The KPMG IDAS Africa Story

Impact Report 2015-2016

kpmg.com/das

Acronyms

aBi : Agricultural Business Initiative Trust
AcT : Accountability in Tanzania
AECF : The Africa Enterprise Challenge Fund
AGRA : Alliance for a Green Revolution in Africa
BOP : Bottom of the Pyramid
BRACED : Building Resilience and Adaptation to Climate Extremes and Disaster
CGAP : Consultative Group to Assist the Poor
CICF : County Innovation Challenge Fund
Danida : Danish International Development Agency
FRP : The MasterCard Foundation Fund for Rural Prosperity
FSDT Kenya: Financial Sector Deepening Trust, Kenya
FSP : Financial Service Provider
GEM : The World Bank Growth and Employment Project
GRP : The Global Resilience Partnership
HDIF : Human Development Innovation Fund
IDAS : International Development Advisory Services
IFC : International Finance Corporation
IFAD : International Fund for Agricultural Development
MEC : MicroEnergy Credits
MOOC : Massive Open Online Course
REACT : Renewable Energy and Adaptation to Climate Change Technologies (window of the AECF)
SCIP Fund: Strategic Climate Institutions Programme Fund
SDC : Swiss Agency for Development Cooperation
Sida : Swedish International Development Agency
SPV : Special Purpose Vehicle
THAT : Tandabui Health Access Tanzania

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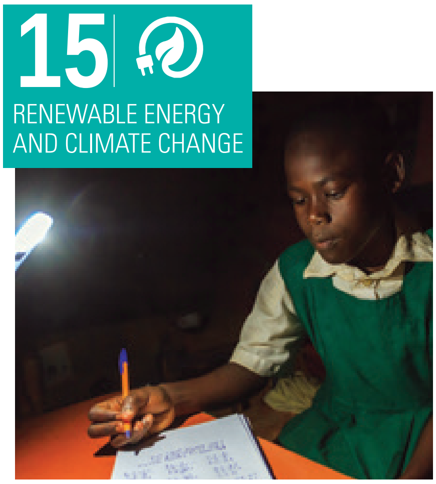
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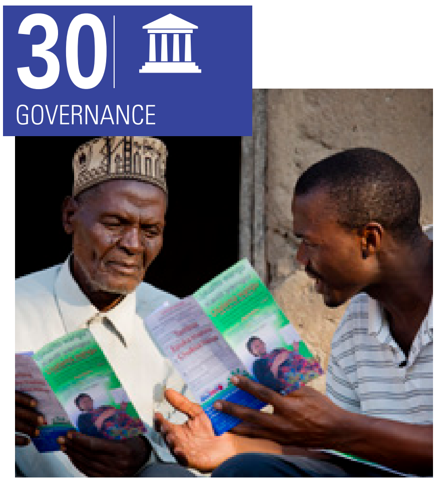
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GOVERNANCE

Introduction

Many years ago, when I was a young university student, I had an epiphany: I was to dedicate my life to work in the less developed regions of the planet, in places where I had never been, but where I felt my skills could make a difference to balance opportunities for millions of people who didn't have many. In other words, I decided to focus my life on achieving development impact.

Among the many learnings of my life over the last two decades, working in over 40 developing countries, is that impact is not linear, it can be elusive, it is not easy to quantify, and measuring it is costly. There is plenty of failure too, painful mistakes when a policy or development intervention are untimely or not designed properly. Sustainability remains a major challenge. As the saying goes: The road to hell is paved with good intentions.

Bearing this in mind, at KPMG IDAS Africa we take impact very seriously. I believe wholeheartedly that the almost 200 professionals with 18 different nationalities who work in IDAS Africa are all driven by the same purpose. We are here to empower change across this magnificent, vast and diverse continent that faces so many internal and external challenges, while at the same time holding so much promise.

Impact is now more important than ever. The world seems to be going through a crisis of trust, in particular when it comes to spending taxpayers' money in countries that are difficult to pin on a map or whose names might sound exotic. On the other hand, the planet is one and solidarity is an important principle. We must help each other. Things must get better for everyone, not just for a few. The world is about multilateralism, about working together, and hence we are fully committed to contributing to the Sustainable Development Goals. The bottom line is that to maintain and increase trust, we need to improve the way we measure impact and be very honest about it.

"

To maximise impact we need technology and innovation, to leapfrog development stages as quickly as possible... We need more organisations partnering and blending finance of different characteristics together. We need more special purpose vehicles. We need new business models. We need to be bolder.

Julio Garrido-Mirapeix,
Partner and Head of IDAS Africa

IDAS Africa is trusted by governments, foundations, social investors and the like to accelerate Africa's transformation, and we are driven by this goal. We hold and manage funds with integrity, competence and empathy. We try very hard to give our clients and partners the confidence to invest in some of the most complex environments on earth. We live in Africa, we love Africa, we are all sons and daughters of this land.

To maximise impact we need technology and innovation, to leapfrog development stages as quickly as possible, since Africa is catching up with other regions. We need more organisations partnering and blending finance of different characteristics together. We need more special purpose vehicles (SPVs). We need new business models. We need to be bolder.

The private sector has a huge role to play. Traditional international assistance is declining, but there are many more sources of finance investing in Africa. In addition to philanthropic and social investors, more and more companies and individuals are discovering that Doing Good is Good for Business. There are now many African philanthropists and African companies leading the way.

This report shares some of our stories with you. It combines hard numbers with what really matters: a look at people, the human beings to whom we try to give access to new options and the capacity to make choices; the companies and not-for-profit organisations that we finance of behalf of others to innovate and deliver impact; and also about us, the professionals working mostly behind the lines trying to make it happen every day.

As we like to say in IDAS Africa: The sky is not the limit. How to maximise the impact of development efforts is a critical conversation. Please engage with us.

CREDIT: The MasterCard Foundation Fund for Rural Prosperity

Who We Are

KPMG's International Development Advisory Services (IDAS) Africa manages philanthropic funds on behalf of development partners to achieve social impact at scale across Africa.

Our vision is to transform lives and continents by :

INSPIRING CONFIDENCE; AND

Rigorous fund management gives our clients the confidence to invest in complex environments.

EMPOWERING CHANGE

The funds we manage support bold pioneers building innovative market systems that benefit the poor.

IDAS culture is rooted in KPMG values: Our integrity and policy of open and honest communication builds trust and collaboration, while our flexibility and diversity creates a culture in which people share knowledge freely, bringing out the very best in each other.

OFF GRID ELECTRIC
CREDIT: Kate Holt / KPMG IDAS

Peak Trading
CREDIT: Peak Trading

Inyenyeri
CREDIT: AECF REACT

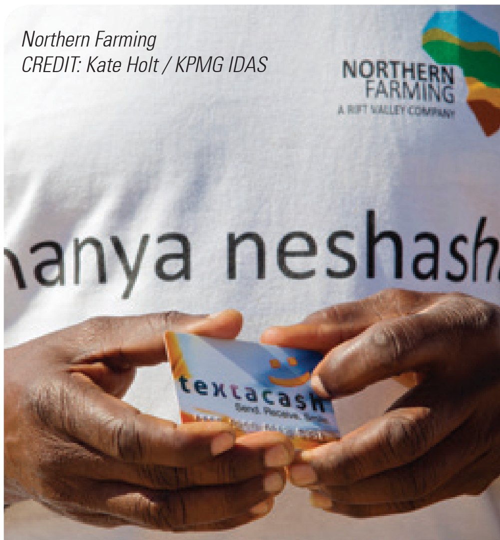
The Grantees

The impact of funds managed by IDAS is made possible by the hard work, ingenuity and tenacity of the grantees. These companies and organisations are building a better world in which technology, markets and services benefit everyone.

Meta Meta
CREDIT: Meta Meta

Tandabui Health Access Tanzania
CREDIT: Kate Holt / KPMG IDAS

Mobisol
CREDIT: Kate Holt / KPMG IDAS



Northern Farming
CREDIT: Kate Holt / KPMG IDAS


Profeeds
CREDIT: Profeeds


Afrivet Training Services
CREDIT: Afrivet Training Services


Meru Agro
CREDIT: AECF


Concern Worldwide
CREDIT: BRACED


Solar Now
CREDIT: Solar Now

Mahila Housing SEWA Trust
COPYRIGHT: Mahila Housing SEWA Trust 2016


Fenix International
CREDIT: Fenix International

CREDIT: The Africa Enterprise Challenge Fund

Impact at scale

Impact highlights from IDAS-managed programmes

£132 million

Monetary benefits through governance reforms from **£28 million** invested.

Programme:
Accountability in Tanzania (AcT)

10 million

Beneficiaries in agribusiness, clean energy, adaptation and financial services, **8000 jobs** as of 2015.

Programme:
The Africa Enterprise Challenge Fund (AECF)

$66 million

Private sector capital leveraged as matching funds for pay-as-you-go off-grid solar benefitting **2.4 million** people from just **$7 million** invested since 2012.

Programme:
The Renewable Energy and Adaptation to Climate Change Technologies (REACT) window, AECF

2 million

Beneficiaries, **77,000** trained in **2015** for resilience.

Programme: Building Resilience to Adapt to Climate Extremes and Disasters (BRACED)

1.6 million

People supported and **25,000** people trained on resilience in **2016.**

Programme:
Global Resilience Partnership (GRP)

38

Rural financial products launched in **1 year.**

Programme:
The MasterCard Foundation Fund for Rural Prosperity (FRP)

22 million

Tanzanians received governance information.

Programme:
Accountability in Tanzania (AcT)

IDAS Impact Represents KPMG Values

Impact highlights from IDAS-managed programmes

01 Lead by example

Systemic change is achieved by IDAS-managed programmes by crowding in private sector investment around demonstration of a viable pro-poor products and services.

AECF REACT support to a cluster of pay-as-you-go off grid solar companies has helped to catalyse an entire industry.

02 Respect the individual

IDAS-managed programmes have benefitted tens of millions of people; our team works to understand exactly how each one of those lives has improved – whether incremental gains from financial services that reach millions, or a life changing income increase for individual farmers through a poultry project.

03 Work together

We strive to break down boundaries by promoting partnerships.

The **SCIP Fund** in Ethiopia brokered partnerships between civil society, private sector, academia and government to strengthen national climate institutions.

