

**Southern Africa Enterprise
Development Fund
Implementation Assistance Report:
Baseline Data Report**

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
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**SOUTHERN AFRICA ENTERPRISE DEVELOPMENT FUND
IMPLEMENTATION ASSISTANCE REPORT**

BASELINE DATA REPORT

I NARRATIVE ANALYSIS OF PERFORMANCE TARGETS AND PLAN

A Revised Projected Investments

In consultation with SAEDF's management and staff, the Team reviewed (i) SAEDF's 1996-2005 Business Plan, and (ii) SAEDF's Marketing Strategy & Budget for 1998. SAEDF staff also provided and reviewed with the Team the Fund's capital investment and financial performance model. This model was modified and used by the Team in revising SAEDF's projected investments and income from USAID funds and program reflows from 1997-2005.

Based on actual experience and current staffing components, the Team believes SAEDF's most recent financial projections are aggressive. The Fund's investment and revenue assumptions are based on a full complement of six experienced senior investment officers, each generating three investments per year at an average of \$1,500,000 per investment. These assumptions, based on SAEDF's three year experience, appear unrealistic given

- the need to factor in time to hire and/or develop additional senior investment officers,
- the likelihood of continued senior staff turnover in the competitive Southern African labor market,
- the historical productivity of SAEDF investment staff (i.e. one investment per senior investment officer),
- the historical average size of SAEDF transactions (\$840,000), and
- the unlikely occurrence of quick, dramatic increases in overall average transaction size due to Board and USAID targets for developmental objectives.

Financial projections, based on SAEDF's current expense assumptions and The Teams' more conservative investment assumptions, show SAEDF may still achieve its goal of sustainability (i.e. current revenue equal to current expenses). SAEDF's administrative expenses have historically generated positive variances as compared to budget, primarily due to lower than projected personnel expenses. Negative revenue variances arising from the slower than projected investment pace, however, project to more than offset administrative expense savings. Additional USAID funding for administrative expenses in the range of \$3.2-\$3.5 million through 2002, are projected to be required before reflows from the sale of equity investments may begin to replenish Fund reserves.

Appendix A Revised Projected Investments from USAID Funds and Program Reflows 1997-2005 presents the Team's revisions to SAEDF's projected investments and income. Following are the critical assumptions to the revised projections.

Revenue Assumptions

- 1996 and 1997 Investments - \$0 and \$3.8 million, respectively, based on actual experience
- 1998 Investments - \$14.1 million (I) \$3.1 million (of \$12.6 million total) in 1997 commitments closed and disbursed in 1998, and (ii) ½ of \$22 million (\$11.0 million) in 1998 commitments closed and disbursed in 1998 (based on 5.5 senior investment officer equivalents, closing 2 transactions each, at an average of \$2.0 million per transaction, with disbursements occurring on average at midyear)
- 1999 Investments - \$23.0 million (I) \$11.0 million in 1998 commitments closed and disbursed in 1999, and (ii) ½ of \$24 million (\$12.0 million) in 1999 commitments closed and disbursed in 1999 (based on 6.0 senior investment officer equivalents, closing 2 transactions each, at an average of \$2.0 million per transaction, with disbursements occurring on average at midyear)
- 2000-05 Investments - \$24.0 million \$12.0 million in prior year commitments closed and disbursed in the current year, and (ii) ½ of \$24 million (\$12.0 million) in current year commitments closed and disbursed in the current year (based on 6.0 senior investment officer equivalents, closing 2 transactions each, at an average of \$2.0 million per transaction, with disbursements occurring on average at midyear)
- Commitment and closing fees - 1% and 2%, respectively, per SAEDF assumptions
- Debt and equity instruments as % of target - per SAEDF annual assumptions
- Interest from debt instruments - 9% per SAEDF assumptions
- Dividends from equity instruments - 2% per SAEDF assumptions
- Principal repayments on debt - 2 years deferred with a 4 year amortization per SAEDF assumptions
- Provision for capital losses - 5% per SAEDF assumptions
- Proceeds on the sale of equity - 30% per SAEDF assumptions

Expense Assumptions

1994-97

- All expenses - actuals based on audited financial statements

1998

- Personnel expenses - based on employee positions and compensation levels cited in SAEDF's Marketing Strategy & Budget for 1998, SAEDF Staffing Complement, and Notes to the Budget for Fiscal 1998 Salaries increase 5% over 1997 per SAEDF assumptions Bonus program percentage at 25% of salaries per SAEDF assumption Benefits and allowances are estimated at 10% of salaries
- Business expenses - based on SAEDF assumptions in SAEDF's Marketing Strategy & Budget for 1998, Notes to the Budget for Fiscal 1998
- Occupancy costs - based on SAEDF assumptions in SAEDF's Marketing Strategy & Budget for 1998, Notes to the Budget for Fiscal 1998, adjusted for the departure of RTAA as a leasehold tenant
- Investment expenses - based on SAEDF assumptions in SAEDF's Marketing Strategy & Budget for 1998, Notes to the Budget for Fiscal 1998
- Directors' expenses - based on SAEDF assumptions in SAEDF's Marketing Strategy & Budget for 1998, Notes to the Budget for Fiscal 1998
- General and administrative expenses - based on SAEDF assumptions in SAEDF's Marketing Strategy & Budget for 1998, Notes to the Budget for Fiscal 1998

1999

- Personnel expenses - based on employee positions and compensation levels cited in SAEDF's Marketing Strategy & Budget for 1998, SAEDF Staffing Complement, and Notes to the Budget for Fiscal 1998 Salaries increase 5% over 1998 per SAEDF assumptions
- Business expenses - Increased 5% over 1998 per SAEDF assumptions
- Occupancy costs - Increased 10% over 1998 per SAEDF assumptions
- Investment expenses - based on SAEDF assumptions in SAEDF's Marketing Strategy & Budget for 1998, Notes to the Budget for Fiscal 1998 Legal expenses for program development and transaction related local counsel are reduced by ½ in 1999 Outside accounting services are eliminated with the hire of full-time accounting staff

Program development and training expenses are reduced by ½ assuming initial objectives have been met All other expenses are increased 5% over 1998 per SAEDF assumptions

- Directors' expenses - Increased 10% over 1998 per SAEDF assumptions
- General and administrative expenses - Increased 10% over 1998 per SAEDF assumptions

2000-05

- Personnel expenses - Increase 5% annually per SAEDF assumptions
- Business expenses - Increase 5% annually per SAEDF assumptions
- Occupancy costs - Increase 10% over annually per SAEDF assumptions
- Investment expenses - Stabilize as transaction growth flattens, and monitoring expenses replace development costs Increase 5% annually per SAEDF assumptions
- Directors' expenses - Increase 10% annually per SAEDF assumptions
- General and administrative expenses - Increase 10% annually per SAEDF assumptions

See Appendix A Revised Projected Investments from USAID Funds and Program Reflows 1997-2005

B Revised Projected Distribution of Investment Funds

Despite initial difficulties in finding qualified IFIs capable of productively utilizing SAEDF funds, SAEDF management indicates they expect to gradually attain their prescribed target of 10% of investment capital deployed in IFIs for on-lending to microenterprises and SMEs The Fund does not, however, presently distinguish between or disaggregate prospective IFI on-lending to microenterprises versus other SMEs

The resulting expectation is that 90% of SAEDFs investment capital will be invested directly in indigenous Southern African SME's, less the 20% of investment capital projected for investment in "carve-out" ventures

1 Loans to IFIs for On-lending to Microenterprises

Based on meetings with SAEDF management, the Team projected that, beginning in 1998, 10% of SAEDF's investment capital would be deployed in IFIs (for on-lending and/or organizational improvement) In the Fund's 1997 actual experience, SAEDF's capital was

leveraged from two to forty-nine times. The Team adopted a more conservative factor of one times leverage to project total capitalization available to IFIs (see Section C below)

The team weighed several factors in estimating the proportion of IFI funding to be on-lent to microenterprises, namely, SAEDF's limited actual investment history to date, and the absence of SAEDF programs or efforts targeted to microenterprises, against an overall recognition of the important role of the informal sector and microenterprises in the region. The Team sought to balance these factors, in the absence of more conclusive data, by maintaining in equal proportions IFI on-lending to microenterprises and to other SMEs, as originally proposed by RCSA Gaborone

2 Loans to IFIs for On-lending to Other Small and Medium Enterprises

With equal proportions of SAEDF and Partner capital divided in on-lending between microenterprises and other SMEs, loans to IFIs for on-lending to other SMEs were projected as described in Paragraph 1 above

3 Direct Investments in Operating Companies

Direct investments in operating companies (target and carve-out) are projected at 90% of SAEDF's annual investment activity (after the 10% allocated for investments in IFIs described above)

C Leverage by Partners

The Team reviewed SAEDF's 1997 investment history for guidance and insight into future investments, investment structures, and capital needs in the Southern African regional market. The degree to which SAEDF funding was leveraged in 1997 varied widely as follows

- Kingdom Securities Holding Ltd - 2.1
- Leasing Company of Zimbabwe - 2.1
- Rural Housing Finance - 49.1
- Ostrich Production of Namibia - 6.1

The Team tempered SAEDF's productive 1997 leverage experience with the earlier projections of RCSA Gaborone of 25.1. As a result, the Team estimated future leveraging by partners with SAEDF in investments conservatively at 1.1

D Average Size of Loans by IFIs to SMEs

The Team reviewed SAEDF's 1997 investment history, and interviewed SAEDF's current investees, to obtain guidance and insight in estimating the average size of loans to SMEs by SAEDF funded IFIs. Of SAEDF's four existing investments, none were considered IFIs by SAEDF management, although three (KSHL, LCZ and RHF) operate as financial institutions. Of the three, only one, Leasing Company of Zimbabwe, provided financing to SMEs. In the

instance of LCZ, its downstream financing took the non-traditional form of equipment leases. The LCZ baseline data on customer size and volume of financing, however, was at this early stage informal and unreliable for this purpose.

