Final Report

Argidius Foundation

Evaluation of GrowthAfrica's support to ventures in East Africa

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Results in development

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Disclaimer

The views expressed in this report are those of the evaluators. They do not represent those of the **Argidius Foundation, GrowthAfrica,** or of any of the individuals and organisations referred to in the report.

Contents

List of acronyms

AF	Argidius Foundation
AP	Accelerator Programme
AWS	Accessorise With Style
BDS	Business Development Services
DAC	Development Assistance Committee
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EQ	Evaluation Question
ESE	Early Stage Enterprise
ERP	Enterprise Resource Planning
ET	Evaluation Team
GA	GrowthAfrica
GALI	Global Accelerator Learning Initiative
GIIN	Global Impact Investing Network
HR	Human Resources
ICT	Information and Communications Technology
IG	Interview Guide
IR	Inception Report
KPI	Key Performance Indicator
LF	Logical Framework/Logframe
M&E	Monitoring and Evaluation
MEL	Monitoring, Evaluation and Learning
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Cooperation and Development
RAG	Red, Amber, Green
ROTI	Return On Total Investment
SGB	Small Growing Business (also ESE)
SGE	Small Growth Enterprise (also ESE)
SME	Small and Medium Sized Enterprise
ToC	Theory of Change
ToR	Terms of Reference
USAID	United States Agency for International Development

Executive summary

This evaluation of GrowthAfrica's accelerator programme was commissioned by GrowthAfrica and Argidius Foundation, a GrowthAfrica funder, in early 2017 to assess:

- The relevance, efficiency and effectiveness of GrowthAfrica's business development services to small and growing enterprises over a two-year period between 1 January 2016 and 31 December 2017;
- GrowthAfrica's contribution to outcomes (revenue growth/job creation/investment raised of enterprises); short- and medium-term results; and
- To understand the factors that have positively and negatively influenced results.

During 2016 and 2017, GrowthAfrica provided support to 63 enterprises, exceeding their target of supporting 40 businesses. Enterprises are yet to complete the 36-month long accelerator programme. By the end of 2017, the first cohort had received 21 months of support. Enterprises interviewed reported GrowthAfrica has contributed to short-term outcomes, such as improving business and leadership skills, development of clearer value propositions, and reducing costs. At the end of 2017, enterprises exceeded the overall revenue milestone by 33%; seven enterprises doubled their number of jobs and income opportunities; and nearly a third raised investment exceeding the investment target by 20%. Over half of the enterprises who responded to the survey noted a contribution by GrowthAfrica to these longer-term outcomes.

This executive summary highlights findings to selected evaluation questions.

What is the nature and scope of enterprises selected by GrowthAfrica for support, and how does GrowthAfrica select enterprises?

GrowthAfrica describes its 'ideal enterprise' as one that has two to three years of operations in a fast and growing industry with consistent growth in revenue, between US$100,000–US$500,000 in the year preceding entrance to the programme. The founders (around two or three) are in their mid-30s to early 40s, with some life experience – with at least a bachelor's degree, some international exposure through travelling, living and working or studying abroad, and are open and willing to learn.

In practice, GrowthAfrica selects a broader array of enterprises which it says reflect the state of market. It uses a smaller set of enterprise eligibility criteria that are applied flexibly and adapted for countries and sectors. These are: for-profit; post-revenue (ideally a minimum of US$50,000 in the previous year); have operated for at least a year; and at least one founder can attend 80% of all workshops held in the first six months of the programme. GrowthAfrica does not sector preference but excludes enterprises that may 'do harm', such as those in the mining sector. Criteria relating to the strength of the business idea or model are not clearly articulated by GrowthAfrica staff[1], except that some types of businesses are ineligible because GrowthAfrica did not believe they were scalable. These businesses included: 1) consulting models that rely on tenders and are project-based and 2) primary agricultural production.

Nearly all selected enterprises met the for-profit criteria and the number of operational years. While 45% reported US$50,000 or greater revenue, the overall average revenue was US$287,651 and the median US$43,500. For the 50% of enterprises that did not meet the US$50,000 threshold, the average revenue in the preceding year was US$13,416, highlighting the gap to the ideal level of baseline revenue.

GrowthAfrica identifies and selects enterprises using a three-step selection process that consists of outreach and recruitment, selection and contracting. The process commences with a call for application, social media advertising, and canvasing networks and alumni for referrals. GrowthAfrica screens and

[1] Documented selection criteria and assessment records were requested but not provided.

short-lists the top 50 enterprises, which it then interviews and further short-lists 20–25 before completing a veri-diligence process. An external selection committee interview to select between 15–20 enterprises which GrowthAfrica offer places to. Usually between 10–12 enterprises are contracted[2].

What are the key bottlenecks and growth opportunities facing enterprises that are selected, and how do these vary by enterprise and other types of characteristics (e.g. local economy)?

The enterprises that were interviewed referred most frequently to the following types of internal challenges: uncertainty over the business model or focus of the business; understanding customers; competitive pricing models; cash flow; and staffing. GrowthAfrica also broadly saw these types of issues as representing enterprises' most immediate needs. Around 60% of enterprises (GALI survey respondents – selected enterprises) expected to secure direct venture funding (e.g. grants or investments), or access and connections to potential investors and funders – and viewed this as an important benefit of participating in accelerator programmes. This suggests enterprises may have considered access to funds to be the most immediate solution to address their challenges, and possibly under-recognising the importance of other services, i.e. oriented towards support to their organisational development.

Some enterprises interviewed highlighted internal and external contextual factors contributing to their business development. Factors impacting on enterprises were largely specific to their business model and sector, and as such there were few common factors. Examples included:

External Factors:

Political: All enterprises interviewed were based in Nairobi and the 2017 Kenya political situation affected businesses whose sole or primary market was Kenya (exports were nil or low, or did not work in other countries). Enterprises with customers outside of Kenya were reportedly less affected. One enterprise joined the programme because of the downturn in the resource sector in East Africa. After joining, increased conflict and insecurity in the region, new industries (such as renewable energy) and development (new road construction) increased demand for their services.

Competition: Two enterprises provided examples of where competition had negatively affected or was expected to affect business**.** In one case, another business had set up across the road, offering lower prices. In the other situation, a global corporate's business practices were a possible constraint on growth opportunities.

Internal Factors:

Entrepreneurs' attitudes: Entrepreneurs and GrowthAfrica staff also noted that the entrepreneurs' attitudes affected business growth and opportunities, both positively and negatively. For instance, the level of GrowthAfrica's service provision was influenced by entrepreneurs' proactiveness in following up with GrowthAfrica. GrowthAfrica described one entrepreneur as 'fixed' in what he wanted to do, which then constrained growth opportunities.

Assets: One enterprise has specific assets (local compliance certificates and local staff) that made it attractive to organisations looking for a local service provider or partner, and allowed them to access new opportunities.

What is the nature, scope, and costs of the support provided by GrowthAfrica to these enterprises and how aligned are these with the bottlenecks and opportunities?

The accelerator programme consists of a six-month phase of workshops delivered to cohorts, followed by 30 months of individual support to enterprises. By the end of 2017, 63 enterprises had commenced the 36-month long accelerator programme, more than the end of 2017 milestone of 40 enterprises. By the end of 2017, the first cohort had received 21 months of support. [3] .

[2] Cohorts consisted of between 8 – 16 enterprises. On average a cohort consisted of 12.5 enterprises.

[3] GrowthAfrica did not record and track which services were delivered to specific enterprises when or how much; or which staff within the enterprises received the services. GrowthAfrica did not record the design and delivery cost of different components of its services.

GrowthAfrica delivered the workshops during the first six months of each cohort. Generally, enterprises were positive about the workshops, which helped them achieve short term outcomes (see next question). Network development, business development skills and leadership skill components were rated the most useful. Positive feedback provided by enterprises interviewed included: 1) the calibre of the GrowthAfrica delivery team, challenging enterprises to improve their businesses; 2) useful introductions to potential partners; 3) GrowthAfrica staff became a key resource for strategic advice; 4) GrowthAfrica did the 'heavy-lifting' to develop a financial model. Some enterprises' participation in the workshop was inconsistent. Some enterprises felt competencies among cohort members varied widely which made it challenging for all members to derive the same depth benefit at the same time. Based on interviews with GrowthAfrica staff and enterprises and enterprise survey responses, few mentor-mentee matches were operationalised during 2016-2017. GrowthAfrica also used 'sages' or 'experts' to provide one-off short inputs to enterprises, either via one-on-one interactions or in a workshop or seminar forum. Three quarters of enterprises (survey respondents) would have liked more support during the first six months.

GrowthAfrica has delivered some post-workshop support to enterprises. Some enterprises appear to have received more support than others. GrowthAfrica has introduced some enterprises to investors. The focus of most introductions concerned educating enterprises about investors' needs rather than with the aim of directly facilitating investment. Factors affecting the level of support provided to enterprises included the proactiveness of founders in seeking support from GrowthAfrica; the receptiveness and availability of enterprises to receive support; and Growth Catalysts' time (which decreased as new cohorts were mobilised). The limited availability of Growth Catalysts' time was the factor most highlighted by GrowthAfrica staff.

Participating in the accelerator programme appears to have met some of enterprises' needs, particularly in relation to business and leadership skills. Most enterprises expected more support, particularly in relation to: directly delivered investment facilitation services, specifically including access and connections to potential investors/funders; securing direct venture funding (e.g. grants or investments); and also network development (e.g. with potential partners and customers).

Overall, GrowthAfrica noted its expenditure against budget is on track, and since it has delivered to more enterprises than planned, the cost per enterprise is lower – from the planned US$44,000 to an actual of US$15,000–US$20,000.

Do the services provided by GrowthAfrica create value for the enterprises? What evidence, quantitative and qualitative, can GrowthAfrica and the enterprises point to which support the notion that GrowthAfrica services make a difference to key performance indicators?

Enterprises reported GrowthAfrica has contributed to some outcomes, particularly short-term outcomes related to the capacity of entrepreneurs, such as business and leadership skills, and specific areas of business operations relating to a clearer direction and value proposition, improved pricing, marketing and branding, and reducing costs. More than 75% of enterprise survey respondents felt that participating in the programme contributed to improving their business and leadership skills. Five of eight enterprises interviewed mentioned their increased and/or clearer focus in their direction, vision and value proposition. Enterprises also reported the improved focus had follow-on effects. Examples provided by individual enterprises included: helping them to refine their business model, to better analyse the market, benchmark competitors, as well as increase their confidence in saying 'no' to potential funders who have a different agenda. Enterprises interviewed provided several examples of how they had reduced costs such as changing to bulk buying packaging, moving to nearer suppliers to reduce transport costs, moving away from more expensive contract manufacturing, sourcing a cheaper manufacturer, reducing the number of employees, and decreasing the sales cycle time.

Respondents felt GrowthAfrica contributed least to improving distribution, sourcing, packaging, tax and regulatory compliance and office/work space; and to increasing investment and access to investors or funders.

GrowthAfrica reported the following longer-term outcomes: Enterprises earned US$6 million between 2016–17, exceeding the milestone of US$4.5 million; and seven enterprises doubled their number of jobs and income opportunities; while 19 enterprises raised investment in 2017 to the value of US$1,962,041 (exceeding the target by 20%). About 60% of enterprises responding to the survey felt that the programme had made at least 'a little'[4] contribution to increased revenue and job creation, and nearly half have felt there was at least 'a little' contribution to the increased investment reported. Other respondents, either did not feel there was a contribution, or it was too early to tell.

