LIFT Challenge Fund Evaluation Report: Final Draft

Presented by MarketShare Associates

Contents

Acronyms and Abbreviations

AECF	Africa Enterprise Challenge Fund
DCG	Dar Corridor Group
EAC	East African Community
FMT	Fund Management Team
FTESA	Food Trade East and Southern Africa
FTE	Full-time employee
IC	Investment Committee
LIFT	Logistics Innovation for Trade
MSA	MarketShare Associates
PAR	Project Appraisal Report
REP	Review and Evaluation Panel
RVR	Rift Valley Railways
SO	Strategic Objective
TMEA	TradeMark East Africa
TRAC	TradeMark East Africa Challenge Fund
VfM	Value for Money

Executive Summary

1. TradeMark East Africa (TMEA) commissioned MarketShare Associates (MSA) to conduct a formative evaluation of the Logistics Innovation for Trade (LIFT) challenge fund. LIFT commenced in 2014 and is currently scheduled to end in 2019. As a formative evaluation, its purpose is to generate usable insights that can inform TMEA's ongoing funding of the LIFT challenge fund, as well as to inform decisions on future investments of resources in Phase 2. MSA conducted the evaluation between February and September 2017.

2. To achieve this purpose, MSA tailored its evaluation methodology to derive answers to the key evaluation questions. The evaluation analyzed the overall LIFT portfolio and examined five projects in additional detail. It used several research methods, including secondary source review and primary data collection via focus group discussions and in-depth interviews. It also examined several other challenge funds as a benchmarking exercise. The evaluation team used the OECD-DAC standard evaluation criteria of relevance, impact, effectiveness, efficiency and sustainability to assess the projects' progress. Each criterion was provided with an overall assessment using a sliding scale from 1 (low) to 6 (high). Confidence levels of low, medium or high indicate the available level of evidence to support the evaluation team's assessment. Table 1 below summarizes the evaluation findings and the assessment of the LIFT challenge fund according to the evaluation criteria.

Table 1: Overall LIFT Assessment against the Evaluation Criteria

<table>
<tr><th>Evaluation Category:</th><th>Category score (1 = low, 6 = high)</th><th>Confidence level (low, medium or high)</th><th></th></tr>
<tr><td>Relevance</td><td>3</td><td>High</td><td></td></tr>
<tr><td>Project clarity and logic</td><td colspan="3">The causal logic of LIFT's results chain is generally solid. It could be tightened up particularly at the outcome level, where the current version questionably suggests that impacts will come solely as a result of support to SMEs.</td></tr>
<tr><td>Alignment with TMEA, partner, beneficiary, the East African Community and member state interests and priorities</td><td colspan="3">LIFT's impact is well-aligned with regional and TMEA's SO3 objectives; though the shifting landscape and rapidly improving logistics means that a review of its focus is needed. However, many of the LIFT Phase 1 grants' milestones are not aligned with the LIFT monitoring plan's indicators, and so will not contribute to achieving LIFT and TMEA's overall aims.</td></tr>
<tr><td>Impact</td><td>3</td><td>Low</td><td></td></tr>
<tr><td>Achievement of impacts</td><td colspan="3">LIFT's investments are too new to have achieved long-term impacts to date. Only three of the nine LIFT grants funded to date have milestones designed to contribute measured results to the two LIFT impact indicators. If such a small proportion of projects contributing to impact indicators is continued through future grants, it is unlikely LIFT will achieve significant reductions in transport time and cost.</td></tr>
<tr><td>Systemic and unintended changes</td><td colspan="3">Although the LIFT PAR states that LIFT aims to achieve systemic change through replication, and TMEA staff expect this, the FMT is not attempting to create systemic changes. Without an explicit strategy to create and measure systemic change, it is unlikely to occur.</td></tr>
</table>

Additionality	*LIFT funding has created changes that would not have otherwise happened; few of the projects would have been undertaken in the same timeframe without the funding, and most would likely not have been undertaken at all.*		
Effectiveness	3	Medium	
Achievement of outcome targets	*The portfolio-level outcome targets to reduce incidence of cargo tampering, increase market share by SMEs, and increase export volume will not be reached with the current projects, given that none of the grant milestones contribute measurements towards those targets. Several of the grantees are likely to achieve their project outcomes.*		
Adaptive management	*For the majority of its implementation to the time of the evaluation, TMEA and the FMT could have greatly improved their adaptive management. This is demonstrated by the fact that some challenges remained in place for quite some time. Adaptations did occur as a result of milestone verifications particularly in terms of time extensions for grants, though monitoring and reporting on risks and the baseline values for project impacts were often not done, and so not used to inform programming decisions. This appears to be changing, based on discussion with the new LIFT Team Leader / Fund Manager. A number of new systems have been brought into place since his hiring in late 2017.*		
Efficiency	2	High	
Value for Money	*With a total management cost ratio of 43% and an overall administrative cost ratio of 54.8%, LIFT's economy is very low. The cost of managing the fund is quite high relative to comparison funds. Its efficiency is also modest relative to comparison funds based on grant processing speed and its leverage ratio. Its effectiveness cannot be independently benchmarked, given a lack of comparison cases. ROI for the projects calculating transport cost reductions were mixed (1 positive, 2 negative) but need better estimates and data to be valid. Its equity is impossible to assess, given a lack of measurement to date of LIFT's impacts on women or the poor.*		
Sustainability	5	Medium	
Sustainability addressed and likely to be achieved	*The sustainability of the LIFT-funded grants is still unclear, given their early stage. However, the nature of the challenge fund mechanism makes it likely that the specific projects that have been funded by LIFT that are successfully completed will be maintained. For the majority of LIFT grants, this should also continue to create the expected benefits for end users.*		

3. The following table outlines a selection of the highest priority recommendations for LIFT across current implementation and future design. A full set of lessons and recommendations are provided in the body of the report.

Recommendations on Improving LIFT Advertising, Vetting and Selection	**Responsible & Timeframe**
Rethink the selection criteria and their definitions. Place much greater emphasis on coherence with LIFT's impact objective when vetting PCNs to avoid irrelevant proposals from reaching the IC. Emphasize TMEA's impacts and outcomes to the FMT so that they are fully understood. Similarly, **review the definition of innovation that is being used**. This assessment requires expert input and an understanding of the nature of the logistics sector. Only sectoral experts should vote on the innovativeness of a proposal. **Incorporate potential effects on competition in the marketplace, impact on the poor and gender, ability to create systemic changes and anticipated ROI as selection criteria**. Avoid funding projects that cannot realistically create systemic changes, be copied by others or that are not addressing the underlying issues that have prevented the solution from being developed to date. Similarly, only fund projects that will generate a strong return to TMEA investment.	FMT TMEA <u>Long-term</u>: Only do if TMEA will finance challenge funds again.

Recommendations on Improving LIFT Management	Responsible & Timeframe
Immediately develop an action plan for grants that will not have been completed by mid-2019, at the point when the FMT's contractual extension runs out. This is a certainty, and so should be planned upfront to avoid disruption to grantees if the current FMT's contract will not be renewed.	TMEA Immediate: Review all grants to ensure ending by mid-2019 is realistic.
Adopt an adaptive management strategy. This requires that key TMEA technical and monitoring staff strengthen expertise on challenge fund management and revise its reporting templates to provide proper oversight.	TMEA Short-term: Note what information TMEA staff need to make key decisions and pursue training.
Reposition the makeup of the FMT. Ensure that as many staff as possible are Nairobi-based or East Africa-based. The project manager should probably also be based full-time in Nairobi. Also, recruit a monitoring specialist to support the FMT with strong survey methodology and attribution estimation skills on an as-needed basis. Equally, ensure that the FMT has adequate logistics expertise either on a full-time or part-time basis. The historical use by the FMT of part-time logistics consultants has not seemed to adequately address the need for logistical expertise in managing LIFT.	FMT Short-term: Review the make-up of the FMT.
Recommendations on Improving LIFT Monitoring	**Responsible & Timeframe**
Redesign the structure of the FMT monitoring system. Apply MSA's guidance on monitoring challenge funds. Immediately select impact assessment methodologies. Conduct baselines on all outstanding grants. Prioritize measurement resources on those projects likely to create the greatest return instead of spreading the resources monitoring evenly. For those high impact grants, use monitoring methods that rigorously assess the attribution of LIFT funding to the measured results (recognizing that in many cases, by the time the LIFT-supported system has been adopted by users, a significant portion of the total improvement has already occurred and could be missed if measurement is delayed).	FMT Immediate: Select impact assessment methods and conduct all baselines that cannot be effectively reconstructed. 2019: Conduct intermediate impact assessments (if impacts are significant) 2021: Conduct final impact assessments

Revise LIFT's impact indicators and targets to better capture progress and require more meaningful achievements. In particular, include a scale-related impact target. Then **ensure that all LIFT grants are measuring their contribution to at least one outcome and the overall LIFT impact**. **Use leading indicators,** beyond just lagging indicators, of output completion, around outcome achievement (or not), and delays in implementation. Also, **revise LIFT's outcome impacts and targets**. In particular, remove the following three outcomes that none of the round 1 grants are measuring achievement against: *% increase in vehicle utilisation for targeted SMEs, % reduction in number of instances where cargo has been tampered with, and % of market share increase by SMEs.* Alternatively, design future funding windows that specifically tackle these problems. Finally, **ensure coherence of the LIFT results chain by revamping it to eliminate questionable assumptions and better reflect how transportation time and cost savings will be realized**.	TMEA <u>Immediate</u>: Revise LIFT's and some grantees' impact and outcome indicators & targets. Revamp the LIFT results chain.
Revamp LIFT's Value for Money (VfM) indicators and measurement. TMEA should establish indicators of VfM for the LIFT fund around economy, efficiency, effectiveness and equity. In terms of equity, the management fee should be calculated as an amount per year of support provided rather than an overall amount. Moreover, the VfM indicators should be monitored periodically to alert TMEA when VfM is worsening, such as it has in light of the contract extensions. For measuring efficiency, incorporate within the LIFT monitoring framework the achievement of process indicators that are critical to success of the challenge fund, including the timeliness of implementation of the grants, budget disbursements, etc. This will provide a process for ensuring the fund is on track.	TMEA <u>Short-term</u>: Establish VfM indicators and begin monitoring them.
Include a grant-level indicator that tracks the commercial viability of LIFT funded business models. While evidenced anecdotally in some cases, commercial viability beyond grant funding is currently not measured by LIFT. This is essential for the long-term viability of the grant, and thus should be incorporated into the measurement system.	FMT <u>Medium-term</u>: Include in the next iteration of the monitoring framework.
Extend the period of monitoring beyond the implementation period of the grant so that LIFT does not significantly under capture its actual impact. AECF measures for 6-7 years following the signing of the grant; consider at least 2 years following the completion of grant funding. Moreover, extend the maximum timeframe for the LIFT grants in recognition of the complexities of the operating environment.	TMEA <u>Medium-term:</u> When budgeting monitoring resources for Strategy 2.
Recommendations on Improving LIFT Future Design	**Responsible & Timeframe**

Rethink challenge funds as a mechanism meriting TMEA's support. If strongly valued by TMEA, focus LIFT to address the priority logistical challenges and opportunities in East Africa, aligned with TMEA's logistics strategy. Based on interviews with stakeholders, this could include improving intermodal terminals (without which the rail lines will fail to function effectively) or the transport of non-agricultural commodities. To ensure that such opportunities are identified, play a more active role during advertising to actively seek out and solicit potential applicants that are working in desired areas (e.g., pallet networks). Consider shaping advertising rounds around specific identified logistical challenges to avoid a scattershot approach. Equally, avoid funding solutions that are not particularly innovative. For example, mobile applications that link buyers and sellers of transportation services, for which there are already a diversity of products being developed (and already available) independently of LIFT support. If TMEA is to continue supporting challenge funds, VfM needs to be strongly improved relative to during Strategy 1.	TMEA <u>Not immediate:</u> As part of the process for deciding whether to include future funding for challenge funds.

Background to TMEA and LIFT

4. "TradeMark East Africa (TMEA) was officially launched in February 2011 as a special not-for-profit agency to promote trade growth in East Africa Trade. It aims at improving trade competitiveness and regional integration in East Africa. TMEA's Theory of Change is anchored on three key strategic objectives: Increased Physical Access to Markets (Strategic Objective 1); Enhanced Trade Environment (Strategic Objective 2) and Improved Business Competitiveness (Strategic Objective 3). By 2016, TMEA seeks 10 % increase in the total value of exports from the EAC region; 25% increase in intra-regional trade exports; 15% reduction in average time to import or export a container from Mombasa or Dar es Salaam to Burundi and Rwanda; and 30 % decrease in the average time a truck takes to cross selected borders. TMEA is currently funded by the UK, Belgium, Canada, Denmark, Finland, Netherlands, Sweden and USA. TMEA's secured budget to date totals about $560M. The first phase of the programme is currently scheduled to end 30th June 2017 with Phase 2 starting thereafter."[1]

5. TMEA launched the Logistics Innovation for Trade (LIFT) challenge fund in 2014 with an initial budget of $16 million so that it could work directly with the private sector to generate and fund solutions in the transport and logistics sector of East Africa. LIFT was the companion to an earlier-approved challenge fund, the TradeMark East Africa Challenge Fund, which was already operating and focused on trade. A challenge fund "(1) provides grants or subsidies (2) with an explicit public purpose (3) between independent agencies (4) with grant recipients selected competitively (5) on the basis of advertised rules and processes (6) who retain significant discretion over formulation and execution of their proposals and (7) share risks with the grant provider."[2] Its rationale is to buy-down the risk faced by the private sector to investing in projects with high social returns that cannot be financed through conventional sources. Proposals must pass a multi-stage approval process. Short concept notes are submitted and vetted by the FMT. Those that pass are presented to TMEA's Review and Evaluation Panel (REP) for approval or rejection. Accepted firms then prepare a full proposal and undergo due diligence, after which their proposals are vetted by an external investment committee. The proposals approved by the IC then undergo the negotiation of a contract and project milestones that are tied to reimbursement payments.

6. To date, LIFT has funded a total of 9 grants in round 1 with a total anticipated LIFT contribution of $4.9 million. It is currently evaluating proposals for a second round.

[1] This paragraph is quoted from the evaluation scope of work.
[2] O'Riordan, Anne-Marie et al. Challenge Funds in International Development: Research Paper. Triple Line Consulting Ltd. and University of Bath. 2013.

Background to the Evaluation

7. TMEA commissioned the formative evaluation of the LIFT challenge fund in late 2016, and MarketShare Associates (MSA) was contracted to conduct the external evaluation using the OECD-DAC standard evaluation criteria of relevance, impact, effectiveness, efficiency and sustainability to assess progress. The evaluation took place from February to September 2017. As a formative evaluation, its purpose is to generate usable insights that can inform TMEA and Nathan Associates' ongoing funding of the LIFT challenge fund, as well as to inform decisions on future investments of resources in Phase 2. More specifically, the evaluation aims to determine the extent to which intended outcomes have been, or are likely to be, achieved, establish whether – or the extent to which – LIFT has led to systemic changes in the markets, highlight lessons learned and good practices to inform ongoing project implementation and future design, assess the effectiveness and efficiency of LIFT's model and processes, determine whether TMEA's support to LIFT is sufficient, and make recommendations oriented towards improving programme design and management.

8. MarketShare Associates is a boutique consulting firm focused on creating innovative solutions to poverty. MSA has an extensive background designing, implementing, monitoring and evaluating challenge funds, including in East Africa. MSA has written the only existing guidance on how to measure challenge funds for the Donor Committee for Enterprise Development, as well as guidance on measuring systemic change and job creation.

Evaluation Methodology

9. As outlined in the TOR, this evaluation is a formative evaluation. This means that its purpose is to generate usable insights that can inform TMEA's and the FMT's ongoing management of the LIFT and TRAC challenge funds, as well as to inform decisions on possible future investments of resources in Phase 2. To achieve this purpose, MSA tailored its evaluation methodology to derive answers to the key evaluation questions. The evaluation used several research methods, including secondary source review and primary data collection via focus group discussions and in-depth interviews. It interviewed TMEA, the FMT, the grantees, their beneficiaries, and other relevant stakeholders.

10. The evaluation selected two non-TMEA challenge funds as comparison cases to benchmark the performance of LIFT. Although no two challenge funds are identical, and so inevitably differ in certain ways from LIFT[3], comparisons between challenge funds nevertheless offer an opportunity to examine differing performance in key areas, including value for money. The two challenge funds that were selected include the Africa Enterprise Challenge Fund (AECF) and Food Trade Eastern and Southern Africa (FTESA). AECF is a very large challenge fund operating across many countries in sub-Saharan Africa, with its headquarters in Nairobi. At the time of

[3] For example, AECF's budget is many times larger than LIFT's budget.

writing, AECF's focus has been primarily on the agricultural and renewable energy sectors. AECF[4] is an interesting comparison because, like LIFT, it has had (as to the time of the evaluation fieldwork) a two-tiered management structure involving both AGRA and KPMG. FTESA[5] was selected because it is also has a regional focus, has a strong presence in Nairobi, and is time-bound. Moreover, it has funded projects that have a logistical component to them, such as the eSoko online marketplace. Annex 4 provides a summary of both.

11. The full evaluation methodology, which was presented during the inception phase and approved by TMEA, is available in an Annex to this report. Compared to the original plan, MSA added an additionality exercise that consisted of interviewing shortlisted businesses who were ultimately not selected to determine whether they proceeded with their investment in the absence of LIFT funding. The evaluation analyzed the overall LIFT portfolio and examined the bolded five projects in additional detail:

Project Name	Lead Implementer	Status	Total Budget	End of Project Target
C&F PRO Online	**Cybermonk Software Development**	**Active**	**$419,500**	**5% reduction in C&F costs across 50% of participating users by the end of the project**
Mining and visualising tracking data for increased trade efficiency and transparency	Cyber Trace Litimed	Active	$827,785	At least 90% of 250 trucks using the system report no adulteration (incidence alert) after 6 month of installation
Logistics innovation and information system East Africa: LOGISA	**TransportLAB**	**Active**	**$700,000**	**Participating users report a reduction in cost per tonne km by at least 15% by the end of the project**
Improvement of the current Malaba Railway Yard into Cargo Intermodal facility	**Spedag Interfreight (K) Limited**	**Active**	**$1,346,074**	**20% reduction in transit time from Mombasa to Nimule by the end of the project**
Effective electronic container based cargo movement management - East Africa	Mix Telematics - East Africa	Cancelled	$586,000	90% of journeys undertaken with the locks either reached the destination untampered or reported an opening event within the last 6 months of the project by month 18
Alistair+	Alistair James Company Limited	Active	$1,500,000	Alistair+ subcontracted drivers earn 15% more $/km and monthly revenue (averaged 3 months) by the end of the project
East African Joint Operating Centre and Control Tower	Letsema Consulting (Pty) Ltd	Active	$2,090,040	Reduction of total turnaround time by 25% during the pilot testing phase of the EAJOC (3 customers) i.e. by month 12
Shipyard Development in Jinja on Lake Victoria	**VERON Shipyard Ltd**	**Active**	**$2,358,300**	**Increase in Annual Lake Victoria Cargo traffic from 70,000 tons per year to at least 100,000 tons per year by (prorated measurement at mid-2017)**

[4] https://www.aecfafrica.org/
[5] www.foodtradeesa.com

Transport and Logistics Integration Suite	**Graben 4PL Ltd**	**Cancelled**	**$1,148,456**	**10% increase in freight volume reported by active vendors by end of project**

12. MSA's main challenges in conducting the evaluation was gaining access to respondents, some of which were impossible to reach despite repeated efforts. A contributing factor was the many levels of intermediaries separating the evaluation team from the ultimate beneficiaries that it was seeking to contact: TMEA, the FMT management team in Nairobi, the FMT officers responsible for the specific grantee relationships, grantees and their teams, as well as grantee partners. If respondents were unable to be reached by the evaluators, the decision to replace or remove them from the study was agreed between MSA, TMEA, and the FMT. A list of planned respondents in the evaluation inception report that were ultimately not able to be reached for inclusion in the study is included in Annex 1 of this report. An additional limitation was that no LIFT grants had achieved their intended impacts at the time of the evaluation. This meant that MSA was unable to conduct some of the methodologies that it had planned to, including applying its systemic change analysis using its *Disrupting System Dynamics* framework (given that no systemic changes would have yet occurred) and conducting a data quality assessment (given that no impact data had yet been generated). It also meant that MSA's ROI analysis had to focus on ex ante estimations rather than ex post results, and that MSA's attribution analysis methodology was less relevant (though the additionality exercise speaks to TMEA's attribution for achieved outputs).

Evaluation Findings

1.1 Relevance

13. In terms of relevance, we find that LIFT has earned a score of 3 out of 6. Our confidence in this rating is high.

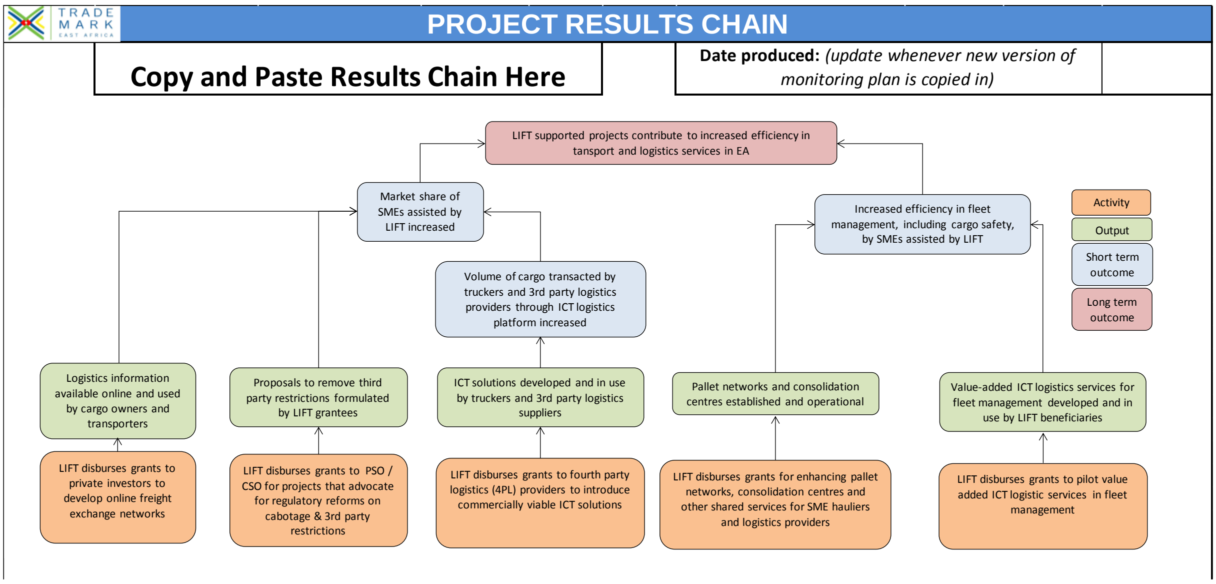
Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)
Relevance	3	High
Project clarity and logic	*The causal logic of LIFT's results chain is generally solid. It could be tightened up particularly at the outcome level, where the current version questionably suggests that impacts will come solely as a result of support to SMEs.*	
Alignment with TMEA, partner, beneficiary, the East African Community and member state interests and priorities	*LIFT's impact is well-aligned with regional and TMEA's SO3 objectives; though the shifting landscape and rapidly improving logistics means that a review of its focus is needed. However, many of the LIFT Phase 1 grants' milestones are not aligned with the LIFT monitoring plan's indicators, and so will not contribute to achieving LIFT and TMEA's overall aims.*	

Project clarity and logic

14. LIFT's theory of change is represented by the following project results chain. It has been updated several times since LIFT's inception (first in 2014, then in 2015, and then again in 2016); Annex 10 presents a timeline of these edits. At the impact level, LIFT expects to contribute to TMEA's overall aim of reducing the time and cost of transport. This is logical and should remain LIFT's impact. Increasing the market share of SMEs and fleet management

efficiency are seen as the key contributory factors. However, a third outcome, the volume of cargo transacted by truckers and 3PL logistics providers, is expected to contribute directly to SME market share. This may be true in some cases, but this outcome should instead flow directly to LIFT's impact. Further, the assumption that SMEs instead of larger companies will be the beneficiaries of many of LIFT's grants may not be always true in practice, or at least they are unlikely to be the first adopters. For example, the early adopters of Cybermonk's C&F Pro platform thus far have been large logistics companies like DHL with the technical capacity to use it. That doesn't mean that SMEs will not also benefit, and Cybermonk has plans to pursue this market. However, it does demonstrate that larger companies with greater capacity are often the early adopters of new technologies – an important consideration in terms of the theory of change for how and when SMEs benefit from innovation. Moreover, projects like Alistair+ enable a large company to more easily subcontract to SMEs but do not actually increase SMEs' market share, since work is still contracted via Alistair. Supporting SMEs may help to increase competitive pressure in the industry (though it is reportedly strengthening regardless, as evidenced by dropping transport rates), but many of LIFT's supported solutions benefit larger companies and that may still contribute to LIFT's impact. That is perfectly defendable, but needs to be reflected in the causal logic.[6]

15. An overall concern with the logframe is that it is very aggregated, with significant leaps in logic between the output and outcome levels. This, combined with the results chain having changed many times subsequent to round 1 grants having been issued, have likely contributed to the FMT focusing primarily on achieving outputs rather than outcomes and impacts, and to the lack of alignment of the LIFT grants with LIFT's overall outcome and impact indicators, as is documented later in this report.



