

GAFSP Private Sector Window

Proposed Monitoring and Evaluation (M&E) Framework

December 2013
International Finance Corporation

Overview of the GAFSP Public and Private Sector Windows



Public Sector Window

Administered by: **World Bank**

Funding: **US\$969 Million**

Donors: 8 donors (Australia, Canada, the Bill & Melinda Gates Foundation, Ireland, Korea, Spain, the UK, and the US)

Overview:

Provides grant funding directly to **sovereign governments** in accordance with country's macro strategy

Private Sector Window

Managed by: **IFC**

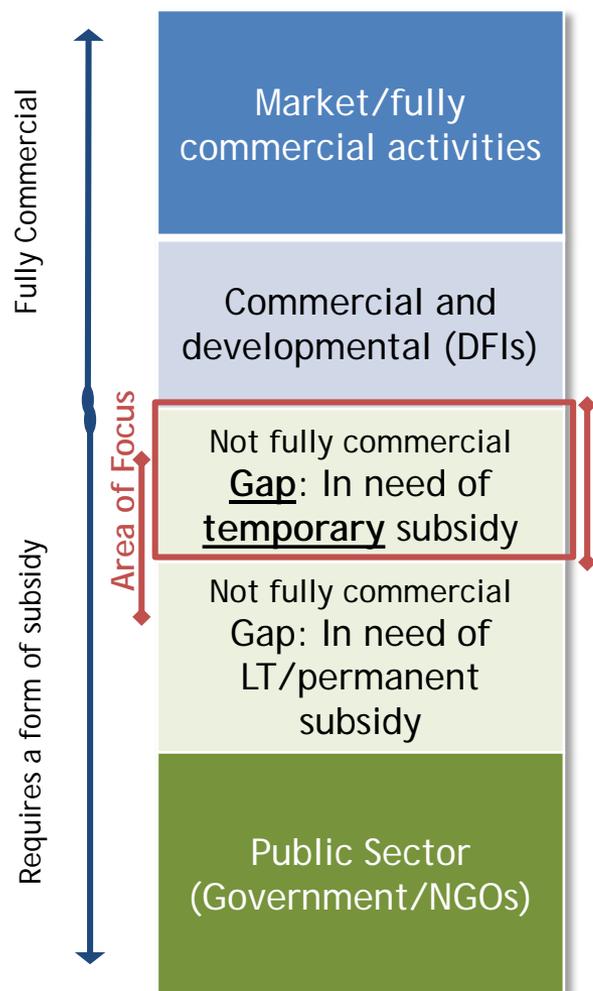
Funding: **US\$309 Million**

Donors: 5 donors (the Netherlands, Canada, Japan, the UK, and the US)

Overview:

Provides investment (and advisory services) to eligible **private sector companies in the agribusiness field**, in conjunction with IFC's investments

Identified Need for Blended Finance Solutions



- Circumstances where:
 - there is lack of commercial viability (because of perceived/real risks, or costs) that results in “under-investment” in activities that can lead to high social benefits, **but**
 - risk/reward balance for private sector can be achieved over time
- In some cases, public sector will undertake such investment (e.g.: Governments, NGOs)
- IFC and other DFIs can play a role, to a certain extent
- Blended Finance to private sector can “fill the gap” in the market and catalyze investments

Risks allocated between public and private sector; some inappropriate for private sector to bear

GAFSP Private Sector Window Principles for Deploying Blended Finance



This is KEY

Moves Beyond IFC Additionality

- Should be projects that both the client and IFC could not do without support
- Used to “de-risk” projects for the market
- Targeted to risks that are appropriate for private sector to bear (not risks that ought to be assumed by the public sector)

Avoids Market Distortion

- **Minimum concessionality:** Provide minimum “subsidy element” in financing to enable greater probability for sustainability & market transformation; minimizes over subsidizing
- Maximizing leverage of private sector; ensure private risks born by private sector
- Incentives for project sponsor aligned with impact performance