The ability to assess GrowthAfrica's contribution to longer-term outcomes was constrained by incomplete and poor quality data.

What is the willingness of enterprises to pay for these types of services in the future?

Enterprises are not very willing to pay for business development services. Factors affecting their willingness include: affordability; the availability and perceived quality and value of alternative business development services; and the quality and timeliness of services they have received from GrowthAfrica. Enterprises' lack of understanding of hybrid organisations (with a for-profit and non-for profit arm) was another factor raised by some interviewees. Enterprises may find it difficult to understand why they should pay for services when GrowthAfrica Foundation receives grant funding to provide services upfront for 'free' but then require deferred payment via revenue shares and an equity stake. Three enterprises provided a dollar value of what they would be willing to pay for the workshop phase of the programme, all of which were less than the estimated cost to GrowthAfrica for delivery of services.

Recommendations to GrowthAfrica

1. **Targeting of enterprises** – It is recommended that GrowthAfrica review the alignment between its value proposition and its targeting of enterprises. As part of this review, the value proposition needs to be more clearly articulated to help identify the type of entrepreneur and enterprise the programme content structure and content is targeted at. It is also recommended that GrowthAfrica and enterprises agree on the process and outcome targets for the period of GrowthAfrica's support, and jointly monitor and assess performance against these. The targets should not be fixed but are intended to bring a clearer focus and purpose to the support of enterprises.

2. **Type, intensity of services and cost of services** – It is difficult to make recommendations at this point on what type and intensity of services GrowthAfrica should deliver. It is recommended that GrowthAfrica develops and operationalises its systems to capture information on the services delivered to each enterprise – the type, depth and length of service provision; and uses this information to estimate costs so some level of value-for-money assessment can be undertaken in the future. It is also recommended that GrowthAfrica revisits its capacity to deliver the range of services that it has said it will deliver to enterprises, and the intensity of the services, and actual staff requirements to deliver. Where service offerings change, GrowthAfrica should update contracts with enterprises.

3. **Scalable elements of GrowthAfrica's model** – It is recommended GrowthAfrica continues to assess and review the revenue sharing agreements as part of ongoing performance improvement measures to test if GrowthAfrica's business model is scalable. Without an effective revenue sharing aspect and GrowthAfrica's ability to implement it, it seems the accelerator programme, or parts of it, are replicable (such as workshops – but only as long as other implementation challenges are addressed) but not scalable.

Recommendations to the sector

[4] Survey respondents were asked to rate GrowthAfrica's contribution. Rating options were: a lot, some, a little, none, too early to tell.

There has been substantial growth in support to entrepreneurs in East Africa in recent years and enterprises have a range of business development service providers to choose from, most of which they do not have to pay for. It is recommended that further research is conducted to see whether this support is leading to improved enterprise outcomes for more enterprises, and if the proportion of investable enterprises is increasing. There is also a need to further improve sector understanding of the quality and relevance of free versus paid services, and which payment models are most likely to result to enterprises paying for services.

Increased income, job creation and investment raised are often tracked as indicators of success for small and growing enterprises. However, these indicators are often insufficient to determine the health and growth of a small and growing business, and provide little insights into the performance of a portfolio of enterprises in the short and medium-term. To gain a better understanding of enterprise and portfolio performance it is recommended that accelerator programmes develop and implement a more holistic approach to understanding enterprise performance. A holistic approach may include a judicious use of quantitative process and performance indicators, combined with qualitative information focused on short-term, medium-term and longer-term outcomes, supported by a learning approach which comprises of frequent feedback loops.

1 Introduction

This report is the output of an evaluation of GrowthAfrica Foundation's (GrowthAfrica) business development 'acceleration' services to early stage enterprises in East Africa during 2016 and 2017. The evaluation has been conducted by Itad for the Argidius Foundation (Argidius) and GrowthAfrica.

The **main purpose of the evaluation** is to assess:

- The **relevance, efficiency and effectiveness of GrowthAfrica's acceleration services** to early stage entrepreneurs over a two-year period between January 2016 and 31 December 2017.
- GrowthAfrica's **contribution to outcomes** (revenue growth/job creation/investment raised of businesses); short and medium-term results; and
- To **understand the factors that have positively and negatively influenced results**.

The evaluation also provides **a set of recommendations** to enhance GrowthAfrica's services, as well as its monitoring and evaluation system. The findings aim to contribute to the sector-wide evidence base on accelerator initiatives, including to the Global Accelerator Learning Initiative (GALI), and provide an input into wider external learning on the entire Argidius portfolio. While learning is a key aim, the evaluation also serves a secondary purpose of accountability by reviewing results reported by GrowthAfrica and its participating enterprises.

1.1 Background to the evaluation

1.1.1 GrowthAfrica and its acceleration programme

Formed in 2002, **GrowthAfrica Foundation seeks to accelerate economic growth and social transformation by providing early-stage enterprises with business acceleration services, strategic advice and access to investments.** This includes providing enterprises with tools, skills, and access to individuals and organisations to help them remove obstacles for growth and achieve moderate-to-significant scale over a 36 month period. The support is delivered in two phases – a six month intensive cohort-based workshop[5] delivery phase, followed by a 30 month period of ongoing tailored support.[6] GrowthAfrica believed that out of a cohort of 10-14 enterprises, six to eight would progress into the later stages.[7] In addition to the investment, 16 businesses (20%) were expected to achieve 'moderate to significant scale'.[8]

The cohort model is based on a belief that additional value is delivered through the formation of a group identity, building a common language and shared understanding of entrepreneurship and business operations. The approach also aims to provide additional resources to the entrepreneurs, with peer-support acting as a key value-add. The first enterprises commenced in early 2016 and at the end of 2017, 63 enterprises have completed the six-month phase, but none have completed the entire programme.

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[5] Workshop content is: Business diagnostics and value proposition; Customers and competitors; Product innovation; Value chain: Supply chain and production; Distribution, sales and customer care; Building the foundation for scale; Investor communication and keeping the trajectory (what's next?).

[6] This is based on the Mid-2017 progress report description of changes to the programme. Other GrowthAfrica documentation and contracts with enterprises describe a 36-month cohort-based accelerator programme.

[7] GA Powerpoint *Brief programme content overview to ITAD*

[8] GrowthAfrica_GA_R5035 (ID 75210)

	Limited scale	**Moderate scale**	**Significant scale**
Annual revenue	Min. US$250,000	Min. US$1 million	Min. US$5 million
Employees*	25+	100+	500+
Geography	Few locations, no subsidiaries outside country of origin	Cover the majority of a country and/or all major cities in a region	Well established in min. 3 countries and representation in min. 5 countries
Investment/external finance (completed)	None/limited	Seed round/Pre-Series A (min. US$500,000)	Series A/Series B (min. US$1 million)
Governance (effected)	Advisory board	Semi-professional board	Fully professional board
Business processes (maturity)	Partly mapped/Undocumented	Fully mapped/Partly documented	Fully mapped/Comprehensively documented

GrowthAfrica and Argidius entered into a three-year partnership (January 2016 – December 2018) to support GrowthAfrica in its mission to build the capacity of early-stage enterprises[9] (ESE) in East Africa and accelerate their rate of success. Argidius contributed a portion of the total program budget of US$3.565 million.

1.1.2 Argidius Foundation's support to business development services

Argidius Foundation is a Swiss-based charitable foundation established in 1956, which is part of Porticus, the international organisation that advises the charitable entities established by the Brenninkmeijer family. Since adopting its current strategy in 2013, **Argidius' main goal has been to promote the growth of small and medium sized enterprises (SMEs) to improve the lives of the poor through increased income generation**.[10] It provides grants to organisations working in developing countries, where the SME sector is relatively under-served, resulting in what is known as the 'missing middle'. As of September 2017, Argidius had a portfolio of 58 ongoing grants to several organisations – i.e. BDS providers, NGOs, accelerators/incubators, and financing providers – across several regions. In 2016, Argidius' management team identified the need to better understand the results achieved by its partners and their programmes. Argidius, with Itad support, developed a Theory of Change (ToC) to identify expected outcomes and causal pathways between Argidius interventions and its ultimate goal. Subsequently, Argidius has commissioned evaluations of selected programmes under its portfolio to test the ToC as well as to assess their progress and results to date. This evaluation is the second evaluation conducted by Itad for Argidius and this report follows the approach outlined in a detailed Inception Report submitted in February 2018.

1.2 Structure of this report

The report consists of two documents: a main report (this document) and a separate document of annexes that provide supplementary information to the main report.

Section 2 summarises the evaluation approach and data collection and analysis methodology. This information is supplemented by a more detailed explanation in **Annex 2,** including the deep dive sampling.

Section 3 describes the scope of the evaluation – enterprises supported by GrowthAfrica through its accelerator programme during 2016 and 2017; the ToC-based approach to the evaluation; along with the methodology for conducting the evaluation in line with this approach.

The following three Sections are structured according to the three Key Evaluation Questions (KEQs) – (see Section 2 for explanation of the evaluation approach and methodology).

Section 4 presents the findings for KEQ1 which focuses on describing the key operational model and processes (including distinct elements such as revenue sharing agreements with enterprises), and services actually delivered to enterprises. These include GrowthAfrica's identification and selection processes, including the criteria it uses to guide selection decisions. The section reviews the extent to which selected enterprises match the selection criteria and compares them to unselected enterprises, and findings related to the efficiency of GrowthAfrica's management of the revenue sharing arrangements.

Section 5 presents the findings for KEQ2 which examines the extent to which outcomes were achieved against expectations, as well as highlighting a small number of unexpected outcomes. The effect of GrowthAfrica's delivery to more than the targeted number of enterprises is also reviewed, presenting a different interpretation of performance. Feedback on GrowthAfrica's contribution to the achievement of the outcomes, and the extent to which GrowthAfrica contributed, is also highlighted.

Section 6 presents the findings for KEQ3, which focuses on GrowthAfrica's internal and external learning. Several key lessons are summarised as well as the possible solutions GrowthAfrica has identified.

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[9] The term early stage entrepreneurs (enterprise) may also be referred to as small and growing enterprises (SGE) or small and growing businesses (SGB). The terms are used interchangeably.
[10] https://www.argidius.com/category/who-we-are/

Finally, **Section 7** presents the conclusions which synthesises the key findings presented in earlier chapters to draw conclusions about the relevance, efficiency and effectiveness of GrowthAfrica's accelerator programme, before highlighting a small number of strategic and operational recommendations.

The table in **Annex 15** guides the reader on where to find answers to the evaluation questions.

2 Evaluation scope, approach and methodology

This section summarises the evaluation scope, approach and methodology. A more detailed description is contained in **Annex 2**.

2.1 Scope

The evaluation covers GrowthAfrica acceleration programme activities in Kenya, Uganda and Ethiopia from 1 January 2016 to 31 December 2017, focusing particularly on GrowthAfrica's delivery model; its relevance to enterprises; the combined package of acceleration services offered to enterprises; and GrowthAfrica's contribution to short and longer-term outcomes; and understanding the factors that have influenced outcomes.

The evaluation is **structured to answer three key evaluation questions** (KEQs) that are a synthesis of the fifteen questions outlined in the terms of reference (**Annex 1**). The KEQs are:

- KEQ 1: To what extent did the GrowthAfrica programme deliver the right services to the right enterprises, in comparison to existing market supply BDS?
- KEQ 2: To what extent is the GrowthAfrica model effective in achieving outcomes; and what are the successful and unsuccessful – intended and unintended – aspects or combination of aspects of the GrowthAfrica programme?
- KEQ 3: To what extent does the GrowthAfrica programme learn from others in the sector, and contribute lessons to the sector, including replicability of the model?

