TRAC Challenge Fund Evaluation Report: Final Draft

Presented by MarketShare Associates

MARKETSHARE ASSOCIATES

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Acronyms and Abbreviations

ABI Trust	Agribusiness Initiative Trust
AECF	Africa Enterprise Challenge Fund
BDS	Business Development Services
CSO	Civil Society Organisation
CURADS	Consortium for Enhancing University Responsiveness to Agribusiness Development
DAI	Development Alternatives Inc.
DQA	Data quality assessment
EAC	East African Community
EMU	Evaluation Management Unit
EU	European Union
FMT	Fund Management Team
FTESA	Food Trade East and Southern Africa
IC	Investment Committee
KOAN	Kenya Organic Agriculture Network
LIFT	Logistics Innovation for Trade Challenge Fund
M&E	Monitoring and Evaluation
MSA	MarketShare Associates
MSME	Micro, small, and medium enterprises
MT	Metric tonne
NAADS	National Agriculture Advisory Services
NOGAMU	National Organic Agriculture Movement of Uganda
NUCAFE	National Union of Coffee Agribusinesses and Farm Enterprises Ltd.
OSOSEA	One Stop Shop East Africa
PAR	Project Appraisal Report
PCN	Project concept note
POS	Point of Sale
PSO	Private sector organization
ROI	Return on investment
ReNAPRI	Regional Network of Agricultural Policy Research Institutes
REP	Review and Evaluation Panel
SO	Strategic Objective
SPIF	Spedag Interfreight Kenya
TOAM	Tanzanian Organic Agriculture Movement
TMEA	TradeMark East Africa
TRAC	TradeMark East Africa Research and Advocacy Challenge Fund (TRAC)
UMS	Quality Management Systems
USD	United States Dollars

Executive Summary

1. TradeMark East Africa (TMEA) commissioned MarketShare Associates (MSA) to conduct a formative evaluation of the TMEA Research and Advocacy Challenge Fund (TRAC - $10.9 million launched in 2012). TRAC aims to boost regional trade and incomes in the East African Community (EAC) and the region's trade with the rest of the world through grant-funding designed to challenge businesses, private sector organisations and civil society organisations from Kenya, Uganda, Tanzania, Burundi and Rwanda to develop innovative business ideas that promote cross-border trade in East Africa.

2. The purpose of the evaluation was to generate usable insights that can inform TMEA and Nathan Associates – the firm contracted by TMEA to manage the fund – in their ongoing implementation and decisions on future investments of resources in the next phase of implementation. MSA used a formative approach to answer questions that build upon the five core evaluation categories of effectiveness, impact, relevance, sustainability and efficiency, as well as additional evaluation questions raised by TMEA during the inception phase. The evaluation analyzed the overall TRAC portfolio and five TRAC-funded projects were selected for additional scrutiny. MSA 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.MSA provided 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 TRAC challenge fund according to the evaluation criteria.

Table 1: Overall TRAC Assessment against the Evaluation Criteria

Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)
Relevance	3	High
Project clarity and logic	*TRAC's results chain has gone through several iterations since the challenge fund's inception. The resulting causal logic of TRAC's current results chains is overly broad and includes major leaps in logic. The spectrum of indicators assigned to the short-term outcome results chain box obscure the causal argument.*	
Alignment with TMEA, partner, beneficiary, the East African Community and member state interests and priorities	*Well aligned with EAC priorities. Misaligned with TMEA's priority of increased trade. Grants are well aligned with TRAC's long-term outcome (impact objective) but poorly aligned with short-term outcome and output indicators. Grantee interests are not always aligned with TRAC objectives. Because 'beneficiaries' are not defined, TRAC alignment with beneficiary interests cannot be articulated.*	
Impact	4	Low
Achievement of impacts	*Although not all projects contribute to impact-level achievements, the impact targets set for TRAC overall are likely to be met given the way that the impact target is worded (i.e. solely as a % rather than with a scale dimension). A data quality assessment (DQA) found a very low level of confidence in the reported impact numbers. Data collected for the DQA was, in part, not reflective of impact numbers reported, and inadequate sampling strategies applied to the impact surveys resulted in a sample of farmer enterprises far too small to be representative of the overall sample frame.*	

Systemic and unintended changes	*There is no strategy for tracking systemic change, and neither TMEA, the FMT, nor the evaluation team has been able to establish any evidence of systemic change resulting from TRAC funding.*	
Additionality	*Many projects did or would have moved forward regardless of TRAC funding, but TRAC grants allowed for some these to happen more quickly. The existence of many similar funds to TRAC in East Africa that have funded the same grantees suggests lower additionality.*	
Effectiveness	3	High
Achievement of outcome targets	*Outcome-level achievements are not aggregated at the TRAC portfolio level. Only three TRAC projects contribute toward the portfolio short-term impact (outcome), but they have done so successfully. TRAC outcome achievements also do not contribute to TMEA's overall targets for itself on exports.*	
Adaptive management	*The TRAC M&E system is inadequate in its design, implementation, and utility for managing, optimizing, and reporting outcome and impact results. In many ways TMEA has not adaptively managed the challenge funds, and The FMT did not adapt their approach substantially until recently. Monitoring findings have rarely been available in adequate form or timeframe to inform programming.*	
Efficiency	2	High
Value for Money	*With a total management cost ratio of 36% and an overall administrative cost ratio of 46.2%, TRAC's economy is poor. The cost of managing the fund is quite high relative to comparison funds. Its efficiency is moderate. Its effectiveness is moderate, but ROI calculations require better data to be informative. It is not possible to assess TRAC's equity based on available data.*	
Sustainability	4	Medium
Sustainability addressed and likely to be achieved	*Looking at both the potential for enduring benefits and the viability of TRAC-funded business models, sampled projects for this evaluation had mixed likelihood of sustainability – with two being highly likely to be sustainable, two having medium likelihood, and one with low likelihood.*	

3. The following table outlines the priority recommendations for TRAC. A complete set is included below in the full report.

Recommendations on Improving Advertising, Vetting and Selection	**Responsible & Timeline**
Revamp the vetting criteria for assessing applicants at the PCN stage. The criteria should include a rough return on investment analysis, looking at the number of people impacted and the scale and value of impact for the proposal as compared to the cost of implementing it. Moreover, the PCN criteria should include a clear definition of what innovation is within the context.	FMT TMEA Long-term: If launching another challenge fund
Recommendations on Improving Management	**Responsible & Timeline**
Immediately develop an action plan for grants that have not been completed by mid-2019, at the point when the FMT's contractual extension runs out. This is a certainty (see the analysis in the VfM section below), 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 <u>Short-term</u>: Note what information TMEA staff need to make key decisions and pursue training.
Recommendations on Improving Monitoring	**Responsible & Timeline**
Better align TRAC projects with the portfolio-level results chains and the TMEA results framework, both through revision of the results chain and rethinking some of the milestones that are set for grantees.	FMT TMEA <u>Immediate</u>
Project-level attribution strategies should be developed, and data collection and analysis methods should meet a higher standard of rigor, particularly for impact milestone verification. The cost-benefit of investing in more robust M&E should be weighed on a case-by-case basis, but enough rigor should be applied to stand up to reasonable scrutiny. **Revise TRAC quarterly and annual report templates to include progress on outcomes and impact, both at the individual grant and portfolio levels. The reports should also include a more focused risk register, with insights relevant to the specific reporting period and for both the individual grant and portfolio levels.**	FMT <u>Immediate</u>
Use leading indicators, beyond lagging indicators, of output completion, around outcome achievement (or not), and delays in implementation. **Include a grant-level indicator that tracks commercial viability of TRAC 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.	FMT <u>Medium-term</u>: Include in the next iteration of the monitoring framework.
Recommendations on Improving Future Design	**Responsible & Timeline**
Consider discontinuing TRAC and not funding a follow-up phase. Focus instead on areas where TMEA has more of a comparative advantage and where there is less competing funding to ensure that TMEA funds are maximizing their additionality. **If TMEA does want to continue funding TRAC, it is recommended that TRAC funding be reoriented towards increasing exports, and eliminate the focus on increasing farmer incomes**. This shift will help to reduce overlap with AECF and other East African agricultural projects.	TMEA <u>Short-term</u>

1. Background

TMEA

1. TradeMark East Africa (TMEA) is a non-profit agency established in 2011 to promote trade growth in East Africa by improving trade competitiveness and regional integration. The organization is currently funded by European and North American donor agencies. TMEA's overall strategic objectives are to achieve: 1) Increased physical access to markets, 2) An enhanced trade environment, and 3) Improved business competitiveness. TMEA aims to increase the total value of exports from the East African Community (EAC) by 10%, increase in trade exports within the EAC region by 25%, reduce the average time to import or export a container from Mombasa or Dar es Salaam to Burundi and Rwanda by 15%; and decrease by 30% the average time it takes for a truck to get through selected border crossings in the EAC. TMEA's first phase ends in 2017, transitioning into a second phase of programming. Under Strategic Objective 3, TMEA has been implementing two challenge funds, the TMEA Research and Advocacy Challenge Fund (TRAC – $10.9 million) and the Logistics Innovation for Trade (LIFT – $16 million) Challenge Fund, both of which are managed by Nathan Associates London under contract with TMEA.

TRAC

2. TRAC aims to boost regional trade and incomes in the East African Community (EAC) and the region's trade with the rest of the world through grant-funding designed to challenge businesses, private sector organisations and civil society organisations from Kenya, Uganda, Tanzania, Burundi and Rwanda to develop innovative business ideas that promote cross-border trade in East Africa. TRAC meets the definition of a challenge fund, which "(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."[1] The rationale for this approach is to reduce the risk faced by the private sector of investing in business models with the potential for high social returns and that cannot be financed through conventional mechanisms.

3. TRAC was designed to fund projects that:
    - "Develop new, unproven models for researching and communicating the benefits of regional integration, with the potential to be sustainable and replicable;
    - Are innovative (meaning they involve new products, services, marketing approaches, business models);
    - Deliver sizeable benefits to a significant number of the poor in the EAC;
    - Have the potential for impact beyond the project, through replication or changing the way the research, advocacy and communication occurs related to regional integration;
    - 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;
    - Demonstrate relevance to and matching with expected TMEA overall results."[2]

[1] O'Riordan, Anne-Marie et al. Challenge Funds in International Development: Research Paper. Triple Line Consulting Ltd. and University of Bath. 2013.

[2] TMEA. *Terms of Reference: Formative Evaluation of TMEA Challenge Funds.*

4. TRAC grant applicant proposals must pass a multi-stage process in order to be approved. Short concept notes are initially submitted and vetted by the Fund Management Team (FMT), and those that pass the review are presented to TMEA's Review and Evaluation Panel (REP). Accepted applicants then prepare a full proposal and undergo a due diligence review, after which their proposals are vetted by an external investment committee (IC). The proposals approved by the IC then undergo the negotiation of a contract and project milestone targets, the achievement of which are a prerequisite for reimbursement payments from TRAC to the grantee. TRAC began its first round of grants in 2012 and is scheduled to complete after a third round of funding in mid-2019. Sixteen projects have been awarded TRAC funding, of which four have been successfully completed.

The Evaluation

5. TMEA decided in late 2016 to commission a formative evaluation of the TRAC and LIFT challenge funds and selected MarketShare Associates (MSA) to conduct the evaluation. MarketShare Associates is a 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. This evaluation report presents findings and recommendations for the TRAC challenge fund.

2. Purpose of the Evaluation

6. The purpose of this formative evaluation was to generate usable insights that can inform TMEA and Nathan Associates' ongoing implementation of the challenge fund, as well as to inform decisions on future investments of resources in TMEA's new Phase 2. MSA has designed a methodology that uses a formative approach to answer questions that build upon core evaluation categories as well as additional evaluation questions raised by TMEA during the inception phase. MSA analyzed the overall TRAC portfolio, and five TRAC-funded projects were selected for deeper review. As per the Terms of Reference (see Annex 8), the evaluation sought to:
   - "Establish the extent to which the intended outcomes were achieved/ are likely to be achieved by each Challenge Fund Instrument.
   - Establish the extent to which each Challenge Fund has led/will lead to systemic changes in the markets
   - 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.
   - 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
   - Establish the effectiveness and efficiency of the models including the processes (from application to implementation of the funded projects, programme and stakeholder management processes)
   - Establish whether the support TMEA is offering is sufficient and/or if there are better alternatives to ensure sustainability.
   - The evaluation is also expected to make recommendations oriented towards improving programme design and management."

3. Evaluation Methodology

7. The evaluation took place from February to May 2017. Core to the evaluation methodology is the determination of the evaluation questions that the team seeks to answer. These questions build upon the five core evaluation categories of relevance, impact, effectiveness, sustainability and efficiency. Findings are detailed in this report according to category and subcategory. A summary statement and score is assigned to each of the five categories, along with a determination of confidence that MSA has in the score assigned based on the strength of evidence.

8. In addition, the following specific evaluation questions were raised by TMEA during the inception phase and added to the evaluation, as the answers to these questions have strong potential for utility:
   - Is a challenge fund the right mechanism in the context of East Africa to get the impact TMEA aims for?
   - 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?

9. The evaluation used several research methods, including secondary source review and primary data collection via focus group discussions and in-depth interviews. The full list of the evaluation questions, which TMEA approved during the inception phase, is presented in Annex 3. The detailed assessment criteria, against which each evaluation category was scored, is presented in Annex 4. 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 TRAC funding. The evaluation analyzed the overall TRAC portfolio and examined the five bolded projects in additional detail:

Project Name	Lead Implementer	Status	Total Budget	End of Project Target
Developing Export Markets for Avocado in the Kilimanjaro Region	**Africado Ltd.**	**Active**	**$1,560,441 (22% TRAC Funded)**	**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	Active	$401,630 (57% TRAC Funded)	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	**NUCAFE**	**Active**	**$823,837 (41% TRAC Funded)**	**Increase in revenue generated for farmers by coffee bean sales by 20% at the end of 2014**

Expansion to over 150 Farmer Organisations and Cooperatives in Uganda				**compared to 2012 average price**
Regional Remittances Service	**Airtel**	**Cancelled*** ***FMT is working to revive it**	**$1,264,000 (42% TRAC Funded)**	**Enhance cross-border money transfer in the EAC by at least USD 1.1M**
iShamba	The Media Company	Active	$667,100 (52% TRAC Funded)	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)	Active	$537,113 (44% TRAC Funded)	33% increase in farmer cash incomes derived from BCI cotton and BCI exports
Value addition to local mangoes in northern Uganda for access to the EAC market	Food and Nutrition Solutions Ltd.	Active	$2,039,162 (17% TRAC Funded)	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 at the mango processing factory.
Increasing the reach of Mobile Money and Access to Finance	**Go Finance Co. Ltd.**	**Active**	**$689,953 (51% TRAC Funded)**	**At least 3,000 MSMEs within at least three value chains will have had their loans assessed through GO Finance Credit Assessment Instrument**
Centralized Organic Wet Cocoa Purchasing and Processing for Export to Developed Markets	Letsema Consulting (Pty) Ltd.	Active	$816,313 (42% TRAC Funded)	Cocoa sourced with above market premiums paid to farmers from at least 2,000 individual smallholder cocoa farmers
One Stop Organic Shop East Africa (OSOSEA)	**Tanzania Organic Agriculture Movement (TOAM)**	**Active**	**$448,151 (65% TRAC Funded)**	**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	Active	$5,152,890 (6.7% TRAC Funded)	Increase in income of US$ 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	Active	$767,999 (40% TRAC Funded)	Initial launch of 2 direct-to-consumer (DTC) natural oils products; 50% increase in farmer cash incomes
Smallholder Patchouli Commercialization Project in Burundi (SMAPACO Project)	RUGOFARM S.A.	Active	823,533.00 (45% TRAC Funded)	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
Burundi Regional Trade Fair Grounds	Burundi Federal Chamber of Commerce and Industry	Cancelled	$803,405 (41% TRAC Funded)	420 number of domestic and international exhibitors participating in trade fairs held at the fair
Mobile Solutions for Agriculture Value Chain	Tigo Rwanda	Active	$1,680,250 (19% TRAC	At least 3,000 participating tea farmers reporting an increase in

			Funded)	tea production from January 2014 figures

10. The evaluation selected several non-TMEA challenge funds as comparison cases to benchmark the performance of TRAC. Although no two challenge funds are identical, and so inevitably differ in certain ways from TRAC, 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 writing, AECF's focus has been primarily on the agricultural and renewable energy sectors. AECF[3] 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. Moreover, it has actually funded many of the same beneficiaries as TRAC and thus is clearly operating in a similar market space. FTESA[4] 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 financial component to them, such as the eSoko online marketplace. Annex 7 provides a summary of both.

