Yield Uganda Investment Fund: Assessing the Impact of a Fund investing SMA

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New agenda for Development

Ending extreme poverty for **700 million people**

$**300 billion a year** needed to meet food related SDGs

**Private sector** to play a key role in meeting SDGs
Small and Medium Agribusinesses (SMAs) and the Hidden Middle

High Risk

Lack of Adequate Capital

Capital Requirement: $10k – $1M
Uganda Context

Country Background
- Pop: 45 Million
- GDP/capita: 605 USD
- Fin. Inclusion: 58%
- Ag. Employ: 70%
- Ag/GDP: 24%
- Gov. expenditures: 4%
- Largely Subsistence Farming
- Majority of SME in informal sector

Realities of an SMA
- 20-25% Interest; 2-3 Years; 120% collateral
- PSC:GDP: 14% (Kenya: 28%; India 50%; Ag. %: 13%)
- Capital Market nascent
- Govt share of loans: 21%
Objective of the Yield Uganda Fund

To contribute to the development of Uganda's agriculture and the improvement of rural livelihoods

To support the development of small and medium agribusiness enterprises through

long-term finance through investment fund and business development services (BDS).
Yield Uganda Fund

**Partnership**
- Partnership between IFAD, EU, NSSF, OSF, FCAI
- The EUR 20M Fund is managed by PCP

**Support to SMA**
- Patient Capital (Equity and Quasi-Equity)
- Cost-sharing Business Development Services
- Focus on Impact

**Results**
- EUR 4.5 Million invested in 6 SMAs
- An additional 5230 farmers
- 260 Jobs
Research and Impact Assessment (RIA) 
Division of IFAD

• RIA conducts impact assessments (IA) for 15% of IFAD investments in order to:
  – generate knowledge
  – improve programming
  – contribute to corporate accountability

• For IFAD11, we are conducting 24 ex-post assessments globally

• YUF identified due to the significant opportunities for learning
  – Increasingly important concept
  – Ex-ante methodology for more rigorous analysis
M&E and IA in the context of Yield Uganda Fund (YUF)

Three main levels of interest for YUF:

1. **Investors**
2. **Investee SMAs**
3. **Smallholder farmers and rural households economically linked to SMAs**

Direct beneficiaries:

Indirect beneficiaries:

**Fund outreach**

- **Financial Indicators**
  - M&E
  - IA

- **Economic/Financial Indicators**
  - M&E

- **Socio-economic indicators**
  - IA
# Impact Assessment Framework

## Fund Level
- Financial Progress and additional funding raised
- ESG improvements
- Farmer outreach and employment

## Qualitative Fund
- Assessing the Fund model
- BDS facility
- Comparing Impact Fund impact vs other PS programmes

## Qualitative SMA
- Key Informant Interviews
- Farmer Group Interviews
- Employee and other stakeholders Interviews

## Quantitative
- Rigorous ex-ante impact assessments for a selection of SMAs...
YUF impact assessment highlights

- Impact Assessments conducted for a **sub-set of investee firms**
  - selected with a focus on Type (ii) investees, i.e. buyers of produce and services from smallholders
- Baseline and endline data are collected from **treatment** and **control** households
- Overall sample size: **3,000** households
  - varies by firm with a floor of 300 households
- **Ad hoc firm-level sampling and identification strategy**
- Core of IAs is **quantitative household questionnaire**, plus interviews with investee firm and key informants
Could we use before-after comparisons?

Answer: NO, because it ignores any general time trends
Impact assessment refresher

• Ideally, comparable treatment and control groups would be formed by randomly allocating intervention amongst target group

  - Without project
  - With project

• Not possible in this case, so we use other techniques to construct accurate control group
  – Identify a control group at the baseline
  – Interview treatment and control group at the baseline and endline
  – Analyse the difference in differences with matching
Assessing YUF impact at multiple levels