04 Communicate openly and honestly

We focus on making sound funding recommendations and preventing fraud so our clients can take healthy risks.

IDAS's risk management advice as trustee for **FSDT Kenya** has underpinned cutting edge innovation in financial inclusion and mobile money.

CREDIT: The MasterCard Foundation Fund for Rural Prosperity

05 Seek facts and provide insight

IDAS is a thought leader pioneering new approaches to private sector development, social change and governance in the complex development space. Our M&E teams answer tough questions.

As the LFA for **The Global Fund** in South Sudan, IDAS provides robust evidence of activities and impact in a precarious environment.

06 Act with integrity

IDAS promotes transparency, good governance and value for money in everything we do.

The **AcT program** is changing lives and lifting up communities in Tanzania through empowering citizens to demand integrity from their elected officials.

07 Improve communities

Our work makes communities more resilient to growing pressures such as urbanisation, unemployment and climate shocks.

BRACED and **GRP** grantees are harvesting water for use by roadside communities, creating rural economic pockets, and developing insurance products for the most vulnerable.

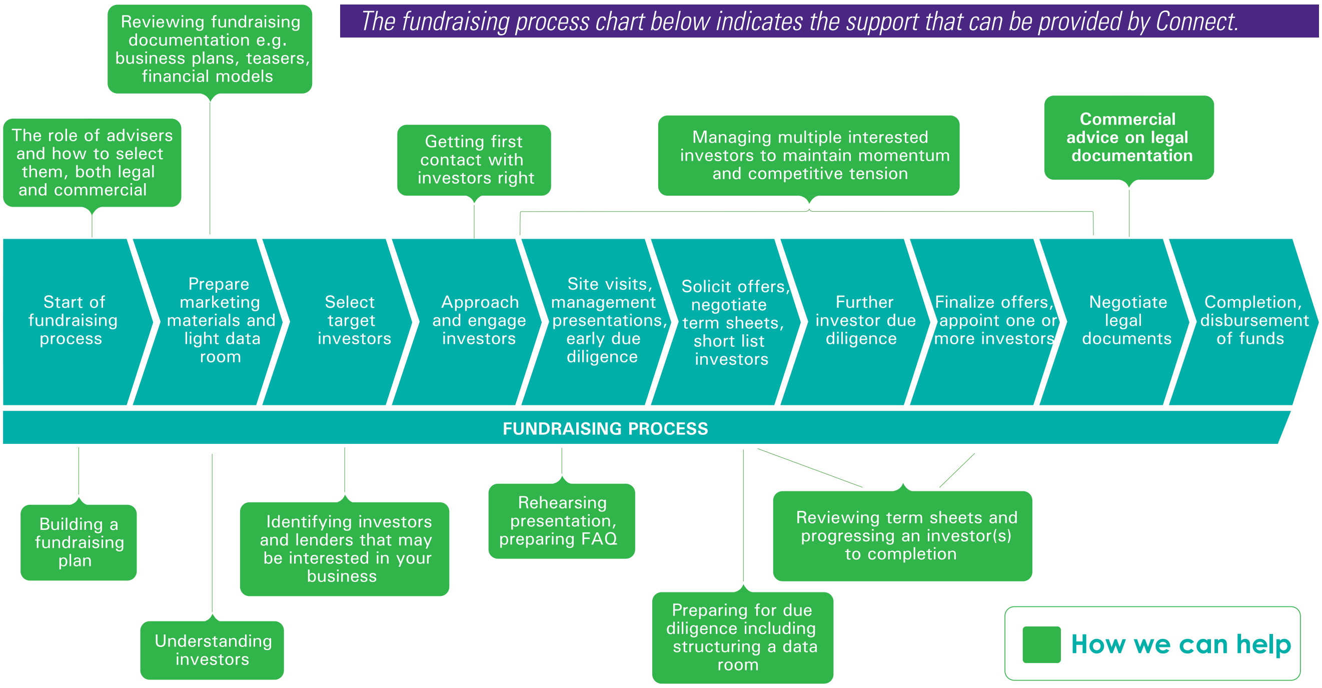
KPMG Lifelong Learning

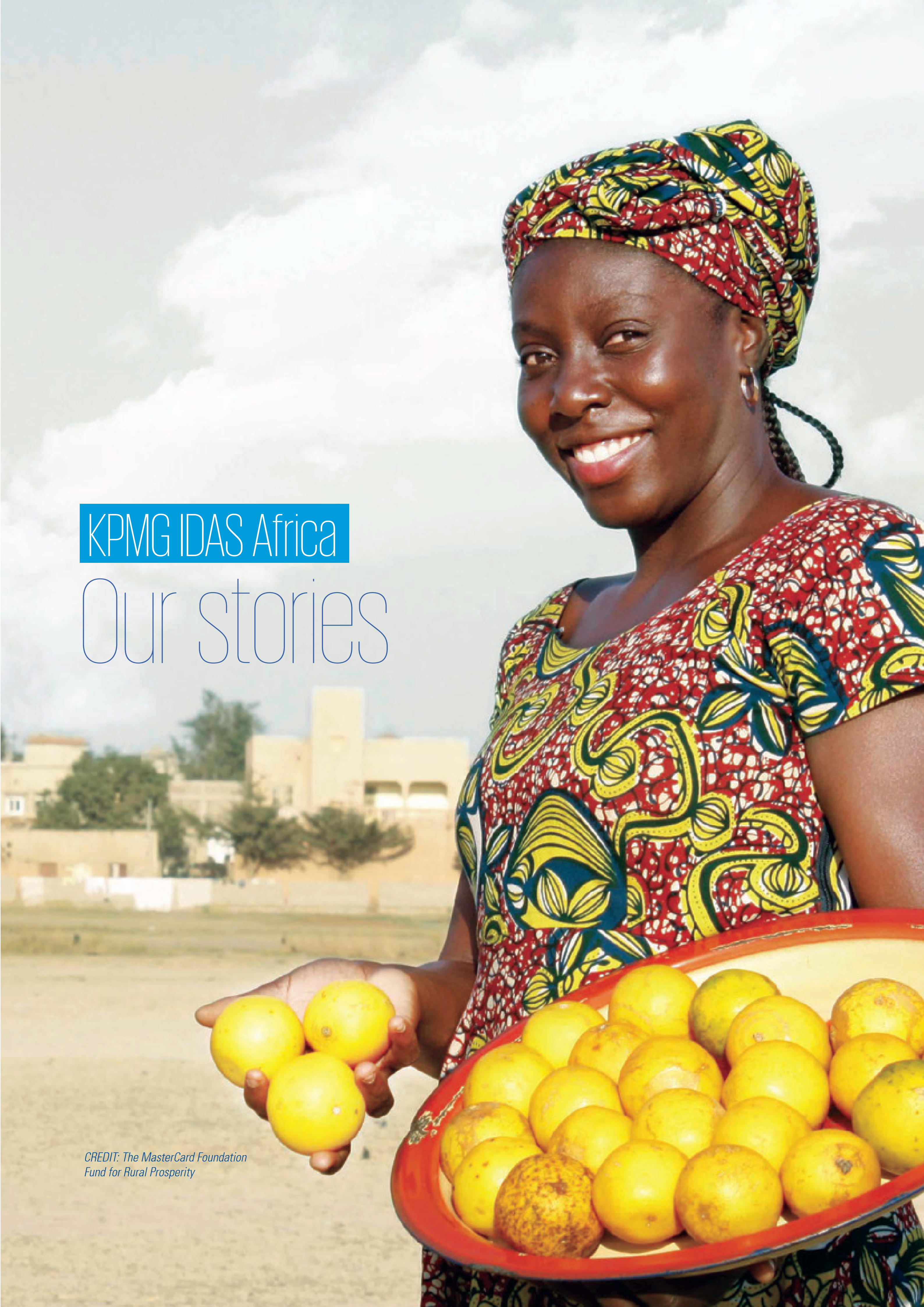
Supporting Entrepreneurs to Scale with the Connect Unit

The AECF Connect unit was established with support from Swedish International Development Cooperation Agency (Sida) to help businesses receiving grants from the Africa Enterprise Challenge Fund (AECF) to raise follow-on capital for scale up.

As of 2016, Connect had supported 11 companies in raising $21.4 million. Managed by KPMG IDAS, Connect supports grantees in raising capital from investors and lenders quicker, on better terms or more quickly than they would have done without the support of Connect. The team provides expert advice and strategic input surrounding the fundraising process.

The fundraising process chart below indicates the support that can be provided by Connect.





