s)   | SAEDF Project Summaries shareholder agreements trip reports from SAEDF/RCSA monthly meetings RTAA technical assistance and training reports and interviews with client companies co investors and technical assistance partners during periodic impact assessments Supplemented by annual SAEDF portfolio monitoring visits and trip reports by SAEDF investment officers | Comments In October 1997 the Implementation Assistance Team reviewed documentation and conducted interviews with SAEDF investment officers client companies co investors and technical assistance partners (including the RTAA) to determine the extent to which SAEDF has had an impact on business competencies of client companies on public understanding of entrepreneurship and risk capital or on providing demonstration effects in Southern African financial markets |      |      |      |      |      |      |      |      |      |
| Frequency of Data Availability   | Project summaries available approximately quarterly coinciding with SAEDF Board meetings SAEDF and RTAA records on impact achieved through monitoring investments attending investee company Board meetings and providing transaction specific technical assistance Impact assessments to be conducted annually   |  |      |      |      |      |      |      |      |      |      |
| Responsible Officer  | SAEDF Investment Officers   |  |      |      |      |      |      |      |      |      |      |

| Intermediate Result 1 Broader participation in regional market through reduced barriers to entry |  |  |      |      |      |      |      |      |      |      |      |
|--|--|--|------|------|------|------|------|------|------|------|------|
| Performance Indicator #8   | Units of Measurement   | 1996   | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Employment efficiency of indigenous enterprises assisted by SAEDF and partners                   | Narrative<br>Microenterprises assisted through IFIs<br>Other SMEs assisted through IFIs<br>Indigenously owned enterprises assisted directly<br>All indigenously owned enterprises assisted | Narrative summarizing the annual aggregate sales/employment for indigenous historically disadvantaged Southern African companies in which SAEDF has invested either directly or through IFIs |      |      |      |      |      |      |      |      |      |
| Definition(s)  |  |  |      |      |      |      |      |      |      |      |      |
| Data Source(s)   | Annual financial statements and interim financial reports as well as information outlined in formal investment agreements  | Comments   |      |      |      |      |      |      |      |      |      |
| Frequency of Data Availability   | Annual based on most recent annual sales data available as of 12/31 with report due to USAID no later than 2/28  |  |      |      |      |      |      |      |      |      |      |
| Responsible Officer  | SAEDF Investment Officers  |  |      |      |      |      |      |      |      |      |      |

| Intermediate Result 1 3 2 Self sustaining regional enterprise fund |   |  |        |        |        |        |        |        |        |        |        |        |        |        |
|--|---|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Performance Indicator #9   | Units of Measurement  | 1996   | 1997   |        | 1998   |        | 1999   |        | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   |
|  |   | Baseline   | Target | Actual | Target | Actual | Target | Actual | Target | Target | Target | Target | Target | Target |
| Percentage of operating expenses covered by investment income      | gross investment income/operating expenses x 100  | 0  | 0      | 16     | 97     |        | 324    |        | 566    | 803    | 3081   | 7355   | 12715  | 14430  |
| Definition(s)  | <u>Gross Investment Income</u> Corresponds to Total Returns on Investments in the revised business and financial projections (Worksheet A attached)<br><u>Operating Expenses</u> Corresponds to Operating Expenses in the revised business and financial projections (Worksheet A attached) |  |        |        |        |        |        |        |        |        |        |        |        |        |
| Data Source(s)   | Targets from revised business and financial projections data from SAEDF annual financial statements   | <b>Comments</b> This measure was used to assess the Central and Eastern Europe Enterprise Funds and is described in the Final Report Program Evaluation of the Central and Eastern Europe Enterprise Funds p 27 See Worksheet D (attached) |        |        |        |        |        |        |        |        |        |        |        |        |
| Frequency of Data Availability                                     | Annual as of 9/30 with report due to USAID no later than 2/28   |  |        |        |        |        |        |        |        |        |        |        |        |        |
| Responsible Officer  | SAEDF Investment Officers   |  |        |        |        |        |        |        |        |        |        |        |        |        |