[6] Following the evaluation team's field work, it was announced that TMEA will not fund a second round of LIFT grantees.

Alignment with TMEA, partner, beneficiary, the East African Community (EAC) and member state interests and priorities

16. LIFT was designed to address a pressing problem at the time that it was designed: a need to **improve the quality and reduce the cost and time of logistics in East Africa**. However, since LIFT was approved there has been a substantial improvement in the region's scores on the Logistics Performance Index. The following table demonstrates the substantial improvement in of the East African countries in their score and in world rankings.

World Bank Logistics Performance Index			
Country	**2012** **Score (world ranking)**	**2014** **Score (world ranking)**	**2016** **Score (world ranking)**
Kenya	2.43 (122)	2.81 (74)	3.33 (42)
Tanzania	2.65 (88)	2.33 (138)	2.99 (61)
Rwanda	2.27 (139)	2.76 (80)	2.99 (62)
Burundi	1.61 (155)	2.57 (107)	2.51 (107)

17. Moreover, transport observatory figures show a substantial decline in the cost of a 20 foot container since 2010. This decline is despite a substantial increase in cargo volume handled from approximate 18 million deadweight tonnage in 2010 to 27 million deadweight tonnage in 2014. Correspondingly, data from a JICA-sponsored study suggest that per kilometer transportation costs in East Africa are broadly aligned with those in South East Asia.

Change in Transport Costs on the Northern Corridor			
Route	**2010 (USD)**	**2016 (USD)**	**% change**
Mombasa – Nairobi	1300	856	-34%
Mombasa – Kampala	3400	2170	-36%
Mombasa – Bujumbura	8000	5000	-38%
Mombasa – Juba	9800	4750	-52%

18. The full reasons for this improving cost competitiveness are not fully understood. But TMEA reports that over this time period there has been a significant shift towards SME ownership of trucks rather than fleets being predominantly owned by large transportation companies.

19. The upshot is that logistics performance in East Africa has rapidly transformed over the last seven years, including during the period of LIFT implementation. Consequently, **certain key objectives of LIFT, such as improving SME market share in logistic provision to reduce oligopolies, are now of lesser relevance given the dramatic improvements**.

20. Nevertheless, the selected LIFT grants that were studied were generally addressing the interests of their ultimate beneficiaries; in some cases increased transparency may not benefit every business owner but is beneficial generally.

21. **LIFT's impact objectives is aligned with TMEA's objectives; though the shifting landscape and rapidly improving logistics means that a review of its focus is needed**. LIFT fits within TMEA's Strategic Objective 1 of Increased Physical Access to Markets, and Strategic Objective 3 of Improved Business Competitiveness. It contributes specifically to the 'Efficient Trade Logistics Services' area, and so is aligned with TMEA's overall theory of change.

22. However, in practice LIFT's ability to contribute to these objectives is greatly impeded by four issues. First, **the time and cost savings that are being generated may not be captured by TMEA's overall monitoring strategy**. For example, many of the short trips that could be facilitated by the LOGISA grant would not be along the central and southern corridors, and so would not contribute to a reduction in corridor transit times and costs.[7] Second, **the monitoring process used to capture information on LIFT's results has sometimes not captured the key benefits achieved**. For instance, the Cybermonk baseline report did not capture the actual expense figures incurred by C&F agents. This will thus not permit an analysis of the total impact of cost reductions unless a follow-up study is commissioned. Third, **the selection of each grant's indicators has not been done to align with LIFT's and TMEA's outcome and impact indicators.** Surprisingly, as noted in the following table, **only 3 of 9 projects have indicators that contribute to one of LIFT's impact indicators, and only 2 of 9 projects have indicators that contribute to one of LIFT's outcome indicators**. The Alaistair+, Graben 4PL and Veron Shipyard projects do not contribute to any of LIFT's outcome or impact targets. Graben 4PL contributes to increased transport volumes, which is a TMEA SO 1 result, but not included in the LIFT monitoring plan.[8] Moreover, **three of LIFT's outcomes are currently not being measured and two are not being addressed respectively by any of its round 1 grants. This can be explained by the fact that LIFT's current outcome indicators were revised subsequent to when the LIFT round 1 grants were made; though critically this was not a selection criterion for round 2 either.** This issue is primarily a measurement issue: some of the LIFT grants do

[7] This alone is not a reason not to undertake the project. The finding here is simply that a potentially significant portion of the benefits are not relevant to TMEA's own objectives.

[8] Alaistair+ aims to achieve "Alistair+ subcontracted drivers earn 15% more $/km and monthly revenue (averaged 3 months) by the end of the project"; Graben 4PL aims to achieve "10% increase in freight volume reported by active vendors by end of project", and Veron Shipyard aims to achieve "Increase in Annual Lake Victoria Cargo traffic from 70,000 tons per year to at least 100,000 tons per year".

contribute but do not have indicators that will permit these contributions to be captured. Finally, some aspects of the selected grants seem less relevant to LIFT's aims. A key example is LOGISA's community platform, which is intended to strengthen the engagement of logistics-oriented communities. This aspect has absorbed a significant amount of the total LOGISA budget, yet has a much less direct contribution to LIFT's overall impact than the platform for procuring transport services.

	INDICATORS	TARGETS	LIFT GRANTS THAT ARE MEASURING THEIR CONTRIBUTION
Impact Indicators	% reduction in transport costs for supported SMEs	2% reduction in transport costs for LIFT beneficiaries within the EAC by December 2018	2 of 9 (Cybermonk, LOGISA)
	% reduction in transport time benefitting transport operators for supported SMEs	1% reduction in transport time for LIFT beneficiaries within the EAC by December 2018	1 of 9 (East African Joint Operating Centre and Control Tower)
Outcome Indicators	% increase in vehicle utilisation for targeted SMEs	5% increase in vehicle utilisation for target SMEs by December 2015, and to a further 5% by December 2018	0 of 9
	% reduction in number of instances where cargo has been tampered with	5% increase in rates of safe cargo journeys	2 of 9 (Cyber Trace Ltd., Mix Telematics East Africa (cancelled))
	% of market share increase	5% increase in market share of SME transporters assisted by LIFT by December 2018	0 of 9 [9]
	% increase in export volume	10% increase in intra-EAC export volume for participating MSMEs by December 2018	0 of 9

23. LIFT is potentially very complementary to a number of other TMEA initiatives, many of which are outlined in the LIFT PAR (e.g., Authorized Economic Operators, OSBPs). Ensuring synergy requires a clear review of project concept notes to avoid conflicts with other TMEA operations and to identify other supportive TMEA investments. This seems to be achieved by having representatives from various parts of TMEA sit on the Review and Evaluation Panel that assesses PCNs.

24. However, in practice the potential for synergies has not been fully realized. There have been a couple of conflicts that have occurred between LIFT-funded activities and other TMEA work. This included Mix Telematics, which was rendered irrelevant by the decision to adopt an Electronic Cargo Tracking System. TMEA has wisely reacted when such conflicts have happened, such as its decision to cancel the Mix Telematics grant or cancel a project on load matching in Rwanda (E-FreightX) on account of applications received for similar projects in LIFT.

[9] Alistair+ and possibly LOGISA will contribute to this, but it is not a milestone target so will not be measured.

Moreover, TMEA's potential support to the rehabilitation of the Tororo to Gulu railroad would render Spedag's intermodal facility at Malaba unviable for transportation to South Sudan. And although TMEA's work addresses many of the constraints that LIFT grantees are facing, the potential to benefit from those linkages is underexploited. A third aspect of alignment, that between the various LIFT (and TRAC) grants, has not been an explicit mandate of the FMT. This all demonstrates that LIFT is operating in an unpredictable context in which a Presidential directive on cargo tracking, for example, can suddenly alter the viability of a project that has taken a long time to develop

1.2 Impact

25. In terms of impact, we find that LIFT has earned a score of 3 out of 6. Our confidence in this rating is low.

Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)	
Impact	3	Low	
Achievement of impacts	*LIFT's investments are too new to have achieved long-term impacts to date. Only three of the nine LIFT grants funded to date have milestones designed to contribute measured results to the two LIFT impact indicators. If such a small proportion of projects contributing to impact indicators is continued through future grants, it is unlikely LIFT will achieve significant reductions in transport time and cost.*		
Systemic and unintended changes	*Although the LIFT PAR states that LIFT aims to achieve systemic change through replication, and TMEA staff expect this, the FMT is not attempting to create systemic changes. Without an explicit strategy to create and measure systemic change, it is unlikely to occur.*		
Additionality	*LIFT funding has created changes that would not have otherwise happened; few of the projects would have been undertaken in the same timeframe without the funding, and most would likely not have been undertaken at all.*		

Achievement of long-term impacts

26. In its current results framework, LIFT's overall impact statement is that "LIFT-supported projects contribute to increased efficiency in transport and logistic services in EA". Two impact indicators are established to measure the impact:
    a. % reduction in transport costs for supported SMEs
    b. % reduction in transport time benefitting transport operators for supported SMEs

27. LIFT's current impact targets are a 2% reduction in transport costs and a 1% reduction in transport time for LIFT beneficiaries. If the 2% reduction is achieved for a fair number of beneficiaries, this could generate decent aggregate cost savings.[10] However, the impact targets do not include a scale target, but rather speak of LIFT beneficiaries who are measured. Thus

[10] An analysis provided by TMEA suggests that 200 trucks benefiting from a 2% reduction in costs would result in an annual saving of $3,689 per truck and $737,800 per annum.

theoretically the impact targets could be achieved by just a single beneficiary, without actually achieving substantial time and cost savings.

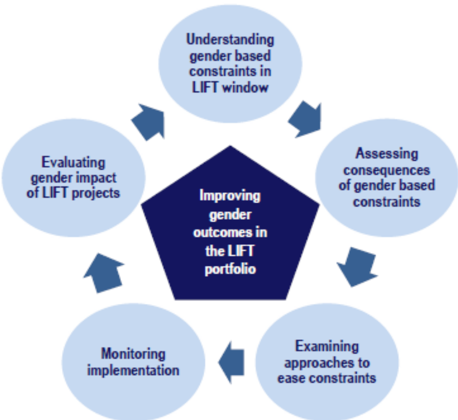
28. LIFT's round 1 investments are too new (the first LIFT projects were signed in November 2015) to have already achieved long-term impacts. Consequently, the LIFT results framework that was shared with MSA does not yet report results at the impact level and it is not possible to assess LIFT's achievement of planned results. This meant that MSA could not conduct a data quality assessment of the LIFT portfolio. The following table presents MSA's assessment of the likelihood that six LIFT grants will achieve their impact targets by the end of the project. As of the time of the evaluation, four of the six projects were on hold or cancelled.

Project Name	Likelihood to achieve impact targets (high, medium, low)	Impact Statement and Rationale for Likelihood Assessment
Cybermonk	High	**5% reduction in C&F costs across 50% of participating users by the end of the project** C&F Pro will create efficiencies for C&F agents that will reduce their internal costs. Better transparency will lower demurrage charges and port storage fees. Assumption is that these savings will be passed on to consumers; will need to be monitored closely.
LOGISA	Low	**Participating users report a reduction in cost per tonne km by at least 15% by the end of the project** Impacts are unlikely to be achieved, given that the partnership seems unlikely to be sustained. Further, industry stakeholders referred to other competing platforms that are already well-funded and seemingly ahead of LOGISA.
Spedag Interfreight	None* * Spedag has decided to pursue the project independently of LIFT funding. Hence although the results may be achieved, they will not be due to LIFT's support.	**20% reduction in transit time from Mombasa to Nimule by the end of the project** The potential of the intermodal facility at Malaba to reduce transit times in a significant way depends upon the amount of cargo that shifts to being transported by rail up to Malaba. That in turn is dependent upon various factors including the rates charged to transport cargo by road. Rates have recently dropped substantially, making the railroad less competitive. If the environmental conditions remain sufficiently stable, it is probable that the impact will be achieved.

Veron Shipyard	Medium-High	**Increase in Annual Lake Victoria Cargo traffic from 70,000 tons per year to at least 100,000 tons per year by (prorated measurement at mid-2017)** A number of external factors (e.g., general economic conditions, development of the oil and gas industry) will influence the achievement of the impact target of increased volumes of freight unless it is measured in a way to specifically incorporate attribution. If it is, Veron's repair facility should reduce the downtime experienced by ships given that existing facilities are quite full. The length of delays at the other shipyards and the number of customers using the repair facility will determine the achievement of the target. A risk is that a lack of improvement in Tanzanian logistics infrastructure will impede more cargo being diverted to the Central Corridor, though cargo can still pass to Kampala via Kisumu.
Graben 4PL	None	**10% increase in freight volume reported by active vendors by end of project** The project has been cancelled. The fleet management software would have contributed to achieving the impact of an increase in freight volumes.
Cyber Trace Ltd.* *Added given delays in speaking to Spedag.	Low	**Bulk production and installation initiated of 400 kits** The lead firm has proven to be untrustworthy due to inaccurate reimbursement documentation, which was identified by the FMT. The technical partner (Kimetrica) that was to develop the software left the partnership and a competing product has been brought to market. The FMT did an excellent job of identifying issues with the submitted invoices and addressing this with the grantee.

Gender impacts

29. At the time that the TRAC and LIFT challenge funds were designed and approved, TMEA was not yet prioritizing gender. The LIFT Operations Manual sets out a series of commitments in terms of how gender will be incorporated throughout the project cycle, called the "gender wheel". In practice, the FMT has yet to implement these elements. The LIFT monitoring plan disaggregates results by women, but the grantee milestones do not in spite of the guidance in the operations manual. The only LIFT baseline reports that were completed[11] do not look at gender issues at all, including in disaggregating the gender of the respondents.



30. During the vetting process, gender is integrated as

[11] The baseline reports shared with the evaluators were for the Cybermonk, Letsema, Cyber Trace, and Alistair projects.

part of the due diligence report that the FMT conducts on the business prior to their presentation to the IC. However, the form repeats one criterion twice and provides no guidance on how to score the criteria. LIFT also committed in the operational manual to look for projects that would support the issues faced by women traders. While there do not seem to be many LIFT projects that are focused specifically on women traders in round 1, gender issues are considered in the LIFT Project Proposal Application Package, which asks applicants to explain in up to one page how they will support women's economic empowerment, and proposals are allocated 5 out of 100 points for the response. This does not seem to have resulted in a practical focus on gender in round 1. The FMT has added a gender expert to give inputs to LIFT.

Poverty impacts

31. In the TMEA Uganda and Rwanda country programme evaluation reports, MSA recommended that TMEA take a more explicit approach to understanding the poverty implications of its work and ensuring that TMEA funding does no harm. TMEA has commissioned a Poverty Audit, which should be helpful in informing this strategy.

32. The LIFT application process established for round 2 considered the potential impact on poverty in terms of social impacts and job creation, and awarded 10 of 100 points to the responses on these sections.

Systemic and unintended changes

33. LIFT's PAR explains its systemic change objective is to foster crowding in by others firms within the market system that replicate the business models that LIFT is supporting: "Early adopters will demonstrate the advantage of improved service offers, reliable deliveries and lower cost to a wider set of companies. Their successes will serve as a demonstration, which LIFT can reinforce through communication, encouraging wider adoption to create the 'spill overs' that will benefit the industry as a whole." While systemic change can be defined much more broadly and comprehensively[12], for the purposes of this analysis we will focus exclusively on replication to align with the PAR's definition.

34. There appears to be a discrepancy between the viewpoint of the FMT and TMEA concerning the focus of LIFT on systemic change in terms of replication. TMEA's perspective as outlined in the LIFT PAR and via interviews with TMEA staff is an expectation that LIFT will create and measure systemic change in terms of generating replication by non-grantees of LIFT-supported models. In contrast, the LIFT Strategic Plan and interviews with the FMT both indicated a skepticism that a challenge fund could really create systemic change, absent a range of other supportive interventions that are outside the purview of a challenge fund. However, the FMT's

[12] MarketShare Associates. Disrupting System Dynamics: a Framework for Understanding Systemic Changes. LEO Report #47. USAID. 2016.

comments on the draft evaluation report indicate that it does believe replication is possible if measured and promoted.

35. In practice, to date there has been no strategy for trying to promote or measure the replication of LIFT-supported business models. Indicators of systemic change (replication) have not been included in the LIFT monitoring plan. TMEA noted this was because the projects were too young and thus it was not possible to determine what types of systemic change may happen. Based on MSA's experience, this creates the risk that systemic change will ultimately never be considered.

36. Given that no LIFT-funded business model has yet been implemented, it is too early to expect systemic change in terms of replication to have been observed during this evaluation. However, there have not been any concrete strategies developed to consider how replication of LIFT-supported business models might occur and to date TMEA's communications team has not been enlisted to consider how they could support the dissemination of information on successful business models that could enable replication. The likelihood that a LIFT-supported innovation will be replicated depends obviously upon the difficulty of doing so for other firms. In some cases, where an innovation creates a platform that can be widely accessed, there is arguably no need for replication by other firms as a single firm can serve the entire market. Such would be the case for the LOGISA app that all buyers and sellers of logistical services can use, or the Cybermonk software for shippers and clearing and forwarding agents. But other grants may have a limited impact if they are not replicated. For example, the Alistair+ project is creating a proprietary app that can only be used by subcontractors within its network. Other transporters not aligned with Alistair+ cannot use or benefit from the system. In such cases, it is important to consider how easily other competitors will have the technical and financial capacity to reverse engineer the software product. It is worth considering whether this project has been designed to most efficiently ease the barriers to replication to avoid the gains being captured relatively narrowly by Alistair. It is also worth considering whether LIFT's impacts can be achieved if such innovations do not spread widely in the industry. If the barriers that impeded Alistair from undertaking this project on its own prove equally or even more formidable for its competitors, the result may rather be the expansion of Alistair's business at the expense of its competitors, who are shut out of the marketplace. Similarly, Spedag Interfreight has leased the only land available for an intermodal transfer station at the Uganda-Kenya border post of Malaba. This prevents other competitors from replicating their model at that site. While the concept of an intermodal facility has great potential elsewhere in East Africa, realizing this benefit will require an intentional strategy to see its replication, which will not happen automatically without a purposive strategy.

Additionality

37. Additionality considers whether the changes that TMEA is funding through LIFT would have happened otherwise. The argumentation for LIFT's additionality is that without accessing risk-free capital, private funds would not be allocated to the socially beneficial ends proposed by

the grantees. LIFT primarily provides financing (with, in the last 6 months, very limited guidance by the FMT), and so an assessment of additionality requires considering if the grantees would have accessed financing from another source (e.g., their own resources; other government or donor funding; private equity or loan capital). Among these options, LIFT states in its Operations Manual that it wants to support projects that are unattractive to conventional financiers, such as banks. It checks for this during the application process.

38. **MSA believes the LIFT grants are highly additional** (i.e. they were instrumental in the projects happening in the timeframe that they did) for three reasons. First, MSA believes that **there are few other sources of funding available to the private sector for innovative logistics and transport projects.** LIFT's PAR (p3) argues that "[w]hilst there are policy reforms, programmes and projects at both national and regional levels aimed at improving the efficiency and quality of logistics infrastructure and efficiency of customs, no other development programme or agency is working at improving the overall firm and sector level transport and logistics performance from the market perspective." Even private capital is in short supply. It is estimated that just $10 million was invested in Kenyan technology start-ups in 2016.[13] Following the recent decision of the Kenyan government to lower the maximum bank interest rate to 14%, banks have greatly reduced their unsecured lending to SMEs.[14]

39. Second, **none of the projects that were almost funded by LIFT in Round 1 (i.e., negotiations broke down after IC approval or they were not selected by the IC) that MSA contacted have moved forward independently of LIFT funding**. All had either cancelled the project or were proceeding in ways that would take extremely long times to come to fruition.

40. Third, **grantees asserted in interviews that LIFT funding was instrumental for their projects and that they would otherwise not have undertaken them**. For example, TransportLAB was emphatic that they would not have undertaken the project had they not received co-funding from TMEA. One caveat is Spedag, which has decided to proceed with its initiative without LIFT funding. They have decided not to proceed with developing a public facility, suggesting that LIFT funding would have been additional in ensuring that aspect was added, but will construct their inter-modal facility using a less expensive design.

1.3 Effectiveness

41. In terms of effectiveness, we find that LIFT has earned a score of 3 out of 6. Our confidence in this rating is medium.

Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)

[13] USAID East Africa Trade and Investment Hub. 26 Kenya tech startups attracted funding of $10 mn 2016. 2017. Accessed online.

[14] AIB Capital Ltd. *Kenya Banking Sector: February 2017 Update.* 2017.

Effectiveness	3	Medium
Achievement of outcome targets	*The portfolio-level outcome targets to increase vehicle utilisation and reduce incidence of cargo tampering will not be reached with the current projects, given that none of the grant milestones contribute to those targets. Achievement of the outcomes will depend entirely on the selection of the Phase 2 LIFT grants. Several of the grantees are likely to achieve their project outcomes.*	
Adaptive management	*For the majority of its implementation to the time of the evaluation, TMEA and the FMT could have greatly improved their adaptive management. This is demonstrated by the fact that some challenges remained in place for quite some time. Adaptations did occur as a result of milestone verifications particularly in terms of time extensions for grants, though monitoring and reporting on risks and the baseline values for project impacts were often not done, and so not used to inform programming decisions. This appears to be changing, based on discussion with the new LIFT Team Leader / Fund Manager. A number of new systems have been brought into place since his hiring in late 2017.*	

Achievement of outcome targets

42. LIFT has four outcome indicators: *% increase in vehicle utilisation for targeted SMEs, % reduction in number of instances where cargo has been tampered with, and % of market share increase by SMEs*, and *% increase in export volume*. At the time of the evaluation, LIFT had not reported achieving progress against any of its outcome level indicators. Very limited baseline figures were so far collected against these indicators.[15] Some of the outcome statement indicators seem very difficult to measure, including particularly the % increase in SME transporters' market share. The indicator definition does not elucidate how this will be captured. Further, as noted above under Relevance, the Phase 1 grants are not measuring their contribution to the LIFT outcomes, and most do not contribute at all.