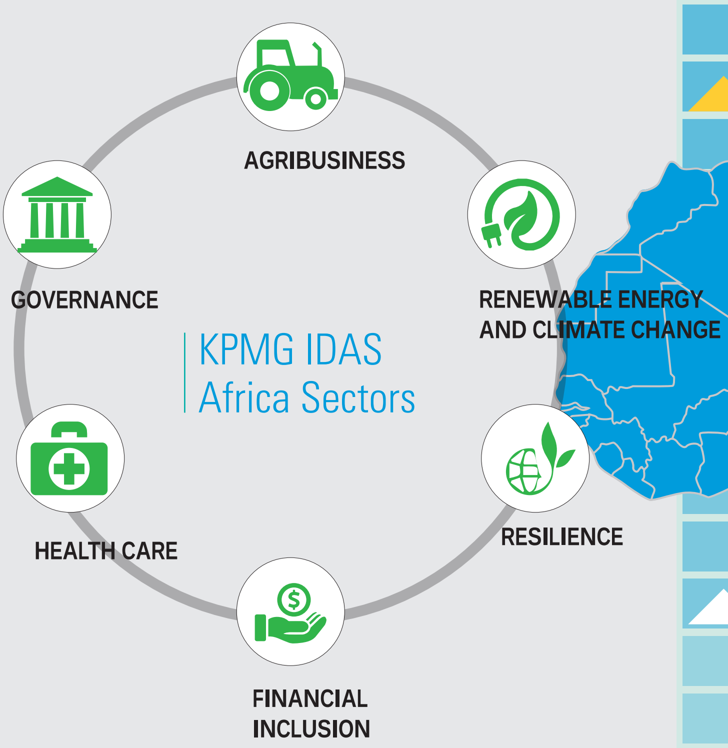
KPMG IDAS Africa

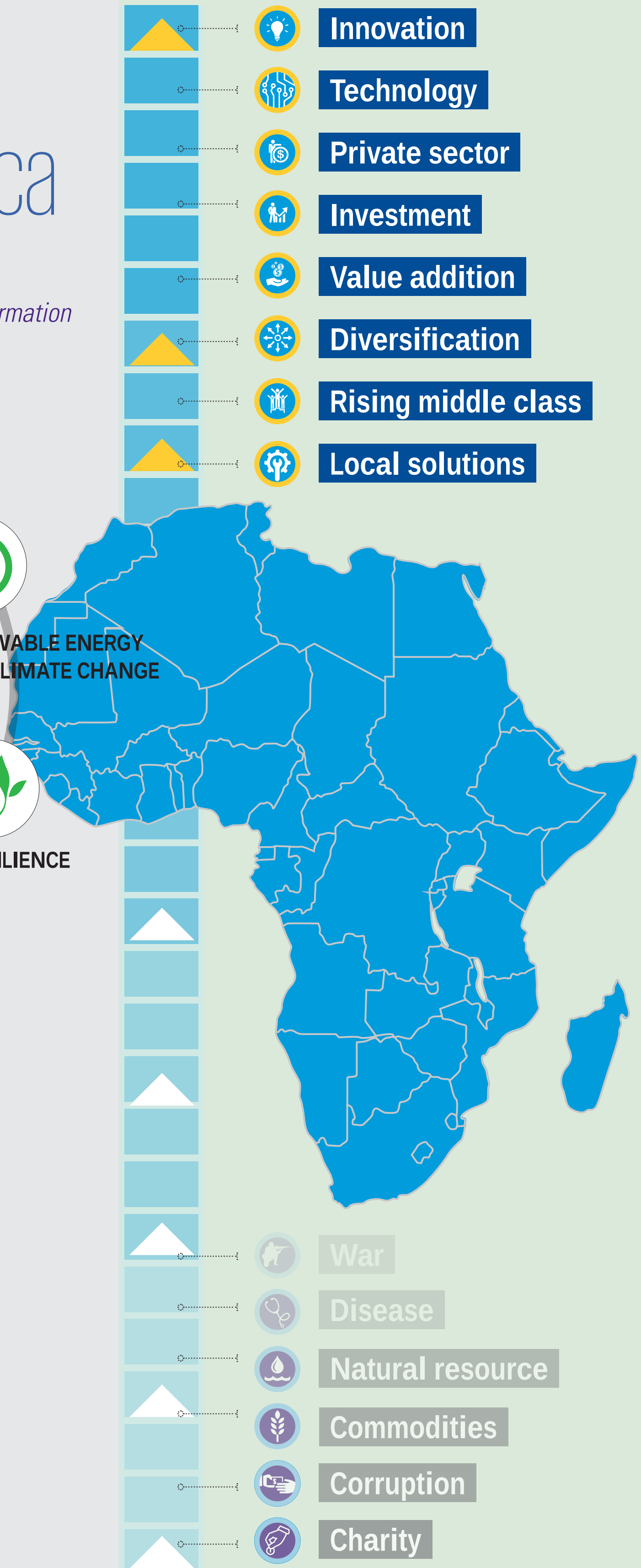
Our stories

CREDIT: The MasterCard Foundation Fund for Rural Prosperity

We are passionate about the new Africa

At IDAS, we help our clients drive systemic transformation in six interconnected sectors





SECTOR

01 Agribusiness

= 2/3 Jobs Creation + 3X POVERTY REDUCTION

Agriculture is critical to Africa

The sector employs **2/3 of Africa's work force**. Agricultural growth reduces poverty three times more than other sectors.

But productivity remains low

Improved use of inputs, access to markets and production technologies are necessary to produce surplus for the increasingly urban population.

Technology, information, finance and markets are needed to drive change

An estimated **$260bn** per year is needed to reach the Sustainable Development Goal for food security, with the majority expected to come from private sector investment.

CREDIT: The MasterCard Foundation Fund for Rural Prosperity

The Africa Enterprise Challenge Fund (AECF) finances businesses with potential to change rural market systems to benefit the poor. KPMG IDAS managed the AECF from 2008 to 2017. Working with the AECF sponsors and its host, AGRA, the IDAS team grew the fund from $30m to $250m, identified some of Africa's most innovative companies for early stage support, and helped benefit 10 million people in 2015.

The AECF donors include: the Governments of Australia, Canada, Denmark, the Netherlands, Sweden and the UK, as well as Consultative Group to Assist the Poor and International Fund for Agricultural Development .

ETHIOCHICKEN

AFRICA ENTERPRISE CHALLENGE FUND GRANTEE; ETHIOPIA

EthioChicken took over a failing government poultry centre, introduced an innovative sales model and became the largest producer of day-old chicks in Ethiopia. The model responds to poverty and malnourishment by improving poultry breeds and farming methods. The traditional Ethiopian diet is low in protein; furthermore, local chicken breeds are disease prone, have a low survival rate and produce few eggs. EthioChicken breeds and grows stronger, more resilient chickens through a franchised agent model that enables scale. The company supplies day-old chicks to large numbers of independent agents, along with a package of medicine, food and supplements that allows the agents to grow the chicks, according to EthioChicken standards, up to 40-45 days old – something the company could not do efficiently at scale in house. The agents then sell the chickens to farmers. The result for rural households is improved nutrition and increased incomes through egg sales.

"

The AECF's greatest achievement has been to expand the toolbox of the smallholder farmer using new technologies and novel approaches. AECF supported farmers can plant high yielding seeds protected by insurance using advice from television shows watched on devices powered by renewable energy. They can sell their output into vertically integrated value chains and use the proceeds to invest through low collateral equipment leasing schemes."

Hugh Scott,
AECF Director

AECF IMPACT

Development Impact (2015)

10million
People benefiting

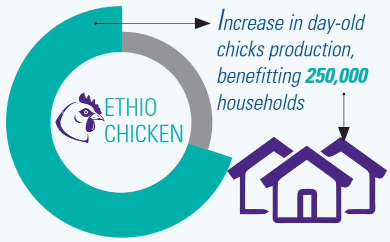
$73
Benefits per Household

DEVELOPMENT RATE OF RETURN
6.15 Leverage : **4.69**

Employment (Cumulative)

8,061
Jobs created

$97million
Wage bill



*EthioChicken increased production from **10,000** day-old chicks per year in 2010 to 3.1 million in 2015 with **250,000** households benefitting. The company reported doubling their day old chick (DOC) output in H1 2016.*

Agribusiness: Our people

We were trying to do development through business in 1976."

Hugh Scott

AECF DIRECTOR

In 2000, The Economist infamously labelled Africa "the hopeless continent": a place surrendered to poverty, war, disaster and disease. Around the same time, Hugh Scott was thinking differently. Hugh is an agricultural economist. He had spent the last 25 years promoting development through private agri-business and investment in East Africa. By 2003, he was working on a concept to match donor funding with private sector investment. He convinced 10 of the world's largest companies to work with him and in 2006 launched the $200m Investment Climate Facility for Africa. The fund's tagline: "Making Africa an Even Better Place to do Business"(note the 'even').

Hugh was developing blended finance funds and impact investments long before the concepts hit mainstream development. "We were trying to do development through business in 1976," he said. That year, Hugh set up a papaya processing factory in Kenya that produced an enzyme used to chill proof beer. The factory had 120 staff and 4,000 outgrower smallholder farmers. "That was a social enterprise," he laughs – "of course we didn't speak then in those terms." Since 2008, Hugh has led the IDAS team managing the Africa Enterprise Challenge Fund. In 2015, the AECF benefitted 10 million people. As an innovator, Hugh is proud of how many funds he has set up over time – investment climate reforms, challenge funds, programs to make markets work for the poor, microfinance facilities. So why Africa? "I didn't want to get on the 8.14 train to London." That's what everyone else was doing when Hugh graduated from university in England in 1975. On their way to work in finance in the City. "I wanted to do something different," he said, "but I didn't mean it to turn into a lifetime."

It's about the people you meet – you look at the kind of challenges they face and you see that even the smallest support goes a long way."

Emos Osei-Wusu Ansah

IDAS MANAGER, WEST AFRICA

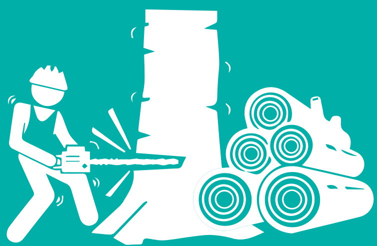
Emos was born in Ghana. He read PPE at Oxford University and Development Economics at SOAS. He began his career as an ODI Fellow in Nigeria. He worked with the Bank of Ghana as an economist prior to joining KPMG. "It has always been a passion," he says about his decision to pursue a career in international development. "When you see the challenges that developing countries are facing, the question you ask is, how can I make a meaningful contribution?"

Now based with IDAS in Accra, Emos is managing our work monitoring and evaluating the World Bank's Growth and Employment (GEM) project in Nigeria. GEM supports small businesses with business development services and fundraising facilitation. Emos's team has done baseline surveys so far on approximately 5,500 businesses to enable impact evaluation of the GEM project. These companies all need access to finance. But the surveys suggest that the most important thing they need to grow is better business practices. We see this consistently across the funds we manage. Without corporate governance and strong systems, companies will struggle to put money to good use.

Some companies are well on their way. Emos is especially excited about one GEM business: currently operating the largest cassava farm in Africa, the company's goal is to become the largest cassava processor in the world. With off-take agreements from major FMCG firms in place, their future looks bright.

SECTOR

02 Renewable Energy and Climate Change



Climate change threatens economic and social development globally

Africa is particularly vulnerable. Erratic weather and deforestation are destroying agricultural and pastoral livelihoods while lack of access to clean energy prevents sustainable inclusive growth.

The answer is innovation at scale

Extreme climate events demand adaptation innovations, while low carbon development pathways require new technologies.