2.2 Approach

Itad proposed a theory-based design to GrowthAfrica and Argidius that allows the exploration of the underlying theories and hypotheses behind a programme, collecting evidence against the theories and hypotheses to help answer relevant evaluation questions. Theory-based evaluations seek to articulate the theory behind a programme and explore how programmes cause intended or observed outcomes, and the extent to which other factors may have contributed to the observed change.

Based on this approach, the evaluation was designed during the **inception phase (January – February 2018)**. This entailed a review and revision of the ToR evaluation questions and a development of the methodology following the completion of several preliminary activities which included:

- initial consultations and document reviews to understand the status of implementation.
- the development of a ToC to make explicit the causal logic from inputs through to outputs, how change was expected to occur from one level to the next and the critical assumptions underpinning this logic. Evidence to support the causal logic was also gathered and summarised, and the strength of existing evidence supporting the assumptions was assessed to determine if there was value in the evaluation, also testing assumptions. **Annex 3** contains a diagrammatic version of the ToC, **Annex 4,** a narrative description of the causal logic and assumptions and **Annex 5,** a summary of the evidence base underpinning the assumptions.
- a review of GrowthAfrica's monitoring, evaluation and learning (MEL) system to inform the data collection strategy. **Annex 6** contains the findings of this review, which has been updated based on additional findings during the evaluation.

2.3 Methodology

To answer the KEQs, a mixed methods approach was designed and implemented, to collect and synthesise triangulated quantitative and qualitative data from a range of sources. **Annex 7** includes a detailed evaluation matrix, outlining data collection methods, while **Annex 8** includes data collection tools such as interview guides and surveys. In summary, the key data collection methods used were:

- **Reviewing GrowthAfrica's documentation and data**, including that collected through its own MEL system as well as that collected by the GALI, to which GrowthAfrica enterprises contribute. MEL system and GALI data largely related to individual enterprise characteristics, founder characteristics and shorter and longer-term outcomes. GALI agreed to provide additional data to compare outcomes achieved by GrowthAfrica selected and unselected enterprises against enterprises selected and unselected by other accelerator and incubator service providers. This data is expected to be received by mid-May 2018.
- **Conducting semi-structured interviews**, either face-to-face, by Skype or by telephone, with GrowthAfrica staff, selected enterprises and other key stakeholders (investors, mentors and sages) during a two-week field trip to Nairobi in early March 2018. **Annex 2** contains information on the sampling approach for the enterprise interviews. A total of 26 interviews were completed: eight enterprises supported by GrowthAfrica; 12 with GrowthAfrica staff; and six with stakeholders (three investors, two enterprises who did not accept GrowthAfrica's offer of a place, and one sage).
- The **development and implementation of a short survey** that was sent to 58 participating enterprises, with the aim to obtain primarily quantitative data on the relevance of services received, the services contribution to outcomes, and GrowthAfrica's services compared to other service providers. 12 of the 58 (12%) enterprises responded; seven from 2016 and five from 2017; six from Kenya, five from Uganda and one from Ethiopia. No disaggregated (such as by country, cohort) analysis of the survey responses has been completed due to data quality issues.

In total, primary data was collected from 20 separate enterprises (or 27% of the enterprises selected to participate in the programme):

- 13 enterprises from 2016 (out of 48; 27%) and seven enterprises selected from 2017 (out of 26; 27%)
- Kenya: 12 enterprises (out of 37; 32%); Uganda: five enterprises (out of 21; 24%); Ethiopia: 1 enterprise (out of 16; 6%).

Quantitative and qualitative data from different sources was compiled, sorted and categorised and triangulated to explain and cross-validate emerging findings on how and why change happened and examine any unintended positive or negative consequences. During this process, an assessment of the strength of the evidence was also undertaken – see Limitations (section 2.4).

2.4 Limitations, risks and mitigation actions

Outlined below are a summary of limitations and risks anticipated or that materialised during the evaluation, described in more detail in **Annex 2** on methodology.

Timeliness and completeness of information: Most information requested from GrowthAfrica during the inception period was provided but somewhat slower than anticipated, placing pressures on the evaluation team to complete field-visit preparation activities in a timely manner. Outstanding information at the commencement of the field visit included: 1) details of the participants in all activities conducted in Kenya, Uganda and Ethiopia in 2016–2017, including investor forums, the syllabus for the accelerator programme, the contact hours with enterprises, and the extent of ongoing support and event facilitation; 2) enterprise level data against the Logframe indicators, particularly those relating to shorter to longer-term outcomes. This information was not available, was incomplete or had other notable quality issues. This meant that some questions could not be answered or only be answered partially. The evaluation report is explicit in these cases.

Enterprise interviews in Kenya only: Primary data collection was collected through two methods for the evaluation. The enterprise survey collected quantitative information, or qualitative information that is easily quantified (e.g. using rating scales and rankings). Qualitative primary data was collected only from (urban) enterprises based in Nairobi and therefore there is a less detailed account of change associated with outcomes in the other countries or for enterprises based in rural locations. This bias may be compounded since 50% of survey respondents were also from Kenya (of which five were urban). However, two were also those that were interviewed. Five Ugandan enterprises (three urban and two rural) and only one Ethiopian urban enterprise also responded.

However, interviews were conducted with GrowthAfrica staff based in all countries. Some other Kenya-based staff also supported enterprises in other countries. Enterprise interviewees' perspectives on the quantity and quality of GrowthAfrica's services and the contribution of GrowthAfrica to outcomes have been triangulated with data from other enterprises to reach conclusions.

Assessing GrowthAfrica's contribution to changes: The evaluation covers enterprises that were supported by GrowthAfrica in 2016 and 2017. It is expected that, at least for some of these enterprises, the information on outcomes, particularly those related to increased revenue, increased jobs and investment raised, may be limited, or where information is available, there will be limits to assessing what GrowthAfrica's influence on these outcomes has been. The GALI data provides some limited comparison between GrowthAfrica cohort enterprises and a) enterprises that were not selected by GrowthAfrica and b) enterprises that participated in other incubation and accelerator programmes. Information is not available on what the unselected enterprises did, on what services they may have received and on what factors have affected their success; nor on the quality, quantity and type of support the enterprises who participated in the other BDS.

3 Findings: GrowthAfrica's service delivery to the right enterprises (KEQ1)

KEQ1 examines the relevance of GrowthAfrica's services to early stage businesses. This section describes three elements.

1. The type of enterprises GrowthAfrica wanted to provide services to, comparing those they selected and did not select, and assessing the effectiveness of GrowthAfrica's selection processes.
2. The relevance of the services provided towards enterprises' needs, reviewing how efficiently GrowthAfrica delivered these services.
3. A selection of alternative service providers, along with the common service offerings and GrowthAfrica's differentiation in the market.

To avoid duplication in the report, some information relating to lessons arising from service delivery are reported under KEQ3 on lessons and learning.

3.1 To what extent did GrowthAfrica identify and select the right early stage enterprises?

Summary Finding: GrowthAfrica's 'ideal enterprise' is one that had two to three years of operations, with consistent growth in revenue, and experienced founders that are open and willing to learn. In practice, GrowthAfrica uses a narrower set of enterprise eligibility criteria that are applied flexibly and adapted for countries and sectors. These are: for-profit; post-revenue (ideally US$50,000 in the previous year); have operated for at least a year; and at least one founder can attend 80% of all workshops held in the first six months of the programme. Some types of businesses are also deemed ineligible: 1) consulting models that rely on tenders and are project-based and 2) those focussed on primary agricultural production. In applying the criteria, the key differentiator appears to be the post-revenue US$50,000 – while 45% reported US$50,000 or greater revenue, there was no baseline recorded for 5% of enterprises, and 50% of enterprises did not meet the ideal threshold. Nearly all selected enterprises met the for-profit criteria and number of operational years. Unselected enterprises generally had lower baseline revenue, although there was no major difference for Kenya Cohort 3. On average, selected and unselected enterprises had operated for at least one year. There was little difference in the education level of founders.

3.1.1 What does GrowthAfrica define as the right enterprises for the programme?

GrowthAfrica describes its ideal enterprise as: an enterprise that had two to three years of operations in a fast and growing industry with consistent growth in revenue, between US$100,000–US$500,000 in the year preceding entrance to the programme. The founders (around two or three) are in their mid-30s to 40s with some life experience; with at least a bachelor's degrees; some international exposure through travelling, living and working or studying abroad; and are open and willing to learn.

However, GrowthAfrica uses a narrower set of criteria to select enterprises as set out in **Table 1** below.

Table 1: Enterprise selection criteria

Category	Type	Criteria
Eligibility	Primary	1. For-profit
		2. Post-revenue, with the 'right fit' seen as US$50,000 in the year preceding their application.
	Secondary	Enterprises have operated for at least one year

		Enterprise commits to having at least one founder or decision maker available to attend all workshops.
	Wildcard	Enterprises that do not meet the criteria but have opportunities to work with exceptional businesses or founders. One or two wildcards are expected for each cohort.
Ineligibility	Business model	Business models that are not scalable, such as consulting companies that that rely on tenders and project-based or those involved in primary agriculture.
	Sector	GrowthAfrica does not target specific sectors but **considers sectors in selection:** (a) To ensure enterprises who are natural competitors are not selected for the same cohort e.g. two Ethiopian enterprises producing fertiliser were offered places in 2016 but one offer was withdrawn after it was realised they were competitors. (b) To exclude enterprises that may cause harm such as those involved in the extractive industry, tobacco or alcohol production.

In practice, the criteria are applied flexibly. For example:

- **US$50,000 was described as an 'aspirational target'** as its relevance differed according to the sector or business model. Processing and manufacturing enterprises were expected to have higher revenues, while information, communication and technology (ICT) businesses lower revenues. Some enterprises, such as four businesses in the 2018 Kenya cohort, were perceived to 'have the potential to unlock' US$50,000, although it is not clear whether they were expected to reach this level in the first year of GrowthAfrica's support.
- **Country context is taken into account** – For instance, Ethiopian government regulations limit the sectors GrowthAfrica can target as it restricts foreign investment in telecommunications, financial services and teff farming/production sectors. However, if enterprises are willing to separate services and create new businesses, GrowthAfrica may be able to support them. The financial-technology (fintech) enterprise created separate businesses for its finance and technology services. GrowthAfrica can work with an enterprise since it processes teff but does not produce it.

Criteria for assessing the business idea or model including its scalability and profitability did not come out clearly during interviews with GrowthAfrica staff, except in relation to ineligibility criteria whereby particular types of business are excluded.

GrowthAfrica expects social impact from direct and indirect job creation. Other than job creation **no specific eligibility criteria for environmental and/or social impact** were described by staff. GrowthAfrica also supports businesses that do not have an explicit impact intention.

3.1.2 How does GrowthAfrica identify and select the right enterprises?

GrowthAfrica's identification and selection processes are not documented. GrowthAfrica's staff did not provide consistent descriptions of the processes. GrowthAfrica's Directors summarised the identification and selection process as:

1. Quantitative selection (not eligible ventures are de-selected).
2. Qualitative selection (short listing top 50).
3. Interviews with GrowthAfrica (resulting in list of 20-25).
4. Veri-diligence site visits of the 20–25 ventures.