43. **At the portfolio level, LIFT will not achieve its current outcomes with the Round 1 grantees given that it is not measuring progress against three of the four outcome indicators**. Further, **none of the Round 2 shortlisted PCNs would contribute to three of the outcome indicators**: *% increase in vehicle utilisation for targeted SMEs, % reduction in number of instances where cargo has been tampered with, and % of market share increase by SMEs*.[16] Only the increased export volume target has been addressed by multiple applicants. While yearly changes to the LIFT results framework can explain the disconnect for round 1 (and thus why the development of the outcome milestones was not aligned with the current LIFT outcome indicators), the reason that round 2 does not align are less clear. LIFT did not explicitly seek proposals that responded to the outcomes (for example, via the language in its advertisements).

44. An assessment of six LIFT grants indicates that two of six grants are likely to achieve their specific project outcome targets, while one is still unclear. As is evidenced from the table, there have been a few common impediments to the successful completion of the projects. One is

[15] Four baselines were conducted, but only two produced baseline figures for only one of these indicators: vehicle utilization. The other three outcome indicators had no baseline figures collected at the time of the evaluation.
[16] TMEA decided not to proceed with LIFT's round 2 funding.

that various policy-related issues (e.g., land permits) have impeded the business concepts from proceeding. A second is the breakdown in the structure of relationships between consortium partners. This was the case in both LOGISA (outlined below) and Cyber Trace Ltd., in which the lead company excluded its partner (Kimetrica) that was to have developed the software. A final reason was that the company faced difficulty in raising its matching fund requirement, either given a change in its financial situation or difficulties accessing commercial capital as a match. It is important to not overly castigate LIFT for the fact that some of its grantees are not going to achieve their objectives. In fact, if this was not happening it would likely suggest that LIFT was not funding sufficiently innovative proposals! However, it does highlight the importance of ensuring that all grantees are measuring progress against selected impact and outcome targets, so that failure does not necessarily derail achievement of the fund objectives. It also demonstrates the importance of not allowing non-performing projects to drag on unnecessarily.

Project Name	Likelihood to achieve outcome targets (high, medium, low)	Outcome Statement and Rationale for Assessment
Cybermonk	High	**At least 100 CF agents, 200 transporters and 500 importers signed up and getting trained to use the system** The software is already mostly built and training has started for users. It seems very likely to be adopted by its intended users, including particularly C&F agents.
LOGISA	Low	**At least 300 transit units (min 5 MT) or 1500 Htn (m3 or mtn, whatever the greater per unit per month) are handled through the LOGISA system by month 15 of the project** The partnership has seemingly disintegrated, putting the concept at risk. The FMT is now attempting to mediate between them. The logistics software seems potentially promising, but the community software is of more questionable value and has yet to attract any users. Moreover, one market actor noted that there are two other competing products that are already well-established in the marketplace and are being used by large logistics companies like Siginon, putting into question the viability of the concept.
Spedag Interfreight	None* *Likely to achieve, but not with LIFT funding	**Containers passing through the Malaba border increase to an average of 500 TEUs per month by month 18** Has just received a land lease required to construct the intermodal facility, but the uncertainty in East Africa is causing them to put their LIFT-funded project on hold. They still intend to move forward with the development of an inter-modal facility, but on a smaller scale and without the public facility that was a feature of their LIFT proposal. Several risks may derail the investment, including the rehabilitation of the Tororo-Gulu rail line and the ongoing turmoil with the railroad concessionaire, Rift Valley Railways.

Veron Shipyard	Medium-High	**At least one order for a vessel with capacity of at least 2,200 tons (90 TEUs) by month 16 from the project start date** Has been delayed by co-investor leaving the project and needs to find a new investor to complete the investment. Will achieve the maintenance contract and service outcomes, though will not achieve an order of a new ship within the project lifetime; such orders would be premature for such a new shipyard.
Graben 4PL	Low	**At least 30 active vendors using platform by month 18** Business disruptions interrupted their ability to fund their project. They would like to continue with a smaller portion of the original proposal, but currently lack funds to proceed.
Cyber Trace Ltd.* *Added given delays in speaking to Spedag.	Low	**Bulk production and installation initiated of 400 kits** The lead firm has proven to be untrustworthy due to inaccurate reimbursement documentation, which was identified by the FMT. The technical partner (Kimetrica) that was to develop the software left the partnership and a competing product has been brought to market. The FMT did an excellent job of identifying issues with the submitted invoices and addressing this with the grantee.

Adaptive management

45. MSA's research has documented that it is now widely accepted that an adaptive approach to management is essential for achieving development outcomes in systems characterized by complexity. Given the critical role required by both TMEA and the FMT in the delivery of LIFT, an adaptive approach is required by both. **There have been some signs of adaptive management demonstrated by TMEA**. Primary examples are that TMEA updated its results framework several times, revised the TMEA PCN review process to involve fewer people in the early elimination process for efficiency, extended the timeframe for the grants when needed, have been considering adding a business development services (BDS) component to the fund, and approved changes solicited by the FMT to the staffing structure.

46. However, **in some ways TMEA has not adaptively managed the challenge funds**. A critical input to being able to manage adaptively is having adequate knowledge of the status of the project. A major source of dialogue is a quarterly meeting to cover progress updates, which is supplemented by regular email and phone communication. Based on the evaluation team's attendance at one of those quarterly meetings, which are attended by the FMT and three representatives from TMEA (the project leader, portfolio director, and technical advisor) it appears that they are not well structured to inform TMEA's ability to manage effectively. In particular, the information being provided to TMEA focused on completion of outputs (rather than also outcomes and impacts), and only noted what had been achieved without comparing that information against what had been projected to be achieved by that point in time. This attention primarily to output achievement meant that TMEA is not getting (nor requiring) the

information needed to understand and therefore make decisions relating to the progress of LIFT. This information would have allowed TMEA to understand that the grants were in many cases not going to contribute to LIFT's impact indicators. In the absence of this, a range of necessary adaptations were never undertaken. While it was noted to the evaluation team that LIFT outcomes often wouldn't have been achieved at the time of the evaluation and therefore reporting against achievement of them would have been pointless, waiting only for signs of achievement of outcomes represents a risk of overreliance on lagging indicators rather than leading indicators that will flag issues early so that they can be addressed. TMEA noted that their internal system flags indicators due to be reported, which can exacerbate this problem if not supplemented with other information. The disconnect between LIFT portfolio-level and grantee-level results is an example of that. Further, TMEA did not follow up with the FMT to ensure that it was meeting its commitments as set out in the operations manual, such as soliciting quarterly reports from grantees to update on progress.

47. It was difficult to fully understand the evolution of management in the FMT and the reasons for management challenges that were observed, given two changes in the Team Leader position. A main example of adaptive management that was provided was periodically updating the operations manual, although the FMT has not implemented aspects of the manual. Further, FMT has clarified that they did attempt several different approaches to monitoring LIFT and TRAC over time, including originally having no monitoring, to using an external consultant, to using a part-time Nathan staff based in London. Moreover, the FMT did conduct regular monitoring on the financial side and to verify the completion of the milestones. Given that these are thus far the earlier milestones, verification has been focused more around spending and outputs as opposed to beneficiary impacts. **From the information available, it appears that in other ways the FMT did not adapt their approach until recently, despite LIFT facing a number of critical challenges**. To manage adaptively, it is critical that a challenge fund have access to regular and updated information on its portfolio. Without adequate information the FMT would be unable to have a complete picture of their portfolio and the risks that may exist. **Until recently, the FMT did not solicit regular quarterly reports from its grantees.** There were differing reports about how frequently the FMT was engaging with the grantees in past; one report indicated that it was infrequently while another suggested it was frequently albeit mostly informally. This is evidenced by the quarterly reports sent by the FMT to TMEA, which until recently had a very generic portfolio-level risk analysis that was not updated for at least three quarterly reports that were reviewed by the evaluators. Likely as a result, **LIFT missed several critical risks to LIFT phase 1 grants**, such as the disintegration of the LOGISA and Cyber Trace partnerships. Moreover, **limited formal monitoring of the project's baseline values has deprived the FMT of the information needed to inform its decisions**. When in one case a baseline report had been conducted at the time of the fieldwork, the **monitoring findings were not used to inform decision-making**. For example, the Cybermonk baseline report concluded that the project was unlikely to achieve its aims, given a seeming lack of need for its services among potential users. While MSA feels this assessment is incorrect, no one in the FMT or TMEA reviewed and acted on these findings that, if correct, would suggest the project should be immediately stopped. Subsequent to the fieldwork, MSA reviewed several other baselines

and uncovered similar issues. Further, despite the clear evidence that requiring the grantees to generate impact-level data was not working, there was no effort to adjust it.

48. The evaluation team considered what systemic issues might be constraining the use of an adaptive approach in the implementation of LIFT. It seems apparent that a milestone-based repayment structure does make adaptive management of the measurement system for difficult, since adjusting milestones requires a contractual modification with the grantees that can be difficult to obtain.

49. **The FMT seems to be more adaptive since the hiring of the third Team Leader in late 2016**, who has instituted a number of changes. These changes include:
    a. Starting to present a grant-specific risk register in their quarterly reports
    b. Requiring that the grantees actually submit their quarterly plans
    c. Following up regularly with the grantees
    d. Focusing the FMT project officers on either LIFT or TRAC

50. **The Team Leader plans to make a number of additional changes to current operations**. For example, he plans to provide more guidance to the IC, hire a full-time M&E position based in the LIFT office in Nairobi, rather than relying primarily on remote support from Nathan Associates London, no longer regularly give time extensions to the grantees, and require that all grantees open a separate bank account for the LIFT funding, giving the FMT access to the bank statements whenever they wish. These are all very positive changes that will undoubtedly help to improve LIFT's effectiveness over time.

1.4 Efficiency

51. In terms of efficiency, we find that LIFT has earned a score of 2 out of 6. Our confidence in the data is high.

Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)
Efficiency	2	High
Value for Money	*With a total management cost ratio of 43% and an overall administrative cost ratio of 54.8%, LIFT's economy is very low. The cost of managing the fund is quite high relative to comparison funds. Its efficiency is also modest relative to comparison funds based on grant processing speed and its leverage ratio. Its effectiveness cannot be independently benchmarked, given a lack of comparison cases. ROI for the projects calculating transport cost reductions were mixed (1 positive, 2 negative) but need better estimates and data to be valid. Its equity is impossible to assess, given a lack of measurement to date of LIFT's impacts on women or the poor.*	

52. LIFT's PAR's analysis of VfM focused on a single indicator: the management fee being charged by Nathan Associates. Interviews with TMEA indicate that the organization does not use

ongoing indicators to assess the VfM of the LIFT and TRAC grants; rather, it uses the evaluations that it procures such as this one to assess its VfM. However, **the management fee is a less helpful measure in the case of LIFT, because the FMT is paid based on inputs delivered**. That means that the originally calculated management fee for LIFT in USD has actually been significantly exceeded given the significant extension of the period of implementation, which has meant the FMT has provided a lot more inputs than initially envisioned.

53. MSA's evaluation of LIFT's efficiency focused on whether it has delivered value for money. This was assessed by comparing LIFT's performance against several other challenge funds operating in East Africa on a number of metrics. MSA used two other challenge funds as a comparison, given their focus on logistics or related sectors: Food Trade East and Southern Africa, and the Africa Enterprise Challenge Fund. MSA has previously conducted evaluations on both of these challenge funds, so understand them well. Annex 5 presents additional information about these challenge funds.

Economy

54. MSA applied DFID's "4 E's" framework for VfM assessment. The first E, economy, measures how much LIFT pays for inputs (e.g., staff, management) relative to comparable programmes. The following table presents LIFT's performance on economy against other challenge funds. What stands out is that **TMEA's management fees for administering LIFT (9.1%) are high given to the relatively minor role that it is playing in overseeing LIFT relative to the FMT and relative to its other projects**. In comparison, AGRA charges just 4% for overseeing AECF, in a similar role.

55. **TMEA's decision to combine the management of LIFT with TRAC under a single FMT was a wise decision in terms of improving economy** (though its effects on efficiency may have actually been negative in that agriculture, trade and logistics require quite different technical skill sets). As noted in its proposal for LIFT, Nathan Associates has pursued several measures to economize by managing LIFT and TRAC, including sharing office space and personnel (only three additional staff were contracted to manage LIFT on top of those already contracted for TRAC).

56. In terms of how the LIFT is administered, the FMT has incorporated a number of approaches that support VfM. They include:
    - **Reimbursing based on milestones**. In contrast to AECF, LIFT reimburses based on milestones. This creates a strong incentive for grantees to achieve what they have committed to. Further, it limits LIFT's investment into projects that do not succeed.
    - **Requiring grantees to maintain relatively strict adherence to the original budget**. This has meant that when costs have exceeded the original budgeted amount, the FMT has not increased its disbursed amount.

57. **Nevertheless, the economy of the LIFT challenge fund has worsened significantly over time, with the administrative cost ratio (fees plus costs) increasing from 21.9% of the total value of the fund over 2.5 years (8.8% per year) to 42.3% of the total value of the fund over 5 years (8.5% per year)**. This is because of both the drop in the value of the GBP (which increased the ratio by 9% due to the reduction in the total project funds available for disbursement) and the extension of the project implementation period (which increased the ratio by 11.5%). The FMT was awarded a costed extension to continue manage the fund for 2.5 more years, from the end of 2016 to mid-2019.

58. Midway through this evaluation, it was announced that TMEA would not proceed with the second round of LIFT grant funding, and that the money allocated for that round would be reallocated to other TMEA priorities. This decision may be justifiable from TMEA's perspective in terms of reallocating challenge fund resources to other projects where it feels it can generate a larger impact. However, this decision further worsens the economy of the LIFT fund. Under an optimistic scenario, in which all seven of the active projects at the beginning of the project were fully completed and spent all of their allocated funds, the total matching funds provided by LIFT would be $4,009,438.[17] Critically, **the proportion of project fees spent on administrative costs likely still understates the reality, given that it is unlikely that all of the LIFT project funds currently allocated will be spent by the grantees (i.e. some grantees will not use all of their funds)**. Under this more pessimistic scenario, the Cyber Trace and Spedag projects also do not proceed for reasons previously outlined. Under that scenario, even if the remaining five projects spent all of their allocated funds, the total matching funds provided by LIFT would be $2,922,726. **The resulting administrative cost ratio consequently increases to at least 54.8% to 62%; under the more pessimistic assumption, LIFT spends approximately $2 to grant $1.**

59. However, **it is important to note that there are several reasons for the poor economy figures that are outside of the control of the FMT**: a) the unanticipated drop in the value of the GBP; b) the decision of TMEA to reallocate some project funding to other needs; c) the decision to limit the size of the fund to a relatively small amount, and to not seek to expand it during the implementation phase, and d) various decisions taken during the design of LIFT (e.g., the small size of some grants, the focus on so many countries). **Under these conditions, it is inevitable – though still not excusable – that LIFT's economy figures are poor.** What is more under control, given that the FMT is paid under a time and materials budget, is the FMT's input costs. It is important to note that the skill set needed to run a challenge fund is quite rare, and hence the Team Leader position is not an easy one to recruit for. Compared to TMEA's own staffing compensation, the evaluation team conducted a comparison of FMT and TMEA positions based on position titles that suggests the FMT rates are largely somewhat higher than TMEA's 2017-2018 salary scales (approximately -3% to 48%).[18] It should be expected that FMT rates would be

[17] LIFT Grant Tracker. Version February 24, 2017.
[18] To create the comparison, average benefit costs of 25% of salaries have been added to TMEA's salary rates; whereas FMT's rates are inclusive of benefits.

higher than TMEA's given that FMT needs to earn a return, and also that the FMT is supplying some highly specialized expertise that is not easy to procure. It also is apparent that the number of staff for LIFT is appropriate given the scope of the workload to be undertaken.

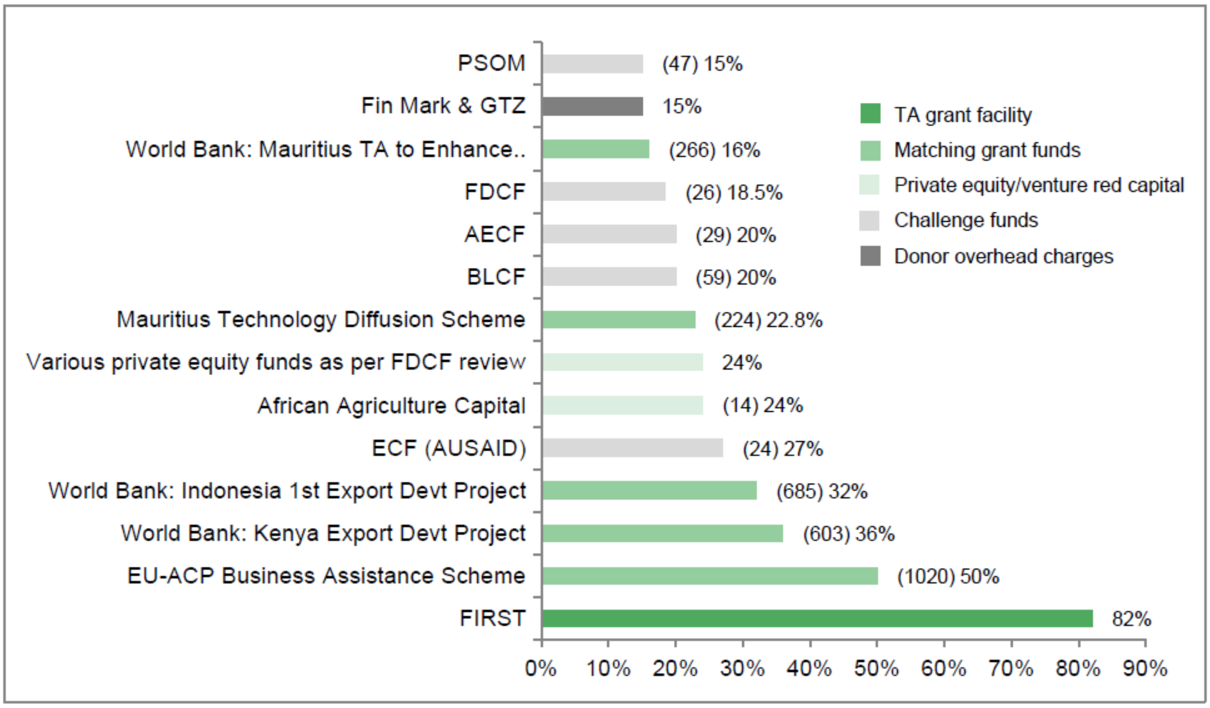
60. **As demonstrated in the table below, this economy ratio represents quite poor VfM relative to comparative cases**. The following table presents a comparison of two economy indicators between LIFT and other challenge funds.

VFM aspect & evaluation sub-question	VFM metrics	LIFT	Food Trade Eastern and Southern Africa	AECF[19]
Economy: *Is the programme economical in terms of the cost of the resources used?*	Administrative cost ratio (%) (fees plus expenses)	54.8% to 62%	32%	27%
	Administrative cost ratio (%) per year	11%-12.4% *(assumes all grants implemented for entire period of LIFT)*	6.4%	4.5% (6 year management)
	Total fund management cost ratio (%) (fees only)	43% - 49%	29%	20%[20] (16% for KPMG and 4% for AGRA)
	Fund management ratio (%) per year	8.7 – 9.8%[21]	5.8%	3.3% (6 year management)

61. It is possible to observe that the LIFT fund's economy also compares poorly to a broader set of challenge funds operating globally. The following figure demonstrates the fund management

[19] Ecorys and Carnegie Consult BV. Evaluation Management Unit (EMU) for the Africa Enterprise Challenge Fund. Final Report Mid-Term Evaluation. 2015.
[20] This does not include the costs of rigorously monitoring impact for those donors who wish to do so. AECF has a much larger budget (aiming to reach $500 million) than LIFT, and hence benefits from economies of scale. AECF has had a fixed rate of 20% rather than billing actuals like LIFT, and thus its rate has not varied based on the size of budget that it manages.
[21] This ratio is problematic to calculate for LIFT, given that it does not have a standard length of time that it oversees a grant. If calculated based on the average oversight period, however, this ratio would be much higher.

cost as a percentage of the total fund value; the number of grants being managed by each fund is also listed in brackets.[22] From this point of view, LIFT's economy would rank second to last on the list based on not proceeding with round 2. It is worth noting that the number of projects that LIFT will have approved and started implementing – 9 – is far less than the others on the list. This is likely not a coincidence, and speaks instead to the economies of scale that can be gained with challenge funds.



Efficiency

62. Efficiency measures how effectively LIFT converts inputs into outputs. Grant processing time is an important metric, particularly given that the LIFT contract is structured as a time and materials contract rather than as a flat fee and so the total time of the contract impacts the total management costs.[23] In the case of LIFT round 1, 7 months was required between the receipt of concept notes and the selection of the investments for funding. Intriguingly, the speed of processing has actually slowed over time rather than speeded up. This is a very slow pace for a challenge fund; in contrast, AECF requires 4 months and FTESA 7 months.

[22] Hennie Bester and Christine Hougaard. *AECF Benchmarking: A comparative value for money analysis*. June 2010, quoted in Coffey. *A challenge fund comparison*. Undated.
[23] This is irrelevant for challenge funds that charge a fixed percentage of the total portfolio value, such as AECF.

Chronology of the LIFT funding rounds

	Funding rounds opened	Concepts notes received	Invited to submit full proposals	Selected for investment
LIFT R1	11.2014	03.2015	06.2015	10.2015
LIFT R2	04.2016	08.2016	01.2017	*05.2017*

63. The leverage ratio is another important metric of challenge fund performance. As outlined in the table below, LIFT expects to leverage $1.26 in private funds for every $1 that it provides from round 1 funding. On this measure, LIFT performs modestly relative to the comparison challenge funds. This indicator requires careful scrutiny, as there are many ways that grantees can count funding that was not actually leveraged from their own resources or as a result of LIFT funding.

VFM aspect & evaluation sub-question	VFM metrics	LIFT	Food Trade Eastern and Southern Africa	AECF
Efficiency: *Does the programme maximise efficiency (i.e. outputs achieved for a given input)?*	Portfolio-wide leverage ratio (i.e. the funds leveraged from grantees relative to TMEA's investment)	1.26:1 (For round 1)	1.52:1	2.45:1[24]
	Grant processing time[25]	Average 8.5 months	Average 7 months	Average 4 months

64. The LIFT monitoring plan does not state aggregated results against the output targets. However, the latest quarterly progress report for Q1 2017 reports achievement to March 2017 for two out of eight output indicators: the number of solutions developed and the number of developed solutions in use.

65. Finally, LIFT's efficiency can be measured in terms of how long it is taking for its funded projects to achieve their milestones. As demonstrated in the table below, the projects have been operating for between approximately 11 and 15 months following contract signing. Relative to what had been planned to be achieved by the evaluation date, projects had completed between 0% and 60% of what had been planned to that date. No projects were on track.

[24] AECF's mid-term review found that not all of the reported leveraged funds were generated as a result of AECF funding.
[25] In keeping with good practice, this indicator assesses the time from the closure of the acceptance of submissions to the announcement to the first applicants of their acceptance following the IC's decision.