11. A limitation of the evaluation was that many TRAC grants had not yet achieved their intended impacts at the time of data collection, including three of the five projects sampled for more intensive review. This meant that MSA was unable to utilise some of the methodologies that it had planned to. It also meant that some 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.

4. Evaluation Findings

4.1 Relevance

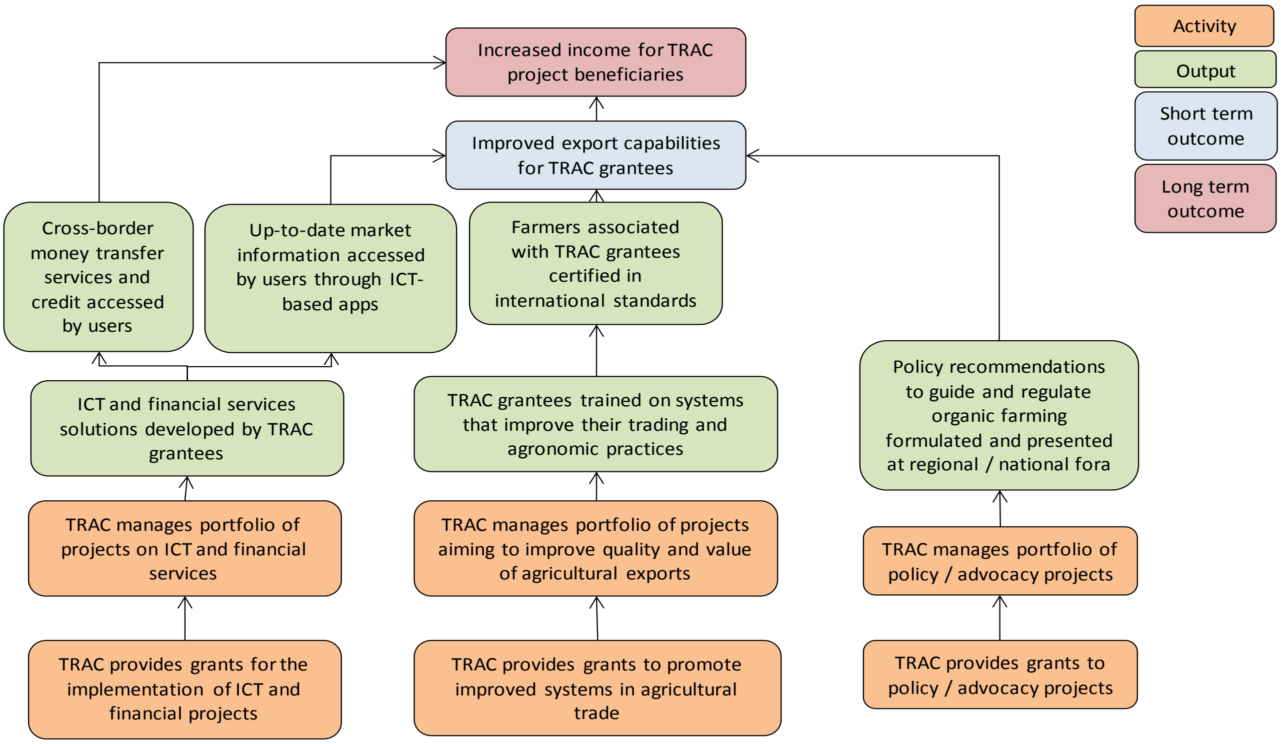
Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)
Relevance	3	High
Project clarity and logic	*TRAC's results chain has gone through several iterations since the challenge fund's inception. The resulting causal logic of TRAC's current results chains is overly broad and includes major leaps in logic. The spectrum of indicators assigned to the short-term outcome results chain box obscure the causal argument.*	
Alignment with TMEA, partner, beneficiary, the East African Community and member state interests and priorities	*Well aligned with EAC priorities. Misaligned with TMEA's priority of increased trade. Grants are well aligned with TRAC's long-term outcome (impact objective) but poorly aligned with short-term outcome and output indicators. Grantee interests are not always aligned with TRAC objectives. Because 'beneficiaries' are not defined, TRAC alignment with beneficiary interests cannot be articulated.*	

Project clarity and logic

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

12. The TRAC Strategy[5] defines TRAC as "an instrument to catalyse through risk-sharing innovative business models and technologies that have proven ability to deliver large social impacts, but whose financial returns are uncertain," with a stated purpose of "enabling innovation to build momentum for regional trade and integration." **TRAC's causal logic reflects TMEA's definition and purpose for the challenge fund** and puts improvement of export capabilities and increasing income for beneficiaries as the ultimate results. TRAC's causal logic is depicted in the results chain below, followed by a corresponding indicator table. It has been updated several times since TRAC's inception (first developed in 2014, then revised in 2015, and then again in 2016); Annex 10 presents a timeline of these edits:

TRAC Results Chain



Long-term outcome (impact) indicators and targets[6]	
Impact 1	% increase in income for farmers & traders from TRAC supported grantees attributable to TRAC activities. (**Target:** 15% increase in income for farmers)
Impact 2	Number of direct and indirect jobs created, disaggregated by gender. (**Target:** 400 jobs created, of which 40% are for women)
Short-term outcome indicators	
Outcome 1	Number of policy recommendations from those presented that have been adopted. (**Target:** 1 policy recommendation adopted at the national or regional level)
Outcome 2	% increase in volume (MT) of exports for TRAC beneficiaries. (**Target:** 20% increase in volume of exports for participating farmers and cooperatives)
Outcome 3	Number of linkages between TRAC grantees and top of the supply chain buyers. (**Target:** 5 linkages between grantees and TOSC)
Outcome 4	% increase in yields for farmers signing up to TRAC-funded ICT services that provide information on agronomic practices or weather. (**Target:** 10% increase in yield for participating farmers accessing information on good agronomic practices and weather)

[5] TMEA. *TRAC Strategic Plan 2012 – 2015*.
[6] Indicators numbered here for ease of reference. This numbering convention has not been applied in the TRAC monitoring plan.

Outcome 5	% increase in value derived from sales for farmers after accessing market information through TRAC-supported ICT projects. (**Target:** 60% average increase in revenue for farmers using improved market information; 10% average increase in yield for farmers accessing improved information)
Outcome 6	Number of beneficiaries accessing financial products. (**Target:** 500 beneficiaries on track or are eligible to access financial products)

13. **There are large leaps in logic built into the TRAC results chain**. For example, there is an output target of *two policy recommendations being presented at regional fora*, which is meant to lead to the short-term outcome of at least one national or regional policy being adopted that improves export capabilities of TRAC grantees. Yet there are more variables to getting policies adopted than just giving presentations. In another example, money and credit service usage at the TRAC output level jumps directly to increased income in the results chains, which skips over a number of critical changes necessary for one to lead to the other. An illustrative revised TRAC result chain, addressing logic leaps, is included as Annex 9.[7]

14. **TRAC's results chain is over-aggregated at the short-term outcome level, which hides faults in the logic**. There is just one short-term outcome in the results chain. The over-aggregation is well illustrated by the broad spectrum of indicators and targets (listed above) that have been assigned to the short-term outcome results chain box. Achievement of the different targets requires very different causal pathways.

15. **Most of the indicators assigned to the short-term outcome seem to have very little, if anything, to do with export capabilities**. Only one indicator actually measures changes in exports. The rest capture changes that could potentially – but not necessarily – contribute to or result from increased exports. For example: *% increase in value derived from sales for farmers after accessing market information through TRAC-supported ICT projects*. If the increase in value from sales is a result of exports then the logic would be clear, but this indicator can be met without export sales. Additionally, there is a major logical leap within this indicator itself, as the causal link between accessing an ICT platform for market information and seeing increased value from sales is not clear. Access to market information is just one of many factors that could, but may not, affect value from sales, just as value from sales is not a sufficient metric to make a determination on export capabilities. Equally, accessing financial products is not an appropriate proxy indicator for increased export capabilities.

16. The *Propositions Underpinning TMEA's Strategy* document explains that at the higher end of the TMEA theory of change three key elements of 'trade competitiveness' contribute to increasing trade: increased access to physical markets, enhanced trade environment, and improved business competitiveness. Increased trade, the document explains, is believed to contribute to increased economic growth and subsequently reduce poverty.

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

17. On a regional level, **TRAC's focus on increasing export and incomes of smallholder farmers and traders is incredibly relevant.** East African exports are extremely low; the constituent countries have large trade imbalances. Moreover, on an international level the rate of exports is very low. In the agriculture-based economies of East Africa, smallholder farming accounts for

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

about 75 percent of agricultural production and over 75 percent of employment.[8] In Uganda, Agriculture accounts for over 80% of the labor force but only 30% of GDP. In Kenya similarly over 75% of the population is engaged in agriculture, but agriculture accounts for less than 25% of GDP.[9] To put this in perspective, per capita GNI in Uganda is $900, or less than $2 a day. In Kenya and Tanzania per capita GNI is $1,700 and $1,300, which is equivalent to under $4 and $3 day, respectively.[10] Clearly agriculture – the predominant sector of focus for TRAC – is an intervention that could have a direct impact on large portions of these countries populations – over 75% of the total agricultural outputs in Uganda, Tanzania and Kenya come from smallholder farmers with farm sizes of around 2.5 hectares. Moreover, interventions in agriculture have proven to be four times more effective in reducing poverty than GDP growth of other sectors.[11]

18. Overall, as noted in the following table, **many TRAC grants align with the impact indicator of income increases for farmers and traders, while few contribute to increased jobs**. **Extremely few (five) TRAC grants contribute milestone measurements to any of the six TRAC outcome indicators, including an increase in exports**. In fact, only one TRAC grant includes a milestone on increasing exports, and two grants have no milestones that contribute to TRAC impacts or outcomes. A contributing factor is likely that the evaluation criteria for project concept notes (PCNs) used in grant applicant selection consider numbers of proposed people that projects would reach and level of income increase, as well as positive sustainable impact on women workers.[12]

TRAC portfolio-level indicators of success	**Contributing TRAC grant milestones**
% increase in income for farmers & traders from TRAC supported grantees attributable to TRAC activities	• Africado • NUCAFE • iShamba • ACTIF • FONUS • Kokoa Kamili • OSOSEA • RedGold • Asili Natural Oils • SMAPACO • Agronet (cancelled project)
Number of direct and indirect jobs created, disaggregated by gender[13]	• Africado* • iShamba* • NUCAFE • Kokoa Kamili • Food and Nutrition Solutions • Burundi Regional Trade Fair Grounds (cancelled project)
Number of policy recommendations from those presented that have been adopted	• None
% increase in volume (MT) of exports for TRAC beneficiaries	• Africado* • NUCAFE*

[8] Smallholder Agriculture in East Africa: Trends, Constraints and Opportunities. African Development Bank Group. 2010. http://bit.ly/2qT8b71
[9] Smallholder Agriculture in East Africa: Trends, Constraints and Opportunities. African Development Bank Group. 2010. http://bit.ly/2qT8b71
[10] http://data.worldbank.org/country/Uganda
[11] Growth and poverty reduction in agriculture's three worlds. World Bank. 2008.
[12] TMEA. *TRAC Operating Policies and Procedures, 2012-2015*. Page 141.
[13] Only the NUCAFE project has tracked gender disaggregated achievements to date.

	• NOGAMU
Number of linkages between TRAC grantees and top of the supply chain buyers	• Africado
% increase in yields for farmers signing up to TRAC-funded ICT services that provide information on agronomic practices or weather	• iShamba
% increase in value derived from sales for farmers after accessing market information through TRAC-supported ICT projects	• iShamba
Number of beneficiaries accessing financial products	• Go Finance
Grantee projects without milestones that contribute to portfolio-level impact or outcome indicators	
• Airtel: one milestone contributes to TRAC output indicator • Tigo Rwanda: one milestone measures # of farmers with increased production, but not % increase in production	

*Data are reported against the indicator, but the project does not include a related milestone

19. TRAC falls under Strategic Objective 3 (SO3) – improved business competitiveness – within TMEA's corporate-level Results Framework, and TRAC's results chain is meant to contribute to that. While poverty reduction is named as a primary rationale behind TMEA's theory of change, directly attributable income change is not a target within it. From TMEA's own theory of change narrative: "Economic growth and poverty reduction do not appear explicitly in TMEA's theory of change since they are very high in the logic hierarchy. Increased trade is only one element that is necessary to increase economic growth and it is impossible to ascertain what TMEA's contributions to economic growth and poverty reduction are."[14] TRAC's causal framework has gone through several iterations since the project's inception. But **in placing income increases as a direct impact of exports, the current version of TRAC's results chain breaks from the causal argument of TMEA's overall theory of change**, which posits that poverty reduction is a distant result of increased trade in combination with several other factors. As a result, the expectation for TRAC projects to directly increase income seems to be forced. An illustrative results chain depicting how TRAC might better align with TMEA's Results Framework is included as Annex 9.

20. **The definition of *beneficiaries* is not specifically articulated for the TRAC results framework, and therefore it is not possible to articulate whether TRAC is aligned with beneficiary interests.** The TRAC impact – as it is defined – can be achieved if incomes are increased for small groups of farmers and traders across disparate contexts and demographics.

21. Qualitative inquiries for this evaluation revealed that **grantee incentives and interests are often not aligned with the impact TRAC aims to achieve**. Africado, for example, works with smallholder avocado farmers as a condition of grant support (not just from TRAC), but explained that small-scale farmers only account for about two percent of their overall volume. Local commercial-scale farmers account for another five percent or so. The vast majority of Africado's exports come from production on their own avocado farm, and **Africado doesn't have strong financial incentives to continue working with smallholder farmers outside of being a way to access donor funding**. As smallholders' trees mature and their production quality improves, there is continued potential to sell their avocados to Africado, but they will have very little leverage to negotiate favourable prices. Airtel, as another example, explained that they are primarily targeting the remittance market with their TRAC project, not export traders. That said, increased financial inclusion and increased income from remittances – as a result of lower transaction costs – are potential impacts of the Airtel Money platform.