5. External selection committee (co-attended by GrowthAfrica) (15–20 ventures offered to participate in the programme).

6. Contracting the 10–12 ventures to participate in the programme[11].

Growth Catalysts have prime responsibility for identifying and pre-screening potential enterprises. A call for applications is advertised two months before a new cohort is due to start. Catalysts use a combination of in-person and online activities to identify about 200 enterprises. Online activities include publicising the call through GrowthAfrica's website and social media (Facebook, LinkedIn, Twitter), emails to partners, mentors, sages and alumni. In-person activities include hosting events and information sessions, attending external events, seeking referrals and introductions through professional networks, partner organisations[12] and past participants. Most enterprises with occasional exception for Ethiopia apply via an online application.[13] Applications are mostly received from enterprises that have been identified through referrals from partner organisations, catalysts' and alumni networks and via in-person events.

An **internal selection committee** of GrowthAfrica Directors (one or all three) and a Growth Catalyst, create a shortlist of enterprises, of which about half are then interviewed remotely. A further shortlist is created and enterprises are screened through a 'veri-diligence'[14] process consisting of: an on-site visit, speaking to clients about the products and/or service offerings, and reviewing key documents (such as audited financial statements, management accounts, and memorandum and articles of association). An **external selection committee** of investor and industry representatives[15] short-list 15–20 enterprises after they pitch their business and field questions from the committee. GrowthAfrica Directors and Growth Catalysts attend the committee. Ten to 12 enterprises are offered contracts.

During 2016 and 2017, the internal selection committee interviewed 28% of applicants, while the external selection committee interviewed 12% and offers were made to 6% of applicants (n=74). Ethiopia and Uganda received fewer applications and therefore a greater proportion of applicants were selected. For Kenya cohort 2 (2016) and Kenya cohort 3 (2017), 5% and 7% of applicants were offered places compared to 25% of applicants for Ethiopia (2016). The reasons for fewer applicants in Uganda and Ethiopia are not clear but could reflect a less mature market.

Declines or dropouts

11% of applicants offered places did not accept the offer to join the accelerator programme. The reasons for not joining varied, e.g. GrowthAfrica and the enterprise did not agree terms or agree on the services to be delivered, entrepreneurs were unable to commit sufficient time, or were accepted on other accelerator programmes.[16] Ethiopia had the largest number of applicants decline the offer pre-commencement (five), followed by Kenya Cohort 2 (three).

Three enterprises dropped out after commencing the programme, either on their own accord or at the instigation of GrowthAfrica. One enterprise terminated their contract based on advice from an investor

Box 1: Enterprises that did not accept offers

For Kenya cohort 2, 12 of those offered contracts accepted.

All but one of the Kenya cohort 3 enterprises who were offered contracts accepted.

In Ethiopia, 25% of applicants received offers and 19% accepted.

In Uganda, 5% of applicants commenced in 2016 and 10% in 2017.

[11] Cohorts consisted of between 8 – 16 enterprises. On average a cohort consisted of 12.5 enterprises.
[12] Examples provided include Voxtra and Duke University's innovations for health programme (who sublease office space from GrowthAfrica), Technoserve, Global Communities, and FACTS.
[13] Enterprises in Ethiopia applied via a paper form due to difficulties with internet accessibility.
[14] Veri-diligence is GrowthAfrica's term for due diligence.
[15] It was reported that, in at least one instance, GrowthAfrica was not able to find an external representative or they did not show up on the day of the interviews.
[16] Solar Freedom Africa Limited were selected to participate in the Tony Elumelu Foundation Entrepreneurship Programme.

that GrowthAfrica had introduced them to. GrowthAfrica asked one enterprise to leave, describing them as ‘not a good fit’, and another who did not pay the commitment bond.

3.1.3 To what extent do selected enterprises meet GrowthAfrica's criteria?[17]

Across the three main selection criteria – for-profit, post-revenue and at least one year in operation – only one enterprise was not-for-profit and four enterprises operational for less than one year. Therefore, **the key differentiating criteria appears to be the post-revenue US$50,000**.

Enterprise eligibility criteria

Primary: **Most selected enterprises met the primary selection criteria of for-profit. Most were post-revenue**, with 88% reporting at least US$1, and **46% (n=35) reached the ideal of US$50,000**. The portfolio average baseline revenue is US$287,651 while the median is US$43,500. A small number of outlier enterprises reported baseline revenue above US$1 million. For the 54% of enterprises who did not reach US$50,000 post-revenue, the average revenue was about US$14,000, highlighting the margin from the ideal. There was no baseline for one enterprise. Between 2016 and 2017, the proportion of Kenyan enterprises meeting the US$50,000 target decreased, while in Uganda the proportion increased. The average revenue for Kenya cohort 1 was US$147,000, compared to US$83,000 for cohort 2 and US$110,000 for cohort 3. The average revenue for Uganda cohort 1 was US$52,000 compared to cohort 2 that was US$110,000. The Ethiopian cohort had the largest overall average of US$242,000. 13 of the 23[18] agriculture enterprises (54%) and 70% of the 10 ICT enterprises had revenue below US$50,000. The proportion of enterprises with greater than US$50,000 was more even across other sectors.

Secondary: **95% of selected enterprises had operated for one year or more**. Most selected and unselected enterprises had operated for three years (GALI data only).

Six interviewees expressed concern there was an emphasis on the quantity over quality of enterprises in the selection process. Interviewees commented that the selection criteria were not always applied so that certain numbers of cohort members were reached. GrowthAfrica's expansion into new countries was also seen as linked to the issue of quantity of enterprises over quality.

Ineligibility criteria

The portfolio does not include enterprises in the mining, tobacco, or alcohol related industries.

Wild-cards

GrowthAfrica staff interviewees most frequently listed one enterprise, the only not-for-profit organisation, as a wildcard. Two others enterprises were mentioned. It was not always clear which enterprises were 'wild-cards' versus when an enterprise that did not meet the selection criteria, e.g. the four companies in Kenya cohort 3 (2017) that did not meet the selection criteria of being in operation for a year.

3.1.4 How are selected enterprises different to those not selected?

A rapid review of selected characteristics of selected and unselected enterprises was undertaken using the GALI data for 2016 and 2017.[19] **Annex 11** contains more detailed comparison tables. Key findings were as follows:

- the median revenue for selected enterprises in 2016 (Ethiopia and Kenya) was significantly higher than unselected: Ethiopia – US$17,500 versus US$100, Kenya – US$47,000 versus nil. The difference was higher in Uganda in 2017 – US$70,000 versus US$2,000. However, there was only US$500

[17] This sub-section answers KEQs 1.1.4 and 1.1.6. A combination of GALI and GrowthAfrica has been used to analyse the selected enterprises characteristics. For 2016–17, 42% of the selected enterprises applied through the online system. When an enterprise applied through GALI, the GALI data was used. For others, GrowthAfrica data was used. GrowthAfrica does not have a consistent systematic approach to collecting and recording data on enterprise and founder characteristics who apply for and are selected for the accelerator programme. Therefore, not all figures match. Where GALI data only is used, this is noted in brackets after the information is presented.

[18] One agriculture enterprise did not have baseline revenue.

[19] Since enterprises may apply through the GALI online system or via GrowthAfrica there is not a complete list of selected and unselected enterprises.

difference in revenue between selected (US$5,500) and unselected (US$5,000) enterprises in Kenya 2017.

- of all enterprises (n= 498), 88% were for-profit, 5% were non-profit, 2% were undecided and 5% were other (mostly social enterprises). GrowthAfrica's selected enterprises were 99% for-profit.
- there is little difference in the number of years selected and unselected enterprises have operated. Most selected and unselected enterprises across Kenya, Uganda and Ethiopia have operated for two-three years.
- more selected enterprises have at least one female founder.
- the founders' average age was slightly higher in selected enterprises (37) than the unselected (35).
- unselected founders had education levels similar to those selected.

3.2 To what extent is GrowthAfrica's delivery model effective in meeting enterprises' needs?

Summary Finding: GrowthAfrica has met some enterprises' needs, but enterprises expect more – particularly in relation to: direct investment facilitation services, i.e. access and connections to potential investors/funders, and securing direct venture funding (e.g. grants or investments); and also network development (e.g. with potential partners and customers). GrowthAfrica's delivery model is 36-month programme support, first delivered as an intense six-month period of workshops followed by lighter support for another 30 months. GrowthAfrica delivered the workshops during the first six months of each cohort although it appears some enterprises' participation was inconsistent. Generally, enterprises were positive about the workshops, however, some enterprises felt the content and delivery did not meet their, or others, needs – commenting that cohort competencies varied widely. GrowthAfrica has not been able to effectively deliver the mentorship component in the monitored cohorts, and few mentor-mentee matches were operationalised. GrowthAfrica has also used 'sages' or 'experts' to provide largely one-off short inputs to enterprises. It is difficult to determine if the implementation of the 'sages' concept has been more effective than the implementation of mentoring. GrowthAfrica's support to enterprises dropped off after the workshops, with Growth Catalysts having less time as new cohorts are mobilised. This was the key factor raised by GrowthAfrica staff. Some enterprises have benefited from support to develop financial models and pitch decks, with founders' proactiveness with GrowthAfrica reportedly a factor influencing the level of support received. Founders' willingness and availability to receive services was also cited as a factor affecting the level of services provided.

3.2.1 What is GrowthAfrica's delivery model?

GrowthAfrica's accelerator programme is cohort-based with an intensive six-month workshop phase followed by lighter, largely individualised, ongoing support for another 30 months.

Total number of enterprises GrowthAfrica is supporting

By the end of 2017, GrowthAfrica aimed that 40 enterprises will be participating in the programme. It has exceeded this target. Sixty-three enterprises are currently listed in the enterprise data sheet, while 59 are reported in the latest Logframe report. It is not clear whether GrowthAfrica calculates more enterprises need to be supported to reach the outcome targets (See KEQ2) or if implementation is ahead of schedule, or if there is an explicit aim to exceed the target. However, GrowthAfrica will likely exceed the target of 80 enterprises by end of 2018 since three new cohorts were commenced in early 2018.

GrowthAfrica's offer to enterprises

GrowthAfrica agrees to provide all enterprises – with a few exceptions – with:

1. A minimum of 20 full workshop days.
2. 200 hours in-workshop, in-company and remote support.
3. At least 20 hours of mentor access and support.
4. A full and comprehensive framework for business planning and execution, and access to learning resources.
5. Developing the founder(s) leadership abilities and skills.
6. Support to identify and engage with potential and relevant investors, grantors and donors (with a clear emphasis on investors and minimal support to work with grantors and donors), and support for an investor brief, pitch-deck, financial model and pre-diligence package. Support may also cover due diligence and negotiation processes where mutually agreed.

The 200 hours of support equates to 25 days, meaning five days of non-workshop days. It is not clear if items 4 and 6 are additional to 1 and 2. GrowthAfrica has extended the programme to 36 months (six plus 30 months), implying the same level of support is delivered over the first six months but the remainder services at a reduced pace. Although not documented in the contract, it was reported that about one day per month of support should be provided to enterprises during the ongoing phase.

Section 3.3 describes GrowthAfrica's revenue sharing agreements with enterprises, which is part of its overall model.