Excluding the cancelled projects, this means an average achievement rate relative to plan of 33%.

Project Name	Contract starting date	Number of milestones completed to date (as of February 24, 2017)	Number of milestones that should have completed according to the plan (as of February 24, 2017)	% completed relative to the plan
C&F PRO Online	Tuesday, December 01, 2015	2	4	50%
Mining and visualising tracking data for increased trade efficiency and transparency	Monday, November 23, 2015	1	2	50%
Logistics innovation and information system East Africa: LOGISA	Monday, November 16, 2015	3	5	60%
Improvement of the current Malaba Railway Yard into Cargo Intermodal facility with a capacity to handle containers and break bulk in the region	Tuesday, March 01, 2016	0	3	0%
Effective electronic container based cargo movement management - East Africa **(cancelled)**	Tuesday, December 01, 2015	1	5	20%
Alistair+	Monday, January 11, 2016	1	5	20%

East African Joint Operating Centre and Control Tower	Monday, February 08, 2016	1	5	20%
Shipyard Development in Jinja on Lake Victoria	Friday, April 01, 2016	1	3	33%
Transport and Logistics Integration Suite (cancelled)	Friday, April 01, 2016	0	2	0%

Effectiveness

66. In terms of effectiveness, MSA attempted to analyze LIFT's return on investment (ROI). Given LIFT's impact, return was defined as the value of reductions in transport costs. We intended to quantify the stream of benefits and compare them to the stream of costs of the LIFT challenge fund. Unfortunately, as noted above in the Relevance section, only three of LIFT's nine grants have milestones that measure reductions in the time or cost of trade: Cybermonk, LOGISA and the East African Joint Operating Centre and Control Tower (Letsema). Of these three, Cybermonk and LOGISA had yet achieved their impacts, meaning that it was not possible to develop a LIFT-wide ex post ROI analysis. Therefore we conducted an ex ante assessment of the potential ROI of those two projects based on their milestone figures. The findings of this analysis suggest that there's a significant range in the potential ROI per project. Cybermonk's was lower, estimated at a -66% project-level ROI based on its final milestone, whereas LOGISA was a much higher 208% project-level ROI. Letsema had calculated its actual results based on the data it collected. The result is a ROI of -61% at the point of its final measurement. However, the Letsema figures do not adjust for a counterfactual (i.e. what would the performance have been without the intervention). Given that transit times and costs have dropped substantially in the northern corridor generally, it should not be assumed that Logisa can claim all of the reported reduction in trip times. Nevertheless, if we take the optimistic interpretation of estimated benefits of these three projects and compare against the total updated expected LIFT budget, a non-discounted ROI of -72% is generated. However, this is certainly understating the impact, since it does not include many LIFT projects that have not calculated an impact in terms of reduction in transit costs, and also only includes benefits as of the end of the project. This demonstrates the importance for LIFT of creating milestones that speak to its impact targets for all of its grants and to measure post-project to capture the full extent of the gains.

67. We also intended to benchmark LIFT's ROI performance against similar funds. However, given that there are no other logistics-oriented challenge funds that quantified their impact on transport cost reductions, MSA could not benchmark TMEA's achievement. MSA did not include the value of private funds leveraged in its ROI calculation, as these are more appropriately included under efficiency (they are not in themselves an impact, which effectiveness considers).

Equity

68. With respect to equity, MSA could not assess the indicator that it proposed to measure of "% of end beneficiaries who are women". Many of the grants have not yet achieved their impacts and so have not measured their end beneficiaries. And none of the milestones disaggregate by women or by the poor, so there is no information by which to assess intermediate progress. The FMT noted that LIFTs grants are focused on benefiting SMEs, and that this can contribute to improving equity. This may be the case, though it is unclear whether the SMEs that are being supported could actually be considered poor. In the logistics sector, where the size of investments required are often quite large (e.g., to lease or purchase a truck), this may be less likely than in other sectors. Gathering more data on the poverty status of SMEs benefiting from the LIFT fund would help to address this question.

1.5 Sustainability

69. MSA rates the LIFT challenge funds as a 5 out of 6 on sustainability, with a confidence level of medium given that the sustainability assessments are all projections given that none of the grants have actually been completed.

Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)
Sustainability	5	Medium
Sustainability addressed and likely to be achieved	*The sustainability of the LIFT-funded grants is still unclear, given their early stage. However, the nature of the challenge fund mechanism makes it likely that the specific projects that have been funded by LIFT that are successfully completed will be maintained. For the majority of LIFT grants, this should also continue to create the expected benefits for end users.*	

70. TMEA uses the OECD-DAC definition of sustainability for evaluations and assessments: *"whether the benefits of an activity are likely to continue after donor funding has been withdrawn. Projects need to be environmentally as well as financially sustainable"*. However, LIFT's project appraisal report template uses the following definition: *"Capacity for sustainability is the ability to maintain programming and its benefits over time."* The latter definition is consistent with MSA's understanding of "dynamic sustainability", as it includes not just sustained benefit, but all the sustainability of the input itself. In the case of LIFT, sustainability must be understood as both the likelihood that the benefits created by the investment enduring, but also the viability of the business models that TMEA has supported and willingness of those businesses to continue implementing their business model. Importantly, this does not mean that the specific funded business needs to continue, so long as the business model does. The PAR for LIFT aligns with this definition, as **it considers sustainability to be demonstrated by the ongoing operation of the business model that has been funded by TMEA**. This is therefore how this evaluation assesses sustainability.

71. None of LIFT grants have been completed thus far, making it impossible to conduct an *ex-post* assessment of the sustainability of the grants. Therefore, MSA examined instead whether the grants were **likely to be sustainable**. As noted in the Effectiveness section, currently 2 of the 5 focus grants are not on track to complete their outputs and therefore will not be sustainable. Cybermonk appears to be on track to develop a sustainable product (C&F Pro) that will survive beyond the LIFT grant. Assuming that it can access needed external funding, Veron Shipyard is also likely to be a sustainable business given the large number of potential users of its repair services. Spedag Interfreight's intermodal model may also prove successful, though there are a number of medium-term uncertainties about traffic on the old railway line that they use and it is now not going to proceed with LIFT funding (hence TMEA funding cannot be considered to have created a sustainable result).

72. A primary indicator of sustainability in a challenge fund is the commercial viability of supported business models. LIFT, however, does not have any indicators at the portfolio or project levels that track whether or not partners are likely to continue with grant-supported models.

1.6 Additional Evaluation Questions

MSA was asked by TMEA to examine the following additional evaluation questions.

Does a challenge fund mechanism make sense to get the impact TMEA is pursuing in the specific context? If not, what other mechanisms should TMEA consider for supporting the private sector?

73. **It has the potential to be, but has not realized that potential thus far.** Based on the justification in TMEA's PAR for the LIFT fund, LIFT was intended to contribute to reducing transport times along key EAC corridors. TMEA considered three funding modalities in designing LIFT: traditional grants, an impact prize and a challenge fund. TMEA selected a challenge fund mechanism given a belief that it could accomplish the four tasks in the table below. Thus far, the performance against the criteria has been less than expected. However, the poor performance on the second and third criteria is not necessarily due to the inherent nature of a challenge fund mechanism. VfM has been far lower than other challenge mechanisms, suggesting that it could have been improved. And the non-distortionary focus is primarily dependent upon the types of grants that are funded and how proposals are solicited. Hence, there is some reason to believe that a challenge fund is a viable mechanism for achieving TMEA's desired impacts. The amount of private effort by the grantees that has been leveraged by LIFT funding is impressive in some cases. And given the potential for sustainability of the businesses, the longer-term impact of LIFT funding can be significant relative to a traditional grant mechanism.

Criteria for Selecting a Challenge Fund Mechanism (TMEA PAR)	LIFT's Achievement to Date
Leverage concrete innovation from the private sector, preferably with high levels of private sector commitment and investment.	**Moderate**. The potential of the challenge fund mechanism has not been fully realized, partly because of a 'hands-off' approach to soliciting specific innovations. Nevertheless, some

	innovations have been surfaced and funded.
Ensure non-distortionary emphasis on specific firms within markets, rather supporting innovation that can spread and be adopted through demonstration and competition.	**Poor.** There have been no attempts thus far to ensure that selected grants will spread throughout the targeted sectors.
Assure good value for money, and be able to be implemented within a short time period to ensure efficient mobilisation and early impact.	**Poor**. Timeline has been long, and economy has been disappointing.
Ability to develop sustainable initiatives.	**Potentially strong**. It is still too early to tell, but LIFT's grants are more likely to be sustainable than traditional grants.

74. TMEA expressed concern about whether the nature of the logistics sector (as opposed to promoting trade, which TRAC is focused upon) is appropriate for using a challenge fund mechanism. In particular, the long timelines for developing logistical infrastructure and the large investments required were posited as being potentially inappropriate to address with the LIFT fund. MSA fully agrees that some important logistical investments in East Africa are not appropriate for LIFT to support, and very large-scale infrastructure projects are often particularly ill-suited. However, often innovative projects require less funding and can be a helpful lens to use in selecting projects.

75. TMEA noted that it was considering using a *catalytic fund* (i.e. a fund providing debt and equity to selected investments) as an alternative to LIFT. We recommend that **an instrument offering debt or equity not be seen as an alternative to a challenge fund**. Rather they have distinct and complementary purposes. **Providing debt or equity ensures that TMEA would no longer be seeking out risky, innovative bets**. Rather, **such a model would be much more likely to be displacing existing private sources of capital such as impact investors**. Moreover, AECF's experience with providing debt via some of its fund windows demonstrates a "significant rate of default in repayment of repayable grants". As of March 2015, only 9% of loan recipients were paying back their loans on schedule.[26] Rather, using LIFT as a mechanism to surface innovations that can then be channelled to other funding sources to scale would be most appropriate.

Is the use of a contractor as the fund manager the best way to manage a challenge fund? What is the contractor delivering in terms of value?

76. **The current model has significant room for improvement.** TMEA asked MSA to investigate whether the current model of outsourcing the management of their challenge fund to an external entity was on balance justified. TMEA chose to contract an independent entity to act

[26] Ecorys and Carnegie Consult BV. Evaluation Management Unit (EMU) for the Africa Enterprise Challenge Fund. Final Report Mid-Term Evaluation. 2015.

as the Fund Management Team for LIFT. Nathan Associates, the fund manager for TMEA's TRAC challenge fund, was also selected to manage LIFT.

77. International donors and TMEA are not allowed to directly contract private sector entities. Therefore it is standard to develop a separate mechanism such as a challenge fund to do so. The most common model is for the donor to directly contract an entity to manage the challenge fund. Examples from East Africa include FTESA and HDIF. A less common model is to have two layers of management. MSA is aware of this model being used for the AECF, MICF in Malawi, and the LIFT and TRAC challenge funds. Arguably the most prominent agricultural challenge fund existing in East Africa, AECF has been overseen by AGRA and used a contractor – KPMG – to implement it. However, AECF's donors have recently decided to spin it off into its own legally registered entity that is no longer under AGRA. The entity will be set up under AGRA but run entirely separately. AECF's donors have elected to make this change given the growing size of AECF (it is aiming to manage $500 million) and the potential to reduce the layers of communication. This suggests that **the more common approach internationally is to have a single layer of management between the donor and the grantees.** In contrast, LIFT has two layers: TMEA and the FMT.

78. The alternative model that TMEA could consider is to directly manage LIFT. In other words, to act as the FMT. To do so, there would need to be advantages relative to the existing model that outweigh any disadvantages. This evaluation finds there are advantages and disadvantages to TMEA directly managing a challenge fund.

79. **A certain advantage would be that TMEA would learn more from the fund's experience if managed directly rather than via a FMT.** Another potential advantage would be better integrating LIFT into TMEA's overall strategy, enabling better synergies across the portfolio. This would, however, depend on there being strong communication across TMEA.

80. **Another potential advantage for TMEA of directly managing LIFT would be the possibility of reducing the total management cost of the fund**. In terms of value for money, the existing structure possibly increases the cost structure relative to having a single managing entity. Based on a simple comparison of the all-in rates charged by the FMT vs. TMEA's staffing structure inclusive of TMEA overhead and benefits, TMEA's rates seem somewhat lower but not substantially so after factoring in overheads.

81. A key disadvantage of directly managing LIFT is that **using an external fund manager helps to shield TMEA from negative perceptions among the private sector that there has been favouritism**. Instead funding decisions can be attributed to the FMT, creating an arms-length relationship.

82. Another potential disadvantage would be that managing **a challenge fund has onerous contract and payment processing requirements that are quite different than TMEA's existing procurement department's structure**. A challenge fund must engage in extremely detailed

analysis of the milestone payment requests and be highly responsive to process fund requests quickly. Managing LIFT would require **TMEA's existing contract processing procedures to be adjusted, or a separate procurement unit to be created.**

83. The second part of this question related to the value being added by the FMT. This is addressed in the question below: *Is the challenge fund being implemented in the most effective way and according to good practices?* In summary, the FMT has not added the potential value that it could have. There is significant room for improvement and in some ways LIFT to date represents a missed opportunity.

Is the way that the challenge fund has been structured most effective and not limiting its potential impact?

84. **No. The challenge fund was not appropriately structured and thus has limited its potential impact.** Several characteristics of LIFT's original design have proven inappropriate given the context. The timeframe in which the grants are expected to be completed is unrealistic. In the unpredictable context of East Africa, delays inevitably stretch projects beyond a 12 or often even 24 month period. This is particularly the case for innovative concepts and immature companies. Moreover, **the amount of funding was low when spread across five countries**, meaning that LIFT's economy would be inherently poor.

85. The minimum funding of $250,000 was adequate, though probably too low, but there are signs that some applicants adjusted their proposal based on the funds available. It is clear that accessing capital is a major limitation for many firms in East Africa. Thus the minimum funding size should probably not be raised above its current level, given the risk of eliminating proposals from the smaller East African countries and from smaller companies. However, very large proposals that need multi-million dollar investments could be addressed with a separate instrument. **LIFT should maintain a reasonable minimum funding size so that it is funding projects with a sizeable potential impact and is not wasting administrative time on very small projects**.

86. The original design of LIFT was to focus on three types of opportunities in logistics and transport, but in practice it has taken a less focused approach. This may be due in part to the quantity of proposals that have been received to the LIFT fund. **The scattershot approach needs to be ended and a clear set of opportunities targeted for funding that respond to the key logistical barriers in East Africa**. The logistics strategies that TMEA has commissioned provide some ideas about directions that LIFT could take.

87. The contractual agreement with the donors, in which they do not transfer funds when they set their commitments, has had a punishing effect of reducing the size of the fund. Options to reduce this risk should be explored, such as hedging against the current risk or requiring that non-USD commitments be converted upon award to TMEA.

88. An investment committee was included as part of the process. While having an IC is a standard component of a challenge fund, some interviewees felt that the makeup of the IC could be improved to have more of an understanding of the logistics sector and of TMEA's mission so as to inform their guidance, and noted that it has not always been easy to recruit members to the IC.

89. TMEA noted that the FMT previously provided some tailored guidance to short-listed candidates during the proposal development process following PCN selection. In the current process, there is limited transparency about what will ultimately be expected from the applicant in terms of the milestones; LIFT advertisements do not outline specific results that are expected from approved projects. Some applicants (i.e., Maramoja) dropped out of the process after IC approval when informed that their project milestones would need to be oriented much more towards outcomes and impacts. In Maramoja's case, this was after $10-15,000 had been invested in the application, which left a very negative impression for them.[27]

90. **The combination of LIFT and TRAC within a single FMT under the guidance of a single Team Leader has VfM and learning advantages, but increases the difficulty of finding someone with the right skill profile**. Since the types of projects that TRAC funds are most common in the development field, LIFT's team leaders have both had a stronger orientation towards that area, arguably to the detriment of LIFT. The structure requires excellent supportive expertise in the area that the Team Leader is less experienced in (either trade or logistics). The short-term technical assistance positions built into the LIFT structure should have supported this, but in practice have not seemingly been used to maximum effect, despite the two consultants seeming to be highly knowledgeable.

91. **Some grantees require more technical support**. The present design provides only periodic ad hoc support to the grantees. The previous Team Leader, David Mitchell, identified as a significant concern during his tenure the capacity of some of the grantees – particularly those that are essentially start-up companies – to operate and address problems without some sort of technical assistance. A more systemic approach to visiting grantees and providing support should be considered.

92. **A major problem with the design of the challenge funds, given the issues that are raised throughout this evaluation report, is that multiple levels of quality assurance that should have caught issues in measurement design did not in fact do so**. This suggests systematic lack of identification of the outcome and impact monitoring problems that the evaluation team have raised. This is a systemic issue, given that there were multiple points at which errors in impact data methodology should have been caught. The following outlines the key QA steps in the current system: a) at the FMT level in East Africa; b) at Nathan HQ; c) by TMEA's monitoring team; d) by TMEA's Annual Review team; and e) by TMEA's external evaluators. Ultimately it

[27] Given that the founder of Maramoja formerly developed proposals for USAID for many years, it cannot be argued that this perception was based on inexperience with funding proposal processes. Maramoja's full description of their experience is described in Annex 11.

was only the last group, through this analysis, that major issues were identified. While it shows that the system did ultimately catch the issues, it is not good practice for such errors to be identified so late as to make correcting the errors infeasible for the completed impact assessments. Based on interviews, it seems that the major issues are the following: a) the staff hired to do the work did not themselves have the technical skills in methodological design; b) the Nathan HQ team delegated to the East African team and so didn't perform rigorous oversight; c) TMEA's monitoring team presumably did not closely review the methodology received; and d) the Annual Review team does not conduct a QA check on data given that the project was slotted for an external evaluation. Ultimately, it seems apparent to the evaluation team that TMEA's monitoring team, potentially aided by the annual reviewers, needs to more closely review the methodologies employed for all impact studies given that these figures are reported to donors and therefore subject to significant scrutiny.

Is the challenge fund being implemented the in most effective way and according to good practices?

93. **No.** Based on a review of the performance of LIFT to date, it is clear that there are many ways that implementation should be improved and aligned good best practices. In some cases, the design of LIFT was appropriate, but the implementation to date has not been.

Team structure

94. **The historical structure of the LIFT team has not been appropriate**. Reports from TMEA suggest that the initial team leaders did not have an adequate background in challenge funds. Moreover, the support provided by the FMT staff based in London has been inadequate. The monitoring support was not up to the level required to implement a challenge fund like LIFT, and contravened the guidance contained in MSA's publication on monitoring challenge funds, which had been published in 2013, before LIFT was launched.

Marketing and vetting (due diligence)

95. Based on a review of a range of other challenge funds, the FMT has set up several good practices in the marketing and vetting process. These include **setting a minimum grant amount** that avoids wasting administrative resources, **using a batch process model** in which applications are received in a time-limited process, **conducting proactive marketing to dynamic companies who may be well positioned to apply** rather than passively waiting for applications (e.g., an event was held in Rotterdam to attract grantees); creating a **two-stage application process** to reduce the time required by both applicants and the FMT; **evaluating each project on its individual merits**, rather than trying to balance the number of projects by country or sector; and the performance of due diligence following IC provisional approval.

96. However, the advertising process could have been improved in certain respects. First, the ads were very generic, with little specification of the type of application that would be desirable. The purposive outreach strategy also seemed to suffer. At least one potential applicant that was contacted by TMEA's consultants complained that she had not had any follow up after an initial outreach session. Two other senior representatives of Kenyan logistics companies,

including Siginon Group, noted that they were not aware of the LIFT fund. Siginon Group was also not on the list of companies that the FMT's logistical consultants contacted. In the words of one stakeholder in Uganda, "[t]he LIFT fund has a lot of money, but it's hardly known. In general, the publicity sucks." This feedback was heard repeatedly; several of the interviewed grantees had heard about LIFT by happenstance from their personal contacts (who typically were familiar with TMEA) rather than directly because of LIFT marketing efforts. The number of applicants evaluated at the PCN stage remained relatively even from round 1 to round 2, from 86 to 92.

97. Based on the experience of LIFT's Round 1 grantees and Round 2 REP stage, **more due diligence is needed during the vetting process.** During the REP stage for Round 2, proposals were assessed on 3 criteria: a) Falls within 'movement of goods' from point of production to consumption (Score 0 or 1), b) LIFT Results Chain Outputs (Score of 1-4), and c) Innovative (Score 0 to 2). The rankings for coherence with the LIFT outputs and innovation were both often questionable. In particular, the ranking of several projects proposing the expansion of existing infrastructure for LIFT Round 2 as highly innovative is arguably not keeping with the definition of innovation that is outlined in the LIFT Operations Manual. Round 1 demonstrates that there has been **inadequate vetting in the selection process to ensure the project milestones and KPIs actually contribute to the LIFT project's overall results framework**, as well as to TMEA's results framework. A final important consideration in vetting is around partnerships. The breakdown of the LOGISA partnership due to misunderstandings between the partners is a clear example of the additional risk that partnerships bring. DCG suggests that these issues could have been better addressed by conducting more careful due diligence on the commercial agreements in place between partners to check whether they were likely to create problems later on.

Grant management and monitoring achievement of deliverables

98. Receiving information from grantees is always difficult in any Challenge Fund, as MSA notes in its publication on how to monitor challenge funds. This is particularly the case for outcome-level and impact-level data, as extremely few companies would ever naturally collect such information and so lack the systems to do so. This is why it is a critical function of the FMT to ensure such data are collected and that they are valid.

99. MSA found during the field work that **the quality of LIFT's management processes were lacking**. In many cases, the LIFT design was not carried through to implementation. For example, the FMT was not enforcing the submission of quarterly reports by grantees for a period (though they were required as per the agreements with the grantees). Quarterly reporting from FMT to TMEA is to date still only being done on outputs, and without a comparison of planned achievements vs. actual achievements. This can create a misleading picture of the trajectory of the LIFT fund, as achievement of outputs is unlikely to correlate well with delivering impacts. Even when there is not yet information on the outcomes, FMT could provide estimates of how it feels achievement is going (as this evaluation report has done

above). FMT notes however that under the second Team Leader, communication was occurring more informally with the grantees, such as through calls and emails, and so there was still communication though this was not being formally captured.

100. MSA found during the field work that **LIFT is tracking activities and outputs well**. The FMT is responsible for verifying the milestones reported by its grantees, including through visits to the grantees, after which TMEA conducts a desk-based review of the submitted documentation. The documentation received by the evaluators suggests this process is quite in-depth and rigorous to ensure the veracity of the spending. In the case of one LIFT grantee, TransportLAB, the evaluation team received written evidence that they were trying to deceive the evaluators in terms of its actual achievement of its most recent milestone, and advised its local partner, Dar Corridor Group (DCG), to find ways to coach the respondents. DCG refused and informed MSA of the situation. A similar situation occurred with Cyber Trace. **This therefore requires very strong vigilance to ensure that the reported results are actually being achieved**. One way to achieve this is through random, ad hoc unannounced visits to the grantees. The LIFT Operations Manual prohibits this, though the FMT noted that it has not followed this in practice and has conducted some ad hoc visits to grantees.[28]

101. However, **LIFT has not done a good job to date of preparing for and conducting outcome and impact monitoring**. The realization of the project baselines has not followed the schedule in the monitoring plan. Baselines were scheduled for October 2016 in the results framework – as many as 11 months following the contract start date – yet had not yet been completed as of April 2017. That implies that **if conducted in May 2017, the baselines will be completed as late as 17 months following the launch of the projects.** This is a problem because it means LIFT will not be able to capture baseline data prior to the launch of its interventions in some cases. Moreover, no impact assessment methodology is in place that articulates LIFT's strategy to assess its attribution to observed results. Further analysis on systemic aspects of the monitoring system is provided under the question above: "*Is the way that the challenge fund has been structured most effective and not limiting its potential impact?*".