AECF REACT IMPACT (2015)

IDAS is the fund manager for the Africa Enterprise Challenge Fund (AECF) Renewable Energy and Adaptation to Climate Change Technologies (REACT) Window that finances private sector innovation

536,546	$347	$19.7M	3,546 GREEN JOBS	7.26MW	206,556T
Families that have benefited from REACT-funded projects	Average benefit per family	Net benefit delivered as a result of REACT - funded projects	Created by REACT-funded projects and **5,148** clean energy SMEs enabled	Clean Energy capacity installed by REACT so far	Tonnes of CO2 emissions REACT helped prevent

SCIP FUND IMPACT (2016)

IDAS was the fund manager for the Strategic Climate Institutions Programme Fund, supported by the UK Government

2.6m People better able to cope with climate shocks

90,480 Units of domestic low carbon and climate resilient technologies developed.

Brought down barriers between government, civil society, academia and the private sector to improve national planning

CREDIT: Mobisol, AECF REACT

How many people would you get out of bed for? Is it 10 people, 10,000 people, 1 million? And it's not just about people, but also about the environment. The role we have is privileged and we have the potential to help millions. Not many people can say they have that."

Helena McLeod

IDAS DIRECTOR OF RENEWABLE ENERGY AND CLIMATE CHANGE

Upon meeting Helena, it is impossible not to notice her flare for life. At meetings she dares her colleagues to think like Elon Musk, to meditate, push boundaries and design the things of dreams. "Ask yourself," she likes to say, "if you had to do the same job for the rest of your life, what would it be? For me, it would be this.

" Over the last 22 years, Helena has worked as an environmental economist, tackling climate change, energy access and sustainable development. Her commitment to the planet and its people came from a young age. At 15, she came in the Canary Islands, and by 18 was visiting tropical rainforests in Indonesia.

She was surprised and appalled by the level of deforestation she found there. She decided to do something about it. In her current role leading IDAS's work on Renewable Energy and Climate Change, Helena is driving coherence across the portfolio and designing new funds hoping to transform tens of millions of lives.

As a market leader, she believes it is our duty to encourage growth and help the environment through innovative thinking and relentless pursuit of impact.

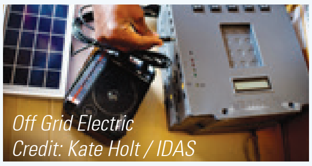
Renewable Energy and Climate Change

The energy access revolution

Rural energy access across Africa is seeing a remarkable transformation. While traditional grid extension has failed to reach the majority of the population, a new wave of high-tech innovation is succeeding. Off-grid solar companies are changing the continent's energy system by bringing clean decentralised energy services to customers that are affordable and accessible, improving their livelihoods, health, safety and opportunities.

We are especially proud of our work in this space, working with AGRA and the Africa Enterprise Challenge Fund (AECF) sponsors to develop, grow and manage the REACT portfolio of the AECF.

AECF REACT PORTFOLIO IMPACT: OFF-GRID PAY-AS-YOU-GO SOLAR PROJECTS



Off Grid Electric
Credit: Kate Holt / IDAS

AECF REACT supports nine off-grid solar companies using pay-as-you-go mobile tech for end user financing

CREDIT: Mobisol/ AECF REACT

REACT was an early supporter of companies such as M-Kopa Solar, Off Grid Electric, Mobisol and BBOXX, who are now market leaders driving industry expansion

AECF REACT Portfolio Impact: Off-grid pay–as–you–go solar projects

$7.2 million	2.4 million	$18.2 million	$66.3 million
REACT Investment since 2012	People Benefited	Total Net Benefit	Private Sector matched funding

CREDIT: Newlight Africa (trading as 'Heya!'), AECF REACT

AECF REACT donors are the Governments of Denmark, the Netherlands, Sweden and the UK.

SARA'S STORY

Sara represents a typical off-grid solar customer in Africa. She and her children never thought they would have electricity at home. Now it's a reality, and life is that much better for not having to spend time and money on poor quality polluting energy sources. Sara also has more confidence: perceptions about her have changed from her being a bottom of the pyramid single mother perhaps needing a hand-out, into a valuable customer with a good credit history, demanding high-quality products and 24-7 customer service. She has bought a solar system and is currently paying off a water tank. Her plans, once the kids grow a little more, are a smart phone and tablet or small computer. By then, her service provider expects to deliver affordable data packages through white space telecoms frequencies: Wi-Fi for the village. MOOC (massive open online course) providers are watching and it's possible that the near future will see Sara's kids accessing world class education right in their rural home.

Promoting the poorest

The intersection of community finance and energy

One of the largest lessons emerging in private sector-led development is that the bottom of the pyramid (BOP) is significantly segmented. Many social enterprises reach poor customers at the top or middle of the BOP. But the poorest segment of the BOP has been difficult to reach with commercial business models.

A few established companies have begun extending their distribution networks commercially through specialist last-mile distributors and by harnessing group micro-lending networks ("table-banking"), in particular of women groups. Companies in the Africa Enterprise Challenge Fund REACT portfolio are starting to reach out to such groups to increase their customer outreach, strengthen credit checks and minimise default rates by new customers.

CREDIT: MicroEnergy Credits, AECF REACT

Aileen's story is drawn from the AECF REACT Portfolio Report 2015.

AILEEN'S STORY

Aileen Chemng'etich is a member of the Taunet Nelel women's group in Kenya. Aileen started off as a MicroEnergy Credits / Equity Bank customer, using an Ecomoto loan to purchase energy saving cook stoves and a solar lighting system.

These products reduced her household energy expenses by more than half. Spotting an opportunity, Aileen decided to start a clean energy business stocking the same products she was using at home.

She secured a group social collateral guarantee from her women's group and collateralised her household energy assets to access a loan of Kshs 250,000 (US$2,500) from Equity Bank. Aileen used the loan to stock up her market business, which has grown rapidly. Aileen has repaid the loan completely and applied for a new loan to expand further.

From an unbanked rural woman to a clean energy customer to a clean energy entrepreneur, Aileen is an example of how clean technology and creative end-user financing mechanisms can unleash potential in rural areas.

SECTOR

03 Resilience

We live in a volatile world

Resilience programmes build the capacity of people, communities, and countries to survive and thrive in the face of extreme shocks, stress and protracted crises.

Resilience is involved in everything we do

The field is uniquely cross-disciplinary, spanning from flooding, earthquakes, drought and coral reefs, to cattle markets, microfinance and weather indexing. Resilience is involved in how we do business, fight poverty, finance development, respond to disasters, build houses, or even distribute goods.

Sustainability is essential to our survival

How can we structure our societies and economies to long outlast our generation?

Working closely with their sponsors, IDAS manages two programmes that are scaling solutions to help vulnerable communities in the Sahel, Horn of Africa and South and Southeast Asia become more resilient to climate extremes, conflict and economic instability. BRACED is funded by the UK Government, while the GRP is a partnership of The Rockefeller Foundation, Sida and USAID.

BUILDING RESILIENCE & ADAPTATION TO CLIMATE EXTREMES AND DISASTERS (BRACED) IMPACT 2015

£130m
UK Government funding

2m
People supported

2000
Capacity building events

77,000
People trained

GLOBAL RESILIENCE PARTNERSHIP (GRP) IMPACT 2016

$150million
The Rockefeller Foundation, Sida, USAID funding

1.6million
People supported

25,000
People trained

300
organizations receiving capacity building support

CREDIT: Meta Meta, GRP

META META

GLOBAL RESILIENCE PARTNERSHIP GRANTEE; ETHIOPIA AND KENYA

Meta Meta's Roads for Resilience project funded through the GRP is designing roads in Ethiopia and Kenya as tools for water management and use. Instead of floods destroying crop land and ravaging towns, runoff water can be channelled for irrigation with anti-erosion systems that benefit farmers and improve livelihoods in roadside communities. Building on successful test cases in East Africa that have attracted community support, Meta Meta hopes to mainstream its approach globally as a refreshed way of thinking about civil engineering to support agricultural and economic development.

Meta Meta's leadership team says, "We see so many opportunities to do better, and recast challenges into huge beneficial development opportunities – be it roads for water, managing micro-climates, flood water use or biological rodent control. There just needs to be more initiative; that's why we got into the business. We are most proud of being able to work with and through so many others, in particular big and proud implementing organisations that make it possible to start at scale immediately. Our biggest challenge sometimes is to sleep at night!"

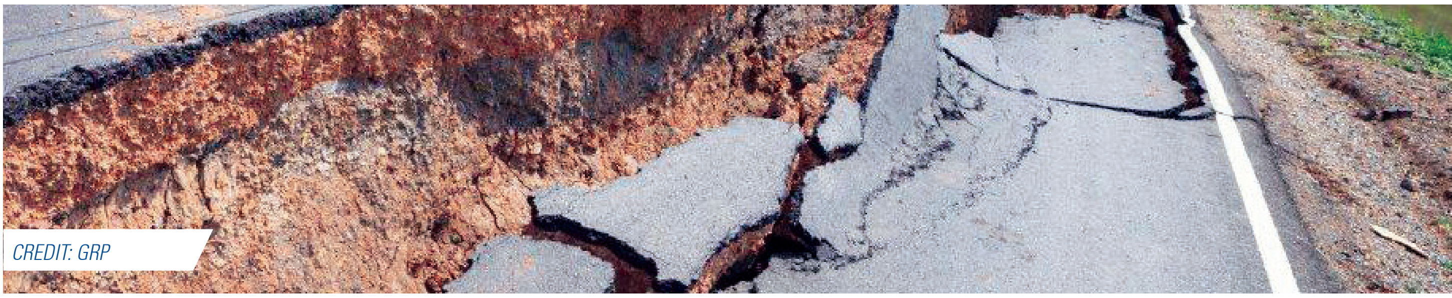
Resilience: our people

Growing up, Praveen spent a lot of time in Sri Lanka, exploring the coral reefs near his mother's family home. He started his career as a marine biologist, looking progressively at how nature and people interact. "In many ways it was the best job in the world," he said, talking about his work helping to manage fisheries on an island in Fiji. But while idyllic, it made him realise that the real drivers of change were outside the island community. He wanted to engage at a policy level.