3.2.2 What challenges and opportunities did the enterprises expect GrowthAfrica to help them address?

Enterprises interviewed most frequently referred to the following types of challenges:

- uncertainty over the business model or focus of the business
- understanding customers
- competitive pricing models
- cash flow
- staffing

One enterprise described their situation:

> *'[we were] putting in all-nighters but things were not changing… the company was going stale. We needed some fresh minds, a new vision'.*
>
> *'we hadn't done a good job in understanding the market we were operating in, and the customers or clients we were selling to'.*

Around 60% of selected enterprises felt[20] that investment facilitation services, including **securing direct venture funding (e.g. grants or investments) or access and connections to potential investors/funders were the most beneficial/attractive aspects** of accelerator programmes. This suggests they may have considered a lack of funds to be the most immediate need to address their growth challenges.[21] The strength of this need differed slightly across cohorts. For instance, 66% of enterprises in Uganda cohort 2 (2017) compared to 50% of enterprises in Kenya cohort 2 rated this as the highest benefit. However, three-quarters of enterprises who completed the survey[22] rated investment readiness as a major or very severe challenge, which perhaps presents a broader view than only raising investment. Other key challenges identified were positioning, branding and marketing, pricing and value propositions. Services

[20] This is based on the 42% of selected enterprises who applied through the GALI online application process. Respondents reported what they thought the greatest benefit of acceleration programmes were (using specific categories of benefits that are referred to here) which also provides insights into what enterprises view as their key challenges.
[21] Securing direct investment was among the top three choices for 69% percent of selected enterprises; 67% selected access to connections to potential investors or funders in their top three choices.
[22] Survey data.

related to network development, business skills development, leadership skills development and mentorship were seen as more useful to address than the challenge of investment.

Enterprises viewed increasing the awareness and credibility of their enterprises by being associated with a recognised program and gaining access to a group of like-minded entrepreneurs as the least useful.

3.2.3 What services, and how much and when, did enterprises receive?

GrowthAfrica does not systematically record information related to the services that its staff, mentors or sages deliver to enterprises, or the introductions to investors, grantors or donors. The evaluation team has been unable to ascertain which enterprises received what services, how much and when. The following findings are based on programme documentation, such as partial workshop attendance logs, and progress reports, GrowthAfrica's survey of enterprises in mid-2017, the evaluation team's interviews with GrowthAfrica staff and enterprises, and the evaluation team's survey of enterprises.

Workshops, and post-workshop follow up

Enterprises in the 2016/2017 cohorts have finished the workshop phase of the programme, and are all still in the period of ongoing support. **Enterprises have received some of the services, particularly workshop days, in-workshop, in-company and remote support, and the development of founders' leadership abilities and skills.**

Each of the enterprises interviewed (eight) provided positive comments on an aspect of the support received. For instance:

> *'GrowthAfrica staff have been great… I also like that GrowthAfrica understands the challenges of being an entrepreneur being entrepreneurs themselves'.*
>
> *'I would say I got value for money'.*
>
> *'We appreciated that the GrowthAfrica staff did not fix things for us, but instead helped us to do it for ourselves'.*
>
> *'The programme was thought provoking – they weren't telling me what to do'.*

Generally, the breadth and volume of support outlined in GrowthAfrica's contracts with enterprises does not seem to have been delivered particularly in the post-workshop phase (which is still ongoing)**. One survey respondent noted 'after the training nothing happens, just mails and requesting for reports'.**

Table 2 provides a summary of estimated average support per enterprise.

Table 2: Estimated average support delivered per enterprise during each six-monthly reporting period[23]

Report	Workshop days	In-workshop, in-company and remote support days[24]	Sages/mentors
Mid-year 2016	14 days[25]	17	0.6 sages
End-year 2016	10 days	5	2.5 sages
Mid-year 2017	19 days	8	1 sage/mentor 2.6+ sessions

[23] Based on information collated from GrowthAfrica progress reports. Annex 11 contains individual tables.
[24] It is difficult to interpret the reported support days since they overlap with the workshop days. For instance, in mid-2016, the support days minus the workshop days leaves an average of three days for in-company and remote support. This period covered the first cohorts and no enterprises yet finished the workshop phase. However, if using this calculation for the later reporting periods the data does not make sense. The end-2016 and mid-2017 reports covers both these enterprises who have entered the ongoing support phase as well as new enterprises who have started the workshop phase.
[25] Workshops are delivered to cohorts. Therefore, the average per cohort is assumed to equal the average per enterprise.

End-year 2017	20.5 days	6	< 1 sage/mentor

GrowthAfrica has improved on the delivery of the workshop days from 2016 to 2017, so that by the end of 2017 it was delivering to the level outlined in its contracts with enterprises. In the second half of 2016 it delivered an average of 10 days per cohort, 50% of its agreement. Attendance records also provide further insights into the quantity of services received. Most enterprises reported that they attended at least 80% of the workshops although attendance records show entrepreneurs' attendance is inconsistent. In some cases, only 40-60% of scheduled entrepreneurs attended workshops. In one workshop, 12 entrepreneurs participated but only 50% attended the subsequent workshop. In another workshop, entrepreneurs from the same enterprise alternated their attendance across the days.

GrowthAfrica also provided 11 short events during 2016 and 2017 to cohort enterprises and others. Topics included talent acquisition, brand thinking, equity crowdfunding. Some of these were led by other organisations such as Microsoft and Acumen. **Annex 11** includes a list of workshops.

Support from Growth Catalysts, sages and mentors

GrowthAfrica staff and enterprises (interviewees and survey respondents) reported insufficient support during the ongoing stage, with GrowthAfrica staffing reported as a significant issue (See Section 4 for GrowthAfrica lessons). Growth Catalysts support between 10-19 enterprises, of which three or four may be in the workshop phase, while the remainder are in the on-going support phase. In some instances, Financial Modellers filled the role of Growth Catalyst.

GrowthAfrica's contracts with enterprises specify 'not less than 20 hours of mentor access and support'. Mentors were to be retained on a six-month volunteer contract and provide on-going, as-needed advice and support to mentee enterprises. **Few enterprises received regular mentorship**. **Some enterprises have met with sages** or 'experts' who speak at workshops or events and/or provide short, targeted one-off advice to the enterprises.

In mid-2017, 34% of enterprises (12/35)[26] reported having a mentor and 3% (3/35) a sage. However, half of the reported mentors and some of the sages were GrowthAfrica staff, suggesting **enterprises do not have a good understanding of the mentor and sage concepts**.

None of the eight enterprises interviewed worked with a mentor. In some cases, GrowthAfrica offered enterprises mentors but enterprises did not accept them. In one example, the entrepreneur already knew the mentor and commented that they 'didn't have the right perspective', while another enterprise could see how the offered mentor would 'add value'. Another entrepreneur commented they were matched but did not have time while a fourth enterprise said the mentor did not have time. One respondent (GrowthAfrica's mid-2017 survey) noted that their mentor did not understand the role and how long it was to go on for.

Two enterprises interviewed reported meeting with sages. The enterprises were often unclear on the details – names, discussions and dates. Some enterprises may have received more support than others. For instance, one enterprise reported meeting with an industry specialist – a sage – three times to discuss challenges they were facing, while others reported fewer or no engagements with sages.

The role of the mentor and sage may also have been confusing to those expected to carry out the role. One interviewee commented that they did not know they were a 'sage' while another person identified as a 'sage' by GrowthAfrica declined an interview because they felt they did not have a strong relationship with GrowthAfrica.

Interviewees noted that some enterprises received a higher level of support from a variety of staff including Financial Modellers and the Investment Lead, mostly influenced by the founders' proactivity.

[26] GrowthAfrica's enterprise survey in mid-2017.

Investment Facilitation

GrowthAfrica does not provide direct funding nor does its contract with enterprises guarantee investment and it noted that until it perceives that an enterprise is 'investment ready', the Investor Relations Lead will not introduce an enterprise to investors.[27] Similarly, Financial Modellers will only work with enterprises when enterprises are ready to work on financial models. GrowthAfrica has introduced some enterprises to investors. Based on interviews, in most cases the purpose of these introductions has been to educate enterprises about investors' requirements rather than with a goal of leading to a specific investment. These introductions have mostly taken place when investors have been invited to speak at workshops in the first six months of the programme; and was reported as a strategy introduced after the initial cohorts based on lessons about enterprises' perceptions of when they would secure investment. In a few cases, GrowthAfrica has organised one-on-one meetings to educate entrepreneurs.

One example was provided where an introduction led to an investor (grantor) paying for the enterprises' participation in the programme. GrowthAfrica has also helped some enterprises to develop information for investors.

3.2.4 To what extent were enterprises' needs met?

GrowthAfrica does not work with enterprises to agree and plan for what 'needs' it will support them to address, in order to increase the chance that each party is clear on what needs the support aims to meet, how and when, and better enable an assessment of the extent to which needs have been met at different stages of implementation. Enterprises' views of their needs differed from GrowthAfrica's views. For instance, as outlined in Section 3.2.2, most enterprises expected that participating in the programme would increase access to investors and raise investment. GrowthAfrica noted they generally see business knowledge, skills and practice capabilities as the immediate need. This section summarises enterprises' perceptions on the usefulness, quantity and quality of services they received. The mismatch in enterprises' and GrowthAfrica's expectations are highlighted.

Participating in the accelerator programme appears to have met some enterprises' needs but most enterprises expect more.

Structured cohort delivery

Some enterprises reported that GrowthAfrica's delivery model was beneficial, enabling enterprises to **learn from cohort members and obtain introductions to other organisations.** One entrepreneur reported:

> *'I liked bouncing ideas off people. I was stuck on some things – understanding the environment – I could ask questions and people would be asking curveball questions'.*

One enterprise made one of its first sales to an organisation that a cohort member connected them with. Another enterprise – a hiring and recruitment agency – provided cohort members with connections to hiring solutions and services.

Enterprises felt there were advantages and disadvantages to the time requirements. Three interviewees emphasised that with the first six months of the accelerator programme there was an impetus to spend time working *on* the business (rather than *in* the business), which they would not otherwise have prioritised. In contrast, another three stressed that **spending time away from the business was difficult and a challenge**. Two enterprises felt the workshop schedule was not well spaced and that there was insufficient time to start implementing what they learned before the next workshop started. Another enterprise felt the number of workshops days and slow pace of the workshops, where a lot of time was scheduled for coffee and lunch breaks, put extra pressure on running the business. They withdrew from the workshops and renegotiated their contract. Based on feedback from enterprises, GrowthAfrica staff

[27] GrowthAfrica tracks the introductions it makes between investors and enterprises, although its tracking sheet did not include any of the cohort companies but rather refer to companies GrowthAfrica has worked with outside of the accelerator programme.

reported that they were considering reducing the number of days spent in each workshop and increasing the time between workshops from four to six weeks.

Quantity of services

Enterprises would have most **liked more direct support to investment facilitation, including accessing potential investors/funders, and securing funding, as well as developing networks with potential partners and customers**. During ongoing support, most enterprises (10 out of 12 enterprises who completed the survey) ranked support for investment facilitation, i.e. access to funders and securing investment, as the two areas they would like more support. From the enterprises' perspective, this seemed to be the most significant gap in the extent to which their needs were met.

There seems to be **a mismatch between entrepreneurs' and GrowthAfrica's expectations relating to investment facilitation**. Nearly 70% of enterprises[28] rated access to investment and direct funding as one of the three greatest *potential* benefits from participating in an accelerator programme. However, GrowthAfrica expects[29] only 40% of businesses to secure investment within two years of finishing the programme suggesting there will be a gap in expectations for at least some 30%.