[14] TMEA. *Propositions Underpinning TMEA's Strategy.* Version: May 2014.

22. The evaluation team could not find any synergies between TRAC grants, and there does not seem to be an effort to create complementarity**. There are no criteria for proposed new TRAC projects to complement the impact of existing projects**, resulting in a portfolio of projects that are aligned in some way with the results chain, but not with each other. Increased export volume for Africado, for example, does not affect the export capabilities of actors in the organic produce market targeted by the OSOSEA project. Increased access to finance by users of Go Finance's Gobi platform has no impact on incomes for coffee farmers selling to NUCAFE cooperatives. While this is common for many challenge funds, there are examples (e.g., gSoko for FTESA) in which synergies are explicitly sought among challenge fund grants to increase their results.

4.2 Impact

Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)
Impact	4	Low
Achievement of impacts	*Although not all projects contribute to impact-level achievements, the impact targets set for TRAC overall are likely to be met given the way that the impact target is worded (i.e. solely as a % over a baseline value rather than with a scale dimension such as the volume of farmers benefited or additional profit generated). A data quality assessment (DQA) found a very low level of confidence in the reported impact numbers. Data collected for the DQA was, in part, not reflective of impact numbers reported, and inadequate sampling strategies applied by FMT during the impact surveys resulted in non-representative samples.*	
Systemic and unintended changes	*There is no strategy for tracking systemic change, and neither TMEA, the FMT, nor the evaluation team has been able to establish any evidence of systemic change resulting from TRAC funding.*	
Additionality	*Many projects did or would have moved forward regardless of TRAC funding, but TRAC grants allowed for some these to happen more quickly. The existence of many similar funds to TRAC in East Africa that have funded the same grantees suggests lower additionality.*	

Achievement of impacts

23. **The realized or potential of the projects selected for this evaluation to achieve their impact-level targets are analysed in the table below**:

Project Name	Impact (long-term outcome) milestone targets	Likelihood of achievement	Rationale
Africado	Incomes from production of avocado increased by 100% for participating farmers by 2014	High	The project is complete and has reported 124% increase in incomes for participating farmers from the sale of avocados to Africado. It should be noted that the data reported for this milestone is *revenue* data, not *income*, which would be the net of revenue and expenses. Qualitative inquiries with farmers revealed that expenses are likely quite significant for many avocado farmers, so the actual increase in income would be lower.

NUCAFE	• Increase in revenue generated for farmers by coffee bean sales by 30% at the end of 2014 compared to 2012 average price • At least 94 full-time jobs and an additional 460 part-time jobs created in the coffee associations participating in the project	High	The project is complete and has reported a 74% increase in revenue for farmers selling to NUCAFE cooperatives, as well as 215 full-time jobs, 360 part-time jobs, and 374 casual labourer jobs created. While TRAC's NUCAFE project certainly contributed, many external factors contribute to the market price of coffee beans, which determines the revenue farmers get.
Go Finance	*There is no impact-level milestone for this project. The final milestone is: At least 3,000 MSMEs within at least three value chain will have had their loans assessed through GO Finance Credit Assessment Instrument*	N/A	The highest-level milestone fits at TRAC's output level. Gobi is a relevant and viable platform, but the software has not yet been developed, and it remains to be seen how useful the data generated by the software will be for MSMEs to access loans. The evaluation team did not find any focus on particular value chains for this project, and at this stage it is primarily aimed at benefitting retailers.
Airtel	*There is no impact-level milestone for this project. The final milestone is: 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*	N/A	The highest-level milestone fits at TRAC's output level. Airtel's ability to move the stalled project forward depends entirely on the issuance of remittance licenses from EAC governments. Airtel are confident, but the timeframe is uncertain. While Airtel themselves have the capacity to reach this scale of money transfers, it is not possible at this point to determine the likelihood that the target will be reached.
OSOSEA	At least 4,500 participating farmers' income increased by 30%	Low	The impact on farmers' incomes would come as a result of Milestone 4: *Three organic famers' markets established in Nairobi, Dar, and Kampala by end of month 12*. To date the project consortium has supported farmers' markets with marketing and worked to link farmers to them, and the consortium organizations expressed apprehension about their ability to invest in deeper farmers' market interventions to impact farmer incomes.

24. Disaggregated achievements reported so far suggest that **the TRAC target of a 15% increase in income for farmers and traders will be far exceeded, though with low confidence in the data**.

25. However, critically, **TRAC is measuring and reporting increases in *revenue* rather than *income* (profit)**. While revenue can be a leading indicator of profit, **this does not account for expenses or opportunity cost, and it represents bad practice**. Qualitative inquiries with Africado and avocado farmers it sources from, for example, revealed that regular water inputs for avocado trees represents a significant production cost. Although some of the larger-scale farmers included in Africado's impact survey sample may have access to irrigation, most farmers participating in the Africado project have to purchase water delivered by truck on a weekly basis. According to Kilimanjaro area avocado farmers interviewed for this evaluation, required water inputs cost approximately USD$3.50 per tree per year (150 Ugandan Shillings per week). The average number of Hass avocado trees owned by Africado impact survey respondents is 68 trees, representing USD$238 worth of annual water input requirements. Assuming this cost applies to all of the sampled farmers, only three of the impact survey respondents would have

made a profit in 2014 – with well over half of respondents experiencing losses up to USD$100 and a third seeing losses between USD$100 - $2,000. Data was not collected on farmer costs as part of the survey, though, so these losses are not a definitive finding. Nevertheless, this exercise demonstrates that the revenue data collected is not the complete picture.

26. TRAC's impact indicator target on income increases is expressed as a percent over baseline for farmers and traders. **This impact indicator lacks meaning, as there is no requirement for scale** and it could be achieved with a single farmer or trader that has exceeded the threshold.[15] To include a requirement for scale, the indicator would need a target for number of farmers to see the targeted increase in income.

27. **Disaggregated achievements reported to date for the creation of jobs by TRAC-funded projects indicate that the target is well on its way to being achieved,** with qualitative inquiries giving reasonably strong confidence in the data. The overall TRAC target is 400 jobs, with 40% of those being women. With just three projects reporting against this indicator so far (NUCAFE, Africado and iShamba), 1,214 jobs are reported to have been created. Of the 250 job reported for Africado, 50% were for women.

28. **The definition of jobs is not clear**, however, which creates challenges for aggregation at the portfolio level as well as assessing the attribution of those jobs to TRAC funding. Moreover, TRAC is not following good practice in its measurement and reporting of jobs, which should be expressed in terms of full-time equivalent positions as per MSA's research on the subject.[16]

29. **There is no ability to aggregate the impact-level results across the TRAC portfolio**. Only disaggregated achievements are currently tracked through the TRAC monitoring plan, and there is not yet a strategy for aggregation at the portfolio level – which would require a level of consistency across projects in defining beneficiaries and how income is measured. Assuming the portfolio-level indicator is an average of project achievements, the target will likely be met by the end of the TRAC project.

30. Attribution is mentioned within both of TRAC's impact-level indicators, but **strategies are not in place to assess TRAC's contribution to the impacts reported**. The TRAC Operations Manual highlights the challenge of determining attribution and additionality for projects that focus on behaviour change rather than outputs. The manual states that TRAC will overcome the additionality challenge by establishing evidence that projects would have faced serious challenges and delays if it were not for TRAC funding.[17] The monitoring system in place for TRAC to date does not reflect this commitment, however, and counterfactuals are not articulated for any of the grant-funded projects.

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[15] This is illustrative, and the data do not suggest that TRAC has had an impact on only one farmer or trader.

[16] MarketShare Associates, for the Donor Committee for Enterprise Development (DCED). *Working Paper: Measuring Job Creation in Private Sector Development.* June 2014. http://bit.ly/2qoDMe2

[17] From Annex 16 – Monitoring and Evaluation Strategy – of TMEA's TRAC Operating Policies and Procedures: "*TRAC focuses on behavioural change rather than on the outputs that are the focus of conventional PSD interventions. This poses challenges for monitoring progress and evaluating effectiveness. Thus, because the programme seeks to empower stakeholders to fulfil their ambition, measuring the extent of additionality and attribution becomes difficult... In some ways, issues of attribution have been overcome by establishing the fact that, in the absence of the catalytic activity of the programme, stakeholder initiatives would have faced serious challenges that may have delayed their implementation… The methodology for attribution will be decided on a project-by-project basis. The possibility of using a control group as a counterfactual will be considered, as will attribution based on longitudinal measurement supported with analysis of other factors that may have influenced the status of the group, outside project activities*."

31. MSA conducted a data quality assessment (DQA) of two of the three grantees who are reporting impact-level results: Africado and NUCAFE. **The DQA found a very low level of confidence in the reported numbers**, owing primarily to weaknesses in the methods used and secondarily to discrepancies between the FMT and evaluation team data. As part of the DQA, the evaluation team re-surveyed Africado and NUCAFE beneficiaries that were surveyed by the FMT for verification of impact milestone achievements.[18] While Africado beneficiaries largely gave very similar responses for the DQA survey as they had for the FMT conducted impact survey, NUCAFE beneficiaries gave very different responses. For example, the average volume of coffee farmers sold to NUCAFE in 2015 was over 300% higher in the impact data (milestone verification) than what was reported for the DQA survey with the same respondents – an average of 1,199 kilograms versus an average of 372 kilograms sold to NUCAFE.

32. **The DQA revealed issues with the sampling strategies applied to the impact surveys,** data from which was used to justify the final grant disbursements to the grantees. The sample sizes were derived by applying a 95% confidence level and a 10% margin of error. The correct sample frame would have been beneficiary households, reflecting the fact that one household represents a single farmer enterprise. Yet the sampling strategy counted household members within targeted households as the unit instead, resulting in **a sample of farmer enterprises far too small to be representative of the overall sample frame of beneficiary farmer enterprises**. The sample frame for the NUCAFE impact survey, for example, was 6,303 households, and a sample of only 26 households was surveyed for the impact study. Revenue data from these 26 respondents in 2014 was averaged and compared against a 2012 baseline average derived from only five respondents to get the 74% increase in revenue reported within the TRAC monitoring plan for NUCAFE.

33. At the impact level, **the only gender disaggregated achievement reported to date is that 50% of 250 jobs created as a result of the Africado project were taken up by women**. Qualitative discussions with Africado revealed that women are substantially represented among the farmer and pack house employee beneficiaries of the Africado project. This would likely be true of many other TRAC projects, although the data does not exist to evidence that. Two of TRAC's output targets (for farmers certified in quality standards and farmers trained to improve trading and agronomic practices) include gender-specific targets. This presumably would contribute to gendered impacts on income, but the TRAC results chain does not have a gender-specific target for income increases. Although the portfolio-level results chain includes a gender-specific target for jobs created (40% of the total jobs accruing to women), **TRAC project milestones do not require gender disaggregated achievements**.

34. TMEA's 2012-2015 Operating Policies and Procedures Manual for TRAC commits to supporting innovations in regional research and advocacy that deal with issues of gender inequality and social inclusion, as well as ensuring these groups are prioritised in TRAC's dispersal of funds. The manual also tasks TRAC projects with increasing the participation of women and other socially marginalised groups in regional trade integration, and TRAC publicity materials and calls for proposals are mandated to articulate this priority. The Operations Manual caveats that the monitoring and evaluation framework does not specify a quota for approval of funds to women's organisations, for example, because this could lead to approving proposals that lack sufficient technical merit. **According to the TRAC Operations Manual, the M&E framework**

[18] Respondents were resurveyed as feasible. In some cases original respondents could not be located or reached. A total of 21 of the 33 originally surveyed Africado beneficiaries and 18 of the 26 originally surveyed NUCAFE beneficiaries were surveyed again for the DQA.

should confirm whether or not a reasonable portion of funds is going to support businesses and organisations representing women and marginalised groups, but the existing M&E framework for TRAC does not do this. The FMT's advertisements for proposals for TRAC also do not include language highlighting a priority around gender and social inclusion.

35. Overall, **TRAC's strategy to prioritise impact on women or the poor is not clear**. TMEA did not yet have an overall gender strategy until after the start of the TRAC project, and TMEA's focus on direct impacts to the poor did not come until even more recently. Beyond a broad commitment to projects that will bring about "social impact," the requirement for TRAC to impact women and the poor is not specifically articulated for project selection, within grantee contracts, or, by and large, in project monitoring. However, **TRAC's approach to gender improved in preparation for round 3 via a new gender strategy and the addition of consultant inputs on gender**. Unfortunately, the impacts of these changes will not be felt as that round was cancelled.

36. While poverty reduction drives TRAC's objectives, it has not explicitly targeted bottom of the pyramid poor people. But **TRAC has not established clear criteria for defining grantee beneficiaries** at all. Projects are selected for funding based, in part, on their potential to increase incomes for farmers and traders. It is implied that these beneficiaries will be poor, but TRAC's definition of *the poor* has not been articulated. Both the DQA and qualitative inquiries for Africado and NUCAFE for this evaluation revealed that some TRAC project beneficiaries are considered in the context to be quite well off. Of the 33 respondents surveyed for Africado's impact study, for example, five have more than 100 Hass avocado trees on their property and one has 656 trees. This does not necessarily imply that these farmers are wealthy, and is not a problem if TMEA does not want to target the poor. But this should be made more clear.

Systemic and unintended changes

37. TMEA outlined in TRAC's Strategic Plan its vision for TRAC to bring about systemic change for cross-border trade and integration. TMEA's TRAC Strategy argues that replication of successful innovation alone – in the absence of addressing institutional constraints that stifled the innovation in the first place – does not equate to systemic change. It states that while other challenge funds promote replication of successful innovation, failures caused by poor policies and institutions are typically not addressed. TRAC was, therefore, initially conceived to directly support policy and institutional change. In an effort to ensure that systemic changes are not prevented as a result of market failures, the strategy recommends that TRAC work alongside other TMEA interventions.[19] To date, however, **TRAC investments have not successfully supported policy or institutional change, nor have they sparked imitation by other market actors**.[20] Further, TRAC-funded projects are operating in isolation from the multitude of other TMEA interventions.

38. The original TRAC logical framework included an indicator to capture the challenge fund's contribution to systemic change.[21] However, **the current TRAC monitoring plan excludes any indicators that explicitly relate to systemic change** or imitation. Based on MSA's experience, this creates the risk that systemic change will ultimately never be considered. Neither TMEA

[19] TMEA. *TRAC Strategic Plan, 2012-2015*. Page 41.
[20] This does not mean that there will not be replication of TRAC initiatives in the future. The evaluation, however, did not find any evidence imitation at the time of the study.
[21] TMEA. *TRAC Operating Policies and Procedures, 2012-2015*. Page 124.

nor the FMT currently have an explicit strategy for tracking whether systemic changes or imitation have occurred as a result of TRAC funding. Nathan Associates and TMEA take different viewpoints on the ability and priority of the fund to focus on systemic change. In interviews for the evaluation, the FMT expressed skepticism that a challenge fund on its own could create systemic change.