The Team's external interviews and research found no reliable, comparable benchmarks for this performance target. As a result, and in the absence of more compelling regional data, the Team maintained the assumptions originally proposed by RCSA Gaborone to estimate the size of future loans to SMEs by SAEDF funded IFIs. The average IFI investment would be \$296 for microenterprises, and \$7,407 for other SMEs. These assumptions were based on the historical experience of the USAID Central and Eastern European Enterprise Funds from 1990-94.

E Average Size of Direct SAEDF Investments

SAEDF's average transaction size in 1997 was \$840,000. Management indicated they expected the Fund's Board of Directors to sanction an increase in the targeted average transaction to \$1,500,000 in 1998. The Team's projections assume that SAEDF's actual transactions will increase to average \$1,300,000 in 1998, and increase again to \$2,000,000 by 1999-2005 (see Section A.)

F Average Investment Cost per Job Created

The Team performed research, reviewed documentation and conducted interviews of other regional investment and developmental funds, and of other USAID enterprise funds to obtain guidance and insight into the average investment cost per job created in the Southern African Region. None of the other funds approached on this subject could provide accurate, reliable job creation data upon which the relationship between investments and employment could be deduced.

During site visits with SAEDF investees, the Team collected 1997 baseline data on employment creation as follows:

1997 Employment in Indigenous Enterprises Assisted by SAEDF

	<u>KSHL</u>	<u>LCZ</u>	<u>RHF</u>	<u>OPN</u>	<u>TOTAL</u>
Male	47	13	12	5	77
Female	18	12	8	7	45
Total	65	25	20	12	122
Southern African	61	25	20	12	118
Non-Southern African	4	0	0	0	4

The initial year's baseline data shows that SAEDF's \$3.8 million in investments contributed to creating or strengthening 122 jobs at an average investment cost per job of \$31,148. Given, however, the limited number and type of investments to review, and the short timeframe in which SAEDF job creation effects have operated, the Team determined these 1997 figures to be unreliable as a sole basis for estimating future job creation costs.

For the purposes of this report and the accompanying Activity Level Performance Data Table, therefore, the Team maintained the investment cost per job assumptions originally proposed by RCSA Gaborone - one job created (I) for every \$1,442 invested in small loan programs, and (ii) for every \$7,553 invested directly in SMEs. These assumptions were based on the historical experience of the USAID Central and Eastern European Enterprise Funds from 1990-94.

G Time Lags to Job Creation

The Team performed research, reviewed documentation and conducted interviews of other regional investment and developmental funds, other USAID enterprise funds, and non-regional microenterprise and developmental sources to obtain guidance and insight into what would constitute the norm in time lags between receipt of funds by an SME or an IFI, IFI on-lending to SME clients, and ultimate job creation effects. None of the other funds or sources approached could provide accurate, reliable feedback on the timeframe expected in this cycle.

The Team's interviews with SAEDF investees yielded little information on this subject. Of SAEDF's four existing investments, three were going-concerns seeking expansion capital from SAEDF. Only one, Leasing Company of Zimbabwe, had as yet experienced major employment growth (from 1 to 25) subsequent to the SAEDF closing. None operated effectively as IFI's capable of displaying job creation time lags in indirect investments.

LCZ's principal, however, indicated that his SME leasing clients tended to add jobs nearly immediately upon obtaining a lease as the equipment financed would require an operator to be productive. He further indicated that such jobs once created tended to be semi-permanent, as the equipment life extends beyond the term of the lease.

In the absence of broader or more compelling data, therefore, The Team modified the assumptions proposed by RCSA Gaborone based on the baseline data collected. For the purposes of this report and the accompanying Activity Level Performance Data Table, the new assumptions are that, for both direct and indirect investments, 50% of the expected jobs are created in the year of the investment, and 50% are created in the year following the investment. The original assumptions (100% of job creation effects lag investment by one year for indirect investments, and by one to two years for direct investments) were based on the historical experience of the USAID Central and Eastern European Enterprise Funds from 1990-94.

H Gender Distribution of Employment

The Team performed research, reviewed documentation and conducted interviews with other regional investment and developmental funds, other USAID enterprise funds, and microenterprise, multilateral and economic development resources, to obtain guidance and insight into the gender distribution of employment to be expected from SAEDF investment activities. These other funds or sources provided little that was directly applicable or useful as benchmarks or guides to our projections.

During site visits with SAEDF investees, the Team collected 1997 baseline data on employment creation (see Section F above). The initial year's baseline data revealed that SAEDF investee companies employed 122 persons, 63% of whom were male, and 37% of whom were female. These figures were consistent with United Nations data indicating that as of 1995, 37% of employees in South Africa were women.

In the absence of more conclusive, disaggregated benchmarks, the Team simplified its assumptions on gender distribution of employment to reflect the limited data available. The new assumptions are that microenterprises, other SMEs and other indigenous enterprises will all experience job creation impact proportionate with the SAEDF 1997 baseline data of 63% male, and 37% female. Given the absence of SAEDF programs or efforts targeted at creating or strengthening employment by gender, this distribution was assumed to be applicable to all indigenous enterprises, regardless of whether or not they were recipients of SAEDF direct or indirect funding. Initial projections employed by RCSA Gaborone assumed that jobs created through small loan programs benefitted males and females equally. And 60% of jobs created through direct investments would be held by males, with 40% held by females.

I Estimates of Enterprises Receiving SAEDF Financing

The Team estimated that SAEDF's investment activity will gradually increase to an average of 12 closed transactions totaling \$24 million annually by 2000 (see Section A). Of this amount, SAEDF management believes they will attain their objective of 10% of transaction volume invested in IFIs for indirect investment in microenterprises and other SMEs. The Team maintained the RCSA Gaborone assumptions that (i) equivalent proportions of SAEDF funded IFI investments would be in microenterprises and other SMEs (see Section B), and (ii) the average IFI investment would be \$296 for microenterprises, and \$7,407 for other SMEs (see Section D).

The Team performed research, reviewed documentation and conducted interviews with other regional investment and developmental funds, other USAID enterprise funds, and microenterprise, multilateral and economic development resources, to obtain guidance and insight into the probable gender distribution of enterprise owners to be funded by SAEDF. These other funds or sources provided little that was directly applicable or useful as benchmarks or guides to our projections.

One source, The World's Women 1995 Trends and Statistics, indicated that, as of 1995, 28% of employers/own account workers in South Africa were women. The Team related the category "own account workers" most closely to microenterprises, SMEs and the informal sector. In the absence of more definitive data, we estimated that 30% of SAEDF-funded IFI financing in microenterprises and SMEs would be invested in women-owned businesses.

The Team observed and discussed with SAEDF investees during its site visits the subject of gender as it relates to business ownership in the region. SAEDF-sponsored entrepreneurs with whom we met generally indicated that, even in the absence of formal, deliberate barriers to female participation in larger scale business ownership, cultural and systemic barriers still persisted.

None of SAEDF's closed investments are female owned. Of 15 investments approved by the Board through November 1997, one was female owned, accounting for 6.7% of total approved investments and 7.9% (\$1.0 million of \$12.6 million total) of approved dollars. Based on this historical experience and on the persistent near-term barriers to female participation in larger scale business ownership, and in light of management's stated intent to operate proactively towards financing women-owned businesses, the Team assumed a 10% distribution of direct investments in women-owned businesses.

The actual performance for 1997 and the resulting target estimates for 1998-2005 are found in the accompanying Activity Level Performance Data Table (Appendix B).

J Estimated Targets in Employment by Gender

See Section H above. The actual performance for 1997 and the resulting target estimates for 1998-2005 are found in the accompanying Activity Level Performance Data Table (Appendix B).

K Estimated Annual Increases in Sales

The Team considered both bottoms-up (taking baseline sales data for existing and prospective portfolio companies and increasing sales based on management estimates) and top-down (calculating sales increases as a function of national and industry growth rates together with anticipated return expectations for SAEDF) approaches to estimating annual increases in sales generated by SAEDF funded investees. In both cases, the methodologies in practice proved cumbersome, unreliable and ineffective.

Neither approach could fully, easily and accurately account for the dynamic nature of any venture capital portfolio, comprising companies varying widely in stages of development, size, industries, growth rates, sales levels, capital needs and financing strategies. Companies also constantly enter and exit venture capital portfolios unpredictably. Ideally, however, orderly divestment will occur, at which time aggregate portfolio company sales will decline. These factors combine to reduce the meaningfulness of impact and performance measurement of an investment company based on portfolio sales growth. At more precise levels of disaggregation (by company size, gender of ownership, or size of national economy), their practicality and reliability are further diminished.

The Team, therefore, recommends modifying the objective of this measurement indicator and its associated methodology. The recommendation is that the methodology be revised to aggregate and report total annual sales by portfolio companies, retrospectively, and in

narrative form The objective would be to collect and communicate impact as it exists, without unrealistic targets being created and employed which are likely to consume resources, distract management and hamper staff efficiency

L Estimated Survival of Firms Receiving SAEDF Financing

The Team performed research, reviewed documentation and conducted interviews of other regional investment and developmental funds, other USAID enterprise funds, and non-regional microenterprise and developmental sources to obtain guidance and insight into estimating reasonable target percentages of indigenous Southern African firms that would still be operating 2, 4, 6, and 8 years after receiving SAEDF direct or indirect financing None of the other funds or sources contacted could provide any data to support this approach

In evaluating the measurement objectives of this task's underlying performance indicator, the Team determined it was an inadequate measure of Fund performance for these reasons

- This indicator is not a direct measurement of SAEDF's impact or performance, as enterprise survivability is highly multi-factoral,
- This indicator is not objective, as it is not, nor can it be with the data available, benchmarked against overall (i) business failure rates, (ii) venture capital failure rates, (iii) regional business failure rates, (iv) USAID enterprise fund failure rates, etc,
- This indicator is impractical, as it would necessitate data collection from failed firms, as well as from SAEDF "graduates "

The Team, therefore, recommended that this measurement indicator and its associated methodology be eliminated If retained, the Team believes it would be preferable and more practical to limit this indicator to measuring direct investment performance, with data reported in narrative, retrospective form, and without the use of targets If targets are maintained, the Team recommends that they be used at 5 and 10 year intervals to improve the reliability and meaningfulness of the primary and comparative data