2. Lessons Learned and Recommendations

2.1 Strategic Lessons Learned

102. There is an inverse relationship between the riskiness of the ventures that LIFT funds and the likelihood of success. The more willing a challenge fund is to fund innovative ventures, the more likely some of them will fail. "Failing fast" should not be viewed negatively, so long as the

[28] The FMT notes that in practice it has conducted some ad hoc visits to grantees.

FMT is actively ensuring that money is being quickly redeployed from non-viable projects to more viable ones.

103. The logistics space in East Africa is a challenging one to operate a challenge fund. Nevertheless, LIFT has managed to attract a wide array of PCNs. This has included the interest of many of the largest players engaged in logistics (e.g., Maersk).

104. Challenge funds always have to balance private gain and social benefit. The best grants create strong amounts of both. Yet this must be assessed very carefully in the grant design and implementation process. Two types of grants that can create particular risk include:
    a. Those that lock the poor into a proprietary system, in which the company maintains all of the power (e.g., Alistair+)
    b. Those that invest in a large fixed asset (e.g., the Southern Shipping proposal for phase 2) that can subsequently be repurposed away from benefiting smallholders

105. Nearly all grants have to address a lack of capacity among customers or vendors. Addressing that capacity issue is an often overlooked requirement for the business model to function.

106. Managing a challenge fund through a time and materials contract creates a perverse incentive to not keep grants to their schedule, as it will allow more opportunity for billing.

107. A challenge fund that provides capital is a very limited tool. It cannot be expected to address the range of issues affecting logistics in East Africa. Unless combined with other initiatives, such as TMEA's other work on logistics and those of other entities, LIFT's impact will be necessarily constrained and its attribution for changes lowered.

108. Challenge funds are simply a mechanism. Their utility can vary greatly. The risk is that they are not addressing the underlying issues that are preventing increased investment. An example is the lack of investment in cold storage facilities. There is agreement among many that issues including the high cost of power are important causes of the under-investment in cold storage facilities, of which facilities already exist. Thus investing in the expansion of one facility, without addressing those underlying issues, is very unlikely to create crowding in and to generate a broader expansion. Moreover, there is a risk that LIFT funding may actually reduce the possibility of crowding in by other market actors, if the subsidized funds are used by the grantee to set artificially low prices that reduce the returns to replication by competitors. This intention to set a discounted price was presented by Spedag in their proposal.

109. Challenge funds have significant economies of scale. As fund size increases, the costs of administration per dollar managed declines. Challenge funds managing limited funds will invariably have worse economy if using an input-based contract.

110. Management in both TMEA and the FMT needs to have specialized expertise in challenge funds; it cannot only exist in the FMT. Without it, the quality of management of LIFT will suffer.

111. Offering debt or equity almost guarantees that TMEA would no longer be seeking out risky, innovative bets. Such a model would be much more likely to be displacing existing private sources of capital such as impact investors.

2.2 Programmatic Lessons Learned

112. As compared with providing payments to grantees on a fixed schedule, a milestone-based repayment approach slows down the pace of project implementation as firms are often slowed down by needing to raise funds to match the project funds. It reduces payments to the grantees (as payments are quickly stopped if the grantee is not proceeding) but increases them for the FMT (as grants take longer to implement). Critically, a milestone-based structure can also ossify the monitoring system, as the milestones become the contractual promises of the grantee and thus are very difficult or even impossible to change after being agreed upon. However, it also has benefits as it requires greater ownership by the grantee (given that the grantee is putting their capital at risk upfront and hoping for reimbursement). It also improves VfM, as less money will be spent by the project on ideas that do not achieve their milestones.

113. Innovative ideas require much longer than 12 months to implement, particularly in the East African context given the range of capacity and regulatory constraints that exist. Further, expecting to achieve impact from an innovative idea on LIFT's ultimate objectives within 1.5-2 years can be very ambitious, particularly for projects that depend on other factors (e.g., government action) for the impact to be realized. Estimating impact at the end of the grant period only risks significantly undercounting the impact of LIFT funding.

114. Regular oversight from TMEA is necessary to ensure that the FMT live up to their commitments. This also requires a strong understanding by TMEA staff of good practice in challenge fund management, such that FMT decisions can be queried.

115. Equally, regular follow-up with the grantees is important to ensure that they remain on track and that project activities are not sliding unnecessarily.

116. 'Total management fee' is a faulty measure of value for money for challenge funds. This is because challenge funds differ significantly in the duration of their management and monitoring.

117. Unless there is a very intentional and systematic focus on ensuring alignment between the PCNs and TMEA's overall objectives, and ensuring that the overall objectives of the challenge fund are clear to the fund manager before projects are selected, projects will be funded that do not contribute to TMEA's overall objectives and to the LIFT project objectives. TMEA was not involved in the process of setting project milestones and KPIs to ensure they contribute to TMEA's overall objectives, and this is likely a key reason why they did not. Similarly, without a

focus on ensuring that milestone definitions align with TMEA's and other grantees, they will not.

118. Grantees may actively try to deceive the FMT and the external evaluators both in terms of their financial reporting and their actual achievements. Careful attention must be paid to verifying financial and technical claims.

119. Using standardized monitoring templates (e.g., baseline survey templates) is inappropriate given the diversity of grants funded under LIFT; they must be tailored to each applicant. External M&E Specialist support has been inadequate. Further, grantees cannot be expected to collect information that goes beyond the 'last hard number' (i.e. the last entity with which they have direct contact).

120. Evaluations can only provide a lagging assessment of VfM, given that they come long after a project has started. Periodically monitoring the VfM that any project is achieving can identify more quickly the opportunities for improving it.

121. Advertising is critically important to the successful operation of a challenge fund. Where advertising is inadequate, the number of applicants will be less than it could be.

122. Although the East African context often extends the time required to complete projects, regular follow-up with grantees and requiring a valid rationale to extend a project's funding period are both important to avoid unnecessary delays.

2.3 Recommendations to Improve Current Implementation

Advertising, vetting and selection recommendations

123. **Improve the outreach of the LIFT fund to potential applicants**. Spread awareness through industry associations, business membership organizations, embassies' trade officers, banks that invest in start-ups, East African governments, relevant donor-funded bodies (e.g., the East African Trade and Investment Hub) and others.

124. **Rethink the selection criteria and their definitions**. Place much greater emphasis on coherence with LIFT's impact objective when vetting PCNs to avoid irrelevant proposals from reaching the IC. Emphasize TMEA's impacts and outcomes to the FMT so that they are fully understood. Similarly, **review the definition of innovation that is being used**. This assessment requires expert input and an understanding of the nature of the logistics sector. Only sectoral experts should vote on the innovativeness of a proposal. **Incorporate potential effects on competition**

in the marketplace[29], impact on the poor and gender, ability to create systemic changes and anticipated ROI as selection criteria. Avoid funding projects that cannot realistically create systemic changes, be copied by others or that are not addressing the underlying issues that have prevented the solution from being developed to date. Similarly, only fund projects that will generate a strong return to TMEA investment. In the case of LIFT, the return should be defined as generating a reduction in the time or cost of transport, as outlined in LIFT's results chain and TMEA's overall results framework.

Management recommendations

125. **Immediately develop an action plan for grants that will not have been completed by mid-2019, at the point when the FMT's contractual extension runs out**. This is a certainty, and so should be planned upfront to avoid disruption to grantees if the current FMT's contract will not be renewed.

126. **Harmonize the vision for LIFT-led systemic change and pursue it**. Develop and regularly update a systemic change strategy at the LIFT and grantee levels, including incorporating indicators of systemic change. Establish upfront the systemic change strategies for the selected grants. When relevant, clearly identify the audiences that need to be influenced to achieve systemic changes (e.g., other firms that may replicate the business model) and design communication products specifically for those audiences.

127. **Look to support better synergies with other TMEA projects and between the grantees of LIFT and TRAC**. To do this, better communicate LIFT's work throughout TMEA, including particularly to its country programmes. For example, TMEA's Uganda Country Programme noted that they were surprised to learn at one point what projects LIFT was funding in Uganda. Also, look for ways that grantees mutually support each other and encourage linkages between them.

128. **Share TMEA's publications and work around gender and logistics with the FMT and strategize with them on how to achieve TMEA's overall strategy for gender in the logistics sector**. TMEA's corporate research and complementary gender interventions could both support the work conducted under LIFT. This will require greater collaboration with the FMT, particularly at project selection stage when new grants are being selected, but also throughout the life of the grants as opportunities for creating gender impact surface.

129. **Reposition the makeup of the FMT.** Ensure that as many staff as possible (e.g., the project manager) are Nairobi-based or East Africa-based to improve contextual understanding. Also, recruit a monitoring specialist to support the FMT with strong survey methodology and attribution estimation skills on an as-needed basis. Doing so will help to ensure that monitoring quality standards are uniformly applied. However, it is critical that this move not send the

[29] This can be difficult to measure for certain types of proposals, but in others it is relatively straightforward (e.g., providers of cold storage facilities) and so should be assessed.

message to the project officers that their responsibility for monitoring has lessened. This is the key part of their role and must be emphasized repeatedly by management. Equally, ensure that the FMT has adequate logistics expertise either on a full-time or part-time basis. The historical use by the FMT of part-time logistics consultants has not seemed to adequately address the need for logistical expertise in managing LIFT.

130. **Adopt an adaptive management strategy**. To ensure that everyone in TMEA is on the same page about how to manage adaptively, TMEA should adopt an adaptive management strategy. This would in particular note what information TMEA staff need in order to make key decisions. To support this, TMEA needs to increase its own expertise in challenge funds so that it can provide proper oversight. This requires that key TMEA technical and monitoring staff receiving training on challenge fund management and revise its reporting templates.

Monitoring recommendations

131. **Redesign the structure of the FMT monitoring system.** Incorporate MSA's guidance on monitoring challenge funds. Allocate more measurement resources on those projects likely to create the greatest return instead of spreading the resources monitoring evenly. For those high impact grants[30], use monitoring methods that rigorously assess the attribution of LIFT funding to the measured results. Recognize the projects in which by the time the LIFT-supported system has been adopted by users, a significant portion of the total improvement has already occurred and could be missed if measurement is delayed and collect baselines for those grants proactively. Be intentional about recognizing the level to which grantees can realistically measure (typically only to their direct clients), and the point beyond which the FMT will need to measure itself. To fund this, allocate a portion of the FMT's current management fee specifically for monitoring. This will ensure that the FMT is spending adequately to ensure the veracity of the developmental results. TMEA needs to play a strong role here in monitoring ensuring the FMT is conducting measurement in line with its own timelines (or adjusting them where appropriate).

132. **Revise LIFT's impact indicators and targets** to better capture progress and require more meaningful achievements. In particular, include a scale-related impact target. Then ensure that all LIFT grants are measuring their contribution to at least one outcome and the overall LIFT impact. **Use leading indicators,** beyond just lagging indicators, of output completion, around outcome achievement (or not), and delays in implementation. Also, **revise LIFT's outcome impacts and targets**. In particular, given that LIFT will not be funding a second round, remove the following three outcomes that none of the round 1 grants are measuring achievement against: *% increase in vehicle utilisation for targeted SMEs, % reduction in number of instances*

[30] It is not always possible to predict which grants will be high impact. However, some methods that can be used include: a) conducting ex ante CBA or ROI analysis to identify the grants with significant potential impact, or b) allocating resources ex post, once comparative impact is more apparent. This option is possible where baselines can be reconstructed subsequently without unduly reducing the rigour of the collected data.

where cargo has been tampered with, and % of market share increase by SMEs. Finally, **ensure coherence of the LIFT results chain by revamping it to eliminate questionable assumptions and better reflect how transportation time and cost savings will be realized**.

133. **Establish standard indicator definitions that all grants must adhere to.** This applies to things such as jobs, for which FTE is the acknowledged global best practice. This will improve TMEA's ability to report on its impact to the board, which currently lists out each project's impacts separately. TMEA should add additional clarification on how the LIFT outcome definitions are to be measured, given that many are quite difficult (or possibly even impossible) to capture.

134. **Include a grant-level indicator that tracks the commercial viability of LIFT funded business models.** While evidenced anecdotally in some cases, commercial viability beyond grant funding is currently not measured by TRAC. This is essential for the long-term viability of the grant, and thus should be incorporated into the measurement system.

135. **Revamp LIFT's VfM indicators and measurement.** TMEA should establish indicators of VfM for the LIFT fund around economy, efficiency, effectiveness and equity. In terms of equity, the management fee should be calculated as an amount per year of support provided rather than an overall amount. Moreover, the VfM indicators should be monitored periodically to alert TMEA when VfM is worsening, such as it has in light of the contract extensions. For measuring efficiency, incorporate within the LIFT monitoring framework the achievement of process indicators that are critical to success of the challenge fund, including the timeliness of implementation of the grants, budget disbursements, etc. This will provide a process for ensuring the fund is on track.

136. **Bolster quality assurance of the LIFT monitoring system by ensuring that TMEA's monitoring team, potentially aided by the annual reviewers, more closely reviews the methodologies employed for all impact studies**. Given that these figures are reported to donors, they are subject to significant scrutiny and need to be correct.

2.4 Recommendations to Improve Future Design

137. **Rethink challenge funds as a mechanism meriting TMEA's support. If strongly valued by TMEA, focus LIFT to address the priority logistical challenges and opportunities in East Africa**, aligned with TMEA's logistics strategy. Based on interviews with stakeholders, this could include improving intermodal terminals (without which the rail lines will fail to function effectively) or the transport of non-agricultural commodities. To ensure that such opportunities are identified, play a more active role during advertising to actively seek out and solicit potential applicants that are working in desired areas (e.g., pallet networks). Consider shaping advertising rounds around specific identified logistical challenges to avoid a scattershot approach. Equally, avoid funding solutions that are not particularly innovative. For example, mobile applications that link buyers and sellers of transportation services, for which there are

already a diversity of products being developed (and already available) independently of LIFT support.

138. **Harmonize the vision for LIFT-led systemic change**. This should not dismiss systemic change as impossible, but rather recognize that systemic change is essential to the justification for a challenge fund. Vet each grant for its potential impact on systemic change. Where a grant is not believed to be catalytic, it should be less likely to receive funding. As this is done, develop and regularly update a systemic change strategy that informs the project's monitoring system. If the challenge fund grants are not aligned with TMEA's other relevant logistics investments, then the potential to create systemic change is weak. This implies being very careful about permitting the funding of private infrastructure projects that may primarily benefit the investing company. These investments seem less likely to be replicated by other firms.

139. **Procure formative evaluations earlier in the lifecycle of a project, so that the evaluation can have a bigger impact on influencing decision-making for the remaining implementation period.** At the time of the present evaluation, no additional funds exist for further grants in the current round.

140. **To enhance LIFT's economy, consider reducing TMEA's 9% overhead rate since the FMT assumes some of the roles that TMEA would otherwise be responsible for.** Similarly, **consider a fixed percentage management fee for the FMT rather than an input-based contract to better align incentives**.

141. To enhance the success rate of the grants, consider systematizing the support provided to the grantees by LIFT. FTESA's model, for example, provides support to address the policy constraints that typical delay or prohibit the innovations that they are funding from being successful.

142. **Extend the maximum timeframe for the LIFT grants, and remove or raise the budget limit on proposals** to entertain larger proposals that may have a greater impact.

143. **Insist that donors transfer their funding commitments once announced so that the funds can be converted in the currency in which the grants will be awarded (USD)**. Given that TMEA's donors are providing funds in a different currency than it is disbursing them in, a solution to reduce this issue is required.

144. **Extend the period of monitoring beyond the implementation period of the grant** so that LIFT does not significantly under capture its actual impact. AECF measures for 6-7 years following the signing of the grant; consider at least 2 years following the completion of grant funding.

145. **Envision a debt or equity fund as a complement to – rather than an alternative to – an innovation-oriented challenge fund**. They serve different purposes and solve different problems; the latter can help to surface innovations while the former is best applied to scale

proven solutions. The two models can be very complementary, as models that succeed as challenge fund grantees are linked to debt or equity to grow their businesses and expand their impact.

146. **Establish the LIFT impact and outcomes at the beginning of the challenge fund, then vet all grants based on their ability to contribute to them instead of adjusting the outcomes and impacts based on the grants that are selected**. While it is inevitable that some changes will be required, LIFT should aim to keep the outcomes and impact indicators and adjust the output indicators based on the projects selected. Given the importance of selecting grantees that are contributing to TMEA's overall objectives, involve TMEA's Results team during the negotiation of milestones and targets with the grantees.

147. **Conduct an integrated gender analysis on future rounds of LIFT, as was done for TRAC round 3**. Such a report offers the opportunity to systematically examine opportunities to support opportunities for women that have not been done by LIFT to date.

148. **Reduce the geographic scope of LIFT** so that it can be more manageable and reduce administration costs. If focusing the challenge fund on only the countries that are most likely to generate logistical opportunities is politically feasible for TMEA and its stakeholders, then it should be pursued.

Annex 1: List of Meetings and Interviews Held

Date	Person	Title	Institution / Project
3/4/2017	Paul Swaak	Founder	TransportLAB
4/4/2017	Humphrey Kisembe	n/a	Formerly of Kenya Shipper's Council
6/4/2017	Elizabeth Mwangi	Acting Director, Results	TradeMark East Africa
6/4/2017	Buddhika Samaras inghe	MICF Project Director	Nathan Associates
10/4/2017	Abhishek Sharma	Director Trade and Logistics	TMEA
10/4/2017	Allan Ngugi	Programme Manager Business Competitiveness	TMEA
10/4/2017	Makena Mwiti	Gender Advisor	TMEA
10/4/2017	Nelson	Communications Manager	TMEA
11/4/2017	Annette Mutaawee	Deputy CEO, Strategic Results and Communication	TMEA
11/4/2017	Michael Clements	Team Leader / Fund Manager	Nathan Associates London
11/4/2017	Max Schulz	Programme Manager	Nathan Associates London
12/4/2017	Isaac Tallam	Market System Expert	Food Trade East and Southern Africa
12/4/2017	Diana Mugumira Ngaira	Communication & Knowledge Management Expert	Food Trade East and Southern Africa
12/4/2017	Austin Odhiambo	Senior Monitoring & Results Measurement Expert	Food Trade East and Southern Africa
12/4/2017	Grace Mayiani	Sea Exports Manager – Nairobi	Bollore
12/4/2017	Meshack Kipturgo	Managing Director	Siginon
13/4/2017	Annette Mutaawe	Deputy CEO, Strategic Results and Communication	TMEA
13/4/2017	Hugh Scott	Director	AECF
13/4/2017	Frank Matsaert	Principal CEO	TMEA
14/4/2017	Michael Mulele	Managing Director	Cybermonk
14/4/2017	Ben Watkins	Managing Director	Kimetrica
18/4/2017	Roy Baguma	Director	Veron Shipyard Limited
18/4/2017	John Opondo	Managing Director	Kalangala Infrastructure Services Ltd.
18/4/2017	Alex Mbonye Manzi	CEO	Uganda Shippers Council
18/4/2017	Henry Ategeka	Senior Transport Officer	Ugandan Ministry of Works
18/4/2017	Hussein K. Kiddedde	CEO	Spedag 4PL
18/4/2017	Stephen Kasule	Trade and Investments Officer	Dutch Embassy in Uganda Stephen.bayite@minbuza.nl 0784 311414
18/4/2017	David McGuinty	Challenge Fund Stakeholder	Human Development Innovation Fund
19/4/2017	James Kamukama	M&E Consultant for the TMEA Logistics Strategy (and former evaluator of TMEA Uganda Country Programme)	Independent
19/4/2017	Bo Giersing	Consultant to the LIFT challenge fund	Independent
19/4/2017	Milton Kandole	Regional Manager – Rail Services	Spedag Interfreight
19/4/2017	Julius Kagode	Operations Manager – Core	Spedag Interfreight

	Isanga		
19/4/2017	Michel Ruhé		Thermondial Holding b.v
19/4/2017	Wanja Getambu-Kiragu		East Africa Online Transport Agency Ltd.
19/4/2017	Gichini Ngaruiya		Farasi Systems
19/4/2017	Vincent Tshiongo	Chief Operations Officer	Rift Valley Railways
20/4/2017	Wanjiku Kimamo		TMEA
20/4/2017	Jason Eisen	Founder & CEO	Maramoja Transport
21/4/2017	Imram Pasta	User of Cybermonk C&F Pro	
21/4/2017	Juan Estrada	Chief of Party	East Africa Trade and Investment Hub
26/4/2017	David Mitchell	Former Team Lead of TRAC and LIFT	n/a

MSA's main challenges in conducting the evaluation was gaining access to respondents, some of which were impossible to reach despite repeated efforts. If a respondent was unable to be reached by the evaluators, the decision to replace or remove the respondent from the study was agreed between MSA, TMEA, and the FMT. The following is a list of planned respondents in the evaluation inception report that were ultimately not able to be reached for inclusion in the study:

Project	Proposed respondent not interviewed	Justification	Mitigating action if any
OSOSEA	Farmers who adopt ecological-based improved cropping best practices and gain access to markets	Focus group discussions could not be organized, as the OSOSEA project does not currently have direct relationships with farmers.	In-depth phone interviews with Tanzanian organic farmers were conducted as feasible.
OSOSEA	Regional forums on organic agriculture in EAC	Regional forums were not identified by OSOSEA partners.	In person in-depth interview conducted with the Tanzanian Ministry of Agriculture.
LOGISA	Logistics service providers utilizing the LOGISA system.	There are no current users of the LOGISA platform, other than DCG (project partner).	DCG interviewed in depth.
Spedag	Small and medium trucking enterprises	The Spedag project site at the Malaba Railway Yard has not been approved, and there are no contacts to organize meetings with transporters.	None.
Spedag	Rift Valley Railways (RVR)	RVR are in the midst of having their contract cancelled and were unwilling to speak with the evaluators.	None.
Spedag	Exporters of cotton, coffee, cocoa beans and timber	The Spedag project site at the Malaba Railway Yard has not been approved, and there are no contacts to organize meetings with exporters – who would be quite removed from the project even if it were to move forward.	None.
Graben 4PL	Vendors using 3PL platform	Due to the collapse of Graben's core business in South Sudan, the Uganda platform was never developed and there are no users to	None.

		interview.	
Multiple	Kenya government stakeholders	None identified by the FMT or TMEA	None.

Annex 2: Case Studies

LIFT CASE STUDY: CYBERMONK's C&F Pro Online

1. Background

TradeMark East Africa's Logistics Information for Trade (LIFT) challenge fund identifies and provides grants to companies with innovative ideas that can improve the operation of the logistics sector.
LIFT funded Cybermonk as one of its first round investments in 2015. Cybermonk is developing a cloud-based software system for use by clearing and forwarding (C&F) agents, transporters and importers. The software will allow users to monitor the progress of goods as they arrive and reach their destination.
Before receiving a LIFT grant, Cybermonk sold desktop software to its users for a one-time purchase. This much higher cost (approximately $3000) meant it was prohibitively expensive for most C&F agents.

2. The Issue

Transport costs in East Africa are universally recognized as being very high. This reduces the region's competitiveness in international trade, high cost of imported goods and minimal exports. Two specific costs that are often generated by the industry include:

- **Storage fees for late withdrawal of goods from the port's facilities**.
- **Penalties for late return of containers to the shipping lines.**

These penalties are incurred for a number of reasons, but many relate to a lack of transparency. Importers have little knowledge of how their C&F agents are performing and who is to blame when charges are incurred.