Moving on, Praveen explored a wider set of conflicts and resolution in various sectors – nuclear power, waste management, and tidal power. On this journey he came to appreciate how sustainable development is key. People and nature will inevitably be in conflict – how could we engage today to limit damage to the environment and equip people with the skills to prosper through tomorrow? In his role leading the BRACED team, Praveen is finding answers to that question. He is energised by working at scale for long-term impact, focusing on opportunities and taking risks. "It is immensely rewarding to be working on something with a tangible and direct benefit," he said. "More so than Finding Nemo…"

Praveen Rajadiston

BRACED DIRECTOR



CREDIT: GRP

"Development happens in the heads of the people. If we want to change the planet, we have to change the way we act and think and plan for the future."

Jesper Hornberg

IDAS DIRECTOR; LEAD MENTOR GRP CHALLENGE FUND

Jesper works in earnest. He believes the planet needs change, and that change can't happen fast enough. "We are already seeing sea levels rise," he says. "We will see mass extinction of the few remaining wild animals that are here. We cannot go on the way we are doing things now. That makes me get up in the morning because I want to find solutions. We need to learn to work together across various borders and boundaries: culture and language, but also disciplines. When you cross the different disciplines, sciences, models – that's when you come up with exciting new ones."

As the lead mentor for the Global Resilience Partnership challenge activities, Jesper works with organisations building community resilience to climate extremes. Resilience takes a holistic, proactive approach to confronting shocks. Jesper offers the example of working with GRP grantee, Meta Meta: "You go to see a family and they say, look at what the flooding did to our land. And you can see it took out half of their land. Literally massive sink holes. They can't even let the children out to play. So we say, let's build a dam, and provide you with irrigation, and help you find money to borrow, and maybe even insurance. People like that. It meets their needs in a sustainable way."

Innovation, Technology and Failure

With innovation, necessarily comes failure

Innovation may be the hottest word in international development today. For good reason: development problems are persistent, demanding new ways of thinking and acting that are beginning to produce serious results. Starting with the mobile revolution, leapfrog technology is now everywhere in Africa, transforming the way Africans live. Technology reduces costs, improves production and opens new markets, reaching previously unreachable communities with quality products and services.

With innovation, necessarily comes failure. As fund managers, we often reference the Silicon Valley rule of thumb for financing risky business: about three to four out of every 10 start-ups fail completely, while three to four break even on the original investment, and just one or two produce substantial returns. In challenging emerging markets, we might expect an even higher failure rate than this. In our experience managing funds in Africa, 20% of a portfolio may produce 80% of its impact.

LESSONS FROM OUR FAILURES

01. Many companies tailor proposals to match donor goals even when they aren't aligned with their core business model – these projects are not sustainable.

02. Market entry is hard: backing small local entities is important; balancing this with support for large institutional players can help achieve impact at scale. Partnerships between the two are a good way to solve cash flow challenges that can kill small projects.

03. Low-income consumers are sceptical: life is precarious and they can't afford to make financial mistakes; winning them over to new products takes a long time and a lot of money to educate and build trust.

04. Unpredictable exogenous risks, such as political instability or Ebola, can derail even the best projects.

05. Truly patient capital, and possibly public partnerships, are essential to break into the bottom of the BOP where commercial models are finding it difficult to reach.

06. Flexibility in fund management and streamlined reporting is essential to support innovation.

07. Negative reaction to failure by sponsors and fund managers can create a culture that shies away from innovation.

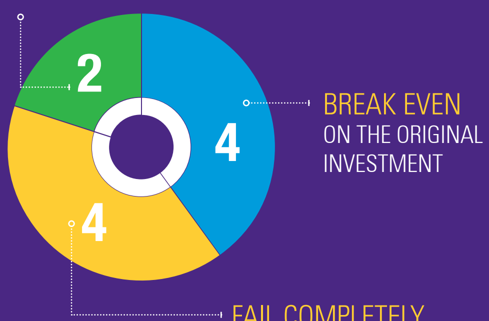
CREDIT: Solar Now, AECF REACT

20% OF A PORTFOLIO MAY PRODUCE **80%** OF ITS IMPACT.

OUT OF 10 START-UPS

In developed market venture capital

PRODUCE
SUBSTANTIAL RETURNS



In challenging emerging markets, we might expect an even higher failure rate than this

BENEFITTING FROM FAILURE:

1. Transparency, effective risk management and trust are essential to establish a baseline from which to benefit from failure
2. We often learn more from failure than success. This should inform the way we structure our M&E and knowledge sharing platforms: we need to talk about failure.
3. A grant fuelled pilot may fail, but that entrepreneur will apply those lessons to a later venture that succeeds.
4. The best entrepreneurs and investors identify failure early on and cut their losses. That requires proactive project management.

KPMG-managed tech projects include....

MOBILE MONEY	SUPPLY CHAIN AUTOMATION	LIVESTOCK VACCINES	HYDROPONICS	PAY-AS-YOU-GO |SOLAR
GASIFICATION	WIND-SOLAR HYBRIDS	MICRO-GRIDS	BIO-ACTIVE TRACTOR EXHAUST EMISSION	SOLAR WATER PUMPS
ADAPTED SEEDS	DRIP IRRIGATION	ORGANIC WASTE CONVERSION	WET CHEMICAL SOIL ANALYSIS	MOLECULAR DIAGNOSTICS
PLANT PROPAGATION	CATTLE GENETICS	TALKING APPS	CREDIT INFORMATION TECHNOLOGY	ADVANCED CREDIT SCORING
DIGITAL PAYMENTS	DROUGHT INDEXING	AGRO-ECOLOGY	SATELLITE MAPPING	DIGITAL MICROFINANCE

SECTOR

04 Financial Inclusion

Financial inclusion drives inclusive growth
Access to finance facilitates agribusiness, SME growth, and household resilience.

But services struggle to be appropriate, accessible and affordable
Penetration of formal services remains low in Africa, especially for rural and poor customers.

Integrated tech is making progress
Digital innovation backed by rising competition, non-traditional market entrants and regulatory support is transforming the sector

At IDAS, we help our clients to leverage innovation and mobile technology for financial inclusion. As trustee since 2005 for the Financial Sector Deepening Trust in Kenya (FSDK), we provided oversight and advice to the sponsors and implementing team to enable healthy risk taking. FSDK has adapted nimbly to the dynamic Kenyan market: an early champion of mobile money, the programme is pushing beyond basic inclusion to ensure technology creates meaningful value in daily lives.

IDAS is now fund manager for the US$50m MasterCard Foundation Fund for Rural Prosperity (FRP). The FRP challenges financial service providers to develop and scale innovative products for the rural African market. FRP's early rounds have identified and supported game changing projects ranging from advanced credit scoring to low cost digital microfinance.

FSD Kenya development partners are UK Government, The Bill & Melinda Gates Foundation, Sida, IFC, The Rockefeller Foundation, and FinMark Trust

CREDIT: The MasterCard Foundation Fund for Rural Prosperity

MUSONI KENYA

THE MASTERCARD FOUNDATION FUND FOR RURAL PROSPERITY GRANTEE ; KENYA

Musoni Kenya is the first micro-finance institution to be 100% digital – meaning entirely cashless, paperless and data driven. Musoni field officers register clients, collect data and originate loan applications using digital field apps on android tablets. Loans are disbursed via mobile money. No cash, no back office. This dramatically reduces costs, enabling Musoni to serve remote smallholder farmers. To develop their products and ensure they match demand, Musoni spent a lot of time in the field studying the financial needs and process gaps of different groups of smallholder farmers. The company has developed a USSD app through which clients can apply for loans, query their loan balances, introduce new members to the institution and generate mini statements. This enables Musoni's customers to manage their finances via their own phones.

The MasterCard Foundation's Fund for Rural Prosperity awarded Musoni a US$1.38 million grant to scale up its Kilimo Booster loan that offers customized, flexible terms for smallholders, particularly in arid areas. Kilimo Booster provides credit for working capital, asset financing and start-up ventures accompanied by agronomic, financial literacy and business management training. Even with cost savings from technology, Musoni cites their number one challenge as reaching scale to absorb staff costs. The FRP grant helped cover the high cost of marketing and education for uptake of digital services by smallholders, supporting Musoni on their way to scale.

WHAT WE'VE LEARNED ABOUT RURAL FINANCIAL MARKETS

01 **Deep pockets are required to scale innovation**
Partnerships are key to overcoming cash flow challenges: between established financial service providers (FSP) and smaller savvy fintechs, or FSPs and large value chain agribusinesses.

02 **Mobile tech can't do it all**
Physical presence is essential to understand demand, train agents, build trust and police lending.

03 **Farmers need holistic support**
Full package, tailored services with simultaneous access to markets and financial literacy training.

04 **Big data is important**
Combined especially with digital credit scoring, huge rural databases can track income, consumption and repayment habits to unlock new markets.

Financial Inclusion: Our People

It will be fascinating to see how financial services intersect with other development areas such as health, energy, education and trade to deliver holistic benefits."

Jemima Gathumi – Mungoma

IDAS MANAGER, EAST AFRICA

"The solutions to Africa's challenges lie with Africans". It is this conviction that led Jemima to join the development world after studying for a career in law. She recalls with nostalgia her childhood in Kenya's lush highlands, at the time vibrant for their coffee and tea cash crops. Today, her village is a shadow of its former self: the tea bushes and coffee trees uprooted, the farmers without a steady source of income due to unfair trade systems and poor governance in institutions serving them.

From her work as a grants manager on the Africa Enterprise Challenge Fund, to providing financial monitoring services for Uganda's energy sector, to designing and managing The MasterCard Foundation Fund for Rural Prosperity (FRP), Jemima gets satisfaction from helping to implement projects that empower Africans and improve their standards of living.

Extending access to quality financial services is an important ingredient in the development of the region and she is excited to be working on the FRP that funds innovative financial solutions for the rural population. "It will be fascinating to see how financial services intersect with other development areas such as health, energy, education and trade to deliver holistic benefits – and indeed we have already started seeing this!" says Jemima. Jemima recently completed her Masters in Development Finance, with research on access to and usage of financial services in Kenya.

Investing with impact broadened my horizons. It opened my eyes to see the impact on the employees, the customers, the BOP, the system. It is a holistic approach to investing."