M SAEDF Activity Level Performance Data Table Update

See Appendix B

II NARRATIVE ANALYSIS OF BASELINE DATA COLLECTION

A Baseline Data Sample

The Team collected baseline data from each of the four investments closed as of the period of this consultancy In visits by the Team, general performance measurement information was gathered and the data collection questionnaires were field tested Those SAEDF investees providing baseline data were

- Kingdom Securities Holdings Limited (“KSHL”)
- Leasing Company of Zimbabwe (“LCZ”)
- Ostrich Production Namibia (“OPN”)
- Rural Housing Finance (“RHF”)

B Baseline Data for Activity Level Performance Data Tables

Baseline data collected from KSHL, LCZ, RHF and OPN through interviews, investment documents and questionnaires, have been disaggregated and used to update the baseline data columns of the SAEDF Activity Level Performance Data Tables (Appendix B)

C Baseline and Anticipated Indigenous Ownership of SAEDF Investees

OWNERSHIP	Current (%)	At Exit by SAEDF (%)
KSHL	72% principals 4% employees 24% institutions	Same
LCZ	75% principals & others 25% local institutions	Same
OPN	28 8% communal farmers 26 7% commercial farmers 23 3% Govt pension fund 8 9% SAEDF 7 0% CES (project manager) 2 0% farmer 3 0% management & staff	37 7% communal farmers* 26 7% commercial farmers 23 3% Govt pension fund 0 0% SAEDF 7 0% CES (project manager) 2 0% farmer 3 0% management & staff *Communal farmers may own 61% at exit if SAEDF and the Government pension fund sell to them their shares
RHF	100% owned by Rural Finance Facility (a local NGO)	80 - 85% RFF 15 - 20% RHF employees

D Innovative Financial Deals

Since each of SAEDF’s investments received funding within the last year, the empirical evidence for extensive baseline measurement is only now being created. The potential for positive impact, however, by SAEDF upon these SMEs, and by these investees in their local, national and regional markets, appears to be impressive.

1 Kingdom Securities Holdings Limited

Kingdom Securities Holdings 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.

2 Rural Housing Finance

Rural Finance Facility, an NGO, formed Rural Housing Finance ("RHF") as a wholly-owned subsidiary. SAEDF's 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 financing available to the under-served part of the housing market. RHF serves lower middle class borrowers who cannot obtain traditional mortgage financing.

E Specific Innovations and Benefits Resulting from SAEDF Involvement

1 Kingdom Securities Holdings Limited

KSHL's principals believe that the due diligence and negotiation processes undertaken with SAEDF resulted in Kingdom's being a better, more competitive firm through the exercise of greater forethought and care in business planning, by thinking through possibilities, alternatives and considerations, and in developing ideas for products and services to address the marketplace. The application of American and international standards and management practices, they believe, have prepared them for the public scrutiny which they anticipate will come with future growth. They also expressed the belief that SAEDF representatives worked to compromise where necessary, and have been educated as to the realities of the African marketplace, which will prove beneficial in future investments.

2 Leasing Company of Zimbabwe

Leasing Company of Zimbabwe ("LCZ") indicated that, as a result of analysis related to the SAEDF transaction, they gained a greater concern for liquidity management, i.e. matching the timing and terms of time deposits (liabilities) and leases (assets). This greater appreciation, they believe, has strengthened LCZ's operations. They also feel that further benefits from innovation will become apparent as the relationship matures. LCZ management further indicated that LCZ is the first and only one of Zimbabwe's five leasing companies to be black-owned, which they believe to have significant demonstration value to Southern African financial markets.

3 Rural Housing Finance

RHF needed to increase its capital base in order to attract funds for its lending operations. IDT Finance Corporation, a parastatal providing funding to RHF, decided to discontinue its

wholesale funding to the market, forcing RHF to look elsewhere NHFC told RHF that it would be willing to provide funding if RHF took measures to increase its capital base SAEDF's investment in RHF provided direct benefit in boosting RHF's capital base This not only attracted the NHFC funding, but also made RHF eligible for funding from other sources RHF would not have been able to make any additional loans after June 1997, without SAEDF's investment

4 Ostrich Production Namibia

While the majority of the OPN facility is still under construction, the goal of SAEDF's investment is to facilitate the establishment of a profitable ostrich farming/production and processing concern in the Keetmanshoop district in Namibia, as a joint venture between the private and public sectors The project is designed to contribute to the stabilization of the ostrich industry in Namibia, involve the communal farmers and also improve the living standards of the Keetmanshoop communities, through equity participation, employment creation and other related socio-economic benefits

III FIELD WORK AND LESSONS LEARNED

A Field Visits

Field work for this consultancy was conducted between October 18 and December 12, 1998 Prior to departure from Washington, the Team reviewed key background documents provided by RCSA During the week of October 20, the Team also met with RCSA staff in Gaborone The team comprehensively reviewed RCSA correspondence, files and documentation relating to the creation and operation of SAEDF, and SAEDF investment documents relating to investments which were already in place or were expected to be closed by the first week of December

During the week of November 3, the Team traveled to Harare to visit with senior staff of Kingdom Securities Holdings Limited (KSHL) and to collect baseline data relating to this SAEDF investment During the same week, the team also visited with the Chief Executive of Leasing Company of Zimbabwe (LCZ) to collect baseline data relating to the SAEDF investment

In late November and early December, the Team visited with senior representatives of Rural Housing Finance (RHF) and its sole owner, the Rural Finance Facility, to collect baseline data relating to this SAEDF investment

During the week of November 17, the Team visited Ostrich Production of Namibia (OPN) where meetings were held with the construction manager, hatchery manager and a farmer/shareholder in the new enterprise A later meeting was held on December 11 with CES, the South African company which is a shareholder and the project manager of the construction phase This second meeting was designed to collect baseline employment, financial and other data

B Problems Encountered and Proposed Solutions

1 Limited Sample

One problem encountered in attempting to collect a useful amount of baseline data was that only four investments had closed, thereby limiting the focus to these investee companies. This problem will remedy itself as an increasing number of investments are closed in the near future.

2 Questionnaire Development

A field test of the IFI and direct investee questionnaires was conducted during meetings with Rural Housing Finance (RHF), Leasing Company of Zimbabwe (LCZ), Kingdom Securities Holdings Limited (KSHL) and Ostrich Production Namibia (OPN). The Implementation Assistance Team also received input on questionnaire content and format from SAEDF investment officers. Based on these field tests and interviews, the following changes were made to the questionnaires:

- in employment category replaced “skilled workers” with “professional staff”, also replaced “unskilled workers” with “support staff”,
- changed font, type size and spacing in order to reduce number of pages,
- added a line to the questionnaire which asks whether the particular owner is an institution or an individual,
- added a ratio to the Activity Level Performance Data Tables which approximates employment efficiency by tracking the dollar value of annual sales as a percentage of the current number of investee company employees.

3 All Investments are Recent

All four SAEDF investments were closed between June and September 1997, thereby allowing only a very short period for any tangible impacts or benefits to occur. This situation too will remedy itself as an increasing number of investments are closed in the near future.

4 Varying Data Disaggregation Capabilities

The worksheet used to examine each of the performance indicators included in the Activity Level Performance Data Tables is attached to this report as Appendix B. This worksheet, the detailed examination included in the SAEDF Performance Monitoring Plan (a separate report prepared during this consultancy) and the trip reports attached to this report as Appendix E reveal the difficulty encountered when attempting to collect data disaggregated by company size, gender or national origin of owner.

5 Constraints of Measuring Only Increases in Certain Data

The Team determined that performance indicators which measure only the year-to-year increases in employment and sales levels do not accurately measure impact. For example, even when the number of employees does not increase, the Fund's investments may continue to have impact. Also, since the number of companies in the SAEDF portfolio is not static — i.e., companies move in and out of the portfolio — this and other data should not be expected to increase steadily. For these reasons, the Team adjusted the original performance indicators so they will measure cumulative employment (including jobs strengthened or maintained) and annual sales levels.

6 Constraints of Measuring Sustainability

One of the original performance indicators attempted to measure improved business competencies by tracking the percentage of indigenous firms still operating 2, 4, 6 and 8 years after receiving financing from SAEDF and partners. The Team determined that this would not be an objective measurement of improved business competencies among indigenous entrepreneurs. Business competencies are only one of several (albeit important) factors impacting business survival. It would also be impractical to collect data from firms that SAEDF is no longer financing. The Team, therefore, eliminated this performance indicator. If retained, 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.

7 Different Categories of Owners

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

8 Consistency in Reporting Financing Data

One performance indicator sought to measure the U.S. dollar volume of financing provided to indigenous SMEs by SAEDF and partners. The Team determined that, in order to ensure participation in reporting by the investees and 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 Lessons Learned

- This baseline study was limited to the small number of SAEDF investments which had closed before the commencement of this consultancy. The short period of time which had elapsed since the closing dates of these investments also limited the ability to realize and report substantial impacts or benefits. Several initial benefits produced

out of the four investments reviewed by the Team have been documented in this and other reports produced under this consultancy. A more extensive baseline study will be possible once the investment portfolio expands.

- The development of the impact data collection questionnaires was complicated by the diverse types of investments and investees sought by SAEDF. The Team developed a questionnaire designed to be flexible enough for the types of investments and investees envisioned by SAEDF. The valuable feedback received from investees and SAEDF staff during the field testing of the questionnaires enabled the Team to make several critical additions and refinements. While the field testing was limited by the small number of closed investments, it was, nonetheless, a critical part of the fine tuning process.
- Through meetings with investees, the Team was able to better understand and anticipate actual and probable demonstration effects. Subsequently, the Team adjusted and restructured performance indicators dealing with demonstration effects so as to collect data disaggregated according to pre-closing and post-closing effects. This fine tuning made it easier for the investees and beneficiaries to understand, become aware of and communicate demonstration effects as they occurred. We anticipate that it will also be simpler and more direct for those collecting the data.
- One SAEDF performance indicator, and certain SAEDF documentation, employs the term “previously-disadvantaged” Southern Africans. Since this term implies that the targeted individuals were disadvantaged only in the past, the Team discussed this issue with SAEDF staff, USAID Missions and others. These discussions registered a distinct preference for the more commonly used term “historically disadvantaged”, which the Team has adopted for the reports produced for this consultancy.
- After reviewing many of the proposed data sources at SAEDF and during field visits, it became clear that regular, and structured, meetings with investees would be most effective in collecting the required impact data. The Team, therefore, recommended that the performance measurement process be integrated with an overall investment portfolio monitoring process, which includes annual site visits.