3. The Response and Approach

Cybermonk's C&F Pro addresses high transport costs by creating a cloud-based platform that is accessible by the C&F Agents and their client transporters and importers. C&F Pro addresses several underlying issues that have historically created these delays:

- A **transparent platform** through which all parties to the transaction can observe the flow of consignments through the system. This reduces the costs required for all parties to continually call or email to check on the status of a shipment; users can log in and automatically see the latest status. This helps importers to ascertain whether they are actually responsible for fees that are incurred, and to avoid being held responsible for fees that were not their responsibility.
- Access to **benchmarking data** so that users understand how their time and cost performance compares to others in the industry.

The contributors to these high costs include the following:

- **Lack of standardization.** It is currently impossible for importers to be informed consumers in selecting the C&F agents to work with.

4. Challenges and Results to Date

For Cybermonk, receiving a LIFT challenge fund grant has allowed the company to accelerate its progress significantly. The requirements of the application process pushed Cybermonk to open a company bank account, register as a limited liability company, and attract investors who could cover the remaining 50% investment required. To date Cybermonk has leveraged external investment of $85,000-$100,000. LIFT's endorsement of Cybermonk made attracting investors significantly easier and required giving up a smaller proportion of ownership. Further, the attendance of LIFT staff at the product launch lent further credibility to the company.

Cybermonk has learned a lot in the course of developing C&F Pro. First, it has become apparent that potential users of the software require significant staff training before they are willing to adopt the platform. That has greatly slowed down the rate of adoption of the software versus expectations. Thus far, 50 firms have expressed interest while 10 have tested the system and 5 are active users. Further, Cybermonk has discovered that it needed to undertake significantly more development work than expected. Another challenge is that to date, the powerful shipping companies have not expressed interest in integrating their data with the platform. It is possible that the shippers like the revenue that they earn from demurrage (late container return) fees – which average $100 per 1 TEU (twenty foot equivalent unit) container – and are not eager to contribute to solutions that reduce it.

5. Opportunities and Risks

C&F Pro has the potential to make a significant impact on improving the efficiency of Kenyan C&F industry. For the industry as a whole, the transparency that it brings puts pressure on all users to reduce the time and cost of transport. Further, the development of an online platform enables to access the platform at a much lower monthly cost relative to the one-time charge for buying the desktop version. This greatly increases the number of potential users of the platform. Adopters of the platform access a way to improve their customer service to their clients. The C&F Pro platform also enables the provision of a series of add-on services to clients. For example, the recent passing of a requirement that consignments passing through the Mombasa port have Kenyan insurance has created the opportunity for C&F Pro to add an insurance module that users can rapidly buy via the platform. With even modest projections of the number of paying users, Cybermonk's current financial projections look extremely positive. This bodes very well for the likelihood that the C&F Pro platform will continue to operate following LIFT's exit.

A potential risk is that the time and cost savings realized by the C&F Pro platform in terms of reduced fees and staff efficiencies are not passed on to East African consumers. This ultimately depends on the competitiveness of the marketplace. Another risk is that the measurement system that has been put in place will not adequately capture the benefits that the software creates in terms of efficiency gains for users and reductions in fees.

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Annex 4: Overview of Comparison Challenge Funds

Name of Fund	Dates	Fund Manager(s)	Sector Focus	Geography	Grantees	Grant Timeframe ; Windows	Size of Fund
Logistics & Trade							
Food Trade East and Southern Africa	2013-present	Development Alternatives Inc. (DAI) Europe, in co-operation with partners KPMG, Michigan State University, Regional Network of Agricultural Policy Research Institutes (ReNAPRI) and africapractice	Food Trade	South Africa, East Africa	Private sector agribusinesses (value addition, post harvest, crop storage, transportation, marketing, processing, farm input)	3 windows; 4 rounds; 2.5 years avg length	£35 million; £450,000 - £1 million per project
AECF	2008-present	KPMG and AECF	Agriculture, green growth	Sub-Saharan Africa	Private firms in focus sectors	6 years per grant; +10 rounds	Planning to reach $500 million

Annex 5: Profile of Selected LIFT Grants

Cybermonk: In December 2015, Cybermonk Software Development – in partnership with Manifest Destiny Limited and Teos Company Limited – were awarded a LIFT grant to develop a freight forwarding and logistics management and monitoring software system called C&F PRO Online. The system will be available and accessible online and through a mobile application to clearing and forwarding (C&F) agents, as well as all importers and exporters, transporters and the general public. The system allows users to monitor efficiency at both industry and individual company levels. The aim of the project is to reduce C&F costs by 5% across 50% of participating users. Funding from LIFT: US$209,825. Grantee contribution: US$209,675. Total project budget: US$419,500.

LOGISA: In November 2013, the LOGISA consortium – consisting of DSM Corridor Group, TransportLAB and Cofano Software Solutions – was awarded a LIFT grant to establish an East African supply chain platform comprising of several modules offering customers transport solutions. The platform also establishes an online community for disseminating relevant information through blog articles, events, wikis, tasks, and idea sharing. The project aims to aims to reduce transport costs per tonne kilometre for LOGISA users by at least 15%. Funding from LIFT: US$350,000. Grantee contribution: US$350,000. Total project budget: US$700,000.

Spedag Interfreight: In September 2015, Spedag Interfreight Kenya was awarded a LIFT grant to develop the existing Malaba Railway Yard into an intermodal cargo transfer facility capable of handling, storing and consolidating cargo from rail to road and vice versa. The facility will reduce the transit time of rail-bound cargo and road transport costs for cargo from Mombasa destined to South Sudan, DRC, Rwanda and Northern Uganda by 20%. It also has potential to increase the volume of coffee, cocoa beans, cotton, timber, minerals, and other export goods transiting the Northern Corridor. Funding from LIFT: US$673,037. Grantee contribution: US$673,037. Total project budget: US$1,346,074.

Veron Shipyard: In April 2016, VERON Shipyard Ltd (VSL) was awarded LIFT a grant to establish and operate a modern shipbuilding, repair and maintenance facility in Masese, Jinja Town, on Lake Victoria in Uganda. The proposed shipyard aims to contribute towards the revival of the traffic flows on the Central Corridor due to dilapidated ports, lack of equipment and an old fleet of large roll-on/roll-off ferries and small cargo ferries. The shipyard will repair the existing fleet of fifty-two vessels currently plying Lake Victoria and will also build new vessels of different types and sizes, creating full-time employment for 49 highly skilled technical personnel in modern shipbuilding techniques. Funding from LIFT: US$750,000. Grantee contribution: US$1,608,300. Total project budget: US$2,358,300.

Graben 4PL: In April 2016, Graben 4PL – in partnership with We Think Software Solutions (WTSS) and BYVEC Ltd – was awarded a LIFT grant to implement a quality management system (QMS) to improve transport and logistics efficiency and cargo handling capacity through supplier integration and the establishment of interactive databases of logistics and transport service providers, such as transporters and warehouse operators. The system aims to reduce the cost of integrated logistics solutions by enabling clients and transport service providers to improve their own logistics management, resulting in a 10% increase in freight volume reported by active vendors. Funding from LIFT: US$557,731. Grantee contribution: US$590,725. Total project budget: US$1,148,456.

Annex 6: Evaluation Questions

Core to the evaluation methodology is the determination of the evaluation questions that the team sought to answer. These questions built upon the five core evaluation categories that were posed in the evaluation Terms of Reference (TOR): effectiveness, impact, relevance, sustainability and efficiency. The table below outlines the key evaluation questions that the team examined for each evaluation category:

OECD-DAC Criteria: Relevance
The extent to which TMEA's diverse investments across a range of sectors are suited to the priorities and policies of stakeholders.

Sub-category	Key evaluation questions
Strategic clarity and logic	• Is there clear causal logic within the challenge fund's theory of change?
Alignment with TMEA, partner, beneficiary, the East African Community (EAC) and member state interests and priorities	• Is there clear alignment between the funded grants, the challenge fund theory of change and strategy, TMEA and development partners' corporate policies and priorities, private sector development priorities of EAC member states, and other beneficiary and stakeholder interests and priorities?

OECD-DAC Criteria: Impact
The positive and negative changes produced by interventions, directly or indirectly, intended or unintended.

Sub-category	Key evaluation questions
Achievement of long-term impacts	• Are the challenge fund's impact-level targets in its results framework and theory of change likely to be achieved and are the data of high quality? • Is there an evidence-based case for plausible attribution of these results to the challenge fund and are external influences accounted for? Is attribution articulated? • What have been, or are likely to be, the gender-differentiated results that the challenge fund grants are likely to create? • What benefits have been generated, or are likely to be generated, for the poor?
Systemic and unintended changes	• Is there a strategy for creating systemic change and are there any systemic changes arising from the challenge fund grants? • Are there any unintended impacts or externalities (either positive or negative) arising from the challenge fund grants?
Additionality	• Would the observed and/ or expected results have happened even without TMEA's investments? • If the observed results would have happened anyway, has the challenge funds play a role in speeding up or changing the nature of the realisation of those impacts?

OECD-DAC Criteria: Effectiveness

A measure of the extent to which interventions attain their planned results, as well as what the major factors influencing the achievement of the results have been.

Sub-category	Key evaluation questions
Achievement of outcome target	• Have the challenge fund's outcome-level targets in its results framework and theory of change been achieved, or are they likely to be achieved? Why or why not?
Adaptive management	• Does the challenge fund have robust monitoring systems that regularly assess progress against planned results, monitors and revises key assumptions (risks), generates learning and uses the information to revise approaches? Has this been documented? • Do the challenge fund program's culture, leadership and rules support adaptive management?

OECD-DAC Criteria: Sustainability

To what extent the benefits of the challenge fund's portfolio of investments will create an enduring legacy that furthers strategic objectives.

Sub-category	Key evaluation questions
Sustainability addressed and likely to be achieved	• Have issued grants put in place mechanisms for sustainability and/ or replication following the end of the grant? • What evidence is there that projects' social and economic benefits will be sustainable or scaled up (in the case of ongoing projects) or are sustainable (in the case of completed projects)?
Lessons learned for future programming	• What strategic and programmatic lessons are apparent from the experience of the challenge fund thus far? • Is a challenge fund the right mechanism for the impact TMEA is aiming for in the context of East Africa? • Is the challenge fund being implemented in the most effective way and according to good practices? • Is the use of a contractor as the fund manager the best way to manage a challenge fund? What is the contractor delivering in terms of value? • Does a challenge fund make sense to get the impact TMEA's pursuing in the specific context? If not, what other mechanisms should TMEA consider for supporting the private sector? • Is the way that the challenge fund has been structured most effective and not limiting its potential impact?

OECD-DAC Criteria: Efficiency

The value of outputs in relation to the cost of inputs. Efficiency signifies the degree to which resources utilized were the least costly possible in order to achieve the desired results.

Sub-category	Key evaluation questions
Value for Money	• How do the administrative costs of the challenge funds compare against other challenge funds on key metrics, like administrative cost per grant disbursed? • Has implementation been undertaken within the timeframe that was planned for? • Could results, or likely results, have been achieved with fewer resources, and if

	so would the timing of results have been different? • Has the way the challenge funds marketed themselves, processed applicants, disbursed grants, managed the awardees and measured progress, thus far, been appropriate to achieve value for money? • What return on investment is arising?

MSA also added the following specific evaluation questions that were raised by TMEA during the inception phase:

- Is a challenge fund the right mechanism for the impact TMEA is aiming for in the context of East Africa?
- Is the challenge fund being implemented in the most effective way and according to good practices?
- Is the use of a contractor as the fund manager the best way to manage a challenge fund? What is the contractor delivering in terms of value?
- Does a challenge fund make sense to get the impact we're looking for in the specific context?
- If a challenge fund is not the most appropriate mechanism for working directly with the private sector, what other mechanism or approach would make more sense to achieve the overall goal?
- Does the way that the challenge fund has been structured, with caps around the maximum amount that can be given out as a grant, limit the types of companies that consider applying?

Annex 7: Assessment Criteria

MSA assessed the challenge fund against each of the five key evaluation categories on a scale from 1 to 6 (6 being highest).

Evaluation category	Assessment Criteria	6 Excellent	5 Very good	4 Good	3 Fair	2 Poor	1 Very poor
Relevance	• There is clear causal logic within the challenge fund's theory of change. • There is clear alignment between the funded grants, the challenge fund theory of change and strategy, TMEA and development partners' corporate policies and priorities, private sector development priorities of EAC member states, and other beneficiary and stakeholder interests and priorities.	*Exceeds all of the assessment criteria for relevance*	*Meets all of the assessment criteria for relevance*	*Meets most of the assessment criteria for relevance*	*Partially meets the assessment criteria for relevance*	*Does not meet any of the assessment criteria for relevance*	*Serious problem and does not meet any of the assessment criteria for relevance*
Impact	• The challenge fund's impact-level targets in its results framework and theory of change are likely to be achieved and the data are of high quality. • There is an evidence-based case for plausible attribution of results to the challenge fund and external influences accounted for. Attribution is articulated. • Funded projects contributed to positive impact on women and the poor. • A strategy for creating systemic change exists and there are systemic changes arising from the challenge fund grants. • The observed changes would not likely have happened without TMEA's investments. Or the challenge fund played a role in speeding up the realisation of observed changes.	*Exceeds the assessment criteria for impact*	*Meets all of the assessment criteria for impact*	*Meets most of the assessment criteria for impact*	*Partially meets the assessment criteria for impact*	*Does not fully meet any of the assessment criteria for impact*	*Serious problem and does not meet any of the assessment criteria*
Effectiveness	• The challenge fund's outcome-level targets in its results framework and theory of change have been achieved, or are likely to be achieved. • The challenge fund has robust monitoring systems that regularly assess	*Exceeds the assessment criteria for effectiveness*	*Meets all of the assessment criteria for effectiveness*	*Meets most of the assessment criteria for effectiveness*	*Partially meets the assessment criteria for effectiveness*	*Does not fully meet any of the assessment criteria for effectiveness*	*Serious problem and does not meet any of the assessment effectiveness*

	progress against planned results, monitors and revises key assumptions (risks), generates learning and uses the information to revise approaches. This has been documented. • The challenge fund program's culture, leadership and rules support adaptive management.						
Efficiency	• The administrative costs of the challenge fund compares against other challenge funds on key metrics, like administrative cost per grant disbursed. • Implementation has been undertaken within the timeframe that was planned for. • Results, or likely results, could not have been achieved with fewer resources in the same timeframe. • The way the challenge fund marketed itself, processed applicants, disbursed grants, managed the awardees and measured progress, thus far, has been appropriate to achieve value for money.	*Exceeds the assessment criteria for efficiency*	*Meets all of the assessment criteria for efficiency*	*Meets most of the assessment criteria for efficiency*	*Partially meets the assessment criteria for efficiency*	*Does not fully meet any of the assessment criteria for efficiency*	*Serious problem and does not meet any of the assessment efficiency*
Sustainability	• Issued grants have put in place mechanisms for sustainability and/ or replication following the end of the grant period. • There is evidence that projects' social and economic benefits will be sustainable or scaled up (in the case of ongoing projects) or are sustainable (in the case of completed projects).	*Exceeds the assessment criteria for sustainability*	*Meets all of the assessment criteria for sustainability*	*Meets most of the assessment criteria for sustainability*	*Partially meets the assessment criteria for sustainability*	*Does not fully meet any of the assessment criteria for sustainability*	*Serious problem and does not meet any of the assessment sustainability*

A confidence level is assigned to each evaluation category score.

Confidence level		
High	**Medium**	**Low**
Based on consistent data collected and/ or validated by	*Partially based on data collected and/ or validated*	*Based solely on data collected by stakeholders other than the*

the evaluation team. Qualitative data informing the score was collected from a relevant and informed source, and the information was triangulated through other means or informants.	*by the evaluation team. Some of the qualitative data informing the score was collected from a relevant and informed source, and some information was triangulated through other means or informants.*	*evaluation team. Qualitative data informing the score was collected from an informant who relied on inference or unverified sources of information, and the information was not triangulated through other means or informants.*

Annex 8: Evaluation Methodology

Operationally, the evaluation was conducted in three complementary phases: Phase 1 – inception; Phase 2 – field data collection and synthesis; Phase 3 – draft and final reporting. The methodology was developed as part of the inception phase and is described in detail here.

Phase 1 - Inception

Launching the Evaluation

Phase I started immediately after contract award with an evaluation kick-off call between TMEA and MarketShare Associates. Following the call, MarketShare Associates drafted the following milestones for the evaluation:

a. Signature of the contract
b. Inception report completed
c. Field visits
d. Draft evaluation report
e. Final evaluation report

A detailed work plan for the evaluation was designed and the evaluation team proceeded to select the projects that would receive deeper focus as part of the evaluations.

Finalising the Evaluation Team

Based on the inputs of the TMEA team, MSA established the following core evaluation team members:

Position	Name	Major Tasks
Team Leader	Matt Styslinger	Manage the team, coordinate team members, ensure learning across the two challenge fund evaluations, oversee the evaluation of the two Challenge Funds.
Challenge Fund Evaluation Specialist	Ben Fowler	Lead the evaluation of the LIFT challenge fund; provide overall guidance on challenge funds
Regional Evaluation Specialist	Jonathan Mukesha	Support data collection using the quantitative and qualitative research tools designed for this evaluation, provide 'first-in-line' data quality assurance. Organize all logistics.
Qualitative Analysis Specialist	Matt Styslinger	Lead the evaluation of the TRAC challenge fund, guide the evaluation team on using the most appropriate technologies for data collection and verification.
Evaluation Methodology & Quality Assurance Advisor	Ben Fowler	Technical backstopping, ensuring the quality and rigour of the evaluation design and implementation.
Gender Evaluation Specialist	Erin Markel	Technical backstopping, ensuring that gender considerations are integrated into all aspects of the evaluation design and implementation. This will include ensuring that surveys, focus group discussions, in-depth interviews and other research methods are implemented in a gender-sensitive way that is empowering for the women involved.
Cost-Benefit Analysis (CBA)/Value for Money (VfM) Expert	Neil Pogorsleky	Technical support and guidance on the design and implementation of both the quantitative and qualitative research tools, carrying out the detailed CBA and VfM to measure the efficiency of the challenge funds being evaluated.

In addition to the team members mentioned above, MSA engaged enumerators to conduct quantitative surveying.

Setting the Evaluation Questions

Core to the evaluation methodology is the determination of the evaluation questions that the team sought to answer. These questions built upon the five core evaluation categories that were posed in the evaluation Terms of Reference (TOR): effectiveness, impact, relevance, sustainability and efficiency. The key evaluation questions that the team examined for each evaluation category are included as Annex 6.

Documents reviewed

A full list of documents reviewed as part of the evaluation analysis is included as Annex 3: Bibliography.

Project Selection Criteria and Strategy

One aspect of the evaluation methodology was to conduct an in-depth assessment of a sample of five of the grantees from each challenge fund. To do so, criteria for project selection were developed. These criteria were developed based on factors most relevant to the challenge funds, with the goal of identifying projects that are a good representation of the challenge funds as a whole, as well as projects with a strong opportunity for learning through the evaluation.

Step 1: Eliminate Non-Appropriate Projects from Consideration
The criteria for elimination include:

Elimination Criteria for In-depth Assessment	Rationale for Criteria
Evaluation readiness	Capacity of the project to be evaluated, as determined by: • The status of implementation. Some projects have been cancelled, and others have been approved but have not yet rolled out.[31] Any non-active project would not be evaluation ready. *Note: based on the suggestion of the evaluation review committee, MSA omitted these two criteria to ensure it sampled from the full range of projects:* • The existence of raw baseline data • The existence of monitoring data that have been collected on achievement of results
Location	To maximize value for money of the evaluation, the team only selected from projects that are operating in Kenya, Uganda, Tanzania and Rwanda

The following colour coding scheme assigns a determination to each project based on the above criteria.

Metric	Does not meet elimination criteria (Green)	Meets elimination criteria (Red)

Step 2: Select a Purposive Sample from Among the Eligible Projects
From among the eligible projects, MSA proposed a purposive sample from among groups of projects sharing the following characteristics:

Selection Criteria for In-	Rationale for Criteria

[31] The evaluation committee raised the following concern: "eliminating all projects that have not been 'rolled-out' may bias the results in favour of more successful projects. Would it not be interesting to also look at least one project for each fund that has not got off the ground?" MSA's response is that 'not rolled out' means that the project has not even started yet. For such projects, there is literally nothing to evaluate. In cases where a project has started and is behind schedule, however, MSA has carefully included 2 projects – as nominated by TMEA – for each challenge fund that have been designated as having had challenges.

depth Assessment	
Learning opportunity	TMEA identified projects with a high potential for learning owing to challenges faced in implementation (ex: Projects relying on cross border trade having to deal with constraining external influences like regulatory issues in other countries, projects that have been delayed in getting started). TMEA identified two such projects per challenge fund. Given that this was a formative evaluation meant to inform TMEA's learning, all of the projects identified by TMEA as learning opportunities were selected.

Step 3: Select from projects not identified in Steps 1 & 2
This step differs by challenge fund:

Challenge Fund	Random Sample Strategy
TRAC	For TRAC, there are important, identifiable differences that made a purposive sample appropriate to include the different types of projects being funded under that challenge fund. Selected projects should represent key characteristics of the overall portfolio. This can be approximated by considering: • Representativeness of the various project types. Looking at projects from the various parts of the TMEA project portfolio enabled a comprehensive understanding of the results emerging from across the portfolio and permitted an assessment of the projects with better or worse performance. Because LIFT is still early in its implementation, this criterion was solely applied to TRAC project selection. The TRAC projects are categorized by the following project types, which align with the portfolio-level results framework: • ICT and financial services solutions • Improve quality and value of agricultural exports • Policy and advocacy Because two ICT projects were already selected by TMEA, a purposive sample was selected based on the relative proportion of categories in the other two categories: 2 from agricultural exports and 1 from policy and advocacy. From each of these categories, a random selection was taken.
LIFT	A simple random sample of three was selected from the LIFT projects not eliminated in Step 1 or identified in Step 2. LIFT projects were selected randomly given that there were no clear differences between the projects in terms of types. MSA consulted with Nathan Associates and TMEA, and both confirmed this. A random selection, therefore, offers an unbiased opportunity to sample from the portfolio.