Additionally, some interviewees said GrowthAfrica made it clear during the first workshops that not all the enterprises would secure investment. One enterprise reported 'everyone thought they would have a dragon's den type pitch – something went wrong in communication, because not many were ready for that and we were probably not ready ourselves'. The enterprise believed that this impacted the enterprises' perception of the value of the programme. Another enterprise expected more than an introduction to an investor: 'But securing venture funding is not done, they just connect you and end there'.

One GrowthAfrica employee observed a 'u-shaped relationship' between the entrepreneurs' engagement with GrowthAfrica and their focus on investment (versus other priorities such as focusing on product-market fitting, growing the customer base and growing revenue). At the start, entrepreneurs have high expectations but as GrowthAfrica engages with them the focus shifts to other strategic priorities. At the six-month start-up stage, expectations rise again. GrowthAfrica has introduced some enterprises to investors as part of a 'reality check' and expectation alignment instrument, which GrowthAfrica and enterprises report as useful.

Other services

Gaining access to a group of like-minded entrepreneurs and leadership skills were the two service areas where there was an equal number of respondents who noted they would have liked more versus those that said the same level or less.

Fifty percent noted leadership development skills was about right, while the other 50% wanted more. **Three-quarters (10/12) would have liked more or a lot more mentorship during the six months and during the ongoing support period**.

Quality of services

The **most useful of GrowthAfrica's services was network development with potential partners and customers** (weighted rank of 10 survey respondents),[30] **followed by business development skills, mentorship and access to potential investors**. The least useful services were gaining access to a network of like-minded entrepreneurs and the awareness and credibility associated with being part of the programme.

[28] 42 enterprises who completed the GALI online application.
[29] As defined in GrowthAfrica's Logframe indicators.
[30] One survey respondent from Ethiopia noted 'It's hard to rank what is the most important, when we didn't receive so many of the things'.

Two enterprises felt the level of competencies within a cohort was extremely variable, and this was a factor influencing how well the workshops were able to meet enterprises' needs. One entrepreneur observed that the '**content was perhaps pitched well for seven or eight of the cohort members, but was not strategic enough for four or five**'. Two interviewees felt the programme was **better suited for product-based businesses** (agriculture and cosmetics were given as examples).[31] Interviewees reported that the training and examples were structured around products and sometimes they 'were not speaking directly to service-based companies'. Another interviewee also felt most sages were from the ICT sector.

There was less feedback on the quality of services. Outlined below are specific comments provided by enterprises interviewed. Individual enterprises' feedback generally included positive examples of the quality of services as well as areas for improvement:

- One entrepreneur reported the calibre of the GrowthAfrica delivery team was 'very good' and spoke about feeling 'pushed and challenged' to improve their business by one team member in particular.
- Another reported that 'GrowthAfrica will keep you on your toes' to achieve milestones, seeing value in the external feedback and support, that supplemented their internal capacity, as they developed their business model.
- One enterprise reported they received valuable connections to partners who are still supporting their enterprise; noting they 'doubt[ed] we would have got that' without using GrowthAfrica's services.
- Another enterprise commented 'I learned so much – it covered a lot more than I thought I needed' and resulted in new strategic partnerships and a new pricing model. The entrepreneur felt GrowthAfrica staff were invested in the enterprise, became a key resource for strategic advice and support and shared in the vision of the company.
- One enterprise cited above noted that GrowthAfrica did the 'heavy lifting' developing a financial model, saying that they 'wouldn't have the financial model otherwise'. It helped them understand 'how to change products, pricing and human resources', as well as expense, and their break-even point'. However, the business reported that they were still waiting for GrowthAfrica to explain the details of the financial model to them and how to use it so they could fully benefit by using it as an ongoing tool. GrowthAfrica also developed a financial model for another of the enterprises cited above but they were too busy to finish it. The enterprise contracted a consultant to complete the work.
- One entrepreneur felt that GrowthAfrica's support **did not sufficiently help them meet investors' expectations** regarding the business investment forms that included cash flow, profits and loss statement, and a statement of capital expenditure.
- Three enterprises commented that the workshop on **branding was not to the quality they expected**, that it was too general and a lot of 'hot air'. One of these enterprises felt GrowthAfrica should use an expert with experience in branding to deliver the training.
- Entrepreneurs **did not receive materials to support the workshop learning**, something that they asked GrowthAfrica to rectify. GrowthAfrica reported they were better documenting their programme and improving the provision of materials to enterprises (as well as investors, mentors and sages) in 2017.[32]

3.3 How effective is GrowthAfrica's model in meeting its revenue targets?

Summary Finding: GrowthAfrica aimed to reduce its dependency on grant funding and demonstrate its commitment to enterprises. The standard contracts between GrowthAfrica and enterprises include

[31] An analysis of GALI data on selected enterprises shows a third of business offer services, a third do not offer services and a third did not report data.
[32] This information was not provided to the evaluation team.

clauses related to revenue sharing, share transfers and fees when investment or funding is secured. It appears GrowthAfrica has earned little or no money from these arrangements to date, hampered by the slow finalisation of share transfers and limited number of invoices sent to enterprises.

3.3.1 What is GrowthAfrica's revenue sharing agreement with enterprises?

GrowthAfrica describes three objectives of its revenue sharing model:

1) To **reduce dependency on grants** or 'unsustainable capital' by at least 50% by 2020.[33]
2) **Be rewarded for creating value for enterprises** – 'put our hand on the hot-plate – if we are saying we are creating value for business, we must create hard evidence that it's the case'.
3) **Entrepreneurs should be pay something for the services**: 'nothing should be for free'.

The revenue generation model was intended to generate revenue equivalent to 15%, or US$534,750, of the operating budget between 2016–2018[34] with a 35% increase over 2019–2020 to reach the 50% target mentioned above. See **Annex 12** for an overview and analysis of the key contract clauses.

Eighty percent of the contracts reviewed contain standard clauses about the revenue sharing arrangement. Key aspects include mutual obligations, transfer of shares, 'no cure, no pay' – if the enterprise does improve its performance to targets beyond a certain threshold (total capital raise of more than US$250,000, annualised gross revenue doubled, or annual gross profit tripled, within 24 months from the conclusion of the programme), they do not pay GrowthAfrica (see **Annex 12**). The contracts for the first Uganda and Kenya cohorts of 2016 differ slightly from those negotiated later in 2016 and 2017 as GrowthAfrica adjusted clauses to increase fairness and improve the communication of its intent. **Eight enterprises had non-standard clauses.** This included: 1) the 2% shares would be valued at no less than a US$50,000 valuation and the company would not pay the US$500 commitment bond; 2) a 3% payment or equivalent in equity to GrowthAfrica, and specific outputs that GrowthAfrica would provide to the enterprise; 3) payment up to 10% of earnings (before EBITDA) up to a maximum of US$30,000 over the lifetime of the three-year contract; the contract does not include revenue-sharing or equity. Variations were also influenced by an enterprise's bargaining power with GrowthAfrica and how much GrowthAfrica wanted them to participate.

3.3.2 To what extent, has GrowthAfrica achieved its revenue targets?

It has not been possible for the evaluation team to determine the extent to which GrowthAfrica has achieved its revenue target as it has been unable to provide relevant documentation. However, **it does not appear that key tasks that are necessary to collect revenue have been completed.** None of the reviewed contracts had financial documentation attached. Records of invoices for the 1% revenue or secured investment could not be provided. **GrowthAfrica has not yet collected a facilitation fee for investments raised as per its contracts with enterprises.**

3.3.3 How satisfied are enterprises with the revenue sharing arrangements?

The revenue model was **described as 'the most controversial part of the partnership' and enterprises had mixed views about its benefits**.

Perceived advantages of the revenue sharing model

[33] GrowthAfrica did not believe that it can be 100% sustainable 'because of the social mission'.
[34] GrowthAfrica_GA_R5035 (Annex F – Project Proposal).

GrowthAfrica staff highlighted **it was easy to communicate**, **how it communicated a partnership between GrowthAfrica and enterprises**, and **it did not extract cash out from the business**. One GrowthAfrica staff member emphasised:

> *'It's easy to explain. It's easy to actualise. One percent of revenue, two percent equity and three percent if we help you raise money – people understand it. It's easy. But then the language in the contract is different – there's the five percent transfer…'.*

Five of the eight enterprises interviewed were clear on how the model worked and articulated the value GrowthAfrica proposed and the value they derived from the model. These enterprises – three of these enterprises were on standard contracts while two were on non-standard contracts – thought their contracts were fair. One enterprise compared it to other investors, for example, who might take advantage of emerging enterprises. GrowthAfrica and two founders reported the contract created a sense of partnership between the two entities:

'They are in. They aren't a consultant. They are part of the business' another reported 'if they don't make it, you don't make it'.

Two enterprises that had limited revenue or were experiencing cash-flow issues, found an equity arrangement was preferable so that they could invest most of their revenue into the business operations.

Perceived disadvantages

In contrast to the above perspective, two **entrepreneurs found the model difficult to understand**. GrowthAfrica communicated information about the 1, 2 and 3%. The language in the partnership agreement between GrowthAfrica and enterprises stipulates that enterprises make an initial share transfer of 5% – 1% of which is meant to be transferred back to enterprises for each of the three years that the enterprise is required to make 1% revenue payments (see **Annex 12:** GrowthAfrica's contracts with enterprises). GrowthAfrica staff indicated that this was viewed with suspicion by the enterprises.

While one entrepreneur believed GrowthAfrica 'went to massive lengths to make sure everyone understood the model' they also stressed that 'nobody else in our cohort understood it besides us'. They recounted how another entrepreneur expected to be paid by GrowthAfrica citing 'when am I going to get my US$5,000?'. The lack of understanding was also raised by other interviewees. Three enterprises said they had unanswered questions when they signed the contract but since they wanted to be part of the programme they signed anyway, which they described as naïve.

> *'We didn't quite understand what it meant until we signed and then they explained in class'.*

However, there still appears parts of the agreements that are not clear. **GrowthAfrica reported that there is 'an implicit buy-back clause', yet entrepreneurs seem unaware of this**. Two enterprises we spoke to viewed the equity as unfair, and one viewed the arrangements with suspicion, questioning how GrowthAfrica was going to measure changes and demonstrate GrowthAfrica's contribution to the changes. Despite some GrowthAfrica staff thinking that the model is simple, the difficulty in communicating the model has been recognised by GrowthAfrica as they have tweaked the clauses and changed their communication strategies in response.

GrowthAfrica has found it difficult to manage the revenue share agreements and is not clear on the status of most agreements. It has not allocated sufficient resources to manage the contracts including to transfer shares – to date, few companies have completed these transactions. In some cases, enterprises have provided signed share transfer forms to GrowthAfrica but GrowthAfrica had not completed the paperwork. While Growth Catalysts reported reviewing audited and management accounts to support their catalytic work, these documents do not seem to be stored centrally or used to track revenue and investments as part of contract management. However, GrowthAfrica also reported the Kenyan tax year runs from January to December and the Kenya Revenue Authority tax filing deadline is mid-June the following year. Businesses send their audited reports to GrowthAfrica in mid-June and 'by that time struggle to pay the 1%'. Other issues that will require future management do not yet seem to be considered, e.g. how to liquidate these assets. **Without the model being fully implemented it is difficult to determine how it may have provided enterprises with an incentive for performance**. One entrepreneur stated that he did not think GrowthAfrica was serious about the contracts.