<table>
<thead>
<tr>
<th>Firm-level effects</th>
<th>Firm 1</th>
<th>Firm 2</th>
<th>Firm 3</th>
<th>Firm 4</th>
<th>Firm 5</th>
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<table>
<thead>
<tr>
<th>Fund level effects</th>
<th>Treatment</th>
<th>Control</th>
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<tr>
<td>Outcome/Impact</td>
<td>Proposed indicator</td>
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<tr>
<td><strong>Small scale farmer level indicators</strong></td>
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<tr>
<td>Increased income and income diversification</td>
<td>Net annual income per capita, annual wage labour income per capita, agricultural income, # income sources; income diversification indices</td>
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<tr>
<td>Improved food security</td>
<td># meals per day; Food Insecurity Experience Scale (FIES); Dietary Diversity Index</td>
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<tr>
<td>Increased asset ownership</td>
<td># and value of durable, agricultural and livestock assets, housing characteristics, asset indices</td>
<td></td>
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<tr>
<td>Increased resilience</td>
<td>Exposure, sensitivity and adaptive capacity indicators</td>
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<tr>
<td>Increased market participation</td>
<td>Frequency and value of sales, gross margin, participation to producers organization</td>
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<td>Women’s empowerment</td>
<td>% household income from female members, Female involvement in household decisions</td>
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CECOFA impact assessment

- CECOFA is a cooperative association of coffee producers based in Central Uganda, with approximately **3,664 members**.

- Thanks the YUF investment (**around US$1.36 million**), CECOFA aims to:
  - grow its membership, capacity and its sales to existing and new buyers,
  - become the main wholesale provider of robusta coffee in Uganda.

- YUF also aim to make CECOFA an example of how agricultural cooperatives can effectively operate in modern rural Uganda.

- **Three categories** of beneficiary farmers:
  a) Member farmers of CECOFA that produce certified coffee
  b) Member farmers of CECOFA that do not produce certified coffee
  c) Farmers that are not yet member of CECOFA but will join later
CECOFA impact assessment

- Sample frame design:

<table>
<thead>
<tr>
<th>Group</th>
<th>#TG</th>
<th>#CG</th>
<th>Who are control group households?</th>
</tr>
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<tbody>
<tr>
<td>(a)</td>
<td>182</td>
<td>263</td>
<td>Households in the same area, who are members of other comparable coffee cooperative associations</td>
</tr>
<tr>
<td>(b)</td>
<td>166</td>
<td>146</td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td>148</td>
<td>111</td>
<td>Households in the same area, who are currently not members of any cooperative</td>
</tr>
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</table>

- The baseline report provides (i) an assessment of the quality of the matching and (ii) an understanding of the characteristics of the three beneficiary groups.

- Mean values for key characteristics of the treatment and control households in each of the group are compared using the standardised difference (see Austin, 2009).
Sesaco impact assessment

• Sesaco Ltd. is a family-owned agro-processing firm specialising in soy-based products including beverages and fortified flour in Central Uganda.

• Thanks to YUF investment (around UGX 7.2 billion), Sesaco aims to become a multinational food processing enterprise, penetrating more markets in Uganda and abroad.

• The investment in Sesaco is expected to lead to small scale farmers gaining more benefits from being part of the company value chain.
Sesaco impact assessment

• Sample frame design:
  1. Treatment group: 11 Farmers’ Groups, who are already connected to Sesaco and who they intend to strengthen connection with moving forward thanks to YUF investment
  2. Control group: 10 Farmers’ Groups, who are similar to the treatment groups but Sesaco does not plan to work with them

• In addition to the household questionnaire, Focus Group Discussions conducted with 15 Farmers’ Groups and basic info collected for all groups

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<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
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<tbody>
<tr>
<td>Treatment</td>
<td>255</td>
<td>55</td>
</tr>
<tr>
<td>Control</td>
<td>212</td>
<td>45</td>
</tr>
<tr>
<td>TOTAL</td>
<td>467</td>
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Lessons Learnt

Creating accurate treatment and control groups is possible with a creative, localised approach.

Conducting evaluations can actually help the investees, even at baseline stage (Marketing, Understanding their suppliers)

Main challenges
- Tracking of beneficiaries, ensuring that control doesn’t become contaminated over time
- Ensuring that we find an unbiased treatment group
Next steps

Understanding impact pathways for Impact investment fund

Dissemination of studies

Supporting policy process in country to attract similar vehicles
Thank you

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