Leads to Sustainability

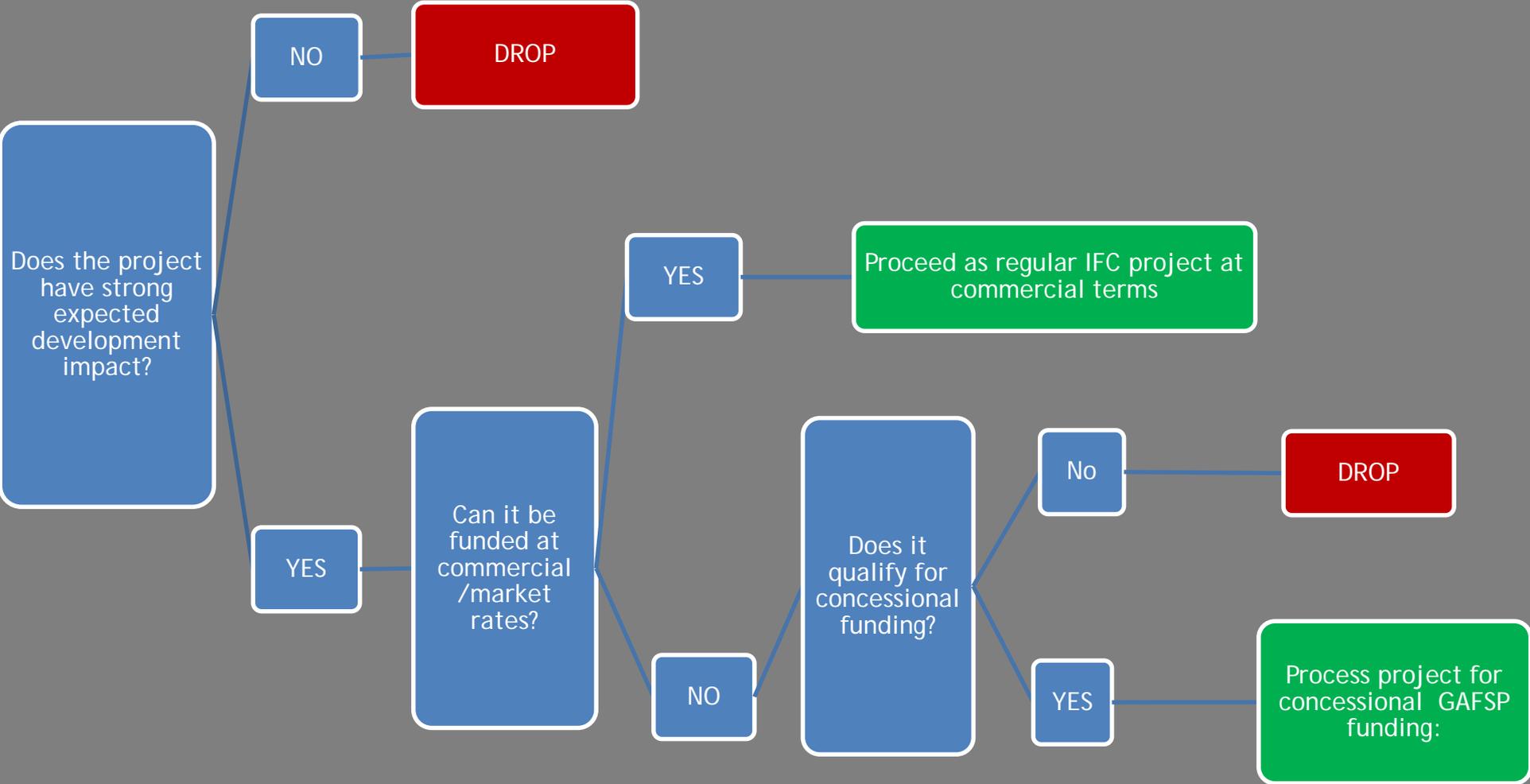
- **Time-bound:** should not be applied where long term subsidies are required; subsidy is limited in time (e.g.: 5-8 years) but offered until market/track record is established; subsidy should be limited to demonstration/decline over time
- Targeted approach for specific barriers (risk and cost) inhibiting investment
- Link with Advisory Services: Broaden impact and achieve market transformation

Upholds Transparency

- **Cost effectiveness** to achieve development impact
- **Governance:** deploy concession funding with the highest standard of care, and with governance structure which manages inherent conflicts of interest in funding structuring and decision making

Strong M&E framework will be needed to monitor delivery of these principles

Which projects qualify for GAFSP concessional funding?