39. There is anecdotal evidence that **Africado's success in helping to establish the export market for Tanzanian avocados – along with that of Rungwe Avocado Company[22] – has piqued the interest of commercial investors, the Tanzanian Government, and research and development institutions**. While TRAC funding has contributed to the success of Africado's export business, it is unclear that any other concrete initiative has taken hold as a direct result of their example. MSA's attempts to identify such initiatives were not successful.

Additionality

40. TMEA acknowledged from the outset that TRAC was approved amidst a crowded challenge fund market place in East Africa. However, TMEA saw TRAC as unique in its focus on innovation, EAC trade and integration, and its strategy of incentivising private-sector and civil society organizations to undertake research and advocacy that build support for reforms.[23] TMEA's TRAC Strategy caveats that "most of the challenge funds operating in EAC do champion innovation and some do attempt to bring about policy reforms," but that others "do so without the special lens of EAC integration." As noted previously in this report, though, only three of TRAC's funded projects contribute to increased trade targets – only one as a milestone requirement. The one TRAC project that focuses on policy advocacy does not focus on regional policy change, but rather national policy in three different East African countries. Hence, **TRAC has not pursued the specific strategies that were intended to differentiate it from similar challenges funds in East Africa**.

41. The TRAC Strategy states that "TRAC will not overlap with other funds in operation in the EAC and has the opportunity to complement them." Although many of TRAC's grants have gone to support companies receiving support from other donor funds, including challenge funds, **TRAC projects do not outline a strategy to provide complementarity to grantees supported by other challenge funds.** The Africa Enterprise Challenge Fund (AECF), for example, funded at least three of TRAC's Round 1 and 2 projects approximately a year before TRAC grants were awarded. TRAC funding preceded AECF funding by approximately one year in one case. The fact that four of TRAC's 14 non-cancelled projects (nearly 30%) were also funded by another challenge fund suggests that TRAC's investments in the agricultural space may not always be fully additional and that alternatives exist.

	AECF		TRAC	
Project	**Start date**	**Funding amount**	**Start date**	**Funding amount**
Africado	January 2012	$1,001,406	March 2013	$350,000
iShamba	October 2015	$600,000	September 2014	$347,060
Rugofarm	April 2013	$450,000	September 2014	$367,928
Darsh	June 2013	$ 1,020,000	September 2014	$350,000

[22] UNDP. *A Report on Avocado Value Chain Mapping in Siha and Njombe Districts*, May 2014. Pg. 77

[23] TMEA. *TRAC Strategic Plan, 2012-2015*. Page 25.

42. While TRAC has certainly been a deciding factor in some of the projects moving forward, **in multiple cases grantees have expressed confidence that their projects would have happened with or without TRAC funding**. That said, **three out of five of the sampled projects happened more quickly as a result of TRAC funding**. The following table analyses the additionality of projects sampled for this evaluation:

Project	Additionality and Counterfactual
Africado	**TRAC funding likely sped up the implementation of the project, but the project would have happened without it.** Africado receives funding from various sources, and feels confident it would have secured other sources if TRAC funding was not available.
NUCAFE	**TRAC funding likely sped up the implementation of the project, but the project would have happened without it.** As part of broader NUCAFE facility upgrades funded by other development donors – like ABI Trust and AVSI – TRAC funded 100% of a coffee processing machine that has increased NUCAFE's volume of exports. NUCAFE states that the equipment upgrades would have happened with or without TRAC funding.
Go Finance	**The project will move forward with or without TRAC funding**, according to Go Finance's current financial partner. However in an earlier stage of the project, TRAC funding provided an opportunity for Go Finance to bring the Gobi platform to prototype, which they would not have done otherwise and which allowed them to attract their current financial partner.
Airtel	Airtel maintains that **the project was going to happen before TRAC came on board, and TRAC funding will not make or break the initiative**. The Airtel Money software application is already in use domestically in India and concurrently rolling out the platform across many African countries.[24]
OSOSEA	**The project would not likely have happened without TRAC.** The consortium organizations would have been focused on research and advocacy around organic farming in their respective country contexts in any case, but the comprehensive research that TRAC funded would not likely have happened without the grant.

43. In order to further assess additionality, the evaluation team reached out to Round 1 and Round 2 TRAC applicants that made it through the FMT's Review and Evaluation Panel as potential grantees, but were denied funding by the Investment Committee. Given that such projects were likely the closest in quality to the ones that TRAC selected, MSA sought to assess whether or not the applicants' proposed projects moved forward even without receiving TRAC funding. The table below summarizes the status of proposed projects that the evaluation team successfully contacted, which suggests that **less than half of the nearly approved projects were able to proceed as planned in the absence of TRAC funding**, an indication of additionality.

Potential projects that ultimately were not funded	Status of project
Enhancing socio-economic and environmental impact of cassava intercropped with soya bean through value-addition and market innovations among communities in semi-arid areas of Rwanda, Tanzania, Burundi, Uganda and Kenya	**Abandoned.** The project that was proposed to TRAC has not moved forward. The applicant reported to have found another partner to advance an entirely different value-addition initiative.
East African Common E-Marketplace	**Proceeded**. The applicant's project has moved forward, with some challenges, despite not being awarded a TRAC grant. The project is now 100% shareholder funded.
E-Commerce Online Payment Gateway	**Stalled**. Without TRAC funding the project never materialised.
Development of Geographic Data Centre and Applications Linkage to Government	**Partially proceeded**. The project has moved ahead in the absence of TRAC funding, but incrementally and at a smaller

[24] Airtel India website: http://www.airtel.in/money/

	scale. The evaluation team could not ascertain the source of financing from the applicant.
Banana processing plant	**Proceeded**. The project has moved ahead in the absence of TRAC funding, but the evaluation team could not ascertain the source of financing from the applicant.

4.3 Effectiveness

Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)
Effectiveness	3	High
Achievement of outcome targets	*Outcome-level achievements are not aggregated at the TRAC portfolio level. Only three TRAC projects contribute toward the portfolio short-term impact (outcome), but they have done so successfully. TRAC outcome achievements also do not contribute to TMEA's overall targets for itself on exports.*	
Adaptive management	*The TRAC M&E system is inadequate in its design, implementation, and utility for managing, optimizing, and reporting outcome and impact results. In many ways TMEA has not adaptively managed the challenge funds, and the FMT seems to have not adapted their approach substantially until recently. Monitoring findings have rarely been available in adequate form or timeframe to inform programming.*	

Achievement of outcome targets

44. **As with impact-level results, there is no ability to aggregate TRAC's outcome-level results across the portfolio**. Only disaggregated achievements are tracked, and there is not yet a strategy for portfolio-level aggregation.

45. TMEA overall has aimed to increase the value of exports from EAC to the rest of the world. **TRAC milestones do not contribute to TMEA's value of exports calculation[25], as they only capture *volume* of exports** – and only for two projects: Africado (343 MT of avocados) and NOGAMU (20 MT of dried fruit). As an example for perspective of *value* of exports achieved by TRAC, Africado exports its avocados to the European market, which prices avocado imports at approximately US $2,090 per MT.[26] By this measure, Africado has contributed US $716,787 toward the overall TMEA export target of just over US $19 billion.[27]

46. **Three TRAC projects contribute results toward portfolio-level outcome achievements: Africado, NUCAFE, and NOGAMU**. Data from NOGAMU is not yet available for reporting. Africado and NUCAFE have far exceeded their targets. Outcome-level achievements of the projects sampled for this evaluation are detailed in the table below:

Project Name	Likelihood to achieve outcome targets	Rationale

[25] This refers to TMEA's corporate-level indicator under Strategic Objective 3: *Increase in export revenue on TMEA supported interventions.*
[26] According to USAID figures for price per metric tonnes (MT) of Kenyan avocado imports to the European Union (EU) from 2006 – 2010 (Tanzanian prices not available). Assuming the same rate of price increase through to 2014, the price per MT of Kenyan avocado imports to the EU at the end of the Africado project would be approximately $2,090. Kenya Horticulture Competitiveness Project. *The EU Market for Avocados: Market Survey #3*. Viewed at: http://bit.ly/2q8Uror
[27] From TMEA's Results Framework document, 2015. This is a per annum result that presumably would continue beyond the life of the grant, but the TRAC measurement strategy does not plan to capture impact over time or verify its continuation.

Africado	High	Africado increased their exports by 343 metric tons (MT) annually – a 70% increase. Africado outgrower farmers collectively increased their volume of sales to Africado (and therefore exports) by 68 MT per year – a 94% increase. Africado anecdotally has claimed to have established linkages to top of the supply chain buyers, which contributes to a TRAC indicator but is not a project milestone target. That achievement has not yet been confirmed.
NUCAFE	High	Smallholder farmers supplying coffee to NUCAFE increased their collective sales volume from 200 MT to 1,238 MT – a 519% increase.
Go Finance	Uncertain	The highest-level milestone fits at TRAC's output level. The project is still in a nascent stage and has only recently become viable after being dormant due to lack of match funding by the grantee. It is too early to say with confidence whether the current milestones will be met. The milestone target around accessing loans by using the Gobi system are more likely, while accessing business risk insurance is less likely, according to qualitative information from MSMEs.
Airtel	Medium-high	The highest-level milestone fits at TRAC's output level. Assuming the company is able to overcome regulatory hurdles, they will very likely meet their TRAC milestones. Though approval from the five EAC countries is uncertain, Airtel have received no objection from Rwanda and no objection from Tanzania for receive-only transactions.
OSOSEA	Low	There are two milestones for the project that relate to policy advocacy, but not to policy change – which is the TRAC outcome target. Although OSOSEA is building buy-in among government stakeholders, it is highly unlikely that their TRAC-funded advocacy efforts will lead directly to new policy adoption. OSOSEA has linked farmers to existing organic farmers' markets for improved income opportunities, but there have not been efforts to establish new farmers markets – which is milestone 3 for the project.

47. As with impact-level indicators, **TRAC has not estimated its attribution to the outcome achievements it has measured**. Although results are not yet reported for them, two outcome indicator targets are particularly problematic for attribution:
    - *10% increase in yields for farmers signing up to TRAC-funded ICT services that provide information on agronomic practices/ weather.* Results of 44% for maize and 232% for potato are reported from the iShamba project.
    - *% increase in value derived from sales for farmers after accessing market information through TRAC-supported ICT projects*.

    It is unclear how increases in yields and value can be attributed solely to accessing information services; in fact many other factors would have contributed to change in these indicators.

48. **The TRAC M&E system is inadequate in its design, implementation, and utility.** To date, the attention by the FMT and TMEA to monitoring has not resulted in a methodologically robust monitoring system that can assess project progress on outcomes and impact with confidence. This is largely a result of three main factors:
    - ***Unclear TRAC objectives***. Key terms and concepts are not defined, such as *beneficiary* and *income*, which affects the ability to measure or express results in a consistent, meaningful way. TRAC's portfolio-level logic and indicators are not conducive to clear attribution to or aggregation of grant level results.
    - ***Flaws in TRAC's monitoring and reporting.*** Monitoring, both at the grant and portfolio level, has focused almost exclusively on tracking of progress on predefined work plans, rather than meaningful assessment of the likelihood of impact achievement.

- ***Technical capacity gaps***. TRAC does not have adequate access to M&E expertise to design appropriate data collection tools and methodologies, triangulate findings through qualitative inquiries and secondary research, or identify proxy indicators and information to establish reasonably meaningful evidence of results achievement.

The evaluation team have found that gaps in monitoring and weaknesses in project data have largely gone unnoticed and that M&E good practice has not been a priority. The FMT have noted this and have verbally committed to strengthening their capacity around M&E going forward.

Adaptive Management

49. MSA has shown through its research[28] that to achieve development outcomes it is essential to take an adaptive approach to program management. TMEA's management role is critical for TRAC, and **TMEA has shown some adaptive management in updating its results framework, revising the TMEA PCN review process, extending the grant timeframe, considering adding a business development services (BDS) component to the fund, and approving FMT solicited staffing structure changes**.

50. **In many 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, and MSA cannot identify many examples of such active management by TMEA. There has not been a strategy established to aggregate individual project results at the challenge fund portfolio level, and TMEA is therefore unable to determine the status of the portfolio overall. 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. TMEA has not seemed to have engaged sufficiently enough with the FMT to ensure that TRAC grants were going to contribute to TMEA's overall results. TMEA also did not follow up with the FMT to ensure that it was meeting its commitments set out in the operations manual, such as soliciting quarterly progress reports from grantees or establishing attribution strategies on a project-by-project basis.

51. **TMEA has only adapted the TRAC results chains reactively.** Challenges faced in getting the right grant applicants, however, have led to a revision of TRAC's casual framework to the current results chain – retrofitted to suite the pool of applicants. As mentioned in the *Relevance* section of this report, the current iteration of the results chain is not well aligned with TMEA's own Results Framework.

52. With staff turnover within the FMT, there has been some institutional memory loss and it has been difficult to identify many examples of adaptive management. A main example that was provided was periodically updating the operations manual, though in fact the FMT has not implemented aspects of the manual. A more critical one that occurred during the design phase and Round 1 was the repositioning of TRAC away from its original focus on policy and advocacy towards being a more conventional fund supporting mainly agricultural firms with an anticipated benefit for farmer incomes. However, accessing regular and updated information

[28] MarketShare Associates. Getting There from Here: Knowledge, Leadership, Culture, and Rules Toward Adaptive Management in Market Systems Programmes, July 2016. http://bit.ly/2nvggsv

on a challenge fund grant portfolio is critical to being able to manage adaptively, and that has been lacking in the FMT. 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. **Regular quarterly reports have until very recently not been solicited from 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 frequent albeit informal. Either way, without adequate information the FMT would be unable to have a complete picture of their portfolio and the risks that may exist. This seems to have been demonstrated by the generic portfolio-level risk analyses that until recently were submitted with the FMT quarterly reports to TMEA. Annual reports do not provide any more meaningful or detailed information than the quarterly reports.

53. MSA found during the field work that **TRAC 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.

54. **The quarterly reports include a project-specific tally of progress and constraints, as well as concrete recommendations for actions to be taken. The reports are broad, however, and important challenges are omitted.** The update on Go Finance in the first quarter 2017 report, for example, states simply that Milestones 3 – 5 are "in progress," when in fact the project has been dormant for quite some time, and the grantees expressed doubts as to whether TRAC would continue to support them. **The quarterly reports do not give any indication as to the extent to which progress has been made on outcomes**, which would be important to inform course correction. Only progress on outputs is reported, and it is taken as a given that the completion of outputs means progress towards the achievement of outcomes.

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

56. 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 FMT 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 TRAC funding, giving the FMT access to the bank statements whenever they wish. These are all very positive changes that will undoubtedly help to improve TRAC's effectiveness over time.

4.4 Efficiency

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 36% and an overall administrative cost ratio of 46.2%, TRAC's economy is poor. The cost of managing the fund is quite high relative to comparison funds. Its efficiency is moderate. Its effectiveness is moderate, but ROI calculations require better data to be informative. It is not possible to assess TRAC's equity based on available data.*

57. TRAC's PAR 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 TRAC 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 faulty ex ante measure of VfM in the case of TRAC, because the FMT is paid based on inputs delivered**. That means that the originally calculated management fee has actually been significantly exceeded as costs have risen over time.