GrowthAfrica's management of the commitment bond for workshop attendance has complicated the management of the agreements. GrowthAfrica has withheld some commitment bonds to enterprises, even if they attended 80% of the workshops, to use as leverage for the enterprises to transfer shares. However, GrowthAfrica state they are now reconsidering this practice, noting it has been unhelpful to the long-term relationships with enterprises.

3.4 What is the additionality of GrowthAfrica's services?

Summary Finding: GrowthAfrica is one of several providers of business development services, including accelerator programmes, operating in the region. Other accelerator programmes provide similar cohort-based workshops with supplementary support from staff and industry experts. The largest point of differentiation seems to be the length of support provided by GrowthAfrica – 36 months compared to 3-12 months, therefore making direct comparison between programmes and providers challenging.

Investors reported accessing similar services from Open Capital Advisors, Cross Boundaries, Unreasonable, Nailab, iHub, the World Bank accelerator programme and Village Capital. One investor compared GrowthAfrica to another in one specific service area, citing it was better; while another felt GrowthAfrica were less able to identify investible businesses. Two selected enterprises were offered places on other programmes and accepted them over GrowthAfrica, attracted by the direct investment offered by others.

Willingness to pay for services was influenced by cash flow, product or service margins, the availability and perceptions of substitute programmes compared to GrowthAfrica's offering, the perception of the potential future earning as a result of the programme, the quality and timeliness of services they received, familiarity with hybrid organisations (organisations with a for-profit and not-for profit arm) and equity funding. Three enterprises provided a dollar value of what they would be willing to pay for the workshop phase, all of which were less than the estimated cost to GrowthAfrica.

3.4.1 How is GrowthAfrica's support similar or different to other providers?

A large number of service providers, including accelerator programmes, operate in East Africa. As an illustration of the market, more than 20 providers were identified via the 4VCA website, interviewees and the evaluation team's networks. Of these 20 providers, six operate across Africa while the rest focused on the East African region or specific countries. Of the accelerators focused on specific countries, seven were in Kenya, four in Ethiopia and one in Uganda. The timeframe and budget for this evaluation does not allow for an in-depth comparison of providers. Interviewees referenced other providers when asked about comparable service providers. GrowthAfrica does not necessarily agree that these are comparable organisations or that some of their service offerings are comparable with their accelerator programme.

The following comparison with GrowthAfrica's services is based on interview and survey data. When asked about similar providers, interviewees most often referred to **Stanford Seed**, **Unreasonable East Africa** and **Village Capital**.[35] Stanford Seed and Village Capital run cohort-based programmes over 3–12 months, while GrowthAfrica provides support over a much longer period. All programmes are similar to GrowthAfrica in that they **offer cohort-based experiences in a series of workshops or meetings and support through mentors, coaches or professional networks.** However, there are also some differences.

[35] One enterprise interviewed participated in the Village Capital programme (and secured US$50,000 investment) while another participated in the Tony Elumelu Foundation Entrepreneurship Programme. One GrowthAfrica enterprise co-founder participated in the WeCreate programme. Another organisation had received a EUR200,000 technical assistance grant to design their product.

Stanford Seed charges US$5,000; **Village Capital may target specific sectors,** depending on the funder; and **Village Capital provides two of its cohort businesses with an investment of US$50,000 each**.[36] Most accelerator programmes do not originate in East Africa, while GrowthAfrica does. One interviewee felt Village Capital's US$50,000 was an attractive offer. Another interviewee whose co-founder had participated in another accelerator programme (not mentioned above) reported that although it was a positive networking experience, **GrowthAfrica provided stronger business development services.** They also cited GrowthAfrica's quality as one of the reasons they were attracted to the programme.

Beyond accelerator programmes, **some enterprises obtained support via other avenues**. This included **consulting organisations, business coaches, friends and family and people within their professional networks**.

An enterprise that did not accept GrowthAfrica's invitation to participate needed more operational support than GrowthAfrica offered. He said he knew his customers and market segmentation very well, and wanted someone with deep sector experience to support his customer engagement strategy – and GrowthAfrica could not provide this specific expertise. This enterprise had not yet secured services from elsewhere.

Investors interviewed referred to **Open Capital Advisors, Cross Boundaries, Unreasonable, Nailab, iHub, the World Bank accelerator programme and Village Capital as offering services** related to linking enterprises and investors similar to GrowthAfrica. All investors commented on the small market within East Africa and that most of the time intermediaries are not introducing them to new businesses. One investor commented that accelerator programmes rarely have enterprises that attract their attention, possibly because their ticket size is larger than most of these enterprises are ready for. They stressed:

> *'An inherent problem with the cohort model is that you cannot cater to all investors who have different needs. You are stuck with this group for months; then have to wait for the next group if they haven't found entrepreneurs that fit investors' needs'.*

While GrowthAfrica has not yet closed a deal with investors for the interviewed cohorts, one interviewee noted **GrowthAfrica was mentioned as being better than another intermediary because it provided a curated list of enterprises**. However, **other intermediaries were reportedly better able to identify investible businesses** since GrowthAfrica focused on 'conventional businesses that could make some money, could grow' but not to the level of being investible. Where the investors had met GrowthAfrica's supported enterprises they were described as 'at an earlier stage', 'the scale question is not yet obvious (demonstrated)', 'not deep impact', 'providing a volume of opportunity', and 'a focus on quantity over quality'.

[36] Annex 12 summarises more details of those programmes. The Tony Elumelu Foundation Entrepreneurship Programme guarantees investment of US$10,000 in each early stage business.

3.4.2 How willing are enterprises to pay for services?

This question sought to understand the level of enterprises' willingness to pay and the reasons affecting their willingness. Willingness to pay, defined as the maximum price a buyer accepts to pay for a given quantity of goods or services (Le Gall-Ely, 2009), is a complex concept. Willingness is influenced by numerous factors and one enterprise's willingness to pay may not be the same as another's. **Annex 15** summarises influencing factors from Le Gall-Ely's article (2009) including the price compared to other providers, the features of the service, and buyers' satisfaction, perceptions of value and advantages.

GrowthAfrica's estimated programme costs

GrowthAfrica estimated that the cost per enterprise is US$44,563,[37] being the total programme budget (US$3.565 million), divided by 80 enterprises that it planned to support over the three-year period. GrowthAfrica does not have a more disaggregated view of the cost of specific services although staff costs are reported as the key cost drivers, with travel and venue hire costs relatively small. Mentors, sages and investors are not paid for their contribution to the programme. It is estimated the workshop phase costs about US$18,000, whereas the ongoing support costs US$26,000.[38]

GrowthAfrica has noted its expenditure is on track with expectations at the end of 2017. They estimated the cost per enterprise to be between US$15,000–US$20,000.[39] This would then suggest that the workshop phase would cost US$6,000–US$8,000, and ongoing support US$9,000–US$11,000. However, since GrowthAfrica has not delivered the full suite of its intended services, it is likely the workshop stage is costing more than this range, somewhere between US$6,000–US$8000 and US$18,000.

Willingness to pay

All enterprises' signed agreements with GrowthAfrica could be viewed as a willingness to pay although this assumption is partly challenged since some enterprises did not understand what they were signing.[40] Two enterprises interviewed signed the contract but did not believe they would have to pay through the revenue or share transfer arrangement. To date, it appears that GrowthAfrica has not implemented the share transfer with these two companies or collected payments for 1% of annual revenue for any of the enterprises.

Eight enterprises (13%) negotiated non-standard contracts with GrowthAfrica, possibly indicating they **did not agree with GrowthAfrica's valuation of its services**. An enterprise reported they calculated the cost of the standard contract clauses to be US$80,000, an amount that they considered disproportionate to the value they expected to gain. Investors also pushed back on the revenue sharing agreement and equity stake for GrowthAfrica. The parties eventually agreed to include the 3% of investment raised for investors the enterprise had not already been in discussions with.

One interviewee **preferred the delayed payment approach of transferring equity** since they felt revenue was needed to invest back in the business. In contrast, two enterprises reported that they would have preferred to pay for the services (although did not). One interviewee argued that there is **no guarantee of funding or growth in revenue or profits,** perceiving that transferring equity created an asymmetrical risk for the enterprise.

Reflecting on his experience, one enterprise noted he **would have paid US$1,500 or US$2,000 directly for the first six months.** He also commented that less experienced enterprises with less business background or experience might obtain greater value and be willing to pay more. However, this was not supported by

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[37] GrowthAfrica expected the cost per enterprise to increase to approximately US$50,000 when they are fully staffed, although it was not clear when this would be or if the additional cost is due to a higher-than expected cost of delivery.
[38] See Annex 11.
[39] See Annex 11.
[40] An enterprise pays 3% if investment is raised and in return for a specific range of services, such as a business performance analytical report, supply chain analysis, development plan. It is not clear what level of investment they were looking for to estimate the perceived value of GrowthAfrica's services. GrowthAfrica also reported having a fee for service contract with Accessorise with Style, but again the amount is not known.

information gathered from other interviewees. Two other interviewees, neither of whom demonstrated a clear understanding of their contracts with GrowthAfrica, were **willing to pay US$1,000 and US$1,500 instead of US$500 for the refundable commitment bond**. One of these interviewees also stated 'I would want them [GrowthAfrica] to have a lot more – like 10-15% of the business', although this was then qualified by noting that their expectations for ongoing support would have likewise increased, e.g. weekly meetings rather than the ad-hoc contact they had in the post-workshop phase.

Some enterprises highlighted examples where they paid for services: US$3,000 for a customer perception survey; US$150 per month for accounting services; approximately US$3,000 for a financial model; a twice-monthly hour-long meeting with a business coach costing about US$60 per month (which equates to US$360 for six months as a comparison to GrowthAfrica's services).

Factors affecting enterprises' willingness to pay

Interviewees provided the following examples of factors that influenced their willingness to pay for services.[41]

Table 3: Factors affecting enterprises' willingness to pay

Factor	Sub-factor	Detail/Examples
Affordability	**Challenges with cash flow**	One enterprise considered hiring a business consultant but concluded it was very expensive. GrowthAfrica's model was viewed as a better fit.
	Low margin businesses	Businesses selling commodities with low margins reportedly pushed back against the terms of the contract, particularly on revenue sharing. For example, in Uganda the margins for maize are low, around 6-7%. In these cases, GrowthAfrica was willing to consider a lower revenue share, or a different contractual arrangement because they 'don't want to hurt the fundamentals of the business'.
Entrepreneurs' knowledge, skills and attitudes	**Lack of financial acumen**	In Uganda, one interviewee noted GrowthAfrica **has 'to explain equity 101'** and many Ugandan entrepreneurs 'have a feeling that you are going to end up taking everything that they have'. Communication of the model was acknowledged by GrowthAfrica to have impacted negatively on perceptions of value. GrowthAfrica observed that they can still make improvements: 'our communication piece isn't strong enough'. In the past, the Head of Programmes had tried to put the contract in layman's terms, demonstrating with examples; for instance, if the business grew to one million dollars in revenue, GrowthAfrica would receive US$10,000.
	Attitudes of friends and family	Several interviewees (staff and enterprises) reported that entrepreneurs' friends or family review the draft contract, which creates problems as many then tell the entrepreneurs that it is very punitive.
	Attitudes to and understanding of formal contracts	A GrowthAfrica staff member described that enterprises view the contract more as a letter of intent. One of the enterprises interviewed felt similarly, and reported that they did not really consider the contract real.
	Lack of knowledge of hybrid organisations	GrowthAfrica perceives their explanations are sufficient in Kenya because there is more knowledge of hybrid for-profit and non-profit organisations.[42]
	Baseline revenue	Two enterprises, which had higher baseline revenues and an existing customer base possibly demonstrating they were stronger businesses, saw less value in GrowthAfrica's programme and thus declined the offer to participate because GrowthAfrica was not willing to revise the terms to suit their needs. In other instances, enterprises with baseline revenue of US$500,000 or more were able to negotiate terms that were more favourable to the business.