Applying the Criteria

Step 1: Eliminate Non-appropriate Projects from Consideration

TRAC Challenge Fund

Name of project implementer	Country of project	Active	Category of Project
Africado	Tanzania	Yes	Improve quality and value of agriculture exports
Nogamu	Uganda	Yes	Improve quality and value of agriculture

			exports
Nucafe	Uganda	Yes	Improve quality and value of agriculture exports
Airtel	Kenya	Yes	ICT and financial services solutions
The media company	Kenya	Yes	ICT and financial services solutions
African Cotton & Textile Industries Federation (ACTIF)	Kenya	Yes	Improve quality and value of agriculture exports
Food and Nutrition Solutions	Kenya	Yes	Improve quality and value of agriculture exports
Go Finance Co.	Tanzania	Yes	ICT and financial services solutions
Kokoa Kamili	Tanzania	Yes	Improve quality and value of agriculture exports
Tanzania Organic Agriculture Movement (TOAM)	Tanzania	Yes	Policy and advocacy
Darsh Industries	Tanzania	Yes	Improve quality and value of agriculture exports
Asili Natural Oils	Rwanda	Yes	Improve quality and value of agriculture exports
Rugofar	Burundi	Yes	Improve quality and value of agriculture exports
Tigo Rwanda	Rwanda	Yes	ICT and financial services solutions

LIFT Challenge Fund

Name of project implementer	Country of project	Active
Cybermonk Software Development	Kenya	Yes
Cyber Trace Limited	Kenya	Yes
DSM Corridor Group	Tanzania	Yes
Spedag Interfreight	Kenya	Yes
Mix Telematics – East Africa	Uganda	No
Alistair	Tanzania	Yes
Letsema Consulting	Kenya	Yes
Veron Shipyard	Uganda	Yes
Graben 4PL	Uganda	Yes

Step 2: Based on the above, the following is a list of the proposed sample:

TRAC Challenge Fund

Name of project implementer	Learning opportunity[32]	Location	Portfolio-level logic alignment
		Country of project	Category of Project
Africado		Tanzania	Improve quality and value of agriculture exports
Nucafe		Uganda	Improve quality and value of agriculture exports
Airtel	Recommended by TMEA	Kenya	ICT and financial services

[32] The 3 projects that were not flagged by TMEA as a learning opportunity were selected randomly.

			solutions
Go Finance Co.	Recommended by TMEA	Tanzania	ICT and financial services solutions
Tanzania Organic Agriculture Movement (TOAM)		Tanzania	Policy and advocacy

LIFT Challenge Fund

Name of project implementer	Learning Opportunity	Location
		Country of project
Cybermonk Software Development		Kenya
DSM Corridor Group		Tanzania
Spedag Interfreight	Recommended by TMEA	Kenya
Veron Shipyard		Uganda
Graben 4PL	Recommended by TMEA	Uganda

Phase 2 – Field Data Collection and Synthesis

The numbers of respondents interviewed varied widely by project and was arrived at after desk review of project documents, as well as extensive correspondence and collaboration with the Fund Management Team, TMEA, and grantees and other project stakeholders. Phone-based surveying and interviews were utilized wherever most feasible, and this allowed for more robust sample sizes and diversity of stakeholders. In many cases, however, in-person verification was undertaken. A complete list of meetings and interviews is included in this report as Annex 1.

With any project-level summative evaluation there is a tendency to emphasize representative sampling of beneficiaries for data collection, and representativeness was raised by TMEA in the inception phase of the evaluation. The methodologies determined for this **formative** evaluation, however, do not include representative beneficiary samples for the following reasons:

- Given the formative nature of the evaluation and the evaluation questions that TMEA highlighted as being most important, spending most of the evaluation resources on conducting large-scale beneficiary data collection would have been unwise and not enabled the evaluation team to deliver the desired product.
- The grantees and Fund Management Team have already collected a large amount of information in the case of the more advanced projects. There is limited benefit to MSA recollecting the same information. Instead, the accuracy of information that was already been collected in specific cases was verified.
- Practically, given that there are so many grantees, it would be infeasible from a resource and time perspective to collect a statistically representative sample for each of the selected projects.

The number of end beneficiaries that should be interviewed is dependent upon the purpose of the beneficiary data collection. The evaluation team identified three primary purposes of interviewing end beneficiaries:

- The first was to perform a **data quality assessment (DQA).** The DQA targeted projects in which impact-level data are already reported. This is also where the risk of errors has the most impact on the accuracy of TMEA's overall reporting. For the DQA, the evaluation team targeted the NUCAFE and Africado projects from among the sampled projects, as they had reported impact-level results. As many of the initial respondents were re-surveyed as part of the DQA as possible. Logistical challenges and non-response constrained the number of DQA respondent, but the evaluation team was able to successfully survey 60% of the original Africado impact survey respondents and 70% of the NUCAFE impact survey respondents.

- The second purpose of interviewing end beneficiaries is to include their perspective on various aspects of the evaluation questions – i.e. sustainability, relevance, etc. For this purpose, an in-depth interview approach is most relevant, and focus group discussions (FGDs) were used to collect this type of information. FGDs were conducted for Africado and NUCAFE, primarily because they were the only selected projects in which a group of beneficiaries could be marshalled together in a physical location. Two FGDs were conducted with each, one with end beneficiaries and another with employees whose jobs have contributed to TRAC's job creation results – pack house employees and coffee collection centre employees. Following good practice, all FGDs included between 7 and 12 participants. When in the course of conducting FGDs important or especially interesting contributions arose from a participant, a follow up in-depth interview was requested for that participant. These types of interviews were also qualitative and semi-structured.
- The third purpose, if relevant, would have been to follow-up on systemic changes that were identified during data collection. Appropriately tailored data collection tools – either surveys or interviews – would then be designed, necessarily, on an ad hoc basis. There were no systemic changes identified during data collection, however, as described in the *Impact* section of the evaluation report.

It is important to reiterate that the purpose of surveying beneficiaries was not to independently replicate collection of the same data that the FMT and the grantees are already collecting and producing new estimates of the results on indicators already being reporting on. That was not budgeted for, and as a result the total number of survey, interview, and FGD respondents for the LIFT evaluation was 42. There would have been low value for money in trying to produce independent indicator estimates, given that TRAC has multiple grantees doing a variety of things. The data that would be generated would say little about the overall portfolio, which is the primary purpose of this evaluation. Following good evaluation practice, the DQA method will instead help us determine the level of confidence we have in the data being reported by the FMT and its grantees.

Annex 9: Evaluation Terms of Reference

FORMATIVE EVALUATION OF TMEA CHALLENGE FUNDS

1 BACKGROUND.

1.1. TRADEMARK EAST AFRICA

TradeMark East Africa (TMEA) was officially launched in February 2011 as a special not-for-profit agency to promote trade growth in East Africa Trade. It aims at improving trade competitiveness and regional integration in East Africa. TMEA's Theory of Change (TOC) is anchored on three key strategic objectives: Increased Physical Access to Markets (Strategic Objective 1); Enhanced Trade Environment (Strategic Objective 2) and Improved Business Competitiveness (Strategic Objective 3). By 2016, TMEA seeks 10 % increase in the total value of exports from the EAC region; 25 % increase in intra-regional trade exports; 15 % reduction in average time to import or export a container from Mombasa or Dar es Salaam to Burundi and Rwanda; and 30 % decrease in the average time a truck takes to cross selected borders. TMEA is currently funded by the UK, Belgium, Canada, Denmark, Finland, Netherlands, Sweden and USA. TMEA's secured budget to date totals about $560M. The first phase of the programme is currently scheduled to end 30th June 2017 with the possibility of a new programming phase beyond that.

1.2 CHALLENGE FUNDS

Challenge funds are defined as "a competitive mechanism to allocate financial support to innovative projects, to improve market outcomes with social returns that are higher/more assured than private benefits, but with the potential for commercial viability."[33] The funds leverage the innovative and entrepreneurial spirit of the private sector and are used to cushion against potential risks in markets that hinder private sector investing in innovation, research & development. The main objective of a challenge fund is to "provide the smallest possible financial contribution to a socially worthwhile project consistent with making it less risky and more financially sustainable to the private promoter."[34] Without the funds, the ideas would either remain unknown, untested or take too long to be realised.

The characteristics of challenge funds include; they are open to all interested qualified parties to apply, it involves a competitive application process, it's a one-off grant with a limited duration. Proposals are then evaluated against a pre-determined criteria, successful applicants usually match a percentage of their grant with their own financing, grants are provided to meet set objectives and targets.

TMEA is currently implementing two Challenge Funds namely TradeMark East Africa Challenge (TRAC-$10.9 M) and Logistics Innovation for Trade (LIFT-$16 M) Challenge Funds. Both funds are managed by Nathan Associates London Ltd. on behalf of TMEA.

TRAC/LIFT use a transparent and open competitive process to assess and identify the most promising project proposals. Applicants submit a brief concept notes of their project ideas that are then vetted by the Fund Manager. The concepts notes are submitted to TMEA's Review and Evaluation Panel (REP) for the evaluation and shortlisting process. Shortlisted applicants are invited to submit full proposals with the support of the Fund managers. Full proposals are vetted by a team of experts, the Investment Committee. Grants agreements are signed with successful applicants after thorough due diligence. The fund manager provides technical support to the grantees including monitoring performance against set targets.

1.3 TRADEMARK EA CHALLENGE (TRAC) FUND PROJECT

[33] As defined by UK's Department for International Development (DfID), the Inter-American Development Bank (IADB) and the Canadian International Development Agency (CIDA)

[34] Irwin and Porteous (2005)

The TradeMark East Africa Challenge Fund (TRAC) is a project funded by TradeMark East Africa (TMEA) aimed at boosting economic growth and regional trade in the East African Community (EAC) and the region's trade with the rest of the world through innovative projects.

It is a $10m fund designed to challenge businesses, private sector organisations and civil society organisations from Kenya, Uganda, Tanzania, Burundi and Rwanda to develop innovative ideas aimed at promoting cross-border trade in East Africa. Firms and civil society organisations submit projects for matching co-funding in 3 main areas:

1. Business innovation that increases trade
2. Innovation in services that enables cross-border trade
3. Innovative ways of gathering evidence and mobilising public opinion

TRAC funds projects that

1. develop new, unproven models for researching and communicating the benefits of regional integration, with the potential to be sustainable and replicable;
2. are innovative (meaning they involve new products, services, marketing approaches, business models)
3. deliver sizeable benefits to a significant number of the poor in the EAC
4. have the potential for impact beyond the project, through replication or changing the way the research, advocacy and communication occurs related to regional integration
5. identify how the evidence-based research transport and logistics will influence policy formulation open the space for policy dialogue, build capacity of policy makers to address key issues, broaden public understanding of the roles of PSOs and CSOs to fully engage in debates about reform in EAC and
6. Projects that demonstrates relevance to and matching with expected TMEA overall results

A total of sixteen projects have been funded so far under TRAC of which four have successfully been implemented to completion.

For more details and the projects funded by TRAC refer to the Annex 2

1.4 LOGISTICS INNOVATION FOR TRADE (LIFT) CHALLENGE FUND PROJECT

In response to the compelling evidence that reducing transport costs is vital for its mission of growing prosperity through trade, TMEA purposed to improve the efficiency of the transport and logistics industry in East Africa through the LIFT Challenge Fund. LIFT is a development finance instrument that provides grant finance for innovative business projects proposed by the private sector operating in the transport and logistics sector of the East African Community (EAC). It build on the strengths of the private sector – namely its creativity, speed of response, delivery capability – and seeks to help empower the private sector in pushing the boundaries of innovation in new directions to create impacts that lead to improved efficiencies in transport and logistics services and reductions in the transportation times incurred for shipment of goods within inter and intra EAC boundaries. EAC

It is a competitive facility which supports the most promising projects that have potential but have been regarded by mainstream financial investors as too risky to undertake without TMEA risk-sharing support. The fund is open to businesses throughout the world that are operating, or will operate, in the EAC. It provides a matching grant (of up to 50% of the total cost of the project) to business projects to help absorb some of the commercial risks by triggering innovation, speeding up implementation of new business models and/or technologies that have an impact on reducing the transport and logistics costs and time in the EAC.

Projects must fall in one of the two thematic areas funded

1. Increase efficiency and/or reduce costs in the transport and logistics sector in the East Africa community (EAC)
2. Supporting policy change and advocacy to improve the functioning of the transport and logistics sector in the EAC

Nine projects with a total value of $ 10, 976, 156 have been awarded grants and are currently being implemented after signing of Grant Agreements. LIFT has contributed USD 4,847,464.00 and it has so far leveraged USD 6,128,691.00 from the private sector investors.

For more details and the projects funded by LIFT, refer to the Annex 3

2 PURPOSE

TMEA aims to conduct a formative evaluation to measure the relevance, effectiveness, efficiency, impact, and sustainability of TMEA-supported Challenge Fund projects (TRAC and LIFT).

Specifically, the evaluation will seek to;

1 Establish the extent to which the intended outcomes were achieved / are likely to be achieved by each Challenge Fund Instrument.
2 Establish the extent to which each Challenge Fund has led/will lead to systemic changes in the markets
3 Highlight the successes, the challenges and lessons learned to inform ongoing project implementation and for future design and implementation of related initiatives, including future projects funded by the Challenge Funds.
4 Identify good practices which brought positive impacts/proven positive changes on the lives of the women and men benefiting from the project and those of other stakeholders as well as good programme/project management practices
5 Establish the effectiveness and efficiency of the models including the processes (from application to implementation of the funded projects, programme and stakeholder management processes)
6 Establish whether the support TMEA is offering is sufficient and/or if there are better alternatives to ensure sustainability.
7 The evaluation is also expected to make recommendations oriented towards improving programme design and management.

3 RECIPIENT

The primary audience for the evaluation is TradeMark East Africa (TMEA), the Evaluation Committee (a sub-committee of the Council), the relevant partners, Nathan Associates, their key stakeholders as well as development partners. The findings will inform the on-going implementation of TMEA's strategy and the development of TMEA Strategy II in particular, those sub-strategies that concern enhanced business competitiveness.

4 EVALUATION SCOPE AND OBJECTIVES

The formative evaluation will address the following 5 key areas:

a) Effectiveness:

The following key questions will be answered:

- To what extent were the objectives achieved / are likely to be achieved within the remaining Challenge Fund life?
- To what extent are the outputs (funded projects) likely to contribute to the stated higher objectives of TMEA
- If gender[35] mainstreaming targets were set at inception of each Challenge Fund and related projects, were the targets achieved? To what extent has the project integrated gender? If not what were the challenges?
- What strategies were used in implementation of the Challenge Fund and how well did each strategy work?
- What were the factors influencing the achievement and non-achievement of the objectives?
- In cases where risks were identified, how were they managed? When risks occurred was the response effective and timely?

b) Impact:

Impact refers to the totality of the effects of a development intervention, positive and negative, intended and unintended. It is the tangible long-term outcomes to which the project contributed.

The evaluation will answer the following key questions:

- What is the likely impact (intended and unintended, positive and negative) of each Challenge Fund?
- How has the impact (current or intended) affected the well-being of different groups of stakeholders including the intended beneficiaries? (including impact on poverty reduction)
- What is the likelihood of the Challenge Funds contributing to the long term changes at outcome and impact levels? This includes; systemic changes[36], stimulated private sector investment, generated profitability, jobs and incomes? What are the likely additionalities and positive externalities of each Challenge Fund?
- To what extent can identified changes at the outcome and impact level be attributed to the Challenge Funds? What would have occurred without the Challenge Funds?[37]
- What lessons can we learn from the projects about failures and successes at the outcome and impact level?

c) Relevance:

Relevance is the extent to which a development intervention conforms to the needs and priorities of the target groups, the policies of recipient countries and donors and TMEA's strategy.

The evaluation will answer the following questions:

- Are the Challenge Funds and related projects (individually and as a portfolio) aligned with the

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[35] Efforts to mainstream gender across TMEA have been relatively recent. For this reasons most of the projects did not have a policy to measure and monitor the different impact on men and women at project inception. The main purpose of including gender in the evaluation is to map out the existing gender practice, draw on the lessons learnt and assess the challenges faced to inform the design of the TMEA gender policy and incorporate gender issues into the TMEA Strategy II programme.

[36] The 6 systematic changes as indicated in *DCED Practical Guidelines- Measuring Results in Challenge Funds (Kessler A. 2013)* include; 1) copying by other businesses, 2) crowding in, 3)copying successful practice, 4)changes in the business regulatory environment, 5)changes in factor and other market systems and 6)innovation

[37] The consultants will be required to carry out a counterfactual analysis to estimate what would have happened without the Challenge Funds- see methodology section

trade policies and development priorities of the member states of EAC, private sector development strategies as well as EAC development policies and agenda?
- Are the Challenge Funds and related projects consistent with TMEA's and its development partners' corporate policies and priorities as well as emerging approaches to private sector development? Are they consistent and complementary with activities supported by other programmes in TMEA and/or by other donor organisations?

d) Sustainability:

Sustainability is the continuation or longevity of benefits from a development intervention after the cessation of development assistance.

The Evaluators will answer the following questions:

- What benefits (both social and financial) of TMEA Challenge Fund projects are likely to be sustainable and would continue with or without TMEA (technical support and funding)?
- What mechanisms have been put in place to ensure sustainability of the Challenge Funds and their related projects
- To what extent are the realized/expected benefits likely to be/ will continue to be replicated and scaled up in the long term for the supported grantees?
- What are the lessons learnt that are relevant to TMEA and beyond?

e) Efficiency

Efficiency is the extent to which the costs of a development intervention can be justified by its results, taking alternatives into account.

The evaluators will answer the following key question:

- How efficiently are the Challenge Funds implemented by the Fund manager as set in the project documents? How efficient are the processes? (marketing, application, proposal assessment and overall fund management including monitoring and evaluation processes at both Nathan Associates and TMEA)
- Have the Challenge Funds achieved good Value for Money? Were the leverage ratios adequate and what is the impact on commercial viability of grantee businesses?
- Could the fund management have been done differently to increase efficiency based on existing best practices? Is the fund management cost proportionate to the size of the fund?

5 METHODOLOGY

TMEA seeks the most robust evaluation design and methodological approach that is appropriate for the scope of the programme, resources, and audience. The consultant is expected to use scientific and technically sound methods of collection and analysis data. The mixed methods approach is preferred in this evaluation to appropriately assess the processes and impact of interventions. The consultant will treat the evaluation questions as a hypothesis and use scientific methods to verify them.

To measure attribution of identified changes to the Challenge Funds interventions, a deeper analysis is recommended using the most appropriate methodologies for example, using baselines to develop a hypothetical prediction of what would have happened in the absence of the intervention. The evaluation team is required to justify the evaluation approach they intend to use in the technical proposal as well as give details on the sampling methodology that will be used. In addition, a detailed analysis of efficiency (value for money, cost benefit analysis, leverage ratios, commercial viability of the grantees) is expected.

The consultant is expected to employ multiple mechanisms to ensure data quality and appropriate levels of validation. The evaluation will be conducted primarily at the Nathan Associates offices in Nairobi with selected site visits, stakeholder interviews and focus group discussions with relevant stakeholders across the five Partner States;

The evaluation team is expected to use a mix of methodologies for data collection for example, desk survey (refer to Annex 1 for draft list of documents to be reviewed). The evaluators will also undertake a review of relevant secondary data including relevant policies and technical documents relating to the assignment. Other proposed methodologies include data collection using interviews/FGD at TMEA, Nathan Associates, project staff, beneficiaries and other stakeholders (in public and private sectors).

The project sites (grantees are implementing the projects in 5 EAC countries) will be visited. Where possible, photos, video clips and audio recordings of the interviews will be collected. 5 Case studies from each of the challenge fund showcasing positive impact will be developed. Information from different sources, e.g. existing documentation and interviews, focus group discussions will be triangulated.

The evaluation team will also develop an assessment tool, outlining the evaluation criteria, the assessment score and the level of confidence (based on the amount of evidence available to support the scoring) and the reasons for the score. The purpose of the assessment tool is to present an overview of the entire evaluation so that stakeholders have a common understanding of the results of the evaluation.

6 EXPECTED DELIVERABLES

The formative evaluation consultancy team is expected to provide TMEA with the following deliverables:

- A detailed inception report with a work plan and draft data collection tools two weeks after signing the contract. The detailed inception report should comprehensively demonstrate the technical approach (and data collection tools) that will be effectively and efficiently address the evaluation questions within the consultancy timeframe;
- 1st draft evaluation reports for the two Challenge Funds presented to TMEA Results and relevant Programme teams as well the independent member of the Evaluation Committee for initial review and input;
- A 2nd draft evaluation report incorporating feedback from 1st draft. The Report will be reviewed by the Evaluation Committee, TMEA Senior Management and Leadership Teams, the Results team and relevant country and regional programme staff and Directors for review, input and validation;
- A revised 2nd evaluation report that will be presented to the Evaluation Committee for approval

- A final draft evaluation report that will be presented to the TMEA Board for adoption. The final report will be a written report (Ms Word) with an executive summary and an overview in MS Power point highlighting key findings, conclusions and recommendations.
- Full set of data collected (both raw and cleaned).
- Field photographs of the project sites and primary beneficiaries (including selected stakeholder meetings) and audio recordings of the interviews will be collected. For these multimedia products, email and phone contacts will be provided.

Three reports are expected 1) TRAC evaluation report 2) LIFT evaluation report 3) a lighter report (less than 10 pages) summarising key strategic and programmatic findings, recommendations and lessons learnt from both Challenge Funds.

Each Challenge Fund evaluation report shall be written in English, be of no more than 30 pages (excluding annexes), use numbered paragraphs and should be structured into sections; Background, Executive Summary, followed by an analysis of the evaluation findings and conclusions per criteria 1) impact 2) effectiveness 3) relevance 4) sustainability 5) efficiency. The last part of the report will focus on lessons learned and very specific recommendations aimed at improving current programme/project implementation and future design of related projects. Annexes (including the case studies) will provide detailed information collected during field visits (tools used, focus discussion reports, summaries of interview sheets, summaries of responses to questionnaires, TORs, reference materials among others).

The third report will be no more than 10 pages. It will be a summary of the two reports and will focus on the key strategic and programming findings and conclusions that cut across the two Challenge Funds. In addition it will pick key strategic and programming lessons learned and recommendations from the two reports that are aimed at providing strategic direction and improving the design and implementation of Challenge Funds in TMEA and beyond.

7 COMMENCEMENT DATE AND PERIOD OF EXECUTION

The formative evaluation will be executed within a period of 20 weeks from signing the contract. A detailed work plan with clear and measureable deliverables and timelines should be included in the technical proposal for this consultancy and the awarded consultant(s) will develop and finalise the proposed work plan and budget (as part of the inception report) within 2 weeks of starting the assignment.

Schedule of deliverables

Date	Deliverables
	Contract signed
14 working days after signing the contract	Inception report
35 working days after receipt of TMEA comments on the inception report	First draft project evaluation reports
7 working days after receipt of TMEA comments on the 1st draft evaluation report	Second draft project evaluation reports
7 working days after receipt of TMEA comments on the 2nd draft evaluation report	Revised 2nd drafts of project evaluation reports
7 working days after receipt of TMEA comments on the 2nd draft evaluation report	Final project evaluation reports

8 BUDGET FOR EVALUATION

The budget for this evaluation will not exceed USD 150,000

8 QUALIFICATIONS

To ensure the independence of the evaluation and the credibility of the findings, the evaluation will be conducted by a team of external consultants identified through a transparent selection process. The team will include members with an appropriate balance of expertise in evaluation methodologies, relevant technical expertise and practical experience. The team should include an experienced East African for local and regional context. The Evaluation team leader is expected to be an evaluation professional with substantial successful experience leading and managing evaluation assignments of similar nature in developing countries. The consultant should have in-depth knowledge of private sector development and trade. The team leader should have at least 10 years' experience. The evaluation team should have a minimum of two experts (an evaluation expert and technical experts in the specific areas outlined below). The team should also have members with skills in data collection, validation and analysis.

The Evaluation team should combine the following expertise and experience:

- The team should have a member with strong experience in monitoring and evaluation of programmes associated with trade, transport and logistics in developing countries.
- Education qualification of at least a Master's Degree(Team Leader) and Bachelor's Degree(Team members) in Development Studies, Economics, business development, or relevant Social Sciences;
- Experience of designing and undertaking evaluations of multi-component development programmes, using mixed methods approaches that meet recognised standards for credibility and rigor;
- Demonstrated experience of using evaluations as a tool for lesson-learning both during programme implementation and beyond;
- Demonstrated experience in working on similar assignments involving private sector development and market systems;
- Strong stakeholders' management skills and ability to work flexibly with donors, EAC partner countries, private sector entities; as well as demonstrated ability to manage sensitive relationships tactfully and productively;
- Strong understanding of the strengths and limitations of different designs and how to interpret and present findings accurately to both researchers and non-researchers;
- Strong understanding and demonstrated experience of using various quantitative and qualitative evaluation methodologies;
- Understanding of poverty reduction pathways, social inclusion and gender issues in programming;
- Strong communication skills - being strategic as well as able to communicate complex studies and findings to non-technical people;
- Strong analytical, data validation and quality assurance skills;
- Selected company should have quality assurance processes in place.