58. MSA's evaluation of TRAC's efficiency focused on whether it has delivered value for money. This was assessed by comparing TRAC'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 related sectors: AECF and Food Trade East and Southern Africa. Annex 7 provides a summary of both.

Economy

59. MSA applied DFID's "4 E's" framework for VfM assessment. The first E, economy, measures how much TRAC pays for inputs (e.g., staff, management) relative to comparable programmes. The following table presents TRAC's performance on economy against other challenge funds. What stands out is that **TMEA's management fees for administering TRAC (9%) are high given the relatively minor role that it is playing in overseeing TRAC relative to the FMT and relative to its other projects**. In comparison, AGRA charged just 4% for overseeing AECF, in a similar role.

60. **The economy of the TRAC challenge fund has worsened significantly over time, with the administrative cost ratio (fees plus costs) increasing from 27.8% overall to 38.5% overall**. This is largely because of the extension of the project implementation period. **The FMT was awarded a costed extension to continue manage TRAC for 4 more years**, from April 2015 to mid-2019.

61. Midway through this evaluation, it was announced that TMEA would not proceed with the third round of TRAC, 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 TRAC fund. If the 10 round 2 grants that have not been cancelled to date spend all of their remaining allocated funds, the total matching funds provided by TRAC would be $4,706,854.[29] **The resulting administrative cost ratio consequently increases to at least 46.3%.**

62. **As demonstrated in the table below, this economy ratio represents quite poor VfM relative to comparison challenge funds**. The following table presents a comparison of two economy indicators between TRAC and two other challenge funds operating in the region.

[29] TRAC Grant Tracker. Version February 24, 2017.

VFM aspect & evaluation sub-question	VFM metrics	TRAC	Food Trade Eastern and Southern Africa	AECF[30]
Economy: *Is the programme economical in terms of the cost of the resources used?*	Fund size	US$10.9 million; $27,000 - $115,000 per project	£35 million; £450,000 - £1 million per project	Up to USD$500 million; Up to USD$250,000 per project
	Administrative cost ratio (%) (fees plus expenses)	46.3%	32%	27%
	Administrative cost ratio (%) per year	*18.5% (2.5 year average management[31])*	6.4%	4.5% (6-year management)
	Total fund management cost ratio (%) (fees only)	36%	29%	20%[32,33] (16% for KPMG and 4% for AGRA)
	Fund management ratio (%) per year	*14.4%[34] (2.5 year average management)*	5.8%	3.3% (6-year management)

63. The TRAC fund's economy also compares poorly to a broader set of challenge funds operating globally. The following figure demonstrates the fund management cost as a percentage of the total fund value; the number of grants being managed by each fund is also listed in brackets.[35] From this point of view, TRAC's economy would rank third last on the list based on not proceeding with round 3. It is worth noting that the number of projects that TRAC will have approved – 16 – is far less than all than one other challenge fund on the list. This is likely not a coincidence, and speaks instead to the economies of scale that can be gained with challenge funds.

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

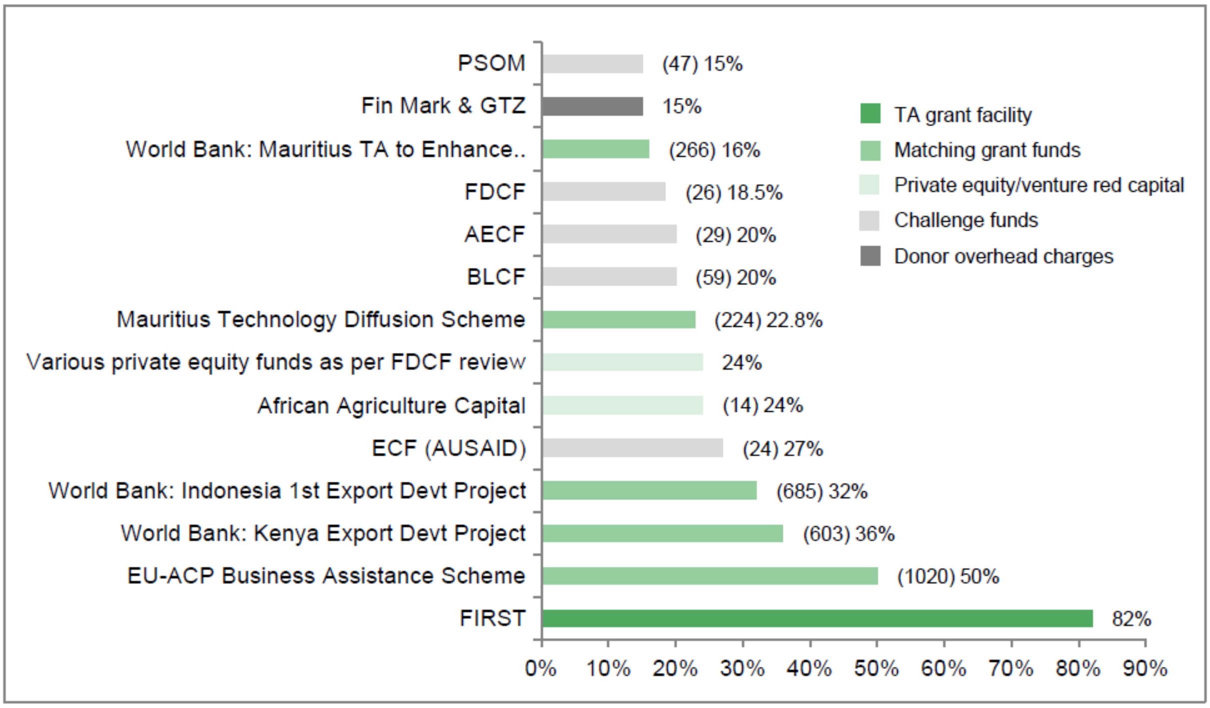
[31] This is based on the average grant implementation time of the initial round of grants.

[32] This does not include costs for monitoring results at the outcome and impact levels.

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

[34] This ratio is derived by the average time that TRAC oversaw the three completed grants from Phase 1: 2.5 years.

[35] Hennie Bester and Christine Hougaard. *AECF Benchmarking: A comparative value for money analysis*. June 2010, quoted in Coffey. *A challenge fund comparison*. Undated.



64. 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 TMEA (e.g., the very 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%).[36] It should be expected that FMT rates would be 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 TRAC is appropriate given the scope of the workload to be undertaken.

65. In terms of how the TRAC fund is administered, the FMT has incorporated a number of good practices that support economy. They include:
    - **Reimbursing based on milestones**. In contrast to AECF, TRAC reimburses based on milestones. This creates a strong incentive for grantees to achieve what they have committed to. Further, it limits TRAC's investment into projects that do not succeed.

[36] 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.

- **Maintaining 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.

Efficiency

66. Efficiency measures how effectively TRAC converts inputs into outputs. Grant processing time is an important metric, particularly given that the TRAC 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. In the case of TRAC round 1 and 2, 5 and 7 months respectively were required between the receipt of concept notes and the selection of the investments for funding. For TRAC round 3, this would likely have been at least 11 months. Intriguingly, this suggests that **TRAC's speed of grant processing and disbursement has declined over time**. In contrast, AECF requires 4 months and FTESA 6-8 months.

Chronology of the TRAC funding rounds				
	Funding rounds opened	**Concept 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	*06.2017*[37]

67. The leverage ratio is another important metric of challenge fund performance. As outlined in the table below, TRAC expects to leverage $2.67 in private funds for every $1 that it provided from round 1 and 2 funding. On this measure, TRAC performs well relative to the comparison challenge funds. This indicator requires careful scrutiny,[38] as there are many ways that grantees can count funding that was not actually leveraged from their own resources or as a result of TRAC funding. NUCAFE's cost-share contribution to the TRAC project, for example, was met through donor funds – including from aBi Trust and AVSI Foundation – awarded for wider facilities upgrades.

VFM aspect & evaluation sub-question	**VFM metrics**	**TRAC**	**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)	2.267:1 (For round 1)	1.52:1	2.45:1[39]
	Grant processing time[40]	Average 8.5 months	Average 7 months	Average 4 months

68. TRAC's efficiency can be measured in terms of how long it is taking for its funded projects to achieve their milestones relative to the expected time. The table below, which excludes completed and cancelled projects, demonstrates that the projects have achieved 78% of their

[37] End date still to be determined.
[38] Elliot, D. *Exploding the myth of challenge funds – a start at least…* Springfield Centre website. 2013. http://www.springfieldcentre.com/resources/soap-box/
[39] AECF's mid-term review found that not all of the reported leveraged funds were generated as a result of AECF funding.
[40] 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.

expected milestones relative to the revised set of milestone dates. Compared to the original milestone dates, the % completion rate would be a lot lower.

Project Name	Contract starting date	Completed milestones as of February 24, 2017	Expected completed milestones as of February 24, 2017	% of expected completion
Regional Remittances Service	Friday, March 1, 2013	1	2	50%
Enhancing regional trade through a full Value Chain Project under Better Cotton Initiative	Wednesday, October 15, 2014	3	4	75%
Value addition to local mangoes in northern Uganda for access tot the EAC market	Saturday, November 1, 2014	1	1	100%
Increasing the reach of Mobile Money and Access to Finance	Monday, September 1, 2014	1	2	50%
Centralized Organic Wet Cocoa Purchasing and Processing for Export to Developed Markets	Monday, September 1, 2014	5[41]	6	83%
One stop organic shop East Africa	Monday, September 1, 2014	2	5	40%
RedGold	Monday, September 1, 2014	1	1	100%
Value addition and new product innovation for socially motivated Moringa and Cosmetic oils producer in Rwanda	Thursday, August 28, 2014	4	5	80%
Smallholder Patchouli Commercialization Project in Burundi	Monday, September 1, 2014	3	3	100%
Mobile Solutions for Agriculture Value Chain	Sunday, February 1, 2015	0	0	100%

69. Another metric of efficiency is the total time required to implement the project. The following table demonstrates the original and revised contract ending dates, as well as the total contract time. Four projects of the 14 projects have been completed in approximately two years or less. Among the remainder, all of which have not yet been completed, 1 is projected to take between 2 years and 2.5 years, 5 projects are projected to take 2.5 or more years, projects are

[41] Milestones 1 and 3 were paid, but not milestone 2. TRAC Tracker notes that 5 milestones were completed but only 2 have been invoiced.

projected to take 3 years, and 2 projects are projected to take more than 4 years. This suggests that it will not be possible to complete TRAC's round 3 grants within a 24-month timeline.

Project Name	Contract starting date	Original contract ending date	Revised contract ending date (as of February 24, 2017)[42]	Total contract time
Developing Export Markets for Avocado in Kilimanjaro Region	Friday, March 1, 2013	Wednesday, December 31, 2014	December 2014	1 year, 10 months
Scaling up the export of Uganda's Organic Dried Fruits to International and Regional Markets through bulking and promotion of a common brand	Friday, March 1, 2013	Monday, March 30, 2015	December 2015	2 years, 1 months
Creating Equitable Sharing of Treasures of Coffee through Value Chain Expansion to over 150 Farmer Organisations and Cooperatives in Uganda	Friday, March 1, 2013	Monday, March 30, 2015	January 2016	2 years, 10 months
Regional Remittances Service	Friday, March 1, 2013	Thursday, April 30, 2015	June 2017	4 years, 3 months
iShamba	Monday, September 1, 2014	Thursday, December 31, 2015	September 2015	1 year
Enhancing regional trade through a full Value Chain Project under Better Cotton Initiative	Wednesday, October 15, 2014	Tuesday, December 15, 2015	*March 2017* *(November 2016)*	*2 years, 6 month*
Value addition to local mangoes in northern Uganda for access to the EAC market	Saturday, November 1, 2014	Monday, November 30, 2015	December 2018	4 years 1 month
Increasing the reach of Mobile Money and Access to Finance	Monday, September 1, 2014	Wednesday, December 30, 2015	August 2017	3 years
Centralized Organic Wet Cocoa Purchasing and	Monday, September 1, 2014	Thursday, December 31, 2015	*March 2017 (December*	*2 years, 6 months*

[42] For completed projects, this is the date that the project actually ended. If a contract has not yet finished, we conservatively assumed that it ended at the anticipated ending date in the TRAC tracker. If the end date had already passed in the TRAC tracker but the project was not yet complete, we assumed it would end in March 2017 (the month following the last date that the TRAC tracker was updated, irrespective of the number of remaining milestones). The month listed in the TRAC tracker was listed in brackets, and March 2017 was listed as well.

Processing for Export to Developed Markets			*2016)*	
One stop organic shop East Africa	Monday, September 1, 2014	Monday, November 30, 2015	*March 2017 (February 2017)*	*2 years, 6 months*
RedGold	Monday, September 1, 2014	Thursday, December 31, 2015	August 2017	3 years
Value addition and new product innovation for socially motivated Moringa and Cosmetic oils producer in Rwanda	Thursday, August 28, 2014	Thursday, December 31, 2015	May 2016	2 years, 9 months
Smallholder Patchouli Commercialization Project in Burundi	Monday, September 1, 2014	Monday, November 30, 2015	May 2017	2 years, 8 months
Mobile Solutions for Agriculture Value Chain	Sunday, February 1, 2015	Thursday, December 31, 2015	June 2017	2 years, 5 months

Effectiveness

70. In terms of effectiveness, MSA analyzed TRAC's return on investment (ROI).[43] Return was defined as the value of revenue generated for beneficiaries relative to TMEA's grant value, given that very few projects sought to generate export increases. As noted above, under relevance, all but one of the TRAC grants contributes to increasing farmer revenues. Where results had already been achieved and an impact assessment completed, the actual finding were used. Where they were not, MSA used the projected results for the purposes of the analysis. The analysis suggests that TRAC's round 1 and 2 grants are on track to generate an ROI of 190% in terms of revenue generated. The ROI figures vary substantially between grants; the lowest, Kokoa Kamili, generated an ROI of -99% whereas the highest, NUCAFE, generated an ROI of over 1000%. Interestingly, 5 of the projects project a negative ROI and one has only a breakeven ROI. That means that **over half of the studied projects (6 of 11) have not or are not expected to generate a strong ROI**. Surprisingly, **in some cases the projects will generate nearly no income at all for farmers**. For example, project documents suggest that **Kokoa Kamili will only generate a return of less than $4000 for farmers, whereas the TMEA investment is over $340,000**. It is also clear that **just three of the grants are projected to generate the vast majority of the returns**. NUCAFE should generate 40% of the returns for the entire portfolio, Food and Nutrition Solutions Ltd 25% and iShamba 22%.[44] MSA did not include the value of private funds leveraged in its ROI calculation. These are more appropriately included under efficiency, since they are not in themselves an impact, which effectiveness considers.

71. However, it is important to note that a meaningful ROI analysis should be calculated based on income, not revenue. **Therefore, the calculated ROI presented above should not be used to inform decision-making and is almost certainly far overstated relative to the ROI that is being generated based on increases in farmer net income (profit).**

[43] Because the milestone payments for the TRAC grants are disbursed throughout the duration of the grant, and given the relatively short duration of many grants, no discount rate was applied.
44 Evaluator calculations are based on TRAC impact assessments (for completed projects) and milestone projections (for ongoing projects).