4 Ex-Ante requirements for projects that seek GAFSP financing

1. Clearly articulate how expected impact on enhancing food security will be more than normal IFC additionality

Outline how project will transform market

Outline SMART Objectives

Establish clear baseline and target

2. Explain why need for subsidy is *time bound* (will not be needed after 5-8 years)

3. Explain why project would not happen (or some elements of the project) would not happen *without subsidy*

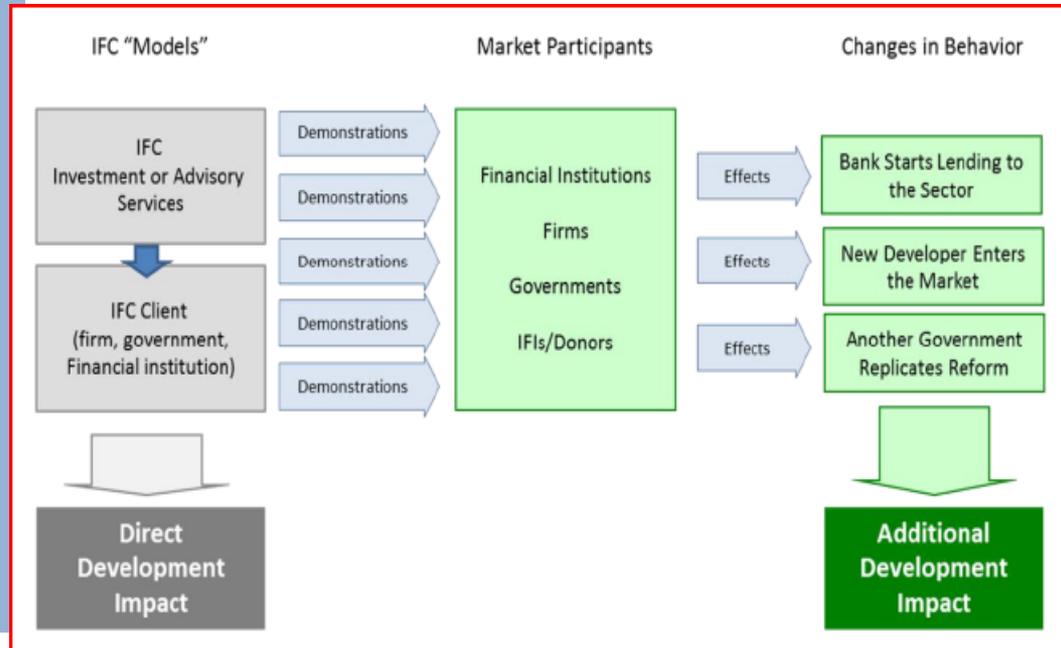
4. Explain whether subsidy is likely to *distort market*

Ex-Post assessment of projects receiving GAFSP funding

All projects will be required to report on how they performed on the 4 ex ante requirements. (previous slide). Each project should clearly demonstrate the following at the 5 year mark. The following three questions will also be addressed in all evaluations

1. **Additional development impact achieved by an investment project** (more than normal IFC project (against baseline))
2. **Market transformation/development** (demonstrate how market has changed, e.g.. record demonstration effect, change in standards, adoption of new technology)
3. **Sustainable change** - there is now adequate private sector uptake - no further subsidy is required in the market

Market Transformation is defined as “long lasting sustainable change in the structure or functioning of a market achieved by reducing barriers to the point where further publicly funded intervention is no longer appropriate in that specific market.”



Castalia Strategic Advisors, IFC Demonstration Effects Study 2013,

Two pillars of M&E framework

1. Monitoring: 4 elements of Monitoring framework

1. **Primary Indicators** (to be tracked by all investment projects and include project performance parameters of financial, economic and private sector development , *that are not tracked by the public sector window*)
2. **Secondary Indicators**: include indicators that GAFSP projects will track, some of which overlap with public sector window
3. **Poverty Scorecards**: To be used by select projects to track impact on income and poverty
4. **Ex ante and ex post requirements**: requirements to be fulfilled by all projects asking for GAFSP funding, listed in slide 6

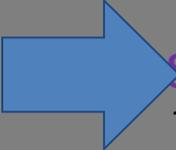
2. Evaluation: GAFSP will adopt a **10 year Evaluation Strategy** to evaluate individual projects and also the program (described in slide no. 15). We have discussed with DIME and will make efforts to maximize alignment with Public Sector window evaluations.