Tendai Nhachi

IDAS MANAGER, SOUTHERN AFRICA

Tendai is all about good business: "I love analysing companies. I love working with business models. I want to understand how the business thinks," she said. She worked in investment banking for eight years, but felt detached from the people behind the deals. Moving into development changed that. "Investing with impact broadened my horizons," she says. "It opened my eyes to see the impact on the employees, the customers, the BOP, the system. It is a holistic approach to investing."

Born and raised in Zimbabwe, Tendai now manages private sector grantees for IDAS across Southern Africa. She has seen first-hand how complex factors affect business growth. In Zimbabwe, distrust for broken public systems has caused people to hoard cash, limiting scale for financial inclusion projects. In Malawi, Zambia and Mozambique, high distribution costs and low population density have made it hard for mobile money operators to gain traction in rural areas.

Tendai is excited to see projects now funded by the MasterCard Foundation's Fund for Rural Prosperity take on these challenges. She cites one promising company providing what she calls "financial inclusion in a box" – a suite of services tailored to smallholder farmers. With strong management, continuous training, a solid business model and a unique tiered rural agent structure, Tendai thinks the company can succeed at scale.

SECTOR

05 Health Care

Quality, accessible, preventative health care enriches lives
Beyond saving lives, good health services free people to focus on more productive tasks, putting food on the table and spending time with their families.

Preventable diseases persist in Africa due to weak systems
Investment is needed in procurement and supply chains, human resources and governance with independent monitoring on the ground.

$140bn AMOUNT NEEDED TO ACHIEVE SDG

$70bn FROM PRIVATE SECTOR

Better systems can maximise strong public and private investment
More than in other social sectors such as education, private sector contributes significantly to the $70bn spent annually on health in developing countries.

IDAS provides independent monitoring for The Global Fund to fight AIDS, Tuberculosis and Malaria programs in Sudan and South Sudan, health system assessment in Kenya, and grants management for a maternal health challenge fund in Kenya.

Tandabui Health Access Tanzania, AcT
CREDIT: Kate Holt/KPMG IDAS

CICF is supported by the **UK GOVERNMENT** and implemented in partnership with Marie Stopes International, Options, and Population Council

OUR IMPACT: THE GLOBAL FUND

- Accurate, timely monitoring data improves program design
- Independent review helps donors and governments strengthen health systems
- Monitoring data is less expensive than population based surveys, providing value for money
- Innovation around community based systems ensure progress fit for purpose

GLOBAL FUND WORK IN SOUTH SUDAN

South Sudan's ongoing conflict has impacted health service delivery and required adaptation on the part of service providers. As LFA for the The Global Fund, KPMG has adapted our monitoring methods to operate effectively in a challenging and fast changing environment.

MATERNAL HEALTH

THE COUNTY INNOVATION CHALLENGE FUND – KENYA

In 2015, 830 women died every day from complications in pregnancy or childbirth, according to the WHO. Of these, 550 were in sub-Saharan Africa compared to 180 in Southern Asia and five in developed countries. Given the scale of this problem, we are excited to be supporting projects in this space. IDAS provides fund management services to the £16m County Innovation Challenge Fund (CICF), which finances local interventions to increase access to and utilisation of quality maternal and new-born health services in Kenya.

CICF's diverse grantees have the potential to radically shift the quality and capacity of maternal services in Kenya and create models for progress in other countries. For example, the M-Access project, led by RCTP-FACES, is implementing a mobile-technology platform to link women to information and transportation. The project has combined convenient transportation and data relay services with a loyalty program where points for answers to questions about pregnancy and uptake of antenatal and postnatal care can be redeemed for transport and mother-baby care packs. Trained and licensed motor bike riders transport mothers in labour to health care facilities using modified motorcycle ambulances with trailers in tow.

Health Care: Our People

"In South Sudan, there was so much to be proud of – everything you did was progress, because there were virtually no existing systems."

Samson Nyoike

DIRECTOR, IDAS HEALTH PILLAR

In 2007, Samson plunged into the frontier territory of South Sudan to work on various projects with KPMG. It was here that his interest in health began – Samson was a key resource in setting up and building the capacity of the South Sudan AIDS Commission. Samson says, "In South Sudan, there was so much to be proud of – everything you did was progress, because there were virtually no existing systems". One of the most rewarding experiences of his career was to attend the graduation ceremony of the first trained midwives in the country – the culmination of an arduous process of building the midwifery school, developing the curriculum, recruiting students and seeing them through the course. In Samson's view, "With health, simple interventions can have tremendous results – and that is what is so satisfying".

Samson believes health sector funding systems need to change in the developing world. He says, "In my experience, there is such extensive funding for health that national governments feel that it is no longer their responsibility. But donors can only do so much – funds need to be channelled through appropriate systems and infrastructure. Without these, any amount of funding will fall short." The change in funding model needs to be complemented by better financial management, and respect for traditional systems combined with global best practice.

"While donor agencies do a lot of good, they tend to focus on the major issues and diseases – leaving less complex, curable diseases under-provided for. The result is a hospital that can provide anti-retroviral drugs but not painkillers or basic consumables such as gloves and syringes..."

Carolyne Kamau

MANAGER, IDAS GLOBAL FUND TEAM

In the health sector, where Carol works, she sees visible change as a result of development assistance and her own work. She recounts a story where a mother in Bungoma, Western Kenya, sat holding her child after a difficult pregnancy and birth. Her story could have ended in tragedy had it not been for the availability of appropriate care provided with the support of the KPMG-managed County Innovation Challenge Fund.

While stories such as these are inspirational, they raise questions about how national governments should be managing their health sectors. Carol says, "The biggest challenge in the health sector in Kenya is quality of care. Until the national government is able to provide reasonable levels of healthcare to citizens, donor agencies will continue to dominate the healthcare sector. While donor agencies do a lot of good, they tend to focus on the major issues and diseases – leaving less complex, curable diseases under-provided for. The result is a hospital that can provide anti-retroviral drugs but not painkillers or basic consumables such as gloves and syringes – because the local supply chain system simply does not exist".

CREDIT: C Dorman Ltd., AECF

A COUNTERINTUITIVE LESSON ON LEVERAGE

Leverage is sometimes a trade-off. The greater the private sector leverage achieved by a project in the near term, the less additional / essential the donor capital may have been.

Leverage

To reach the Sustainable Development Goals, billions of dollars need to be leveraged from the private sector every year, and every public dollar that is spent must produce a high rate of development impact return. At IDAS, we are proud to help our clients achieve strong performance on both counts.

AECF The Africa Enterprise Challenge Fund

$91million

FUNDS DISBURSED
As at Dec, 2015

Matching funds from the Private Sector → $427M

Private sector leverage

$4.69 : $1
LEVERAGED : INVESTED

Total Net benefit to poor households → $562M

Development rate of return

$6.18 : $1
BENEFITS : INVESTED

AECF REACT

CREDIT: Mobisol, AECF REACT

As at Dec, 2015

Even higher matching funds from the private sector on the Renewable Energy and Adaptation to Climate Change (REACT) Window of the AECF

Private sector leverage

$8 : $1
LEVERAGED : INVESTED

AcT Accountability in Tanzania Programme

£28million

FUNDS DISBURSED
As at June, 2016

MONETARY BENEFITS
£132m

£4.77 : £1
BENEFITS : INVESTED

MONETARY BENEFITS:
Portfolio outcomes assigned monetary benefit such as
- Public budget allocation
- Increased public revenue
- Direct monetary gains to citizens

CREDIT: AECF

Fund Management for Impact

Special Purpose Vehicles

Donors and philanthropists are increasingly looking for new and better ways to structure development finance. Established with the right strategy and governance structure, special purpose vehicles have proven to be an efficient mechanism to maximise impact. SPVs:

01. Pool donor resources efficiently
02. Promote common planning and coordination
03. Enable scale of impact

KPMG IDAS Africa has helped clients structure a variety of large scale, successful SPVs:

$ 257M
The Africa Enterprise Challenge Fund

$ 550M
Trade Mark East Africa

$ 160M
Global Resilience Partnership

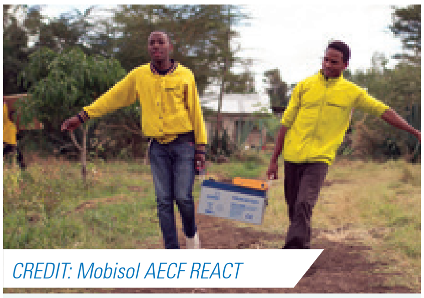
$ 14M
Financial Sector Deepening Trust Uganda

$ 254M
Financial Sector Deepening Trust Kenya

$ 17M
Access to Finance Rwanda

Private Sector Fund Management Lessons

Over the last decade, KPMG IDAS Africa has overseen or managed approximately $2.4 billion on behalf of development partners. We've learned a lot. Our work has covered a mix of funding to the public and private sectors. As donors lean increasingly into work with the private sector, here are some lessons from our experience that stand out in that fast changing space.



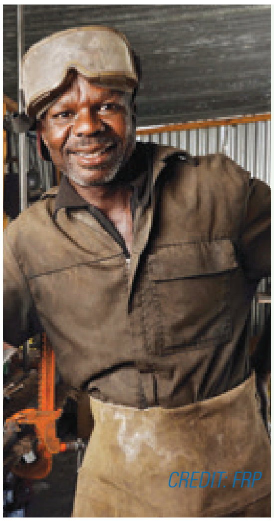
CREDIT: Mobisol AECF REACT

01 DEVELOPMENT CAPITAL MIX

- Loan repayment capability will be lower in cases of actual risk compared to perceived risk
- Linking repayment of non-recourse loans to performance targets may cause perverse incentives
- A grant can encourage businesses to take more risks and innovate, allows them to raise more debt on the back of the grant, and to commit more matching funds rather than preserving cash to repay loans
- Grants make it easier to take on more risk, "start races" and develop an industry by promoting competition. Seeking a return on capital focuses more on "picking winners".
- Years to profitability (and ability to repay loans) varies greatly by sector and industry and is particularly long term in many agricultural enterprises e.g. tree crops
- Legally enforcing loan repayment is often impossible in Africa; repayment is best promoted through close relationships with good project managers looking after small portfolios.