APPENDIX A
REVISED PROJECTED INVESTMENTS FROM USAID FUNDS
AND PROGRAM REFLOWS 1997-2005

Appendix A

Revised Projected Investments From USAID Funds and Program Reflows 1997 2005

SAEDF7WK402/06/98

	Year	1994-96	1997	1998	1999	2000	2001	2002	2003	2004	2005
INCOME STATEMENT											
REVENUE											
Return on investments Interest		0 00	35 055	281 610	972 956	1 690 009	2 398 860	2 756 430	2 911 264	2 875 219	2 740 500
Return on investment Dividends		0 00	0	22 420	115 340	323 840	629 840	977 840	1 293 000	1 512 000	1 872 000
Return on investment Capital apprec		0 00	0	0	0	0	0	8 579 706	26 979 003	52 809 964	64 290 391
Total returns on investments		0	35 055	304 030	1 088 296	2 013 849	3 028 700	12 313 976	31 183,267	57 197 183	68 902 891
Operating cost support from USAID		1 036 368	2 500 000	2 500 000	1 963 632	0	0	0	0	0	0
TOTAL REVENUE		1 036 368	2 535 055	2 804 030	3 051 928	2 013 849	3 028 700	12 313 976	31 183 267	57 197 183	68 902 891
Operating expenses		1 307 168	2 178 037	3 122 035	3 356 890	3 556 778	3 769 864	3 997 129	4 239 635	4 498 531	4 775 064
Provision for capital losses		0 00	0 00	0 00	19 475	107 600	222 600	761 000	1 797 600	3 203 125	3 790 000
TOTAL EXPENSES		1 307 168	2 178 037	3 122 035	3 376 365	3 664 378	3 992 464	4 758 129	6 037 235	7 701 656	8 565 064
NET INCOME		(270 800)	357 018	(318 005)	(324 437)	(1 650 529)	(963 764)	7 555 846	25 146 032	49 495 527	60 337 828
Cum Revenue Reserves		(270 800)	86 218	(231 787)	(556 224)	(2 206 753)	(3 170 517)	4 385 329	29 531 361	79 026 887	139 364 715

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REVENUE WORK SHEET	RATES	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	TOTAL
Investment target USAID		0 00	3 800 000	14 100 000	23 000 000	24 000 000	24 000 000	12 000 000	0	0	0	100 900 000
Investment target re-flows				0	0	0	0	12 000 000	24,000 000	24,000 000	24,000 000	84,000 000
Total investment target			3 800 000	14 100 000	23 000 000	24,000 000	24,000 000	24,000 000	24,000 000	24,000 000	24,000 000	184 900 000
Cumulative investment		0 00	3 800 000	17 900 000	40 900 000	64,900 000	88 900 000	112 900 000	136 900 000	160 900 000	184,900 000	
FEEES												
Commitment fee			38 000	141 000	230 000	240 000	240 000	240 000	240 000	240 000		
Closing fee			76 000	282 000	460 000	480 000	480 000	480 000	480 000	480 000		
Deal size			950 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000		
Number of deals			4	11	12	12	12	12	12	12	12	98
Average deal per Snr Investment Prof			1	2	2	2	2	2	2	2	2	
Portfolio diversity												
Debt instruments % of target			41%	50%	40%	30%	25%	25%	25%	25%	25%	30%
Equity % of target			59%	50%	60%	70%	75%	75%	75%	75%	75%	70%
Debt instruments made			1 558 000	7 050 000	9 200 000	7 200 000	6 000 000	6 000 000	6 000 000	6 000 000	6 000 000	55 008 000
Equity investments made			2 242 000	7 050 000	13 800 000	16 800 000	18 000 000	18 000 000	18 000 000	18 000 000	18 000 000	129 892 000
Interest from debt instruments	9%											
Loans granted in fiscal 1997			35 055	70 110	131 456	105 165	70 110	35 055	8 764			455 715
Loans granted in fiscal 1998				211 500	634,500	594,844	634,500	475 875	317 250	118 969		2 987 438
Loans granted in fiscal 1999					207 000	828 000	776 250	828 000	621 000	414,000	155 250	3 829 500
Loans granted in fiscal 2000						162 000	648 000	607 500	648 000	486 000	324,000	2 875 500
Loans granted in fiscal 2001							270 000	540 000	506 250	540 000	405 000	2 261 250
Loans granted in fiscal 2002								270 000	540 000	506 250	540 000	1 856 250
Loans granted in fiscal 2003									270 000	540 000	506 250	1 316 250
Loans granted in fiscal 2004										270 000	540 000	810 000 00
Loans granted in fiscal 2005											270,000	270 000
Total interest income		0 00	35 055	281 610	972 956	1 690 009	2 398 860	2 756 430	2 911 264	2 875 219	2 740,500	16 661 903
Dividends from equity instruments	2%											
Investments made in fiscal 1997				22 420	44,840	44,840	44 840	44,840				201 780
Investments made in fiscal 1998					70 500	141 000	141 000	141 000	141 000			634,500
Investments made in fiscal 1999						138 000	276 000	276 000	276 000	276 000	276 000	1 518 000
Investments made in fiscal 2000							168 000	336 000	336 000	336 000	336 000	1 512 000
Investments made in fiscal 2001								180 000	360 000	360 000	360 000	1 260 000
Investments made in fiscal 2002									180 000	360 000	360 000	900 000
Investments made in fiscal 2003										180 000	360 000	540 000
Investments made in fiscal 2004											180 000	180 000
Total dividend income		0 00	0	22 420	115 340	323 840	629 840	977 840	1 293 000	1,512 000	1 872 000	6 746 280
Principal repayments on debt	4											
Loans granted in fiscal 1997					194,750	389 500	389 500	389 500	194,750			1 558 000
Loans granted in fiscal 1998						881 250	1 762 500	1 762 500	1 762,500	881 250		7 050 000
Loans granted in fiscal 1999							1 150 000	2 300 000	2,300 000	2 300 000	1 150 000	9 200 000
Loans granted in fiscal 2000								900 000	1 800 000	1 800 000	1 800 000	6 300 000
Loans granted in fiscal 2001									750 000	1 500 000	1 500 000	3 750 000
Loans granted in fiscal 2002										750 000	1,500 000	2 250 000
Loans granted in fiscal 2003											750 000	750 000
Loans granted in fiscal 2004												
less provision for capital losses	5%				(19 475)	(107 600)	(222 600)	(312 600)	(387 600)	(443 125)	(430,000)	(1 923 000)
Total principal repayments		0	0	0	175 275	1 163 150	3 079 400	5 039 400	6 419 650	6 788 125	6 270 000	28 935 000
Proceeds on sale of equity	30%											
Investments made in fiscal 1997	6							10 821 706				10 821 706

Appendix A

Revised Projected Investments From USAID Funds and Program Reflows 1997 2005

SAEDF7WK402/06/98

Investments made in fiscal 1998							34,029,003			34,029,003
Investments made in fiscal 1999								66,609,964		66,609,964
Investments made in fiscal 2000									81,090,391	81,090,391
less provision for capital losses							(448,400)	(1,410,000)	(2,760,000)	(3,360,000)
2007 Total proceeds on sale of equity	0	0	0	0	0	0	10,373,306	32,619,003	63,849,964	77,730,391
less principal redeemed							2,470,000	7,050,000	13,800,000	16,800,000
Capital appreciation on investments	0 00	0 00	0 00	0 00	0 00	0	8,579,706	26,979,003	52,809,964	64,290,391
Total return on investments	0 00	35,055	304,030	1,088,296	2,013,849	3,028,700	12,313,976	31,183,267	57,197,183	68,902,891
										247,872,847

	1997	1998+	1994-96	1997	1998	1999	2000	2001	2002	2003	2004	2005
OPERATIONAL EXPENSES												
Personnel												
Senior Management	2	3										
Salary					231 500	292 163	306 771	322 109	338 215	355 125	372 882	391 526
Benefits					23 150	29 216	30 677	32 211	33 821	35 513	37 288	39 153
Allowances					0	0	0	0	0	0	0	0
Senior Investment Professional Staff	4	6										
Salary					404 000	504 000	529 200	555 660	583 443	612 615	643 246	675 408
Benefits					40 400	50 400	52 920	55 566	58 344	61 262	64 325	67 541
Allowances					0	0	0	0	0	0	0	0
Other Professional Staff	8	11										
Salary					394 056	413 759	434 447	456 169	478 978	502 926	528 073	554 476
Benefits					39 406	41 376	43 445	45 617	47 898	50 293	52 807	55 448
Allowances					0	0	0	0	0	0	0	0
Other Personnel	11	12										
Salary					154 350	185 220	194 481	204 205	214 415	225 136	236 393	248 213
Benefits					15 435	18 522	19 448	20 421	21 442	22 514	23 639	24 821
Allowances					0	0	0	0	0	0	0	0
Bonus program percentage					25%	25%	25%	25%	25%	25%	25%	25%
Bonus Program					295 977	348 785	366,225	384 536	403 763	423 951	445 148	467 406
Total Personnel Expenses	25	32	776 994	863 874	1 598 273	1 883 441	1 977 613	2 076 494	2 180 318	2 289 334	2 403 801	2 523 991
Business Expenses												
Travel Out of region					16 000	16 800	17 640	18 522	19 448	20 421	21 442	22 514
Travel Within region					263 000	276 150	289 958	304 455	319 678	335 662	352 445	370 067
Other Business expenses					37 440	39 312	41 278	43 341	45 509	47 784	50 173	52 682
Total Business Expenses			341 561	536 764	316 440	332 262	348 875	366 319	384 635	403 867	424 060	445 263
Occupancy Costs												
Rental premises					67 997	81 265	89 391	98 330	108 163	118 980	130 878	143 965
Rental -parking					16 500	18 150	19 965	21 962	24 158	26 573	29 231	32 154
Electricity					5 760	6 336	6 970	7 667	8 433	9 277	10 204	11 225
Water					985	1 084	1 192	1 311	1 442	1 586	1 745	1 919
Rates					12 480	13 728	15 101	16 611	18 272	20 099	22 109	24 320
Total Occupancy Costs				see G & A	103 722	120 562	132 618	145 880	160 468	176 515	194 167	213 883
Investment Expenses												
Legal expenses					250 800	260 820	273 861	287 554	301 932	317 028	332 880	349 524
Outside Expenses					379 800	239 505	251 480	264 054	277 257	291 120	305 676	320 960
Total Investment Expenses					403 259	630 600	500 325	525 341	551 608	579 189	608 148	670 483
Directors' Expenses				see G & A	215 000	236 500	260 150	286 165	314 782	346 260	380 886	418 974
Gen & Administrative expenses			188 613	374 140	258 000	283 800	312 180	343 398	377 738	415 512	457 063	502 769
TOTAL OPERATING EXPENSES			1,307,168	2,178 037	3,122,035	3 356,890	3,556,778	3,769,864	3,997,129	4 239,635	4,498,531	4,775 064