Monitoring Framework for investment projects

| | | | | Monitoring Framework with detailed project level indicators | |
|--------------------|--|---|--|--|--|
| | | | | Results Area | Primary Indicators |
| Log Frame | GAFSP Goal Alleviate poverty, improve rural livelihoods and improve food security | Impact Improving Household income | 1. Primary Indicators tracked by all IFC agribusiness projects | Financial Performance | Real Sector Projects 1. Financial Rate of Return (FRR) or Return on Investment Capital (ROIC) 2. Project implemented in time and within cost (Y/N) 3. Volume of product produced or processed [Financial markets projects] 1. Return on Equity (ROE) (Financial institution) or Net Internal Rate of Return (IRR) 2. Portfolio quality (Non Performing Loans %) 3. Targeted portfolio growth per year |
| | | | | Economic Performance | [Real sector projects] 1. Economic Rate of Return (ERR) or Economic Return on Invested Capital (EROIC) 2. Taxes paid (US\$) 3. Employment (#) 4. Female employment (#) 5. Farms reached (#) 6. Farmers reached (#) [Financial markets projects] 1. Economic Return on Equity (EROE) 2. Number of enterprises financed |
| | | | | Environmental and Social Performance | 1. E&S integrated management systems (Y/N) 2. Certification to food quality and safety and/or sustainability standards (Y/N) |
| | | | | Private Sector Development | 1. MSMEs reached (#) 2. Financial transparency improvements (Y/N) 3. Corporate governance improvements (Y/N) |
| | | | | 2. Secondary Indicators to be tracked by GAFSP projects (overlapping with Public Sector Window)-details on next slides | |
| Methodology | Impact evaluations will specifically address the question of impact of a project on food security and household income | Poverty Scorecards will be used to track household income, changes in household income and poverty among beneficiaries over time. | Data on all indicators will be collected through the IFC M&E framework for all projects. | | |
| Projects reporting | 4-6 projects | Most projects will track income using Poverty Scorecards | All projects | | |

Using simple Poverty Scorecards to track changes in income

- **Problem:** Income/poverty are difficult, costly, time consuming to measure
- **Features of a Poverty Scorecard:**
 1. Simple to use
 2. Quick to administer (5-10 minute scorecard)
 3. Quite accurate in estimating income levels
- **Piloted in IFC** :Coffee ECOM Nicaragua , WaterHealth Ghana
- **Can be used to :**
 1. Target services
 2. Measure poverty rates
 3. Track changes in poverty/income over time

 **Suggested use in select GAFSP projects:**

To track income/poverty changes over time among project beneficiaries

What is an “enhanced” Poverty Scorecard?

Poverty Scorecard. A basic Poverty Scorecard usually includes 10 simple questions like whether the household owns a TV, or the material used for the roof of their house, or the number of household members etc. These questions enable a statistically significant estimate of the likelihood of a household being below the poverty line.

- An **enhanced Poverty Scorecard** is a customized instrument in which a few additional questions are added onto the 10 basic questions. These additional questions impose an additional cost to the survey design but allow collection of valuable farmer feedback on specific needs and views by income segment. Also provides feedback on how these interventions impact farmer livelihoods, confidence, feelings of empowerment.
- **Feedback from one of IFC’s clients** that implemented the enhanced version was that the additional questions gave it insights on their supplier base which is core to their business and which they were not already systematically collecting. The information helped them understand how farmers view their company, what types of services they demand, and how they can improve their relationships. They value having a strong relationship with farmers - as they want to develop sustainable supply chain and recognize this is a way to ensure that farmers sell the quantity and quality that they would like.
- On its own the basic Poverty Scorecard is valuable to track poverty levels but the Enhanced version allows client companies to segment their market by income level and target service offerings accordingly. e.g., extending credit to smaller farmers, enhancing farmer relationships in areas where it was weaker (e.g., region, farm size)