02 SCALE UP

- Self-sustaining scale requires commercial viability and support from follow-on investors
- Investors like: capable management teams with strong track records, local knowledge and partners, fast growth, service industries, fast moving consumer goods, export-oriented businesses, barriers to entry, protection from imports, apolitical businesses
- Post-conflict, early-stage, primary agriculture, and small investments are less attractive to investors (impact or commercial)
- Scaling an impact first social enterprise requires long-term subsidy, but may offer impact different to what a commercial business can achieve
- Distribution is one of the largest barriers to scale for pro-poor businesses in Africa
- Technology can reduce transaction costs of dealing with numerous poor rural households as potential consumers and improve delivery channel efficiency to support scale
- Scaling can be done through partnerships between small business and large institutions
- Many companies need support services to grow and attract follow on investment yet lack the means to pay for them.



CREDIT: FRP

03 ADDITIONALITY

- Assessing additionality is more art than science – it requires information on other sources of funding, interrogation of business models, site visits, and good judgement.
- Large companies may have the money to run projects without donor support, but lack the incentive to do so quickly or to reach certain types of low-income beneficiaries
- Phasing grants in and out flexibly according to company performance and working closely with follow-on investors can reduce market distortion
- The greater the private sector leverage achieved by a project in the near term, the less additional / essential the donor capital may have been

04 RESULTS MEASUREMENT

- 20% of the portfolio normally accounts for 80% of the impact. A cost-effective two-tiered approach can be used with verification studies for high-impact projects.
- Ask businesses only for data tracked as part of their operations (last hard number)
- Most projects take six years or more to mature – evaluation should be back-loaded and extend to 10 years to gain a real understanding of impact

05 MATCHING FUNDS

- Because debt is hard to source in Africa, matching funds can include existing investments, land and equipment, reinvested profits
- Shared risk varies greatly with business size, how much the business is already leveraged and against what; and is not the same thing as leveraging in other private sector capital

CREDIT: AECF

06 REACHING THE POOR

- Sustainable inclusive businesses are about pushing market frontiers towards the poor – it may not be realistic to target the poorest before the middle market.
- It is nearly impossible for companies to reach the 'subsistence' segment of the BOP market. Some companies would be willing to do so with government subsidies.
- Last mile distribution is the greatest challenge, with no clear solution yet: technology is bringing down costs; companies copying FMCG industry strategies have had success; piggybacking on existing distribution channels can help with marketing but has limits in terms of sales, relationship management, installation and maintenance.
- Managers must proactively monitor changes in innovative business models that may move operations away from poor beneficiaries
- The private sector can't do it all – there remains a significant role for government and civil society to reach the poorest and most remote and to provide unprofitable social goods.

Northern Farming, AECF
CREDIT: Kate Holt/KPMG IDAS

08 PORTFOLIO CHARACTERISTICS

- Single country focus can address national market failures, reduce management costs, promote hands-on fund management, and support local SMEs and indigenous ownership
- Single country focus limits the quality of applications, may require technical assistance, makes it harder to promote a single industry
- Sector or niche problem focus promotes systemic change
- Supporting large companies can increase scale of impact and reduce fund management costs
- Supporting small and/or locally owned companies promotes competition and industry development

07 SYSTEMIC CHANGE

- Financing clusters of companies in the same industry promotes competition and industry development
- Work with businesses that service other businesses to boost impact, such as financial services, input suppliers, information and media

Inyenyeri
CREDIT: AECF REACT

09 INNOVATION, FAILURE AND RISK

- Failure is good when it helps us learn and improve; fraud is bad
- 30% failure rate should be the minimum target for an innovation fund
- Entrepreneurs learn from failure and apply lessons to later companies that might succeed (an impact rarely captured by programme M&E)
- Strong fiduciary risk management promotes innovation by creating a safe space for failure
- Funding should be phased and flexible, because innovative business models change rapidly

SECTOR

06 Governance

Governance affects everything
Wise resource management and transparent provision of public services are a baseline for all areas of development.

Progress happens when behaviour changes
Amongst citizens, elected officials, businesses and civil society.

Transparency is driving accountability
Open access to information is improving across Africa, facilitating a conversation between citizens and officials, with tangible results

IDAS has worked with donors, governments, civil society, academia and the private sector to improve transparency and accountability, at an exciting time when prospects for good governance, and its innumerable development benefits, are improving across the continent.

We are especially proud of our recent work managing the Accountability in Tanzania (AcT) programme, funded by the UK Government with climate change sector support from Danida. In Tanzania, persistent poverty, economic and gender inequality, unemployment, and poor education prevent many citizens from leading the lives they want. AcT responds to these challenges by enabling non-state actors to influence bottlenecks in government and allocation of resources.

ACCOUNTABILITY IN TANZANIA (AcT)

AcT has had a tangible effect on the lives of Tanzanians, producing £132m in monetary benefits alone

28 CSO PARTNERS

£27.7M FUNDS DISBURSED

£132M MONETARY BENEFITS

1:4.8 BENEFIT TO INVESTMENT RATIO

MONETARY VALUE OF RESULTS: TYPES OF MONETARY BENEFITS

Public budget allocation & spending

£81,861,103
Budget Allocation

£46,219
Leveraged Funds

Public revenues through taxes, public services, oversight, law enforcement

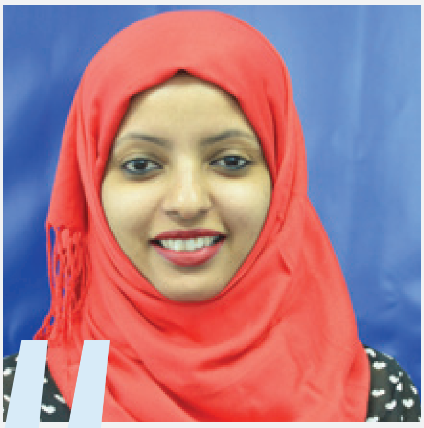
£624,151
Revenues

£28,340
Law Enforcement

£6,254,050
Oversight

Direct gains to individual citizens/professionals

- £69,246
  Allocation of Land
- £531,091
  Reduced barriers to market access
- £42,779,713
  Increased earnings



The ability to make the development of grantees visible through our data management is important to me."

Layla Ghaid

MANAGER, ACCOUNTABILITY IN TANZANIA

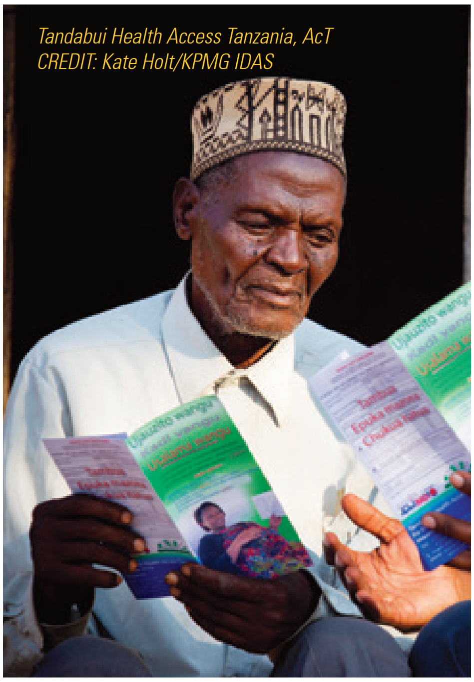
Having grown up in Saudi Arabia, Layla came to East Africa to study for her MBA in Kenya 16 years ago. She moved to Tanzania to start working in 2004, where her international background has helped her approach problems from different angles. Her academic background in strategic management and her experience in tax consulting also gave her two important skills: understanding organisations and the rigour needed in working with high data volumes. In her current role with AcT, Layla is responsible for tracking grantee progress in both programme results and their own organisational development.

Layla gets excited by creating comparable monitoring data for policy interventions across different sectors and is particularly proud of the AcT programme's flexibility to work with qualitative datasets generated through the non-prescriptive monitoring of its grantees. "The ability to make the development of grantees visible through our data management is important to me," she says. "Mainly because this provides the insights to give tailor-made organisational development support, which allows grantees to significantly improve their performance."

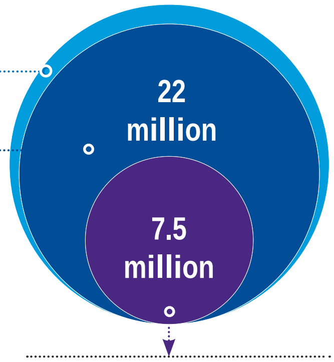
Governance

The open access information revolution

Transparency is no longer a choice for governments – it is being demanded and delivered by citizens. From social media to open data, doing business surveys, corruption indices, mobile apps that verify product quality, and blockchain, people are using information to hold officials accountable and improve service delivery.



Tandabui Health Access Tanzania, AcT
CREDIT: Kate Holt/KPMG IDAS



Tanzanians received **TARGETED INFORMATION** (specific to them) via AcT partners

Tanzanians received information via AcTpartners through **MASS MEDIA**

25 million
Total Tanzania adult population

The OAG's annual report is presented to Parliament on live television, with citizens watching.

SNV WATER POINT MAPPING

ACCOUNTABILITY IN TANZANIA GRANTEE

SNV set out to make clean water available to Tanzanian citizens who need it, in places where they could access it. They did this by addressing lack of quality and timely information on rural water supply. The CSO conducted a Water Point Mapping exercise and found 46% of water points were non-functional.

In response, they developed a Water Point Functionality Intervention Framework to clarify roles and responsibilities of water users, Community Owned Water Supply Organisations and councillors. Inspired by this initiative, the Government of Tanzania adopted and up-scaled the approach at national level to offer nationwide real time data on water points' functionality. The national and districts water budgets are now based on actual data resulting in significantly better public service delivery.

OFFICE OF THE AUDITOR GENERAL OF STATE FINANCES, RWANDA

Rwanda has made a name for itself globally for the government's institutional reform and anti-corruption efforts. In 2016, Rwanda tied Mauritius as the third least corrupt state in sub-Saharan Africa per Transparency International's Corruption Perception Index, which draws attention to a "vicious circle between corruption, unequal distribution of power in society, and unequal distribution of wealth". Since 2008, KPMG IDAS has been working with Rwanda's Office of the Auditor General (OAG), supporting it to promote transparency and accountability in government spending. Established in 1998, the relatively young OAG brought in KPMG to help professionalize the office.