APPENDIX B

SOUTHERN AFRICA ENTERPRISE DEVELOPMENT FUND

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 intermediate 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	1 228	1 462	1 696	1 930	
	female employees	0	0	45	171		309		447	585	723	861	999	1 137	
	total employees	0	0	122	463		835		1 207	1 579	1 951	2 323	2 695	3 067	
	<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>Comments 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														

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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	Narrative <u>Microenterprises assisted through IFIs</u> male owned female owned mixed ownership total <u>Other SMEs assisted through IFIs</u> male owned female owned mixed ownership total <u>SMEs and IFIs assisted directly</u> male owned female owned mixed ownership total <u>All indigenously owned enterprises assisted</u> male owned female owned mixed ownership total	Narrative summarizing current annual sales by indigenous, historically-disadvantaged enterprises assisted by SAEDF and partners either directly or through IFIs									
Definition(s)	<u>Sales</u> Gross revenues from goods and services <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 <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 <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										
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	Comments 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									
Frequency of Data Availability	Project summaries available approximately quarterly coinciding with SAEDF Board meetings Impact assessments to be conducted annually	In January 1998 the Implementation Assistance Team reviewed exit strategies and their impact for investments approved by the SAEDF Board through September 1997									
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	0	0												
female owned	0	0	4	11		12		12	12	12	12	12	12	
mixed ownership														
total														
All indigenously owned enterprises receiving financing directly or through IFIs														
male owned	0	0												
female owned	0	0	4	2 488		6 684		8 585	8 768	8 768	8 768	8 768	8 768	
mixed ownership														
total														
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	<p>Comments 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</p>												
Frequency of Data Availability	Annual as of 12/31 with report due to USAID no later than 2/28													
Responsible Officer	SAEDF Investment Officers													

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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	0 0	3 8		1 4		2 3		2 4	2 4	2 4	2 4	2 4	2 4
	operating companies	0 0	15 0		12 7		20 7		21 6	21 6	21 6	21 6	21 6	21 6
	total	0 0	18 8	3 8	14 1		23 0		24 0	24 0	24 0	24 0	24 0	24 0
	<u>US\$ million on lent to</u>													
	microenterprises	0 0	9		7		1 2		1 2	1 2	1 2	1 2	1 2	1 2
other SMEs	0 0	9		2 1		2 4		2 6	2 6	2 6	2 6	2 6	2 6	
total	0 0	1 9		2 8		4 6		4 8	4 8	4 8	4 8	4 8	4 8	
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	Comments 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													

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										

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 Microenterprises assisted through IFIs Other SMEs assisted through IFIs Indigenously owned enterprises assisted directly 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) <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	Comments 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	Comments 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													

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)	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)													
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													

APPENDIX C

PRELIMINARY BASELINE DATA COLLECTION INSTRUMENT

APPENDIX C
PRELIMINARY BASELINE DATA COLLECTION INSTRUMENT

1 Net Increase in Employment				
	Male	Female	Southern African	Non-So African
IFI → micro				
IFI → SME				
Direct				

2 Annual Sales			
	Male-owned	Female-owned	Mixed ownership
IFI → micro			
IFI → SME			
Direct			

3 Ownership			
	Base	Current	Exit
%			
\$			

4 Number of Beneficiary Firms			
	Male-owned	Female-owned	Mixed Ownership
IFI → micro			
IFI → SME			
Direct			

5 Volume of Financing				
	Operating	IFI	SME	Micro
Direct				
On-lent				

6 Narrative Description of Innovation		
	Quantitative Impact	Demonstration Impacts in Financial Markets
Direct investment		
IFI → SME		

7 Sustainability Estimates			
	% Male-owned	% Female-owned	% Mixed ownership
2 years			
4 years			
6 years			
8 years			

8 Narrative Description of Improved Business Practices	
Transactions	
Board participation	
Monitoring	
Technical Assistance	
Other advice	
Promotion-finance	
Promotion-entrepreneurship	

9 Leverage		
Direct	SME	Micro

10 Average Loan Size by IFI	
SME	Micro

11 Timing of On-lending	
SME	Micro

12 Timing from On-lending to Job Creation	
SME	Micro

**APPENDIX C
PRELIMINARY BASELINE DATA COLLECTION INSTRUMENT**

1 Net Increase in Employment				
	Male	Female	Southern African	Non-So African
IFI → micro				
IFI → SME				
Direct				

2 Annual Sales			
	Male-owned	Female-owned	Mixed ownership
IFI → micro			
IFI → SME			
Direct			

3 Ownership			
	Base	Current	Exit
%			
\$			

4 Number of Beneficiary Firms			
	Male-owned	Female-owned	Mixed Ownership
IFI → micro			
IFI → SME			
Direct			

5 Volume of Financing				
	Operating	IFI	SME	Micro
Direct				
On-lent				

6 Narrative Description of Innovation		
	Quantitative Impact	Demonstration Impacts in Financial Markets
Direct investment		
IFI → SME		

7 Sustainability Estimates			
	% Male-owned	% Female-owned	% Mixed ownership
2 years			
4 years			
6 years			
8 years			

8 Narrative Description of Improved Business Practices	
Transactions	
Board participation	
Monitoring	
Technical Assistance	
Other advice	
Promotion-finance	
Promotion-entrepreneurship	

9 Leverage		
Direct	SME	Micro

10 Average Loan Size by IFI	
SME	Micro

11 Timing of On-lending	
SME	Micro

12 Timing from On-lending to Job Creation	
SME	Micro

APPENDIX D

FINAL BASELINE DATA QUESTIONNAIRES

Southern Africa Enterprise Development Fund
Impact Monitoring Questionnaire
For Small and Medium Enterprises (SMEs)
Funded by
SAEDF Intermediate Financial Institutions (IFIs)

A Company Information

Name _____

Address (both postal and physical addresses)

Telephone _____ Fax _____

Type of Business _____

Date Started _____ Fiscal year end _____

Annual Sales or Revenue (please specify currency) _____

Percentage Ownership

Institutional ___ % + Individuals ___ % = 100%

For individual shareholders

Male ___ % + Female ___ % = 100%

Southern African¹ ___ % + Non-So African ___ % = 100%

¹ Ownership by individuals or institutions indigenous to Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia or Zimbabwe

B Ownership Information for SME (please attach separate responses for each owner)

Name _____

Is owner an Institution or Individual? Percentage Ownership _____%
If individual Age _____, Gender male or female

Citizenship (check all that apply)

- | | | |
|-----------------------------------|---------------------------------------|--------------------------------------|
| <input type="checkbox"/> Angola | <input type="checkbox"/> Mozambique | <input type="checkbox"/> Tanzania |
| <input type="checkbox"/> Botswana | <input type="checkbox"/> Namibia | <input type="checkbox"/> Zambia |
| <input type="checkbox"/> Lesotho | <input type="checkbox"/> South Africa | <input type="checkbox"/> Zimbabwe |
| <input type="checkbox"/> Malawi | <input type="checkbox"/> Swaziland | <input type="checkbox"/> Other _____ |

Annual Salary (please indicate currency) _____

Other compensation (value of annual leave and sick leave, insurance premiums, in-kind benefits, and other compensation, as applicable) _____

Total Compensation (salary plus other) _____

C Financing

Monetary amount of SAEDF financing (please specify currency) _____

Date of initial disbursement _____

Purpose(s) (check all that apply)

- | | |
|--|--|
| <input type="checkbox"/> greenfield/startup | <input type="checkbox"/> expansion |
| <input type="checkbox"/> working capital | <input type="checkbox"/> acquisition |
| <input type="checkbox"/> asset leasing | <input type="checkbox"/> franchising |
| <input type="checkbox"/> home mortgage | <input type="checkbox"/> commercial mortgage |
| <input type="checkbox"/> management/leveraged buyout | <input type="checkbox"/> other _____ |

Type of SAEDF financing Equity Debt Guarantee Other _____,

Initial term (period) of financing (if applicable) _____

D Other Sources of Financing Received

Source	Amount	Purpose	Type ²	Date	Term

E Employment

1) Number of Paid Full-Time Owner-Managers

Male _____ Female _____ = Total _____

Southern _____ Non-Southern _____
 African _____ African _____ = Total _____

2) Number of Other Paid Full-Time Managers

Male _____ Female _____ = Total _____

Southern _____ Non-Southern _____
 African _____ African _____ = Total _____

3) Number of Paid Full-Time Professional Staff

Male _____ Female _____ = Total _____

Southern _____ Non-Southern _____
 African _____ African _____ = Total _____

4) Number of Paid Full-Time Support Staff

Male _____ Female _____ = Total _____

Southern _____ Non-Southern _____
 African _____ African _____ = Total _____

5) Number of Unpaid Family Workers

Male _____ Female _____ = Total _____

Southern _____ Non-Southern _____
 African _____ African _____ = Total _____

² Ordinary shares, preference shares, loans, debentures, guarantees, overdrafts, leases, grants, etc

6) Total Annual Salaries Paid to Full-Time Employees
(please specify currency)