72. Given that TRAC measures farmer revenue rather than farmer income, MSA could not benchmark TMEA's achievement against other challenge funds that report on the additional income that they've generated for their end beneficiaries.

Equity

73. With respect to equity, MSA could not assess its expected indicator 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. Additionally, none of the milestones disaggregate by women or level of poverty, and there is no established criteria for targeting the poor within TRAC grant agreements. Therefore, there is no information by which to assess intermediate progress.

4.5 Sustainability

Evaluation Category:	Category score (1 = low, 6 = high)	Confidence level (low, medium or high)
Sustainability	4	Medium
Sustainability addressed and likely to be achieved	Looking at both the potential for enduring benefits and the viability of TRAC-funded business models, sampled projects for this evaluation had mixed likelihood of sustainability – with two being highly likely to be sustainable, two having medium likelihood, and one with low likelihood.	

74. 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."*[45] MSA's looks at *dynamic sustainability*, which expands on the definition to include not just sustained benefit, but sustainability of the input itself. In the case of TRAC, sustainability must be understood in terms of the enduring benefits created by the investment, as well as the viability of the business models that TRAC has supported. Importantly, this does not mean that the specific funded business needs to continue, so long as the business model does.

75. A primary indicator of sustainability in a challenge fund is the commercial viability of supported business models. TRAC, 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.

76. Most of the TRAC grants have not yet completed, making it impossible to conduct an *ex-post* assessment of the sustainability of those grants. Where a grant was not yet complete, MSA examined instead whether the grant-funded business models were likely to be sustainable. The table below summarises the likelihood of sustainability[46] for the five projects selected for this evaluation:

Project Name	**Likelihood of sustainability**	**Rationale**

[45] OECD. DAC Criteria for Evaluating Development Assistance. OECD website, viewed at: http://bit.ly/1TXgXX2

[46] Because TRAC's additionality is found to be low, and therefore these projects would be expected to be sustainable in the absence of TRAC funding.

Africado	High for Africado Low-Medium for smallholder farmers	The avocado pack house and Africado's export business has continued to grow since the end of the TRAC project, and maturing avocado trees and strong offtake demand mean that the company's export business model is almost certain to grow significantly. Though at a very small scale, jobs will continue to be created at Africado as the company grows. While the smallholder outgrower business model may is less likely to be sustainable. Africado does not have the incentive to provide extension or any other support to smallholders, and smallholders are not likely to be able to negotiate prices for their fruits that can outweigh the input costs.
NUCAFE	High	NUCAFE has shown continued growth in terms of volumes of sale as well as cooperative membership. NUCAFE cooperatives offer transparency, information, and reliability that will continue to draw new farmers and sustain relationships over time. Although TRAC's contribution to the business model should not be overstated, there seems to be a high likelihood that NUCAFE's business model is sustainable and that coffee farmers will continue to see improved and more stable incomes by selling to NUCAFE cooperatives.
Go Finance	Medium	The project remains at the conceptual phase, and it is too early to say whether the Gobi platform will be adopted widely by MSMEs. However, there are indications that the platform is relevant to the intended users and has potential to significantly increase the number of MSMEs accessing finance, and Go Finance has secured the backing of a strong financial partner that has strong buy in to the TRAC-funded project.
Airtel	Medium	The Airtel Money application is an already proven platform, and therefore would certainly have sustained success if it is able to overcome regulatory hurdles. It is very difficult to say whether or when the platform will be used for cross-border money transfer in the EAC. If it is, it appears likely that it would be largely used for remittances, with some potential for very small and informal business transactions.
OSOSEA	Low	The window of opportunity for the TRAC-funded advocacy materials to influence national policy change has passed, though future iterations of policy advocacy efforts informed by the TRAC-funded materials may have broader influence. The benefits of OSOSEA's linking of farmers to specialty farmers' markets is not likely to have impact at scale, and it is too early to say whether existing linkages – and therefore increased revenue for farmers – will be enduring.

4.6 Additional Evaluation Questions

This section presents MSA's analysis of several additional evaluation questions posed by TMEA during the project inception phase.

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?

77. **There is reason to believe that a challenge fund is a viable mechanism for achieving TMEA's desired impacts, but the potential has not been realized thus far.** This is partly because of a 'hands-off' approach to soliciting specific innovations, though innovations have surfaced and been funded. VfM has been far lower than other challenge mechanisms, suggesting that it could have been improved. However, the amount of private effort by the grantees that has been leveraged is impressive in some cases. Given the potential for sustainability of the

businesses, the longer-term impact of TRAC funding can be significant relative to a traditional grant mechanism.

78. TMEA noted that it was considering using a *catalytic fund* (i.e. a fund providing debt and equity to selected investments) as an alternative. MSA recommends 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**. But **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.[47] Instead, using a challenge fund 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?

79. 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, Nathan Associates, to act as the Fund Management Team for TRAC.

80. 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, TRAC has two layers: TMEA and the FMT.

81. The alternative model that TMEA could consider is to directly manage TRAC. 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.

82. **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 TRAC into TMEA's overall strategy, enabling better synergies across the portfolio. This would, however, depend on there being strong communication across TMEA.

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

83. **A potential advantage for TMEA of directly managing TRAC would be potentially 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.

84. A key disadvantage of directly managing TRAC 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.

85. 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 TRAC would require **TMEA's existing contract processing procedures to be adjusted, or a separate procurement unit to be created.**

86. 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 and there is significant room for improvement.

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

87. **Several characteristics of TRAC's original design have proven inappropriate given the context**. The timeframe in which the grants were expected to be completed was 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 TRAC's economy would be inherently poor.

88. Although the funding window range of $150,000 - $350,000 undoubtedly allowed for more applications from smaller firms and the less-populated countries in East Africa, it also worsened VfM and probably limited the potential impact of the funded projects. Given TMEA's cost structure, this funding amount was set too low.

89. While the original intent of TRAC to focus on policy and advocacy and on funding non-profits was ill-suited to the benefits of a challenge fund mechanism, this was pointed out in the TRAC strategic plan and quickly adjusted. The resulting structure as articulated in the operational plan calls for window 1 and 2 to support businesses that generate additional trade (with a third window on awareness raising). Thus TRAC's structure was reasonable. In practice, however, the implementation of TRAC as outlined above has mostly dropped the emphasis on trade towards raising farmer incomes. This focus is greatly limiting its potential impact in terms of contributing to TMEA's overall objectives.

90. Further, only measuring as results the milestones that are agreed upon with the grantees, and making payments dependent upon them, creates a system that disincentivizes the grantee from selecting ambitious targets and prevents the measurement of more than a couple of TRAC's impact and outcome indicators. In several cases, this has mean that only the income increase indicator is being tracked. **Measuring results beyond agreed-upon milestones would help to avoid this issue**.

91. 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.

92. TMEA noted that the FMT previously provided some tailored guidance to short-listed candidates during the proposal development process following PCN selection, but that this was dropped to avoid concerns of favouritism. However, it creates risk for the applicants when there is uncertainty about what TMEA and the FMT are expecting as final milestones.

93. **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.

94. **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 of 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 staff; and e) by TMEA's external evaluators. Ultimately it 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 failings 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 in the most effective way and according to good practices?

95. Based on a review of the performance of TRAC to date, it is clear that **there are many ways that implementation should be improved and aligned with good best practices**. In some cases, the design of TRAC was appropriate, but the implementation to date has not been.

Team structure

96. The structure of the TRAC team has been fairly appropriate. The second and current team leaders have had a background in agricultural development, which has informed their ability to engage technically with the TRAC grantees. However, the monitoring support provided by the Nathan Associates staff based in London has been inadequate. It has not been up to the level required to implement TRAC and contravened the guidance contained in MSA's publication on monitoring challenge funds, which had been published near the launch of TRAC in 2013.

Marketing and vetting (due diligence)

97. 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; 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.

98. However, the advertising process seems to have been substandard in several respects. First, the ads were very generic, with little specification of the type of application that would be desirable. This likely reflects a deliberate strategy by the FMT to not attempt to direct the type of applicants that were received[48], but as discussed in the recommendations this has likely limited the ultimate impact that TRAC will achieve by scattering the impact too broadly.

99. **More due diligence is needed during the vetting process.** Round 1 and 2 demonstrate that there has been **inadequate vetting in the selection process to ensure the project milestones and KPIs actually contribute to the TRAC project's overall results framework**, as well as to TMEA's results framework.

Grant management and monitoring achievement of deliverables

100. 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.

101. MSA found during the field work that **the quality of TRAC's management processes were lacking**. In many cases, the TRAC design was not carried through to implementation. As noted above, grantees were not required to submit quarterly reports for a period and were not being

[48] This argument was outlined in the TRAC Strategic Plan (p32): "if the funder knows what they are looking to fund and who to fund, there may be little to be gained from the use of a challenge fund. A simple process of selecting some applicants and ideas on the basis of the knowledge of the funder and inviting applications from others without formally running a challenge may well be an effective alternative."

regularly consulted to ensure that the projects were proceeding. Quarterly reporting is to date still only being done on outputs, and without a comparison of planned achievements vs. actual achievements. This provides a misleading picture of the trajectory of the TRAC fund, as achievement of outputs has little correlation with outcome and impact achievements given the structure of the milestones. Initial milestones in TRAC projects are structured around benchmarks in the project work plan, which does not speak to the likelihood of achieving the impact milestone[49] – typically the final project milestone.

102. MSA found during the field work that **TRAC 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. Promisingly, **TRAC has collected baseline and, where appropriate, impact data from nearly all of their grantees**. This has allowed the FMT to be able to report against its outcome and impact indicators. However, as presented above, the findings of MSA's DQA reveal that there are significant methodological challenges with the impact measurement approach, leading to non-representative results. This is likely the result of not having the right monitoring expertise and using measurement templates that were not suited for purpose. 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?*".

5. Lessons Learned and Recommendations

5.1 Strategic Lessons Learned

Relevance

103. Relative to other areas that TMEA funds, **funding for agricultural development is plentiful in East Africa**. Many international donors are funding agricultural projects and challenge funds in East Africa, including AECF, FTESA and many others. This makes it more challenging for TRAC to identify untapped needs for capital.

Impact

104. **A challenge fund that provides capital alone (as opposed to also providing technical assistance) is limited (albeit potentially quite useful) tool**. It cannot be expected to address the range of issues affecting trade and income in East Africa. It is designed to primarily address firms' lack of access to affordable capital and/or their unwillingness to use capital on risky innovative investments. Consequently challenge funds work well when that is the key problem that firms are facing. Challenge funds such as AECF demonstrate that there can be significant results achieved. However, when there are significant other issues constraining investment in innovation and the success of innovation investments (such as unpredictable government policy changes, lack of interest by external investors, etc.), challenge funds will be unable to

[49] Quarterly reporting on impact or outcomes does not require that direct measurements of them on a quarterly basis. It would not be cost effective to measure progress on impact through beneficiary surveys, for example, every quarter. Ongoing discussions with grantees and other stakeholders can provide contextual information or inform qualitative analysis to make a meaningful determination about the likelihood a project is progressing towards its proposed impacts.

overcome these challenges by themselves. Unless combined with other initiatives, such as TMEA's other work and those of other entities, TRAC's impact will be necessarily constrained and its attribution for changes reduced. This is one reason why development approaches like the market systems approach that use a range of tools (e.g., matching grants, technical assistance) have been widely adopted by donors to tackle complex challenges.

Effectiveness

105. **There is seemingly an inverse correlation between the size of the grantee and the strength of the TRAC fund's additionality**. Large grantees like Airtel can often deliver much larger changes than very small firms, yet often have substantial internal capacity that makes them less reliant on an external fund like TRAC for the initiative to proceed.

106. For TMEA to effectively manage challenge funds, **it is critical that sufficient expertise in challenge funds resides with TMEA** and not only with the FMT. This is important to keep the FMT on track and ensure that it is progressing appropriately.

107. **Challenge funds are better suited to supporting business innovation than policy change.** TRAC's original focus on policy proved ill-suited to the task of shaping policy in East Africa given the modest control that external actors have over policy change and the long timelines required to influence such results. Challenge funds are much better suited to encouraging private sector innovation.

Efficiency

108. **The structuring of a challenge fund management contract significantly shapes the incentives for the FMT**. An input-based contract does not create incentives within the FMT to ensure contracts finish on time. Similarly, **milestone-based reimbursement contracts with grantees slow down the pace of project implementation**, as firms are often slowed down by needing to raise funds to match the project funds. Two of the five sampled TRAC projects – OSOSEA and Go Finance – faced delays as a result of difficulties the grantees had financing milestones. The milestone-based reimbursement contracts reduce payments to the grantees (as payments are quickly stopped if the grantee is not proceeding) but increase them for the FMT (as grants tend to take longer to implement).

109. **Smaller grantees with more limited capacity are more likely to struggle with project implementation and less likely to be able to complete their grant on time**. That doesn't mean that they shouldn't be funded, but this should be reflected in project timelines.

110. There is an inverse relationship between the riskiness of the ventures that TRAC 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 FMT is actively ensuring that money is being quickly redeployed from non-viable projects to more viable ones**.

111. **Challenge funds have economies of scale**. As fund sizes increase, the costs of administration per dollar managed declines.

Sustainability

112. 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. **The Africado feedback suggests there is a strong risk that large companies may ultimately not continue to support smallholder farmer beneficiaries. This creates significant risk for TMEA** when it has funded private infrastructure that companies can reallocate to other purposes.

5.2 Programmatic Lessons Learned

Relevance

113. **Periodic revision of the causal theory underpinning the project can help to identify necessary adjustments**, given changes that occur in the context of implementation, shifts in perspectives based on experience of the FMT, and up-to-date knowledge and learning on the part of TMEA, the FMT, grantees, or other partners.

114. **Clarity is needed in the purpose and unique contribution of the challenge fund in order to vet potential projects**. When two overall objectives are present (increasing farmer incomes and exports), one will often be favoured and the other dropped.

115. **The vetting process has a substantial impact on how relevant grants are to a challenge fund's overall objective**. For example, a likely reason that TRAC has funded so few projects that increase exports and so many that increase farmer incomes is that the evaluation criteria used at the PCN stage consider numbers of proposed people that will be reached and the level of income increases, as well as positive sustainable impact on women workers.[50]

Impact

116. **Revenue is an inadequate measure of impact on beneficiaries**. Good practice is to measure changes in profit rather than revenue, because revenue does not account for beneficiary expenses (which may have risen even more than revenues, leaving the beneficiary worse off) and in general does not give a clear picture of meaningful impact.

117. **Any project should have impact indicators that capture the scale of results**. Stating an impact-level indicator of human impact in terms of percentage change rather than a concrete result (e.g., # of people reached, amount of income generated) creates less meaningless results that cannot be easily interpreted to understand progress. It also prevents aggregation, as a percentage target cannot be aggregated across projects.

118. **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 TRAC'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 risks significantly undercounting the impact of TRAC funding.

[50] TMEA. *TRAC Operating Policies and Procedures, 2012-2015*. Page 141.