The goal was to develop an institution capable of providing timely and regular professional audits, including complex audits of large public institutions such as the Revenue Authority or the Social Security Fund – areas with a real impact on daily lives. KPMG has provided on-job training; standardized audit methodology; and strengthened training and performance management systems.

OAG professional capacity has steadily improved - government expenditure audited has increased from 60% (2008) to 82% (2016) – and key development partners have taken notice. The World Bank and Global Fund are now relying on OAG to verify program results and to audit funded programs.

The OAG reflects a fight against corruption in Rwanda that is twofold. It begins with changing the mind-set and attitudes of Rwandans. The OAG's annual report is presented to Parliament on live television, with citizens watching. The reports spark conversations on the street about mismanagement of public funds. The Auditor General is invited on talk shows to discuss issues people care about. The AG audits diverse sectors from agribusiness to health care, universities and roads. The fight ends with enforcement by institutional action. Parliament seeks answers from accounting officers during PAC hearings, and recommends policy initiatives and sanctions to curb mismanagement and strengthen accountability in government. The executive tracks progress made to address audit recommendations.

KPMG IDAS Africa thought leadership publications

01. PAYGO: Solar distribution through pay-as-you-go business models in East Africa
02. Making it Happen: Conservation agriculture in Africa
03. Could mobile money be the game changer for smallholder finance in Africa?
04. Impact Investing in Africa: Performance insights from the KPMG IDAS Africa portfolio
05. Industry Snapshots: Aligning development impact and commercial success
06. Managing Risk in Global Health: Mapping the way forward
07. Risky Business: Promoting private sector development in post-conflict states
08. Trialing Client-Focused Climate Finance in Ethiopia: Innovations in fund management
09. Outcome Mapping: A breadth of uses
10. Innovative Business Models for Sustainable Energy Access in Africa: The REACT experience
11. Independent Monitoring for Impact: A holistic approach to monitoring donor-funded projects
12. Challenge Funds as Private Sector Development Tools: Progress and potential
13. Financial Deepening and M4P: Lessons from Kenya and Rwanda
14. Shaping the Power of Markets for the Poor
15. Communication and Governance
16. The Paris Declaration on Aid Effectiveness and Impact: What's next in Busan?
17. Civil society and accountability – should donors try to influence civil society efforts to strengthen
18. Capability Reviews as the key to sustainable performance improvement in the Public Service
19. Counter-Piracy Options in the Gulf of Aden
20. Accountability in fragile states
21. Divergent systems development in post conflict countries

CREDIT: Mobisol, AECF REACT

What's Next?

The pace and shape of progress is changing significantly across Africa. Donors are championing private sector innovation, private foundations are redesigning philanthropy at scale, and development actors from diverse disciplines are coordinating more and more toward sustainable growth. Millions of people have graduated out of poverty around the world. Energy access is undergoing a radical transformation on the heels of mobile technology that has already revolutionized financial services for the poor. Citizens are standing up to their governments, demanding the quality of life and public services they deserve.

The scale of our challenge is as great as ever thanks to threats like climate change, terrorism and isolationism. But at IDAS, we believe that human capacity for innovation can overcome almost anything. Our task now is to support the entrepreneurs, community leaders and pioneers. We need to extend life enhancing services further into rural, impoverished and marginalized areas. Products need to be cheaper, more efficient and easier to access. Philanthropic support must continue to become more flexible and strategic in its application. The public and private sectors will need to collaborate to mobilize and blend finance, identify limitations and push boundaries.

In these efforts, accountability for impact is essential. We need better technologies to measure impact, better venues to share stories about what works, but also to learn honestly from failure.

If we can learn to work together and open our minds to what is possible, the sky is not the limit.

Programmes and Funds

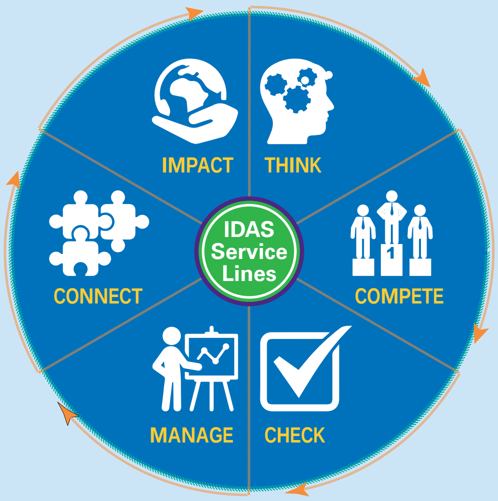
Below are some of the programmes and funds that we are working with on behalf of our clients and partners

- County Innovation Challenge Fund
- The MasterCard Foundation Fund for Rural Prosperity
- Forest Governance, Markets and Climate
- FoodTrade West Africa
- The Global Resilience Partnership
- The Global Fund to Fight AIDS, Tuberculosis and Malaria
- Building Resilience and Adaptation to Climate Extremes and Disaster
- The Africa Enterprise Challenge Fund
- The World Bank Growth and Employment Project
- Financial Sector Deepening Trust Kenya
- Accountability in Tanzania
- FoodTrade East and Southern Africa
- Human Development Innovation Fund
- Remittance Grant Facility

Our Clients

- Danish International Development Agency
- Consultative Group to Assist the Poor
- International Fund for Agricultural Development
- Kingdom of the Netherlands
- The UK Government
- Alliance for a Green Revolution in Africa
- Ministry for Foreign Affairs, Finland
- Swiss Agency for Development Cooperation
- The MasterCard Foundation
- The World Bank
- The Global Fund to Fight AIDS, Tuberculosis and Malaria
- Agricultural Business Initiative Trust
- The Belgian Development Cooperation
- The Government of Norway
- USAID
- Swedish International Development Agency
- Danish International Development Agency
- The Rockefeller Foundation
- The Government of Uganda
- Z Zurich Foundation

IDAS Service Lines



THINK

Our THINK team works with our clients to design innovative delivery concepts ensuring that the selected approach is best suited to meet intended development objectives.

COMPETE

Our COMPETE unit manages competitions, undertakes marketing and communication for the funds, manages calls for proposal and the project selection process.

CHECK

Through KPMG established and refined assessment tools, our CHECK team evaluates recipient organizations' systemic capabilities, challenges and fiduciary risks to ensure appropriate organizational and risk mitigation.

MANAGE

As Fund Managers, our MANAGE team contracts grantees, and manages grantee projects for timely and quality delivery, good financial management, monitoring, evaluation and reporting.

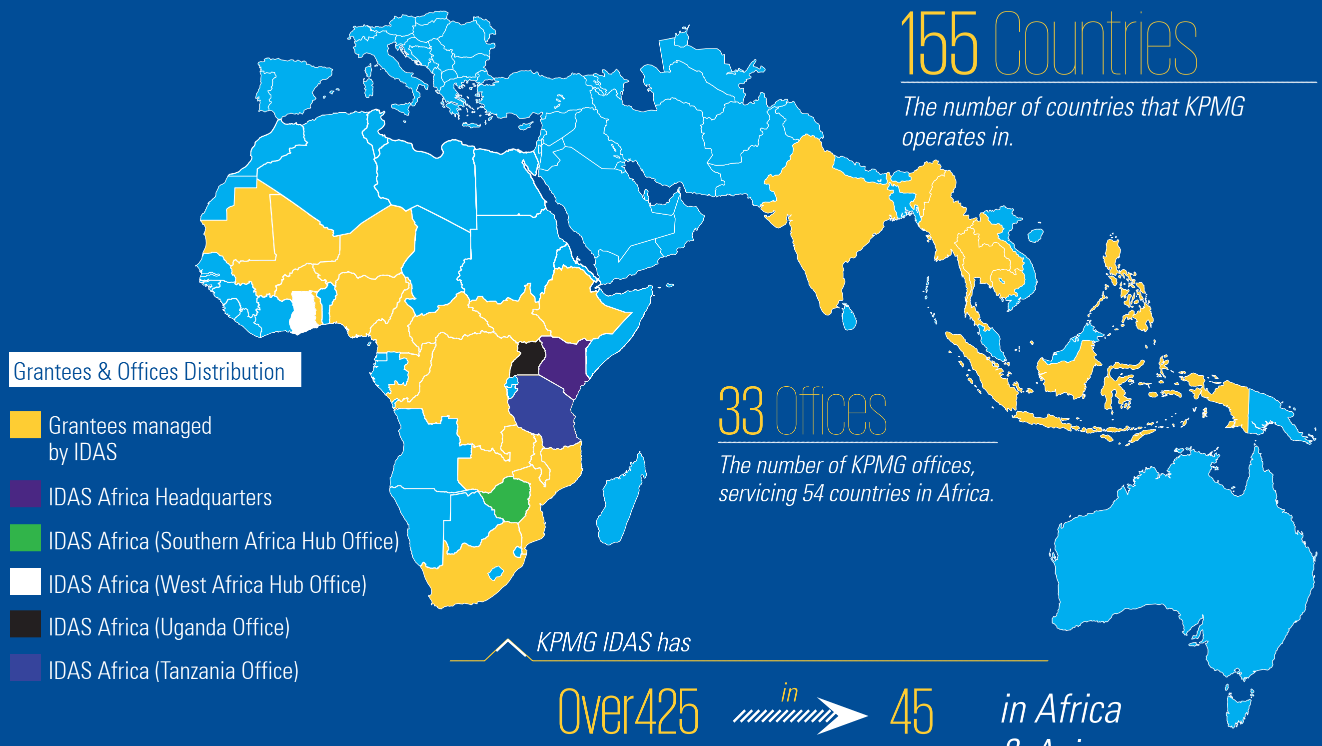
CONNECT

Our CONNECT unit helps our grantees to raise capital from investors and lenders enabling them extend impact by leveraging funding from private investors.

IMPACT

Our IMPACT Unit measures project and portfolio impact, documenting project results and lessons learnt on our programmes. IMPACT ensures our clients understand their investment.

Where we work



155 Countries

The number of countries that KPMG operates in.

33 Offices

The number of KPMG offices, servicing 54 countries in Africa.

KPMG IDAS has

Over425 *Grantees* *in* **45** *Countries* *in Africa & Asia*

2015-2016
IMPACT REPORT

KPMG

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