	Salaries	Benefits	Total
Owner-managers			
Other managers			
Full-time professional staff			
Full-time support staff			
Males			
Females			
Southern African			
Non-Southern African			

F Other Impact

In which areas has SAEDF, either directly or indirectly, benefitted your company, industry or marketplace? Please check all that apply

- Analysis and due diligence
- Negotiation and Structuring
- Monitoring
- Technical Assistance
- Board of Directors Participation
- Contacts and relationships
- Joint venture opportunities
- Education, training or promotion of entrepreneurship and risk-taking
- Education, training or promotion of entrepreneurial finance and investment
- Education, training or promotion of entrepreneurial management
- Other (please describe below)

Please describe and, where possible, quantify innovations, improvements or other positive impact attributable to SAEDF

Southern Africa Enterprise Development Fund

**Impact Monitoring Questionnaire
(For Direct Investments)**

A Company Information

Name _____

Address (both postal and physical addresses)

Telephone _____ Fax _____

Type of Business _____

Date Started _____ Fiscal year end _____

Annual Sales or Revenue (please specify currency) _____

Percentage Ownership

Institutional ___% + Individuals ___% = 100%

For individual shareholders

Male ___% + Female ___% = 100%

Southern African¹ ___% + Non-So African ___% = 100%

¹ Ownership by individuals or institutions indigenous to Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia or Zimbabwe

B Ownership Information (please attach separate responses for each owner)

Name _____

Is owner an Institution or Individual? Percentage Ownership _____ %
 If individual Age _____, Gender male or female

Citizenship (check all that apply)

- | | | |
|-----------------------------------|---------------------------------------|--------------------------------------|
| <input type="checkbox"/> Angola | <input type="checkbox"/> Mozambique | <input type="checkbox"/> Tanzania |
| <input type="checkbox"/> Botswana | <input type="checkbox"/> Namibia | <input type="checkbox"/> Zambia |
| <input type="checkbox"/> Lesotho | <input type="checkbox"/> South Africa | <input type="checkbox"/> Zimbabwe |
| <input type="checkbox"/> Malawi | <input type="checkbox"/> Swaziland | <input type="checkbox"/> Other _____ |

Annual Salary (please indicate currency) _____

Other compensation (value of annual and sick leave, insurance premiums, in-kind benefits, and other compensation, as applicable) _____

Total Compensation (salary plus other) _____

C Financing

Monetary amount of SAEDF investment(s)(please specify currency) _____

Date of initial disbursement _____

Purpose(s)(check all that apply)

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> greenfield/startup | <input type="checkbox"/> expansion |
| <input type="checkbox"/> working capital | <input type="checkbox"/> acquisition |
| <input type="checkbox"/> management/leveraged buyout | <input type="checkbox"/> other _____ |

Type of financing (check all that apply) Equity Debt Guarantee Other _____

Initial term of SAEDF loan(if applicable) _____

D Other Sources of Financing

Source	Amount	Purpose	Type ²	Date	Term

²Ordinary shares, preference shares, loans, debentures, guarantees, overdrafts, leases, grants, etc

E Employment

1) Number of Paid Full-Time Owner-Managers

Male _____ Female _____ = Total _____
 Southern African _____ Non-Southern African _____ = Total _____

2) Number of Other Paid Full-Time Managers

Male _____ Female _____ = Total _____
 Southern African _____ Non-Southern African _____ = Total _____

3) Number of Paid Full-Time Professional Staff

Male _____ Female _____ = Total _____
 Southern African _____ Non-Southern African _____ = Total _____

4) Number of Paid Full-Time Support Staff

Male _____ Female _____ = Total _____
 Southern African _____ Non-Southern African _____ = Total _____

5) Number of Unpaid Family Workers

Male _____ Female _____ = Total _____
 Southern African _____ Non-Southern African _____ = Total _____

6) Total Annual Salaries Paid to Full-Time Employees
 (please specify currency)

	Salaries	Benefits	Total
Owner-managers			
Other managers			
Full-time professional staff			
Full-time support staff			
Males			
Females			
Southern African			
Non-Southern African			

F Other Impact

In which areas has SAEDF, either directly or indirectly, benefitted your company, industry or marketplace? Please check all that apply

- Analysis and due diligence
- Negotiation and Structuring
- Monitoring
- Technical Assistance
- Board of Directors Participation
- Contacts and relationships
- Joint venture opportunities
- Education, training or promotion of entrepreneurship and risk-taking
- Education, training or promotion of entrepreneurial finance and investment
- Education, training or promotion of entrepreneurial management
- Other (please describe below)

Please describe and, where possible, quantify innovations, improvements or other positive impact attributable to SAEDF

APPENDIX E
BACKUP DOCUMENTATION
TRIP REPORTS

BASELINE DATA REPORT

KINGDOM SECURITIES OF ZIMBABWE

I EMPLOYMENT

Baseline Data

	Male	Female	Total	Southern African	Non-Southern African
Direct Investments	47	18	65 (up from 45 in 1996)	61	4
Micro via IFI	n/a	n/a	n/a	n/a	n/a
SME via IFI	n/a	n/a	n/a	n/a	n/a

Issues and Discussion

Kingdom indicated that Zimbabwean law (The Labor Relations Act), informal labor practices and social custom discourage collecting employment data by race. Baseline data on Southern African origin will be unofficial, and may be difficult to monitor in the future with Kingdom and other investments in the region.

Recommendations

- Examine value, relevance and appropriateness of collecting employment data by national origin.

II SALES

Baseline Data

	Male	Female	Mixed	Total
Direct Investments	Z\$406 mm (FYE 3/31/97)	n/a	n/a	
Micro via IFI	n/a	n/a	n/a	
SME via IFI	n/a	n/a	n/a	

Issues and Discussion

Kingdom acts as a broker, trader and advisor to purchasers and sellers of securities. As such, they do not make follow-on investments and do not appear to meet the strict qualifications of an IFI.

Kingdom's revenue for the six months ending 9/31/97 was Z\$276mm, up 46% over the Z\$189mm for the comparable period in 1996. Profit margins were reportedly narrower, however, due to interest rate volatility affecting Kingdom's core trading business.

Recommendations

- Kingdom is not an IFI, and should not be expected to report as such
- Emphasis should be placed on Kingdom's participation, innovation in and broader contribution to the Zimbabwean and Southern African regional financial services sector

III OWNERSHIP

Baseline Data

	At Closing	Current	Exit by SAEDF
%	72% - Principals 4% - employee trust 24% - institutions 100% (3 5% - SAEDF contingent preferred participation)	Same	Same
\$			

Issues and Discussion

Kingdom reports its institutional owners qualify as indigenous institutions Ownership may change as the company pursues growth, expansion and acquisitions through additions to its capitalization

IV BENEFICIARY FIRMS

Baseline Data

	Male	Female	Mixed	Total
Direct Investments				1 - Kingdom Securities
Micro via IFI				
SME via IFI				

Issues and Discussion

As previously discussed, Kingdom does not appear to meet the strict qualifications of an IFI The Principals explained, however, that as "market makers of Zimbabwe Stock Exchange ('ZSE") equity and other debt securities, Kingdom serves the Zimbabwean broker market (ten companies total including Kingdom) the 65 companies traded on the ZSE, and various issuers of commercial and municipal debt instruments

Notably, Kingdom participated in the privatization of three national parastatal organizations (The Dairy Board, Cotton Company, and Commercial Bank of Zimbabwe) and acted as the lead advisor on the Commercial Bank of Zimbabwe transaction The company feels it has played a pivotal role in

(1) educating new investors to the stock market as a vehicle to grow capital and wealth, (2) eliciting grassroots sponsorship of parastatal privatization, and (3) encouraging retail investment in the ZSE

Kingdom publishes investment guides in local languages (Shona and Ndebele) and sponsors a local television program providing financial education and information, "Making Money Make Sense " In 1997, they led a public offering for the Randalls Company which they indicate achieved a record in terms of indigenous public subscriptions They have also worked to broaden public acceptance of unit trusts through the development of three new products for individual investors, a money market income fund, a capital appreciation wealth fund, and a special situation fund of the fifteen highest performing securities on the ZSE

Recommendations

Kingdom and similar investments serving as significant catalysts in the financial services sector and to the overall economy should be assessed for impact based on narrative/qualitative factors such as innovation, industry role, market contributions, etc

V VOLUME FINANCING

Baseline Data

n/a

Issues and Discussion

n/a

Recommendations

n/a

VI INNOVATION

Narrative

The Principals believe that the due diligence and negotiation processes undertaken with SAEDF resulted in Kingdom's being a better, more competitive firm through the exercise of greater forethought and care in business planning, by thinking through possibilities, alternatives and considerations, and in developing ideas for products and services to address the marketplace

Kingdom 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 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

Issues and Discussion

Kingdom 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

VII SUSTAINABILITY

Baseline Data

n/a

Issues and Discussion

Kingdom is not an IFI in its strict definition so that indirect investments are not applicable. Informally, the Principals expressed their opinion that 95% of Zimbabwean startups fail within 5 years, mostly due to lack of capital. They felt the financial services industries to be better shielded from this high failure rate. They indicated that women owned businesses still represented a very small percentage of Zimbabwean businesses, with most of those being of very small size, in specific industries such as clothing, tourism, travel, legal and other services. This small participation they believed would grow somewhat in the future with increasing educational and entrepreneurial opportunities being made available to women.