9 IMPLEMENTATION ARRANGEMENTS

The Evaluator will be responsible for all logistic arrangements required to conduct the evaluation work. TMEA will facilitate convening of meetings and site visits where necessary. All relevant expenses should be covered by the evaluation contract budget.

The evaluation consultant will report to TMEA Results Director. The designated point person in the Results team will manage day to day contractual and organisational issues with the evaluation team, monitor implementation progress and provide progress updates to the technical working group that will be set up for this evaluation. The technical working group will be set up to review and provide feedback as well as quality assure all deliverables. The evaluation consultant will work closely with the TMEA's Improved Business Competitiveness project team under which this project falls and relevant Nathan Associates staff.

Governance and quality assurance will be further strengthened by peer reviews. The role of the peer reviewers is to review the scientific and technical quality of the independent evaluation; to ensure that the design and implementation of the evaluation is robust and credible, and will stand up to external scrutiny. Peer reviewers inputs will be coordinated by the Results Director.

The evaluation report will be presented to the JEG and subsequently to the TMEA programme Investment Committee (PIC) for review, quality assurance, acceptance and final sign off.

10 THE TECHNICAL BID/PROPOSAL

The consultant is expected to submit a high quality technical proposal in response to this Terms of Reference and accompanying project documents. The proposal should include:

- A high-level plan for the formative evaluation, including:

  1) Proposed methodology and sample
  2) High-level work plan including key milestones
  3) Allocation of Human resources (including time allocation) to the schedule of deliverables
  4) Proposed budget and payment schedule **NOTE:** The financial proposal should be sent as a separate file from the Technical proposal

    - At least three examples of final reports from similar assignments
    - A minimum of three references from recent clients (contact details only)
    - CVs (with referees) of the entire proposed evaluation team
    - Any other applicable supporting documents

Annexes:

- Annex 1: List of documents to be reviewed;
- Annex 2: TRAC project sheet and list of project funded
- Annex 3 LIFT project sheet and list of project funded

Annex 1: List of documents to be reviewed

DOCUMENT	**DETAILS**
PSO/CSO strategy (includes TRAC) LIFT Project Appraisal Reports	Summary analysis of what was proposed as the overall TMEA strategy on Challenge Funds. The PAR highlights: • Background and Project description details • Expected outputs and outcomes • Work plan • Key linkages to other TMEA projects • Funding approach and budget • Gender and other cross cutting issues • Value for money and risk analysis
Project work plans	Formal document in the Management Information System that defines the project activities and outputs and describes how and when the activities will be performed (the estimated time and resources). The work plan provides a framework for management review and control.
Project monitoring plans	Formal document (in the Management Information System) that details key M&E requirements for each indicator and assumption i.e. Baselines and targets at output and outcome levels. It allows project staff and management to track project progress towards specific targets for better transparency and accountability within and outside TMEA.
Project Risk Report	Formal document (in the Management Information System) that details the project risks foreseen, estimated impacts, and responses to issues.
Annual Project Performance Report	Formal document (in the Management Information System) that reports/ provides synthesis of the progress and

DOCUMENT	DETAILS
	achievements (against work plan and monitoring plan)
TRAC and LIFT partners documents(contract agreements, proposals and milestones)	Agreements signed with grantees including expected milestones, proposals
Project reports	Sample reports at TMEA, Nathan Associates and grantee reports. This will include periodic reports, baselines, end of project reports among others
Signed MOUs and agreements	MOUs and agreements signed with project grantees.
Monitoring and evaluation frameworks	Results chains, monitoring plans, data tools at TMEA corporate and project levels as well as at Nathan Associates.
PAPER J - TMEA Theory of Change – Explanation	Paper that articulates in detail the propositions, assumptions and beliefs behind TMEA's strategy(Theory of Change)
TMEA Strategy II (FY 2017/18 -2022/2023) documents (draft)	corporate strategy Strategy that will inform TMEA Enhanced Business Competitiveness Outcome
List is not comprehensive	

Annex 2 TRAC PROJECT SHEET

Project name	**Private Sector TRAC Challenge (TRAC) Fund**
Desired results	TRAC seeks to boost economic growth and regional trades in the East African Community (EAC) and the region's trade with the rest of the world through innovative projects.
Implementer	Nathan Associates London Ltd.
Target Group	Businesses, service providers and organisations from the private sector and civil society.
Value (USD)	10,107,417.00
Implementation period	2011 - 2017
Geographical Focus	Regional
Why?	The five countries of the East African Community (EAC) are moving towards an integrated economic and political entity that will deliver the sustainable and equitable economic growth needed to improve living standards. However, numerous barriers to the free movement of goods and persons, as envisioned in the ratified CU and CMP protocols, remain. Doubts remain as to whether an agenda driven by political elites and big business can ever have a positive effect on people. By better involving the private sector and civil society in the integration process, the development of the EAC should deepen and become more pro-poor this benefiting a greater proportion of the EAC populace. TRAC therefore is getting businesses directly involved in the development agenda and delivery of social impact through buying down the risk on innovative ideas that would otherwise take long to get to market.
What?	The TradeMark East Africa Challenge Fund (TRAC) is a project funded by TMEA. TRAC invests in innovative projects that can boost regional trade in the East Africa

	Community (EAC) and the region's trade with the rest of the world. Projects are expected to compete for our investment in 3 windows of funding: **<u>Window 1: Business innovation that will increase trade</u> –** Innovative projects, proposed by private firms that have the potential to boost cross-border and international trade will be eligible for funding. Innovative projects that benefit large numbers of men and women and promote climate resilience and environmental sustainability will be given preference. **<u>Window 2: Catalysing innovation in services that enable cross-border trade</u> –** This window will support service businesses that have developed innovative projects to reduce the cost of trade in East Africa. The main types of grantees are likely to be providers of logistics and transport, financial, ICT and professional cross-border services. **<u>Window 3: Innovative ways of gathering evidence and mobilising public opinion</u> –** We will incentivise strong coalitions to be built between private sector (PSOs) and civil service organisations (CSOs) across the EAC that can gather evidence of the way barriers to trade harm the public interest and mobilise public support for reforms that will lead to greater trade and regional integration, particularly those able to use new social media. For example, a call centre is established that provides real time information on delays in clearing borders/illegal roadblocks/faulty weighbridges. The information from the centre is shared with concerned CSOs/ PSOs, who lobby the appropriate authorities. Providing the information through social media helps to mobilise public opinion in favour of reform. Windows 1 and 2 are open to businesses proposing projects with the potential for commercial viability. Window 3 is open to any private sector or civil society organisations and not-for-profit ventures.
How?	Catalyse through risk-sharing innovative business models and technologies that have proven ability to deliver large social impacts.

Annex 3 LIFT PROJECT SHEET

Project name	**Logistics Innovation for Trade (LIFT) Fund**
Desired results	To reduce transport time along the main transport corridors in East Africa and to contribute to TMEAs objective of reducing transport time along the main transport corridors by 15% by 2016.
Implementer	Nathan Associates London Ltd
Target Group	Businesses, service providers and organisations from the private sector and civil society.
Value (USD)	14,114,000.00
Implementation period	2014 - 2016
Geographical Focus	Regional

Why?	East Africa's high freight and transport costs seriously erode the marginal competitiveness of goods exported by East African countries, reducing trade, economic growth, job creation and poverty reduction. The World Bank estimates high costs reduce growth rates by up to 1% per annum and account for 40% of higher consumer prices across East Africa and its neighbours, affecting a consumer base of more than 250 million people. East Africa has two main trade arteries carrying 98% of trade: the Northern Corridor and the Central Corridor. A recent study of the Northern Corridor found that freight logistics costs in East Africa account for about 42% of the total value of imports, making it the region with the second highest transport and logistics costs in the world. The quality and cost of freight transport services play a critical role in the competitiveness of a firm and by extension a country's economy.
What?	Overall, the fund will aim to support the reduction of transport costs along the main transport corridors in East Africa and focus on: • Increasing the market share of small and medium scale transporters along the Northern and Central corridors. • The establishment of new services such as freight exchanges, product consolidation centres (inc. cold storage, processing and packaging facilities, etc.) established to enable SMEs to improve product quality, access markets and share services. • The testing of new value-added services to meet the needs of medium-sized logistics and transport companies leading to the commercial viability of 'new' products. • Introducing the enhanced and more widespread use of ICT for vehicle management systems and improvements in logistics services.
How?	TradeMark East Africa is improving the efficiency of the logistics and trade industry in East Africa through innovation. The mechanism used by TradeMark East Africa is the Logistics Innovation for Trade (LIFT) Fund. LIFT is implemented by the TradeMark East Africa Challenge Fund (TRAC) and will work throughout East Africa.

ANNEX 4

LIST OF PROJECTS -TRAC *(The evaluation team will select a maximum of 5 diverse projects for in-depth assessment as case studies)*

Project name	Lead Implementer	Round	Location (country)	Project End Date[38]	Overall TRAC funding (USD)	Overall grantee contribution (USD)	Total project budget (USD)	End of project Objective (including targets)	Is project evaluation ready (tick or cross) [39]
Developing Export Markets for Avocado in Kilimanjaro Region	Africado	1	Tanzania	Dec-14	350,000	1,329,627	1,679,627	Incomes from production of avocado increased by 100% for participating farmers by 2014	✓ ✓
Scaling up the export of Uganda's Organic Dried Fruits to International and Regional Markets through bulking and promotion of a common brand	NOGAMU	1	Uganda	Mar-15	227,828	173,802	401,630	At least 5 participating SMEs/farmer cooperatives have sold their products through the ORGUT brand by the end of the project	✓ ✓
Creating Equitable Sharing of Treasures of Coffee through Value Chain Expansion to over 150 Farmer Organisations and Cooperatives in Uganda	Nucafe	1	Uganda	Mar-15	340,884	482,953	823,837	Increase in revenue generated for farmers by coffee bean sales by 30% at the end of 2014 compared to 2012 average price	✓ ✓
Regional Remittances Service	Airtel	1	Kenya	May-15	534,000	730,000	1,264,000	Enhance cross-border money transfer in the EAC by at least USD1.1M through a formal mobile transfer service by month 18 from commencement of project	✘

[38] Some project end dates will be amended in the coming months – this explains why some on-going projects have overdue end dates.

[39] "✓✓" indicates recommended for evaluation, "✓" means ready for evaluation (based on maturity of projects, contribution to overall programme outcomes)

Project name	Lead Implementer	Round	Location (country)	Project End Date[38]	Overall TRAC funding (USD)	Overall grantee contribution (USD)	Total project budget (USD)	End of project Objective (including targets)	Is project evaluation ready (tick or cross) [39]
ishamba	The mediae company	2	Kenya	Dec-15	347,060	320,040	667,100	10% improvement in yields of participating iShamba farmers and 10% increase in participating smallholder farmers value of production	✓ ✓
Enhancing regional Trade through a full Value Chain Project under Better Cotton Initiative	African Cotton & Textile Industries Federation (ACTIF)	2	Kenya	Dec-15	236,501	300,612	537,113	33% increase in farmer cash incomes derived from BCI cotton and BCI exports recorded	✓ ✓
Value addition to local mangoes in nothern uganda for access to the eac market.	Food and Nutrition Solutions Ltd	2	Uganda	Nov-15	350,000	1,689,162	2,039,162	Increase in incomes of at least 21,000 participating mango farmers by USD 40 per household/year by the end of the project. At least five local contracts established and at least two export samples sent out. At least 45 Jobs created at the mango processing factory	✓ ✓
Increasing the reach of Mobile Money and Access to Finance	Go Finance Co. Limited	2	Tanzania	Dec-15	349,200	340,753	689,953	At least 3,000 MSMEs within at least three value chain will have had their loans assessed through GO Finance Credit Assessment Instrument	✗
Centralized Organic Wet Cocoa Purchasing and Processing for Export to Developed Markets	Kokoa Kamili Ltd	2	Tanzania	Feb-16	349,982	814,875	1,164,857	Cocoa sourced with above market premiums paid to farmers from at least	✓

Project name	Lead Implementer	Round	Location (country)	Project End Date[38]	Overall TRAC funding (USD)	Overall grantee contribution (USD)	Total project budget (USD)	End of project Objective (including targets)	Is project evaluation ready (tick or cross) [39]
								2,000 individual smallholder cocoa farmers	
One Stop Organic Shop East Africa (OSOSEA)	Tanzania Organic Agriculture Movement (TOAM)	2	Tanzania	Nov-15	291,298	156,853	448,151	At least 4,500 participating farmers' income increased by 30% and over 500MT of organic products sold in the regional market by farmers participating by end of the project.	✓
RedGold	Darsh Industries	2	Tanzania	June-17	350,000	4,802,890	5,152,890	Increase in income of US$ 72 per Household for 1,400 Project Households cultivating Tomatoes	✓
Value addition and new product innovation for socially motivated Moringa and Cosmetic oils producer in Rwanda	Asili Natural Oils Limited	2	Rwanda	Dec-16	304,799	463,199	767,998	Procurement, installation and commissioning of oil refinery equipment; 50% increase in farmer cash incomes derived from working with Asili; workshop	✓
Smallholder Patchouli Commercialization Project in Burundi(SMAPACO Project)	RUGOFARM S.A	2	Burundi	Oct-16	367,928	456,096	824,024	Increase in the incomes generated by Patchouli production of 3000 participating farmers by $150 per year and Patchouli Oil exports increased to 2.5 MT by the end of the project and evidence shown towards fair trade certification	✓

Project name	Lead Implementer	Round	Location (country)	Project End Date[38]	Overall TRAC funding (USD)	Overall grantee contribution (USD)	Total project budget (USD)	End of project Objective (including targets)	Is project evaluation ready (tick or cross) [39]
Mobile Solutions for Agriculture Value Chain	Tigo Rwanda	2	Rwanda	Dec-15	314,575	1,365,675	1,680,250	At least 3,000 participating tea farmers reporting an increase in tea production from January 2014 figures	✓ ✓

ANNEX 5

LIST OF PROJECTS- LIFT (*The evaluation team will select a maximum of 5 diverse projects for in-depth assessment as case studies)*

Project name	Lead Implementer	Round	Location (country)	Project End Date	Overall LIFT funding (USD)	Overall grantee contribution (USD)	Total project budget (USD)	End of project Objective (including targets)	Is project evaluation ready (tick or cross)
C&F PRO Online	Cybermonk Software Development	1	Kenya	31 December 2016	$209,825	$209,675	$419,500	5% reduction in C&F costs across 50% of participating users by the end of the project	✓
Mining and visualising tracking data for increased trade efficiency and transparency	Cyber Trace Litimed	1	Kenya	31 December 2016	$413,675	$414,110	$827,785	At least 90% of 250 trucks using the system report no adulteration (incidence alert) after 6 month of installation	✓
Logistics innovation and information system East Africa: LOGISA	DSM Corridor Group	1	Tanzania	31 December 2016	$350,000	$350,000	$700,000	Participating users report a reduction in cost per tonne km by at least 15% by the end of the project	✓
Improvement of the current Malaba Railway Yard into Cargo Intermodal facility with a capacity to handle containers and break bulk in the region	Spedag Interfreight (K) Limited	1	Kenya	31 December 2016	$673,037	$673,037	$1,346,074	20% reduction in transit time from Mombasa to Nimule by the end of the project	✗
Effective electronic container based cargo movement management - East Africa	Mix Telematics - East Africa	1	Uganda	31 December 2016	$293,000	$293,000	$586,000	90% of journeys undertaken with the locks either reached the destination untampered or reported an opening event within the last 6 months of the project by month 18	✓
Alistair+	Alistair James Company Limited	1	Tanzania	31 December 2016	$750,000	$750,000	$1,500,000	Alistair+ subcontracted drivers earn 15% more $/km and monthly revenue (averaged 3 months) by the end of the project	✓

Project name	Lead Implementer	Round	Location (country)	Project End Date	Overall LIFT funding (USD)	Overall grantee contribution (USD)	Total project budget (USD)	End of project Objective (including targets)	Is project evaluation ready (tick or cross)
East African Joint Operating Centre and Control Tower	Letsema Consulting (Pty) Ltd	1	Kenya	31 December 2016	$850,196	$1,239,844	$2,090,040	Reduction of total turnaround time by 25% during the pilot testing phase of the EAJOC (3 customers) i.e. by month 12	✗
Shipyard Development in Jinja on Lake Victoria	VERON Shipyard Ltd	1	Uganda	31 December 2016	$750,000	$1,608,300	$2,358,300	Increase in Annual Lake Victoria Cargo traffic from 70,000 tons per year to at least 100,000 tons per year by (prorated measurement at mid-2017)	✗
Transport and Logistics Integration Suite	Graben 4PL Ltd	1	Uganda	31 December 2016	$557,731	$590,725	$1,148,456	10% increase in freight volume reported by active vendors by end of project	✗

Annex 10: Timeline of Changes to the LIFT and TRAC Results Chains

2014

- On August 26th 2014, the then-team leader sends TMEA a TRAC M&E framework that an external M&E consultant had prepared;

2015

- On January 27th, the Nathan support team gets a request from TMEA to finalise TRAC and LIFT M&E frameworks in line with the TMEA results framework;
- On February 3rd, Nathan presented to TMEA first versions of the M&E frameworks;
- On the same day, TMEA provides preliminary feedback mainly pertaining to the number of intermediate outcomes as it might make monitoring difficult on their side and pertaining to the position of boxes; On February 5th and 6th, TMEA shares additional feedback on LIFT and TRAC respectively;
- On March 16th, Nathan shares a revised version of both monitoring plans;
- On March 25th TMEA shares feedback on the LIFT submission; as well as a table specifying which exact indicators of their results chain ours should fit in;
- On April 17th, TMEA shares comments on the TRAC submission;
- On April 22nd TMEA shares the latest version of the TMEA results framework to be incorporated into the TRAC and LIFT M&E frameworks;
- On April 28th Nathan presents revised version of the monitoring plans for both TRAC and LIFT;
- On May 14th TMEA shares feedback on the LIFT monitoring plan; On May 18th TMEA shares comments on the TRAC monitoring plan
- On June 10th Nathan request feedback on the LIFT monitoring plan;
- On the 12th of June further comments on turnover are discussed.

2016

- On June 28th TMEA contacts FMT to request that the project milestones be aligned with the monitoring plans;
- On July 12th Nathan share the revised versions of the results chains;
- On July 22nd TMEA confirms the results chains are in line with TMEA expectations and requests that Nathan develop the monitoring plans;
- On July 29th Nathan submit the LIFT monitoring plan;
- On August 16th, TMEA introduces a new request – counting job creation under TRAC projects;
- On August 31st, Nathan submits the final versions of the monitoring plans;
- On September 1st, TMEA approves them as final.

The following outlines the timing of the funding rounds. TRAC round 3 and LIFT round 2 funding was cancelled following this evaluation's field work phase.

Chronology of the TRAC funding rounds

	Funding rounds opened	Concepts notes received	Invited to submit full proposals	Selected for investment
TRAC R1	08.2012	10.2012	11.2012	01.2013
TRAC R2	11.2013	12.2013	03.2014	06.2014
TRAC R3	06.2016	07.2016	11.2016	*04.2017*

Chronology of the LIFT funding rounds

	Funding rounds opened	Concepts notes received	Invited to submit full proposals	Selected for investment
LIFT R1	11.2014	03.2015	06.2015	10.2015
LIFT R2	04.2016	08.2016	01.2017	*05.2017*

Annex 11: Feedback from a LIFT Fund Applicant

Note: the below provides in-depth documentation of the experience

FMT's response:
FMT was never asked about their version of what happened during the negotiation of Maramoja. We had made a number of efforts to support the company through the contracting stage including having an extended two month negotiation process (from October 2015 until December 2015). The company submitted its project proposal with a counterpart funding requirement of around US$ 420,000 but was struggling to secure their funding prior to contract conclusion. Despite a number of discussions a re-formulation of the milestones was agreed in principle by the LIFT Fund and Jason Eisen, one of the primary partners and CEO of Maramoja, at the end of November 2015. The fund management team in the spirit of supporting the company also helped write letters of support and even identified / introduced trucking companies / hauliers to test the model. However, despite application to a number of funders they were unable to raise the required funds to implement the project. Furthermore, there was a dispute between the two primary partners of the company. The idea for a trust based brokering system for the transport and logistics sector was developed Keith Diniz, whilst Maramoja was focused primarily on a taxi business. Thus the fallout between the two and failure to raise the requisite financing led to the eventual capitulation of the project.

Maramoja's follow-up response:
Hi Ben,

Thanks for your followup. I would very much take issue with their account and say I disagree. I am attaching some of the correspondence between myself and the FMT regarding the disagreement in question. Keith was an opportunist that tried to ride the coat tails of my project without contributing anything. When we realized this proceeded on our own as planned, he tried to sabotage the project. His only participation was attendance at one meeting with FMT before the bidding process even formally began. As you'll see from the extensive evidence I provided to the FMT, his claims are nonsense. I have a patent for the system in question that lists my name as the inventor and MARAMOJA as the owner that predates even my introduction to Keith. You can also google and find any number of interviews and articles about me and my company that thoroughly describe our trust engine from Kenyan and International Sources including among others, NPR, Wall Street Journal, USA Today, Daily Nation (Kenya), Radio France International, and dozens of others. Any claim by the FMT that there was any confusion about this at the time we parted ways is patently false, as is again obvious from the attached correspondence and the FMT's response. The last message in the conversation about Keith is dated July 9, 2015. Yet you'll see we continued discussing milestones into November 2015, and meeting until February 2016.

I invested my life savings and enormous personal debts on top in in this project and spent many months and thousands of dollars preparing from my side. I take even greater personal offense at their mention of my difficulties securing capital since I had cash lined up that only ceased to be available after LIFT changed the milestone terms of the grant after IC approval. The arbitrary restructuring of milestone payments irrespective of the cash required to deliver the project meant the LIFT was not de-risking the project at all from the investors' perspectives since they'd foot the entire bill for the project upfront, and then maybe the company would recover percentages bit by bit over 2 years on laggy indicators, fuzzy indicators. They also insisted on things like lining up exclusive trucking partners too early in the process which we told them would not play well in a marketplace where suppliers must view the playing field as level - something we learned in our first years of experience doing the same in the taxi sector. As with their insistence on Waterfall development rather than agile as we discussed on our last call, they simply could not or would not grasp the most basic concepts of modern software development and tried to force us into an untenable approach.

Their responses to your inquiry appear to me as a combination of two things: 1) They fundamentally didn't understand how to work with a tech company and what is/is not valuable to their investors and despite our many conversations about all of these issues and 2) they know they changed the terms on me and are attempting to cover themselves by shifting the responsibility to other things.

I'm happy to jump on Skype to provide additional detail or context. I really have nothing to gain from this as I have no expectation of anything so much as an apology from the donor for wasting my time and cash but I'm very happy to do my part to exterminate these value sucks from the entrepreneur's journey which is hard enough as it it is without people like Keith trying to steal our life's work and groups like LIFT reneging on terms and guidance provided - which in my case destroyed my relationships with my investors for that round and nearly bankrupted my company. If donors' first goal is to Do No Harm, I can say that they failed in this instance.

As an update, my company persists and is now expanding across the continent to 17 countries. On a long and difficult journey, my experience with LIFT remains one of the most frustrating disappointments along the way.

Best,

Jason