Regular Portfolio Reporting to Donors

1. Progress on a sample of GAFSP projects
2. Analysis of leverage of GAFSP projects
3. Number of projects meeting each objective in Typology
4. Extent of subsidy vs. extent of expected benefit
5. GAFSP funds vs. IFC funds

Proposed Evaluation Plan

| Proposed M&E Budget by Component | | |
|--|---|--|
| M&E Components | M&E Budget | % of Total M&E Budget |
| 1.) Poverty Scorecards (estimated 15-20 projects) | \$2,000,000 | 32% |
| 2.) Project Impact Evaluations (estimated 4-6 projects) | \$3,224,000 | 52% |
| 3.) Program Evaluation | \$950,000 | 15% |
| Total | \$6,174,000 | 100% |
| Overall M&E Budget and Pro-rata Contributions | | |
| Country | Pledged Amount (US\$ million equivalent) | M&E Pro-rata Contribution (US\$ million equivalent) |
| | Pledged | |
| Canada | \$51.50 | \$1.030 |
| Japan | \$30.00 | \$0.600 |
| Netherlands | \$142.90 | \$2.858 |
| United Kingdom | \$59.30 | \$1.186 |
| United States | \$25.00 | \$0.500 |
| Total | \$308.70 | \$6.174 |

Cost Estimates for Poverty Scorecards

Cost Estimates for administering Poverty Scorecards

Option 1.

Barebones Poverty Scorecard for tracking poverty levels

| | Fee Type | Description | Estimated Amount |
|--|--------------------|---|------------------|
| | Methodology Expert | Creation of New Scorecard (if not available for a particular country) | \$ 10,000 |
| | Methodology Expert | Project Guidance, Final Report | \$ 8,000 |
| | Local Firm | Local Project Management, Data Collection and Analysis | \$ 27,000 |
| | Total | | \$ 45,000 |
| | 3 collections | | \$ 115,000 |

Option 2.

Enhanced Poverty Scorecard that also includes add on questions that build customer loyalty and enhance sustainability of poverty tracking by client after IFC exits

| | | | |
|----------------------------|----------------------|--|------------|
| Customer Loyalty Component | Consulting firm | Survey design, analysis, final report | \$ 54,000 |
| | Market research firm | Data collection | \$ 23,529 |
| | Total | One time cost for add- on component for Option 2 | \$ 80,000. |

**Estimates based on actual costs from IFC pilot experience with similar projects. Costs can vary depending on type of country context, local costs of consultants etc*

Option 1 per project \$ 100- 120 K

Option 2 per project \$ 180-200 K

Proposed Evaluation Plan

| <i>Evaluation Plan for GAFSP (Private Sector Window)</i> | | | | |
|---|---|---|---|---|
| Type | When | Objective | Key Questions | Responsibility |
| Project Evaluations* | 4-6 project evaluations over life of 10 years | Specific questions on project design, feedback loop into other projects/other regions | <p>1. <i>Project-specific questions</i> 2. <i>Overall generic questions</i> for all impact evaluations: A) What was the project's impact on food access? B) How did the project affect household income? 3) Were food prices affected in any way by the project? 4. What was the gender-disaggregated impact of projects?</p> | External Evaluation- procurement and design process could be supported by CDI |
| Program Evaluations | | | | |
| 1. Formative | at 2 year mark | Early Learning/feedback to strategy, design and structure | 1. Are we doing the right projects? 2. Is our governance structure right? 3. Are we managing potential conflict of interest transparently? 4. Are we well coordinated with Public Sector Window? | External Evaluation- procurement and design process could be supported by CDI |
| 2. Mid term | at 5 year mark | Assess need for course correction, if any | Are we on right track? What is working and what isn't? Any course correction required? | External Evaluation- procurement and design process could be supported by CDI |
| 3. End of Program | at 10 year mark | Assessment of program contribution | Have we been transformational? | External Evaluation- procurement and design process could be supported by CDI |
| * Selection of projects to ensure representation across type of interventions | | | | |