Recommendations

- Gather external data on 5 and 10 year business survival rates by region and/or country
- Gather external data on 5 and 10 year survival rates for venture capital funded enterprises by region, country and investment type
- Gather external data on 5 and 10 year survival rates for AID funded enterprises
- benchmark SAEDF efforts accordingly

VIII IMPROVED BUSINESS PRACTICES

Baseline Data

As discussed above, Kingdom believes itself to be a better, more sustainable enterprise due to the beneficial scrutiny applied by SAEDF in its demanding due diligence and negotiation processes. The application of American and international standards and management practices they believe have prepared them for the public scrutiny which they anticipate will come

with future growth They also expressed the belief that SAEDF representatives worked to compromise where necessary, and have been educated as to the realities of the African marketplace which will prove beneficial in future investments

Issues and Discussion

The Principals felt it otherwise too early to pinpoint business practice benefits accruing to SAEDF as a partner in activities such as Board participation, routine monitoring, and technical assistance

Recommendations

This indicator should be broadened to include improvements and innovations introduced to the marketplace through SAEDF and/or its investees

IX LEVERAGE

Baseline Data

Kingdom remains at its post SAEDF closing capitalization level of approx US\$5mm, of which SAEDF accounts for US\$1 2mm or approx 24% The Principals indicate their intention to further augment its capital base by US\$40mm-US\$50mm, 50%-60% of which they intend to raise privately, the balance being raised publically as desirable They indicate SAEDF's existing participation as key to their future ability to leverage their existing capital

Recommendations

- For direct investments in operating and non-IFI companies, this is likely to be a long term indicator of impact

X AVERAGE LOAN SIZE BY IFI

Baseline Data

n/a

Issues and Discussion

n/a

Recommendations

n/a

XI TIMING OF ON-LENDING

Baseline Data

n/a

Issues and Discussion

n/a

Recommendations

n/a

55

BASELINE DATA REPORT

LEASING COMPANY OF ZIMBABWE

I EMPLOYMENT

Baseline Data

	Male	Female	Total	Southern African	Non-Southern African
Direct Investments	13	12	25 (up from 1 in 1996)	25	0
Micro via IFI	n/a	n/a	n/a	n/a	n/a
SME via IFI	n/a	n/a	n/a	n/a	n/a

Issues and Discussion

The Principal estimates that LCZ has outstanding approx 400 leases in 300 companies, divided as follows microenterprises - 3% (10 companies), small and medium enterprises - 67% (200 companies), and large companies - 30% (90 companies) They rarely finance startups

In each case, where lease financing goes toward acquiring new or incremental equipment, they believe it results in the creation of at least one new position Their belief is that such positions are semi-permanent, beyond the life of the lease, as the equipment continues to be productively employed

The Principal indicated that collecting employment data from clients would not be intrusive in the context of data he already collects for business and credit purposes He did raise the question, however, as to who would be responsible for funding impact data collection and reporting on an annual basis

Recommendations

- Obtain copies of LCZ business and credit applications
- Design data collection form for use by IFIs with their clients

II SALES

Baseline Data

	Male	Female	Mixed	Total
Direct Investments	Z\$36 mm (FYE 6/31/97)	n/a	n/a	
Micro via IFI	n/a	n/a	n/a	
SME via IFI	n/a	n/a	n/a	

Issues and Discussion

Kingdom collects revenue data from its clients as part of its initial appraisal and review. They do not collect such data on a routine or annual basis. The Principal felt to do so would not represent an undue burden, and suggested using a computer program to tabulate and report such data.

Recommendations

- Explore development of a basic computer model to assemble and report impact statistics
- Design data collection form for use by IFIs with their clients

III OWNERSHIP

Baseline Data

	At Closing	Current	Exit by SAEDF
%	75% - Principal, other individuals and families 25% - Local institutions 100% (50% - SAEDF and FMO preferred convertible participation)	Same	Same
\$			

IV BENEFICIARY FIRMS

Baseline Data

	Male	Female	Mixed	Total
Direct Investments	1			1 - LCZ
Micro via IFI	9	1		10
SME via IFI	190	10		200

Issues and Discussion

The Principal estimates that approx 5% of his clients are female owned, which companies operate nearly exclusively in the micro and small sector. He emphasized that LCZ does not discriminate and that low female participation figures are not deliberate. He indicated that he saw no legal, social or cultural problems in asking questions regarding gender.

V VOLUME FINANCING

Baseline Data

	Direct	On-lent
Operating		
IFI	US\$1mm	
Micro		Z\$17 5mm
SME		Z\$192 5mm

Issues and Discussion

Principal's estimates based on Z\$450mm in leases written over fifteen months, with approx Z\$350mm currently outstanding, and a Z\$ volume distribution as follows microenterprises (5%), small and medium enterprises (55%), and large companies (40%)

SAEDF's investment closed on July 15, 1997 It is unknown the extent to which LCZ's on-lendings are directly traced to SAEDF funding

Recommendations

- Clarify objective of impact reporting vis-a-vis SAEDF client impact/performance versus role of SAEDF in such impact/performance

VI INNOVATION

Narrative

The Principal indicated that, as a result of analysis related to the SAEDF transaction, he gained a greater concern for liquidity management, i.e. matching the timing and terms of time deposits (liabilities) and leases (assets) This greater appreciation he believes has strengthened LCZ's operations Further benefits from innovation, he believes will become apparent as the relationship matures

He further indicated that LCZ is the first and only one of Zimbabwe's five leasing companies to be Black owned, which he believes to have significant demonstration value to Southern African financial markets

VII SUSTAINABILITY

Baseline Data

n/a

57

Issues and Discussion

The Principal had no direct data on his clients' sustainability. He shared his impressions that in Zimbabwe, relatively few businesses startup from scratch due to lack of capital, cash flow (versus asset or collateral) based banking, market research, managerial skills, etc. Given the low startup rate, he believed most that do overcome the hurdles succeed, with a failure rate of only 10%-15% over the first five years. As a former venture capitalist, he subscribed to the rule of thumb that of 5 venture investments, 1 would fail, 3 would breakeven and be sustained, and 1 would grow into a star.

Recommendations

- Gather external data on 5 and 10 year business survival rates by region and/or country
- Gather external data on 5 and 10 year survival rates for venture capital funded enterprises by region, country and investment type
- Gather external data on 5 and 10 year survival rates for AID funded enterprises
- benchmark SAEDF efforts accordingly

VIII IMPROVED BUSINESS PRACTICES

Baseline Data

LCZ's Principal is a highly experienced financial executive. He indicated that for him, it was still too early in the relationship with SAEDF to identify resulting improvements in business practices.

Recommendations

This indicator should be broadened to include improvements and innovations introduced to the marketplace through SAEDF and/or its investees.

IX LEVERAGE

Baseline Data

LCZ funds its lease assets by means of invested capital, short to medium term commercial paper (purchased by pension funds, insurance companies and other money market investors), and time deposits. The Principal explained that financial institutions such as LCZ are tightly regulated for capital adequacy. Specifically, LCZ can leverage its invested capital with borrowings up to a 25:1 ratio. He indicated that SAEDF's US\$1mm investment

in LCZ has already leveraged US\$12mm in deposits, and provides the company the opportunity to leverage another \$13mm

X AVERAGE LOAN SIZE BY IFI

Baseline Data

Micro - US\$ 25,000

SME - US\$ 75,000

Large - US\$300,000

Issues and Discussion

The Principal indicated that his working minimum lease amount is US\$10,000, up to a maximum of US\$1mm, with an average of lease amount of US\$100,000

XI TIMING OF ON-LENDING

Baseline Data

The Principal indicated that LCZ's experience has been that once a client is identified, on-lending takes between 1-30 days, with an average of timespan of 1 week His belief is that at least 1 job is created immediately upon consummation of each lease

TO Mary-Jean Moyo, SAEDF Senior Investment Associate
FROM Dennis Smyth, USAID Implementation Assistance Team
SUBJECT Meetings at Rural Housing Finance office in Doornfontein on November 14 and December 3, 1997

PERSONS CONTACTED

Chris Hock, Managing Director, Rural Finance Facility
Doug Hamilton, Director of Operations, Rural Housing Finance

Thank you very much for arranging the meetings with Rural Housing Finance. Here are the notes I took at the two meetings. Please let me know if you have any questions or comments.

November 14th meeting with Doug Hamilton of Rural Housing Finance

Chris Hock (Managing Director of Rural Finance Facility) was active in negotiations with SAEDF, "it took many months to get to an agreement. The document was cut a lot!"

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. RHF did not on-lend the SAEDF investment funds.

DH, a former commercial banker, reviewed some profiles of their borrowers. After five years of operation, RHF's bad debt ratio is 0% because it uses secured lending methodology, by operating "via the shop floor"

- loan officers go to the factories,
- talk to shop stewards and workers, to obtain acceptance of RHF methodology,
- company will collect RHF installment payment through payroll deductions,
- payment secured by borrower's provident fund

Maximum loan size is R30,000. RHF will lend up to 80% of the value of the worker's provident fund. Fixed interest rate (22.5%) on the declining loan balance. (RHF rate is not linked to overdraft rates.)

Average term of RHF loan is 32 months, shortest term is 6 months and longest is 60 months (recently increased to 90 months)

Borrower wants to see loan paid back quickly, then come in for a second loan. One hopes that this process would enable the borrower to develop a track record that could be presented to a bank but, according to DH, "the banks keep moving the goal posts on them! Banking has an unfriendly face."

RHF wants to introduce a staff incentive share program

DH indicated that several investors, including a few black empowerment groups, want to invest in RHF

Most borrowers have provident funds from "one of the middle industries" or major insurance companies

Borrowers are lower middle class people who can't get mortgage bonds No title, informal settlements & rural areas

RHF tries to keep application and related documents short and simple

Currently have three loan pools (from same source NHFC)

- 1) Main pool, "RFF Housing 2", R50 million LOC, loanable funds of R24 million,
- 2) Second pool, "RFF Housing" is for unsecured rural loans, currently about R800,000,
- 3) Third pool, "RFF Housing 3 "

December 3rd meeting with Mr Chris Hock, Managing Director of Rural Finance Facility (RFF)

In South Africa, housing subsidies are aimed at big projects, which attracts only big developers

In 1996, RFF commissioned client surveys by an independent analyst of their housing and microfinance borrowers. CH said that RFF and RHF have lacked the time and funds to do extensive studies or impact assessments on a regular basis. RFF/RHF would like to conduct more of such studies on its own and use them as marketing and management information tools. CH mentioned two large and highly-regarded survey companies, Market Research Africa and Social Surveys, that are capable of doing such work. CH would like to use one of them to do a tightly-focused impact assessment of RHF's loan portfolio in order to expand their knowledge of their clients.