| Intermediate Result 1 3 2 Self sustaining regional enterprise fund |  |  |        |        |        |        |        |        |        |        |        |        |        |        |
|--|--|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Performance Indicator #10  | Units of Measurement   | 1996   | 1997   |        | 1998   |        | 1999   |        | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   |
|  |  | Baseline   | Target | Actual | Target | Actual | Target | Actual | Target | Target | Target | Target | Target | Target |
| Percentage of total expenses covered by investment income          | gross investment income/total expenses x 100   | 0  | 0      | 16     |        | 97     |        | 322    | 550    | 759    | 2588   | 5165   | 7427   | 8045   |
| Definition(s)  | <u>Total Expenses</u> Operating expenses plus investment losses corresponds to sum of Operating Expenses and Provision for Capital Losses in Worksheet A |  |        |        |        |        |        |        |        |        |        |        |        |        |
| Data Source(s)   | Targets from revised business and financial projections data from SAEDF annual financial statements  | <b>Comments</b> This measure was used to assess the Central and Eastern Europe Enterprise Funds and is described in the Final Report Program Evaluation of the Central and Eastern Europe Enterprise Funds p 28 See Worksheet D (attached) |        |        |        |        |        |        |        |        |        |        |        |        |
| Frequency of Data Availability                                     | Annual as at 9/30 based with report due to USAID no later than 2/28  |  |        |        |        |        |        |        |        |        |        |        |        |        |
| Responsible Officer  | SAEDF Investment Officers  |  |        |        |        |        |        |        |        |        |        |        |        |        |

32

| Intermediate Result 1 3 2 Self sustaining regional enterprise fund |  |          |        |        |        |        |        |        |        |        |        |        |        |        |
|--|--|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Performance Indicator #11  | Units of Measurement   | 1996     | 1997   |        | 1998   |        | 1999   |        | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   |
|  |  | Baseline | Target | Actual | Target | Actual | Target | Actual | Target | Target | Target | Target | Target | Target |
| Profitability  | Internal rate of return (IRR) of reflows (in cash) and drawdowns (in cash)   | n/a      | %      | %      | %      | %      | %      | %      | %      | %      | %      | %      | %      | %      |
| Definition(s)  | <u>Profitability</u> SAEDF s internal rate of return calculated using its cash drawdowns (from USAID and other donors/sponsors/investors) and cash reflows (fees interest dividends principal repayments proceeds on the sale of equity and other income to SAEDF) |          |        |        |        |        |        |        |        |        |        |        |        |        |
| Data Source(s)   | Targets from SAEDF management reports and revised business and financial projections data from SAEDF annual financial statements   | Comments |        |        |        |        |        |        |        |        |        |        |        |        |
| Frequency of Data Availability                                     | Annual as at 9/30 with report due to USAID no later than 2/28  |          |        |        |        |        |        |        |        |        |        |        |        |        |
| Responsible Officer  | SAEDF Investment Officers  |          |        |        |        |        |        |        |        |        |        |        |        |        |

| Intermediate Result 1 3 2 Self sustaining regional enterprise fund |   |          |        |        |        |        |        |        |        |        |        |        |        |        |
|--|---|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Performance Indicator #12  | Units of Measurement  | 1996     | 1997   |        | 1998   |        | 1999   |        | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   |
|  |   | Baseline | Target | Actual | Target | Actual | Target | Actual | Target | Target | Target | Target | Target | Target |
| Second round capitalization  | U S dollars committed to SAEDF by donors sponsors and investors other than USAID for re investment in the Southern African region | n/a      |        | 0      |        |        |        |        |        |        |        |        |        |        |
| Definition(s)  |   |          |        |        |        |        |        |        |        |        |        |        |        |        |
| Data Source(s)   | Targets from SAEDF management reports and revised business and financial projections data from SAEDF annual financial statements  | Comments |        |        |        |        |        |        |        |        |        |        |        |        |
| Frequency of Data Availability                                     | Annual as at 9/30 with report due to USAID no later than 2/28   |          |        |        |        |        |        |        |        |        |        |        |        |        |
| Responsible Officer  | SAEDF Investment Officers   |          |        |        |        |        |        |        |        |        |        |        |        |        |