119. **Using standardised monitoring templates (e.g., baseline survey templates) is inappropriate in a challenge fund given the diversity among grantees**. Instead, 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).

Efficiency

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**.

5.3 Recommendations to Improve Current Implementation

Advertising, Vetting and Selection

121. **Take a more targeted approach to soliciting funding**. TRAC's advertisements have been quite generic and provided little guidance to potential applicants, which missed the opportunity to benefit from TMEA's understanding of the key barriers to increasing trade in East Africa. The resulting portfolio has had little coherence and has overlapped with existing funds.

122. **Collaborate better to avoid overlap and improve outreach.** Given the number of other entities funding agricultural ventures in East Africa, it is important to carefully design the project to avoid overlap if TRAC is to be funded again in future (see the final recommendation for a comment on that). For example, develop an MOU with AECF to ensure coordination between the entities on the types of grants that are funded and avoid overlap. Further, reach out to agricultural projects to find ways that TRAC grants can create synergies with larger initiatives that align with TRAC objectives.

123. **Revamp the vetting criteria for assessing applicants at the PCN stage.** The criteria should include a rough return on investment analysis, looking at the estimated impact on exports and the scale and value of that impact as compared to the cost of the requested grant. Moreover, the PCN criteria should include a clear definition of what innovation is within the context. Include criteria at the PCN stage that favour projects that create synergies with existing TRAC projects. This does not mean that grants should only be awarded to projects that are synergistic with existing projects, which would greatly limit the reach of the portfolio. But opportunities for synergy, and therefore bolstered portfolio-level results, should have clear value within TRAC.

Improving Management

124. **Determine immediately what will happen when grants have not been completed by mid-2019, when the FMT's contractual extension runs out**. This is a certainty, and so should be planned for upfront to avoid disruption to grantees if the current FMT's contract will not be renewed. Consider revising the FMT contract type prior to then.

125. **Reposition the makeup of the FMT.** Ensure that as many staff as possible are Nairobi-based or East Africa-based. 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 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. The project manager should probably also be based full-time in Nairobi.

126. **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.

Improving Monitoring and Evaluation

127. **To address significant leaps in logic in the TRAC portfolio-level results chain, regularly test the theory of change through strategic reviews and revise it appropriately**. A more detailed and step-wise articulation than currently exists within the results chain is needed to establish a plausible causal argument of impact resulting from TRAC's investments. The logic should be tested by asking 'how' at each step moving down the results chain, and then asking "why" or "so what" at each step moving up. At each level going up the results chain, the logic can be tested by asking "what else" to verify that the necessary and sufficient results are articulated at each level to get to the next.[51] **Leaps in causal logic should be addressed at the grantee project level as well,** ensuring that results achieved can be plausibly attributed to TRAC's investments. As part of establishing sound logic, grantee incentives and interests should be reviewed critically and assessed in terms of their likelihood to make sustainable contributions to TRAC's objectives.

128. **Ensure that each TRAC results chain box is assigned indicators that are necessary and sufficient to achieving the stated result, and that have well-defined terminology and methods.** The indicators assigned to the results chain boxes frame, as well as constrain, the evidence available to TMEA and the FMT to make strategic design decisions and to guide project course correction. "Percent increase in yields for farmers signing up to TRAC-funded ICT services," for example, is not necessary information (or even relevant) to determine the export capabilities of TRAC grantees and should be removed as an indicator.

129. **Clearly define indicators to avoid ambiguity**. Criteria for *beneficiaries*, for example, should be articulated in detail, and *income* should be clearly defined in terms of how it should be measured so that data and project-level impact can be aggregated in a meaningful way at the portfolio level. Moreover, **indicators should be defined to be gender-disaggregated indicators at both the portfolio and project levels.** Finally, TMEA should decide if it wants to measure poverty or not. Given the difficult in measuring poverty levels, this should ideally be avoided if not required by TMEA's donors. Either way, this will need to be clarified in TRAC's current impact indicators for the end beneficiary level.

130. **Use leading indicators,** beyond lagging indicators, of output completion, around outcome achievement (or not), and delays in implementation.

131. **Better align TRAC projects with the portfolio-level results chains, both through revision of the results chain and rethinking some of the milestones that are set for grantees.** Alignment with

[51] USAID. *Technical Note: Logical Framework, Number 2, Version 1.0*. December 2012: http://bit.ly/2ptlI0M

the TRAC results chain should be a priority criterion in assessing grantee applications so that approved projects align in both their causal logic as well as their contribution of results.

132. Similarly, **the TRAC results chain should be reviewed against TMEA's overall Results Framework to ensure that its specific contributions are clear** in terms of both scope and scale, particularly at the impact level. An illustrative revised TRAC results chain has been included as Annex 9 to show how TRAC might better align – in terms of results boxes as well as indicators – with TMEA's corporate Results Framework.

133. **Project-level attribution strategies should be developed, and data collection and analysis methods should meet a higher standard of rigor,** particularly for impact milestone verification. The cost-benefit of investing in more robust M&E should be weighed on a case-by-case basis, but enough rigor should be applied to stand up to reasonable scrutiny.

134. **Revise TRAC quarterly and annual report templates to include progress on outcomes and impact, both at the individual grant and portfolio levels.** While rigorous measurement of outcome achievement on a quarterly basis would not be practical or cost effective, qualitative or anecdotal evidence could be utilized for meaningful assessment of whether each project, as well as the overall portfolio, is on a path to outcome achievement. This would prompt more regular reflection and opportunities to identify flaws in the assumptions, logic models, and partnerships underpinning TRAC's grants and overall objectives. It would also help to inform more timely course corrections, which would have the aggregate effect of improving TRAC's ultimate impact. Similarly, **the risk register in the quarterly and annual report templates should be more focused and relevant to the specific reporting period, including grant-specific assessment and reporting of risks.**

135. **Include a grant-level indicator that tracks the commercial viability of grant 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.

136. **Extend the period of monitoring beyond the implementation period of the grant** so that TRAC 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 funding.

137. **Bolster quality assurance of the TRAC 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.

5.4 Recommendations to Improve Future Design

138. **Consider discontinuing TRAC and not funding a follow-up phase**. Focus instead on areas where TMEA has more of a comparative advantage and where there is less competing funding to ensure that TMEA funds are maximizing their additionality. **If TMEA does want to continue funding TRAC, it is recommended that TRAC funding be reoriented towards increasing exports, and eliminate the focus on increasing farmer incomes**. This shift will help to reduce overlap with AECF and other East African agricultural projects. In reorienting TRAC, **ensure that**

relevant regional expertise, as well as challenge fund expertise, is brought to bear to ensure that the feasibility of TRAC to achieve its stated objectives is optimized.

Annex 1: Case Study - NUCAFE

Background

The TradeMark East Africa Research and Advocacy Challenge Fund (TRAC) aims to boost economic growth and regional trade in the East African Community (EAC) by providing grants to companies and organizations with innovative business models that have potential to increase trade and incomes. The National Union of Coffee Agribusiness and Farm Enterprises (NUCAFE) was awarded a TRAC grant in the challenge fund's first round in 2013 to implement its project: *Creating equitable sharing of treasures of coffee through value chain expansion to over 150 farmer associations and Cooperatives in Uganda*. NUCAFE is a Ugandan social enterprise with a membership of over 198 coffee associations and co-operatives, who themselves have over a million coffee farming members. with more than 150,000 farming families having over 600,000 farmers. NUCAFE established 16 new farmer-owned coffee value aggregation centres through their TRAC program in the coffee growing regions of Uganda, resulting in the creation of a reported 949 permanent, temporary, and casual labourer jobs. The collection centres and coffee processing facility upgrades, NUCAFE provides an opportunity for its members to collectively add value to their coffee, marketing it as social responsible and establishing traceability and consistent quality. TRAC's overall funding to NUCAFE for its project was US$340,884, matched with the grantee's contribution of US$482,953.

The issue

Coffee is Uganda's main cash crop, but the quality is often quite low and Ugandan farmers do not fetch strong prices for their crop. Many household-level coffee farmers only have the option of selling to various middle men, who then sell in bulk further up the value chain. Because farmers do not have access to buyers who will pay differentiated prices for higher grades of quality, there is no incentive to invest in producing a higher quality, more valuable crop. The average coffee farmer does not have access to moisture content testing equipment, and many struggle with the impact of drought, inadequate postharvest handling facilities, pest infestations, and theft of their coffee beans from their plants. Further, trust between farmers and the middle men who purchase their coffee is often quite low, with farmers suspicious of scales that have been tampered with and market information that they cannot trust. Joseph Nkandu, says, "I understood that coffee farmers, like my parents, were simply custodians of the coffee. There was no ownership."

The Response and Approach

Joseph Nkandu started NUCAFE in 1999, becoming registered in 2003. His original approach was to provide a processing service to farmers for a fee, thinking that they would then be able to sell their coffee on higher up in the value chain for added value. But buyers of processed coffee are generally inaccessible to rural coffee farmers, and in order to scale the operation NUCAFE began purchasing from coffee associations and cooperatives across Uganda, selling on roasted coffee under the NUCAFE brand. At the moment of sale NUCAFE does not make payment to the cooperative clients. Once the coffee is aggregated, processed, packaged and sold, the cooperatives are paid according to the quantity they sold to NUCAFE. Most cooperatives operate in the same way, buying from individual member farmers and paying them for their harvest once they themselves receive payment from NUCAFE. This means that both farmers and cooperatives are invested in the quality and value addition NUCAFE achieves. NUCAFE terms this the "farmer ownership model," believing that if farmers have a stake in the entire value chain, they will be incentivized to produce better quality coffee.

TRAC approached NUCAFE to support NUCAFE's model with grant funding, which ultimately went to the expansion of NUCAFE member collection centres and upgraded coffee processing equipment in Kampala. The equipment was part of larger facility upgrading efforts by NUCAFE with US$1 million of investment from other development donors, including Agribusiness Initiative Trust (ABI Trust) and the
Volunteer Association for International Service (AVSI). The upgraded membership and facilities has allowed for higher volumes of consistent quality to be sold internationally by NUCAFE, extending the benefits of value addition to its members.

Results and Challenges

Member cooperatives have increased their sales volumes to NUCAFE from a collective 200 MT to 1,238 MT over the course of the TRAC project, owing at least in part to the increased NUCAFE capacity TRAC funding has contributed to. TRAC has reported that 215 full-time jobs, 360 part-time jobs, and 374 casual labourer jobs have been created through NUCAFE member cooperatives and associations over the same time period. TRAC also reported an increase in revenues for member coffee farmers during the project.[52] NUCAFE's growth has levelled off recently, as they are now focused on improving quality and consistency through "backward integration" rather than increasing their scale. We don't necessarily expect to bring in a lot more farmers in the short term," says Joseph Nkandu. "It's more about deepening our engagement with the farmers we already partner with. Other investments need to be made before our operations will be well-placed to grow significantly – perhaps by 2026."

Farmers have reported that the transparency and consistency that NUCAFE cooperatives provide makes them a preferable buyer over local traders. They sometimes struggle, however, to meet quality standards, and the one to two-month wait to receive payment for their harvest as a challenge for many.

Opportunities and Risks

NUCAFE expects to invest in green growth bio-fertilizer and irrigation equipment which they will sell to farmers, in the hopes of enhancing consistent supply and quality. Because of the wide array and capacities of cooperatives and farmers' associations NUCAFE purchases from, there is a risk that they will establish a reputation for moderate quality blended (Robusta and Arabica) coffee. They plans to develop a training centre and install a solar energy system at the Kampala processing plant. NUCAFE brings farmers to the processing plant and so that they are able to see and understand other parts of the value chain, believing that this will encourage farmers to invest in quality. "When they understand the goal of selling added value coffee and get feedback, they know what to work towards," Joseph Nkandu says.

One of the bigger challenges for smallholder farmers to sell to NUCAFE member cooperatives is the leg time between offloading their harvests and getting paid for them. The risk to NUCAFE's vision is

[52] As already explained in the TRAC evaluation report, the evaluation team does not have confidence in the TRAC-collected data on farmer revenue increases, and the results reported are not specifically included here.

that after a few seasons of working with NUCAFE some farmers may conclude that the additional margin they get from the cooperative – versus a trader who can pay on the spot – is not worth it. If farmers continually turnover, it will be difficult for NUCAFE to consistently increase their quality over time. As a solution, NUCAFE has provided loans to cooperatives so that they are able to pay the farmers on the spot, but then pay back their loans once NUCAFE makes the sale. The interests rates for the loans, however, are 25%-30%, which is unsustainable for many farmer organizations. One cooperative in Masaka has addressed this through a large grant from United States African Development Foundation (USADF) and by selling shares to their members. The combined money was turned into a revolving fund that they use to purchase coffee from farmers at harvest, and when the payment finally comes from NUCAFE back to the cooperative, the pay out dividends to their member shareholders. This means that the cooperative can avoid paying interest on a loan, but it also means that a lot less of the added value they get from selling to NUCAFE does not make it to farmers who are unable to purchase shares. The cooperative recommends that NUCAFE look for a similar solution, whereby they are able to pay cooperatives at the point of sale through a revolving fund.

Beneficiary Profile

Coffee has been grown in Butale Village in Masaka since 1905, at a time when the British mandated it. "The British had a production quota back then, and if you didn't meet it you could be publicly caned" says Reverend Yosam Kalanzi, who has been growing coffee his whole life. "Ever since I can remember, my parents were growing coffee here." The Reverend explains that there have been several eras of the coffee market system that the area has gone through. "Farmers started to create cooperatives to sell to the British after World War II through to after independence. In the late 60s and the 70s there was a lot of political turmoil, and the cooperatives that existed were not functioning well. In the late 80s and 90s, Uganda went through economic liberalization, and since then most farmers have been selling to middle men, which is usually just a local person who buys in bulk and sells to a nearby shop, who sells to another trader, and the chain continues to Kampala." Selling to middle men has meant that farmers cannot be certain that they will get a fair price at the end of the growing season. They are far removed from market information and often feel they cannot trust the middle men they sell to. "I think they tamper with their scales."

"Now there are two scenarios in this village," the Reverend explains. "One is farmers that belong to the local farmers' group and sell into the Masaka cooperative. The other is farmers that generally sell to middle men. There are only 30 group members in this village of about 100 households growing coffee – so 70 households still rely on middlemen. The group members even sell to middlemen at times, especially if the cooperative is unable to pay at harvest. Lately, though, the cooperative is able to pay on time, so most of us sell to them." The Reverend explains that when there is a poor quality harvest due to drought or pests, they are often forced to sell to middlemen at very low prices, since the cooperative will not accept the coffee.

"The cooperative pricing is more stable than what middlemen offer. They also do sorting and grading and moisture testing, so we're able to get better prices for the portion of our coffee that meets a higher quality standard. They also give us back the coffee husks once the berries are processed, which we use for mulching. The cooperative also sells inputs and tarps (used for drying) at reduced prices, and sometimes offer extension services for free."

The Reverend explains that coffee is by far the biggest source of income for people in Butale – as much as 70% to 95% of overall income. "If you don't have coffee, you are poor," he says. "It's also a status thing to have coffee." He explains, though, that most farmers do not keep track of their costs during the season, and that they only really know the revenue that they get at the end of the season. He said that he took some classes in bookkeeping recently, and tried keeping track over a season. He has 2.5 acres, and he spent about UGS 1 million that season for inputs and labor. At the end, he got UGS 8 million in sales, which is a significant return.