CH said he RHF prefers using external sources to perform impact assessments because it ensures impartiality. CH said he would like to do a follow-up to the 1996 client surveys and use them as a strategic management tool to strengthen and fine tune RFF's and RHF's products and data collection/processing mechanisms. He added that RFF/RHF could supplement the information gathered in the formal external surveys by periodically conducting its own surveys and studies. RFF/RHF is trying to make its own impact assessment process more formal so that they are more useful as a management tool. At present, they only conduct such informal surveys during their slow season, in January and February.

CH noted that the National Housing Finance Corporation (NHFC) has issued terms of reference for a major study. The consulting firms which is awarded the contract will be asked to examine the inhibiting factors constraining the development of a secondary market for low-income housing in South Africa.

CH mentioned RFF's plans to initiate share incentive schemes. The first scheme would offer shares to all staff based on length of service. The second scheme would be a performance incentive for "key" staff, such as senior managers and staff who have played critical roles in RFF and/or RHF. As envisioned by CH, a lender would provide funds to purchase the shares for a trust. The lender would "warehouse" the shares for the employee-owners. The implementation of these schemes will reduce RFF's ownership of RHF from 100% to about 80% or 85%. CH added that RHF would like to obtain some advice and guidance on employee stock option plans (ESOPs). He asked if SAEDF could assist RHF in this area.

SAEDF's investment RHF needed to increase its capital base in order to attract funds for its lending operations. Funding from a French organization was considered too expensive, IDT Finance Corporation, a parastatal that was providing funding to RHF, decided to discontinue providing wholesale funding to the market, forcing RHF to look elsewhere. The NHFC told RHF that it would be willing to provide funding if RHF took measures to increase its capital base.

CH said the due diligence conducted by SAEDF took no longer than he had expected and was conducted professionally. The negotiation of the instrument took about two months. The funds were received by RHF in June 1997, two months after the negotiations concluded. Once the SAEDF debenture was in place, RHF was able to shift its loan book from IDT Finance Corporation to NHFC. During this time, RHF also received a R2 million grant from IDT Finance.

Impact Assessment Questionnaire We discussed the various categories in the draft SAEDF impact assessment questionnaire. CH suggested replacing 'skilled' with 'professional staff' and replacing 'unskilled' with 'support staff' to be more reflective of the staffing levels of most companies. He completed the form and suggested some ways to streamline its format. Regarding the impact of the SAEDF investment, CH said the most direct benefit was the boost to RHF's capital base. This attracted the NHFC funding and will also make RHF eligible for funding from other sources. RHF would not have been able to make any additional loans since June 1997, when SAEDF's investment enabled RHF to attract much-needed funding.

TO Mary-Jean Moyo, SAEDF Senior Investment Associate

FROM Dennis Smyth & Paul Wenger, USAID Implementation Assistance Team

SUBJECT Meeting at OPN site in Keetmanshoop on November 19, 1997

PERSONS CONTACTED Trevor Pinchen, Construction Site Manager
Eugene Van Rooyen, Hatchery Manager
A Oberholzer, ostrich farmer and 2% owner

Thank you very much for arranging our meetings with the OPN representatives in Keetmanshoop. Here are some of the notes I jotted down during our meetings at the construction site.

Mr. Pinchen told us the hatchery is complete and has been operational for the past 10 weeks. His crew is working to complete the road in front of the hatchery.

His crews are responsible for completing the tannery, abattoir, lairages, by-product, and boiler buildings. He said he expected the lairages, abattoir and by-products buildings to be completed, on schedule, by April 1998. Much of the machinery for the abattoir and by-products buildings will arrive in January. In early 1998, work will commence on the effluent plant. This plant will be completed before any other buildings begin operating.

Mr. Pinchen said he meets weekly with the construction sub-contractors to coordinate the construction activities and ensure that everything is on schedule.

Mr. Van Rooyen, hatchery manager, said the hatchery is now receiving about 600 eggs per week and hopes to increase it to 1,100 or so. The eggs are collected from the ostrich farmers and delivered to the hatchery. The eggs take an average of 42 days to hatch. When the chicks are about one day old, they are returned to the farmers and 12 to 14 months later, the mature ostriches return to OPN.

OPN has a permanent veterinarian on-site who works with the farmers and others to ensure that conditions are right for a hygienic operation. The vet will remain at the site, as an employee of OPN, once the facility is in full operation.

Mr. Pinchen said CES, his employer, has many years of project management and construction experience, having worked on the construction of beef abattoirs, breweries, gold and coal mines, and power stations.

Mr. Pinchen told us that Mr. Bruce Demmer of CES, who is based in Johannesburg, can answer more specific questions relating to financial and environmental matters. We informed Mr. Pinchen that we would arrange to meet Mr. Demmer when we returned to Johannesburg. We also hope to meet with Mr. Frekkie Mouton, MD of OPN if and when he is available.

APPENDIX F

BACKUP DOCUMENTATION

ACTIVITY LEVEL PERFORMANCE DATA TABLES

EVALUATION OF INDICATORS AND SOURCES

APPENDIX F
EVALUATION OF PERFORMANCE INDICATORS AND DEFINITIONS

	DIRECT	OBJECTIVE	ADEQUATE	QUANTITATIVE	DISAGGREGATED	PRACTICAL	RELIABLE
Increased Employment	Increased employment may be independent of reduced barriers to entry	yes	yes	yes	Data disaggregated by gender does not appear to be routinely kept	Data collected by national origin may be impractical where emphasis on equal opportunity is high e.g. Zimbabwe	As data collected by gender or national origin may be unofficial or impractical it may also be unreliable
Increased Sales	Increased sales may be independent of reduced barriers to entry	yes	Minimizes impact of stable annual sales	yes	Does not accommodate widely held or corporate owned investments	yes	yes
Increased Ownership of Shares	yes	Does not disaggregate indigenous institutional owners	Does not disaggregate indigenous institutional owners	yes	Does not disaggregate indigenous institutional owners	yes	yes
No Indigenous Firms Receiving Financing	yes	yes	In conjunction with dollar volume	yes	Data disaggregated by gender does not appear to be routinely kept	Data disaggregated by gender does not appear to be routinely kept	As data collected by gender may be unofficial it may also be unreliable
Dollar Volume of Financing	SME financing provided by IFIs may not be directly linked to SAEDF or partners but to earlier or later financings	Does not capture SAEDF role in IFIs where early support results in subsequent financings and SME on-lending	Obscures role of SAEDF in institutionalizing IFIs	yes	yes	yes	yes

APPENDIX F
EVALUATION OF PERFORMANCE INDICATORS AND DEFINITIONS

	DIRECT	OBJECTIVE	ADEQUATE	QUANTITATIVE	DISAGGREGATED	PRACTICAL	RELIABLE
Innovative Financial Transactions (Deals)	More direct input to Intermediate Result 1 31 improved business competencies	no	innovations or benefits resulting from transaction specific practices (e g analysis due diligence negotiation structuring) introduced	No	n/a	yes	yes
Indigenous Firms Still Operating	Survivability is multi factoral	SAEDF investees should be benchmarked to survival rates by country and region for all businesses venture backed businesses and other USAID VC funds	no	yes	Data disaggregated by gender does not appear to be routinely kept	Impractical to collect data from firms no longer financing either directly or through IFIs	No

APPENDIX F
EVALUATION OF PERFORMANCE INDICATORS AND DEFINITIONS

	DIRECT	OBJECTIVE	ADEQUATE	QUANTITATIVE	DISAGGREGATED	PRACTICAL	RELIABLE
Improved Business Practices	yes	no	post-transaction impact	no	(1) monitoring (2) technical assistance (3) board participation (4) other advice (5) promotion of entrepreneurial finance or (6) risk-taking	yes	yes
Admin Expense Coverage	yes	yes	Cash on cash returns second round capital raised	yes	yes	yes	yes
Operating Expense Coverage	yes	yes	Cash on cash returns second round capital raised	yes	yes	yes	yes

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APPENDIX F
EVALUATION OF DATA SOURCES FOR EACH PERFORMANCE INDICATOR

	Does Source Provide the Required Data?	Recommendations to Strengthen Capacity of Source	Alternative Data Sources
Increased Employment	Data disaggregated by gender does not appear to be routinely kept Data collected by national origin may be impractical where emphasis on equal opportunity is high	Design data collection form for use by IFIs with their clients Examine value relevance and appropriateness of collecting employment data by national origin	Satisfactory
Increased Sales	Satisfactory	Design data collection form for use by IFIs with their clients Explore development of a basic computer model to assemble and report impact statistics	Satisfactory
Increased Ownership of Shares	Satisfactory	Consider disaggregating individual and institutional indigenous owners	Investee annual financial statements and SAEDF audit process for investment valuation Routine monitoring of changes in ownership of shares as part of annual portfolio monitoring visits
No Indigenous Firms Receiving Financing	Data disaggregated by gender does not appear to be kept routinely by IFIs	Clarify objectives and methodology for on-lending by IFIs and the direct impact of SAEDF financing	Satisfactory
Dollar Volume of Financing	Satisfactory	Design data collection form for use by IFIs with their clients Explore development of a basic computer model to assemble and report impact statistics	Internal investment and disbursement documentation
Innovative Financial Transactions (Deals)	Satisfactory	Clarify focus to innovations or benefits resulting from transaction specific practices versus post transaction influences	Annual portfolio monitoring visits and reports

APPENDIX F EVALUATION OF DATA SOURCES FOR EACH PERFORMANCE INDICATOR			
	Does Source Provide the Required Data?	Recommendations to Strengthen Capacity of Source	Alternative Data Sources
Indigenous Firms Still Operating	Survivability is multifactorial not attributable to SAEDF alone Impractical to collect data from firms no longer financing either directly or through IFIs Data disaggregated by gender does not appear to be routinely kept	Track 5 and 10 year survival experience of direct investments	Benchmark SAEDF investees to survival rates by country and region for all businesses venture backed businesses and other USAID VC funds
Improved Business Practices	Satisfactory	Clarify and expand focus to 'post-transaction innovations or benefits to clients or the marketplace attributable to SAEDF or its investees	Annual portfolio monitoring visits and reports
Admin Expense Coverage	Satisfactory	Satisfactory	Management reports detailing cash on cash returns and second round capital raised
Operating Expense Coverage	Satisfactory	Satisfactory	Management reports detailing cash on cash returns and second round capital raised

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