Annex 2: 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 targets	• 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?

The evaluation terms of reference (TOR), issued by TMEA, sets out a proposed set of evaluation questions, which are by and large captured through the evaluation questions put forward by MSA. Below, however, are questions that are included in the TOR that do not appear in MSA's evaluation methodology as proposed, along with MSA's rationale for each:

- Under *effectiveness* – "To what extent are the outputs (funded projects) likely to contribute to the stated higher objectives of TMEA?"
  - The related information and analysis is captured in the *relevance* evaluation questions, which assess alignment of funded projects with TMEA and partner strategies and priorities.
- Under *effectiveness* – "If gender 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?"
  - The gender-differentiated results, as well as attribution of those results to the challenge fund, are assessed through the questions in the *impact* category.
- Under *impact* – What lessons can we learn from the projects about failures and successes at the outcome and impact level?
  - Lessons on failures and successes are implied and will be captured by all of the evaluation questions included in the *impact* category.
- Under *efficiency* – How efficiently are the Challenge Funds implemented by the Fund manager as set in the project documents?
  - Although this question is not included as an evaluation question in this more generic form, the information will be captured through the included evaluation questions in the *efficiency* category.
- Under *efficiency* – 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?
  - This will be will be captured and assessed through included questions about resource and time efficiency, which are the key characteristics in considering whether fund management could have, or should have, been done differently.

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 3: 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.*

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Annex 5: List of Meetings and Interviews Held

Date	Person	Title	Institution	Project	Respondent Type
3/4/2017	James Parsons	Africado Managing Director	Africado	Africado	Grantee
3/4/2017	Pack house employees	Employees	Africado	Africado	12 beneficiaries
3/4/2017	Previously surveyed Africado farmers	Farmers	Africado	Africado	21 beneficiaries
4/4/2017	Africado farmers	Farmers	Africado	Africado	12 beneficiaries
5/4/2017	Odaana Alimwike	Co-founder	Go Finance	Go Finance	Grantee
5/4/2017	MSME owners (2)	MSME	Go Finance	Go Finance	2 beneficiaries
6/4/2017	Organic farmers in Moshi	Farmer	N/A	OSOSEA	10 beneficiaries
6/4/2017	Michael Farrelly	TOAM Programme Manager	Tanzania Organic Agriculture Movement (TOAM)	OSOSEA	Grantee
6/4/2017	Stephen Boustred	TOAM Project Officer	TOAM	OSOSEA	Grantee
6/4/2017	Geoffrey Ndosi	Co-founder	Go Finance	Go Finance	Grantee
6/4/2017	Elizabeth Mwangi	Acting Results Director	TMEA	TMEA	Evaluation client
6/4/2017	Budd Samarasinghe	Project Director	Nathan	MICF	FMT
10/4/2017	Abhishek Sharma	Director Trade and Logistics	TMEA	TMEA	Evaluation client
10/4/2017	Allan Ngugi	Programme Manager Business Competitiveness	TMEA	TMEA	Evaluation client
10/4/2017	Juan Estrada	East Africa Trade and Investment Hub	East African Trade and Investment Hub	N/A	Key informant
10/4/2017	Makena Mwiti	Gender Advisor	TMEA	TMEA	Evaluation client
10/4/2017	Nelson Karanja	Communications Manager	TMEA	TMEA	Evaluation client
11/4/2017	Michael Clements	Challenge Fund Team Leader	Nathan Associates	TRAC/ LIFT	FMT
11/4/2017	Max Schulz	Challenge Fund Program Manager	Nathan Associates	TRAC/ LIFT	FMT
11/4/2017	Nyambura Kimani	Challenge Fund Project Officer	Nathan Associates	TRAC/ LIFT	FMT
11/4/2017	Angela Njeri	Challenge Fund Project Officer	Nathan Associates	TRAC/ LIFT	FMT
11/4/2017	Linda Onzere	Challenge Fund Project Officer	Nathan Associates	TRAC/ LIFT	FMT
11/4/2017	Esther	Challenge Fund Project Officer	Nathan Associates	TRAC/ LIFT	FMT
12/4/2017	Hugh Scott	Director	AECF	N/A	Key informant
12/4/2017	Isaac Tallam	Challenge Fund Stakeholder	Food Trade East and Southern Africa Challenge Fund	N/A	Key informant
12/4/2017	Diana Mugumira Ngaira	Challenge Fund Stakeholder	Food Trade East and Southern Africa Challenge Fund	N/A	Key informant
12/4/2017	Austin Odhiambo	Challenge Fund Stakeholder	Food Trade East and Southern Africa Challenge Fund	N/A	Key informant
13/4/2017	George Muga	Operations Manager	Airtel	Airtel	Grantee
13/4/2017	Joep Verheij	Head	Airtel	Airtel	Grantee
13/4/2017	Maarten Susan	East Africa Regional Manager	FACTS	Go Finance	Grantee partner
13/4/2017	Eustace Gacanja	Programme Manager	KOAN	OSOSEA	Grantee
13/4/2017	Annette Mutaawe	Deputy CEO,	TMEA	TMEA	Evaluation Client

		Strategic Results and Communication			
13/4/2017	Frank Matsaert	Principal CEO	TMEA	TMEA	Evaluation Client
18/4/2017	Previously surveyed NUCAFE Farmers	Farmers	NUCAFE	NUCAFE	18 beneficiaries
19/4/2017	Allen Najjuma	NOGAMU	NOGAMU	OSOSEA	Grantee
19/4/2017	NUCAFE Farmers	Farmers	NUCAFE	NUCAFE	8 Beneficiaries
19/4/2017	NUCAFE collection centre employees	Employees	NUCAFE	NUCAFE	7 beneficiaries
19/4/2017	Matthew Stern	Evaluation Committee Chair	TMEA	TMEA	Evaluation Stakeholder
20/4/2017	Joseph Nkandu	Executive Director	NUCAFE	NUCAFE	Grantee
10/5/2017	David McGuinty	Challenge Fund Stakeholder	HDIF	N/A	Key informant

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

Annex 6: Profile of Selected Projects

Africado: In December 2012, Africado and their partner Westfalia were awarded a grant by TRAC to construct a state-of-the-art packaging, cold chain and export facility for avocadoes grown in the Kilimanjaro area to be exported to the European Union (EU) and the Middle East via Mombasa Port. The Africado project has contributed to the creation of over 130 permanent and 120 seasonal jobs at the Africado pack house, 50% of which are filled by women. It has also resulted in 2,290 farmers being trained in how to plant and maintain avocado crops and made aware of harvesting and crop production techniques to meet rigorous export standards. Some 29,000 avocado trees were distributed to over 1,000 farmers, and 1,950 farmers have been Global G.A.P. certified. Funding from TRAC: US$350,000. Grantee contribution: US$1,329,627. Total project budget: US$1,679,627.

Nucafe: Since 2013, the National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE) – along with other consortium members that include the Agribusiness Initiative Trust (ABI Trust) National Agricultural Advisory Services (NAADS), and Consortium for Enhancing University Responsiveness to Agribusiness Development (CURADS) – has assisted over 20,000 farmers through their farmer associations participating in the higher nodes of the value chain for increased household incomes. NUCAFE established 16 new farmer-owned coffee aggregation centres across Uganda, resulting in the creation of 949 permanent, temporary, and casual labourer jobs. Funding from TRAC: US$340,884. Grantee contribution: US$482,953. Total project budget: US$823,837.

Airtel: Since 2014, Airtel has been developing Airtel Money Africa. The application provides a secure and efficient operational platform for mobile money transfers, with KCB Bank providing a secure and efficient core banking platform, to facilitate the exchange and settlement of transactions in real time. The project aims to have 6,000 unique Airtel Money users and to increase cross-border money transfer by at least USD $1 million. Funding from TRAC: US$534,000. Grantee contribution: US$730,000. Total project budget: US$1,264,000.

Go Finance: In September 2014, Go Finance was awarded a TRAC grant to bring together the necessary investment and debt capital to enable credit assessment decisions to be made for micro, small, and medium enterprises (MSMEs) through the use of digital point-of-sale transaction data. The project aims to see 100 MSMEs access working capital and 100 MSMEs acquire business risk insurance by utilizing captured POS data. The project ultimately expects at least 3,000 MSMEs within at least three value chain to have their loans assessed through a Go Finance credit assessment instrument. Funding from TRAC: US$349,200. Grantee contribution: US$340,753. Total project budget: US$689,953.

One Stop Shop East Africa (OSOSEA): In September 2014, the Tanzanian Organic Agriculture Movement (TOAM) – in partnership with the Kenya Organic Agriculture Network (KOAN) and National Organic Agricultural Movement of Uganda (NOGAMU) – was awarded a TRAC grant to create an information and communication infrastructure for stakeholders in the organic agriculture sector in East Africa. This has been addressed by undertaking research and developing advocacy materials to influence national and local-level policy in Tanzania, Kenya, and Uganda. By strengthening advisory and support services and promoting market growth, the project intends to substantially increase market share of East African organic products at the local, national, regional and international levels. The project aims to increase the incomes of at least 4,500 smallholder farmers by 30% and see over 500 metric tons of their organic products sold in regional markets. Funding from TRAC: US$291,298. Grantee contribution: US$156,853. Total project budget: US$448,151.

Annex 7: Overview of Comparison Challenge Funds

Name of Fund	Dates	Fund Manager(s)	Sector Focus	Geography	Grantees	Grant Timeframe; Windows	Size of Fund
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 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 2.

Documents reviewed

A full list of documents reviewed as part of the evaluation analysis is included as Annex 4: 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.[53] 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-depth Assessment	Rationale for Criteria

[53] 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.

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: • <u>Representativeness of the various project types</u>. 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 <u>given that there were no clear differences between the projects in terms of types</u>. 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

<u>TRAC Challenge Fund</u>

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[54]	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 solutions

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

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 5.

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.

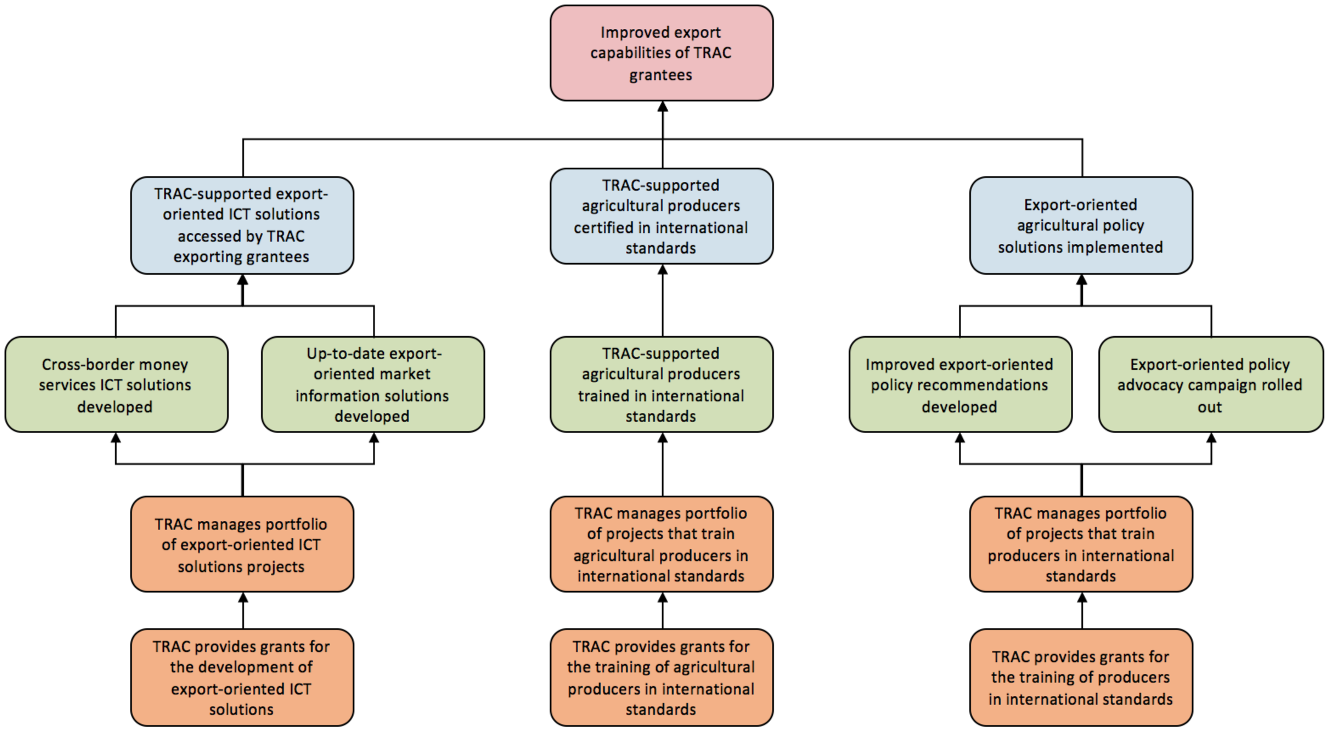
- The second purpose of interviewing end beneficiaries is to include their perspective on various aspects of the evaluation questions – i.e. sustainability, relevance, etc. For this purpose, an in-depth interview approach is most relevant, and focus group discussions (FGDs) were used to collect this 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 <u>not</u> 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 TRAC evaluation was 122. 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: Illustrative TRAC Results Chain for TMEA Alignment

The following results chain was drafted as an example of how TRAC might better align with TMEA's overall Results Framework. Indicators from TMEA's Results Framework are included alongside the results chain that could potentially become TRAC indicators in a monitoring plan for this version of a TRAC results chain. This evaluation does not assess the logic of TMEA's corporate Results Framework or the strength or appropriateness of the indicators within it. Instead, this exercise aims to demonstrate how TRAC could be designed to more optimally contribute to TMEA corporate targets. A thorough consultative process would be necessary if the TRAC results chain were to be formally revised to ensure that stakeholder expectations and priorities are optimised in a future iteration.

Illustrative TRAC Results Chain – revised for stronger TMEA Results Framework alignment



TMEA Corporate indicators with potential to include in the TRAC monitoring plan

<u>Long-term outcome box</u>

- Increase in export revenue on TMEA supported interventions
- # of new TMEA supported SMEs exporting

<u>Short-term outcome boxes</u>

- # of small traders crossing the border
- # of entities (companies, farmer groups) accessing new markets
- % reduction in total number of metric tonnes of export cargo rejected at select borders and warehouse facilities
- # of new/ improved policies adopted
- # of traders knowledgeable of the key trade processes across the EAC

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: 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."[55] 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."[56] 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

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

[56] Irwin and Porteous (2005)

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

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[57] 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[58], 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?[59]

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[57] 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.

[58] 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

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

- 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 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

Date	Deliverables
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 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

DOCUMENT	DETAILS
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: **Window 1: Business innovation that will increase trade –** 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. **Window 2: Catalysing innovation in services that enable cross-border trade –** 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[60]	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) [61]
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	✖

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

61 "✓✓" 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[60]	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) [61]
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[60]	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) [61]
								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[60]	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) [61]
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	✗