[41] Annex 15 summarises some factors highlighted in research on willingness to pay.
[42] A similar challenge is also arising in Zambia where the feedback has been *'but you are an NGO, you are supposed to do this for free'*.

Perceived value of GrowthAfrica offering	**Alternative service providers**	The availability of substitute programmes influenced three entrepreneurs' willingness-to-pay. One commented: 'For a course – it didn't make sense to give equity. There are a lot of free courses: Coursera EdX and other accelerators'; while another compared the cost of GrowthAfrica to Stanford Seed, noting it was more expensive despite Stanford Seed's upfront US$5,000 payment.
	The quality, quantity and timeliness of GrowthAfrica's services	Two interviewees remarked on the timeliness of GrowthAfrica's support as well as its ability to deliver on enterprises' expectations impacted on willingness to pay. One interviewee described that when cohort members complete the first six months 'they are saying they loved it and would pay for the programme, but three months later they are just upset if they haven't raised investment'. Another enterprise, as reported earlier, paid another provider US$3,000 for a financial model that GrowthAfrica was not able to deliver on within its expected timeframe.

4 Findings: To what extent is GrowthAfrica's model effective? (KEQ2)

The evaluation covers 2016 and 2017 cohorts. The last cohort finished the workshops at the end of 2017. Therefore, for enterprises it may still be considered early in their period of support and hence this may influence the stage at which outcomes have materialised, although there are also factors affecting the pace and scale of change reported by enterprises. This section presents the findings on the key shorter to longer-term outcomes the enterprises supported by GrowthAfrica are achieving and GrowthAfrica's contribution to these changes. Enterprises report shorter and longer-term outcomes, as well as GrowthAfrica's contribution in some areas.

Since at the end of 2017, GrowthAfrica is supporting more enterprises than planned. The analysis outlined below examines results according to changes irrespective of the higher number of participating enterprises and against the total number of enterprises being supported. **Annex 11** includes detailed tables of progress against key indicators as well as some graphs.

This section draws on GrowthAfrica's data (as reported in its Logframe report and enterprise data workbook), the evaluation teams' enterprise survey and interviews with enterprises. As reported earlier, several data quality issues have been identified in GrowthAfrica's data affecting the reliability of findings and analysis that results. **Annex 6** provides further details. The incomplete data set, along with noted quality concerns, means it is not possible to disaggregate much of the data to investigate performance compared to enterprise or entrepreneur characteristics.

4.1 What outcomes did enterprises achieve?

Summary Finding: Outcomes were analysed according to the Logframe milestones. Improvements in entrepreneur's capacity, business operations, revenue and investment nearly always exceeded milestones. When milestones are adjusted for the larger number of enterprises contributing to performance, 62% of indicators exceed the milestone. Data quality affects the reliability of this analysis. Based on Logframe milestones:

- Changes to entrepreneurs' capacity – above expectations for Logframe milestones.
- Changes to business operations – improving strategic choices based on financial models and financial management were the highest performing areas almost reaching targets. Practices related to marketing, and new or refined products were below expectations.
- Enterprises have earned US$6 million, exceeding the milestone of US$4.5million. Performance is 90% when adjusted for the additional number of companies.
- Seven enterprises doubled their number of jobs and income opportunities.
- 19 enterprises (raised investment in 2017 to the value of US$1,962,041, exceeding the target by 20%). GrowthAfrica did not directly facilitate these investments.
- No enterprises have yet reached moderate or significant scale.

The following sections summarise changes in short-term outcomes followed by longer term outcomes, following the logic of the theory of change and building on previous sections' findings on services delivered.

4.1.1 Entrepreneurs' capacity

Across every competency indicator in the Logframe, GrowthAfrica has exceeded its expectations in terms of absolute numbers. When adjusted for the increased number of enterprises GrowthAfrica is supporting, performance against most milestones decreases slightly. For most of these indicators, performance is approximately 90% of expectations. Due to limitations with available data it is not possible to disaggregate performance by country, sector, cohort or other dimensions.

4.1.2 Enterprises' operations

GrowthAfrica tracks indicators related to specific areas of businesses' operational performance including partnerships, new products and services and sales. Indicators related to improving strategic choices based on financial models; financial management were almost on target, whereas practices related to marketing, and new or refined products were below expectations. Some findings appear contradictory. For instance, while the number of products sold doubled, the number of new customers was significantly below expectations. The reasons for the differences in performance are not reported.

GrowthAfrica reported mostly positive, although mixed, performance across its operational and management performance indicators. However, when adjusted to account for the larger number of enterprises GrowthAfrica is working with, performance decreases.

4.1.3 Increasing revenue

GrowthAfrica's expectations regarding revenue growth are outlined in the Logframe as well as clauses in their contracts with enterprises:[43]

- Total revenue of participating enterprises (US$).
- Number of participating enterprises that experience 20%+ increase in revenue generation within 12 months of completing engagement.

At 31 December 2017, **enterprises have earned US$6 million, exceeding the milestone of US$4.5 million** (133%). When targets are adjusted for the greater number of enterprises being supported (US$6.6 million), performance is 90% of expectations. A more complete and accurate data set may mean revenue earned is higher than reported, although revenue is not always increasing.[44] There are examples of enterprises with decreased revenue.

GrowthAfrica reported **24 enterprises have realised a 20+% increase in revenue**, **exceeding the original target of eight or adjusted target of 12**. While enterprises have, on average, increased their revenue by significant amounts some started from very low bases, such as US$1,000, so small changes appear significant, e.g. greater than 1000%.[45] Based on available data, the most significant increases are seen in

[43] See KEQ 1 for more information about GrowthAfrica's contracts with enterprises. GrowthAfrica expects that within 12 months of completing the programme, 50% enterprises will have increased revenue by at least 20%. Most enterprises (estimated to be 80%) have standard contract clauses specifying that within 24 months of an enterprise completing the programme (or within five years of commencing the programme), enterprises will have: a) increased annual gross revenue (sales) by at least twice that of the revenue in the baseline year. The expectations may send mixed messages about the level of success although it could be interpreted that within 12 months of completing the programme, half of the enterprises will have realised at least a 20% increase in revenue and by 24 months of completing the programme 80% will have doubled their revenue.

[44] See Annex 6 for further explanation of data issues.

[45] If enterprises with less than $10,000 revenue at any of the data points are removed, then the average change from 2015–2016 decreases to 67%; for 2016 to 2017 decreases to 7%; and from baseline to end of 2017 to 198%.

Uganda cohort 1 (with an average increase of 567%) and Ethiopia cohort 1 (average 170%). Small negative changes were seen for Kenya cohorts 1 and 2 (-8% and -16%).

Return on technical investment

Argidius uses a specific calculation – return on total investment (ROTI)[46] – to understand how its partners, such as GrowthAfrica, impact small business growth. The targeted end of programme ROTI is 2.1. With caveats due to the evaluation team's confidence in the quality of data, **GrowthAfrica's ROTI to the end of 2017 has been calculated at 3.9,** based on estimated expenditure to 31 December 2017.[47] At this point of implementation ROTI was expected to be around 2.2 slightly ahead of the end of programme target of 2.1.

4.1.4 Creating jobs

Seven enterprises have doubled the number of jobs and income opportunities, slightly under the milestone of between 20% – 50% (8–20) enterprises. However, **adjusted performance is lower than expected** (20% of 59 enterprises is 12 enterprises).

By the end of 2017, enterprises had 556 full-time employees, an average of nine full-time employees across the 59 enterprises, slightly ahead of expectations (an average of eight per enterprise).

From the baseline to the end of 2017, 344 full time jobs were created reflecting an increase of 133% (n=25/63). The number of new jobs and income generating opportunities[48] was also slightly better than expected at 1,376, with an average of 23 per enterprise compared to an average of 20. From the baseline to 2017, two Ethiopian companies accounted for significant increases in employees. From the baseline year to end of 2017, there was a small increase in the number of part-time employees. 50% of enterprises had decreased the number of part-time employees over this period.[49]

The total expected salary sum was at 90% of the milestone (adjusted for the greater number of enterprises GrowthAfrica is working with). GrowthAfrica[50] explained the variation between the slightly higher number of employees and the slightly lower salary expenditure as being due to one enterprise paying most of its full-time employees on commission.

The increased jobs indicator implies that all enterprises may have an upward trajectory in the number of full-time equivalent employees. Since GrowthAfrica does not set individual enterprise targets, it is not possible to understand where most of the job increases were expected to originate e.g. were some sectors and/or business models expected to drive more job creation. The indicator also masks that enterprises may decrease jobs. For the 25 enterprises where there is baseline and 2017 employee data, five enterprises (or 20%) decreased their full-time employee numbers. See Section 4.3 – GrowthAfrica's contribution to changes.

Job creation as social impact[51]

GrowthAfrica notes 'social impact' relates to job creation, but that it also supports enterprises that do not have an explicit impact agenda. Of the 63 enterprises, 57% are categorised as having both a social and environmental impact intention, 32% social only, 5% environmental only and 6% as having no social or environmental impact agenda. **The 'both' and 'social' categories account for the greatest number of full-time and part-time employees in 2017**, although compared to the number of 'social' enterprises there is

[46] ROTI is calculated by considering the net change in annual enterprise revenue for the years following an intervention, compared to the annual revenue prior to the intervention, and dividing this by the total investment from all sources.
[47] Annexes provide further details regarding the reliability of the incremental revenue data and subsequently the ROTI calculation.
[48] Indicator 3a.
[49] Part time employees are not adjusted to full-time equivalents (FTEs) so it is not possible to calculate all jobs created.
[50] Progress Report Mid 2017.
[51] GrowthAfrica also tracks the number of 'benefactors served by better/more affordable products or services offered by participating enterprises'. Benefactors are not defined but if they are persons at the bottom of the pyramid they might be seen as having a social impact. However, compared to the target performance is 119% greater than expected. The progress report for mid-2017 explained that this was due to four enterprises selling fast moving consumer goods and therefore the reach of customers is higher than some other enterprises.

proportionately fewer full-time employees and more part-time employees. **The highest average number of full-time employees arise from the 'none' and 'environmental' enterprises** (although, the total number of enterprises is small). No assessment of changes since the baseline year has been conducted due to the level of missing baseline data for employee numbers.

GrowthAfrica reported that the number of individuals generating income, directly or indirectly from the enterprises increased sharply due to the number of enterprises that have business models that empower external individuals through their supply chain and distribution.

4.1.5 Increasing investment

GrowthAfrica estimates that 40% of enterprises (or 32 from the original plan of 80 enterprises participating in the programme) will gain access to funding to the average value of US$125,000. At the end of December 2017, GrowthAfrica had estimated that 10% would have raised an average of US$100,000 in funding.[52]

Fifty-nine enterprises (93%) are seeking investment. At the end of December 2017, GrowthAfrica reported that **19 enterprises raised investment in 2017 to the value of US$1,962,041** (approximately 30% of enterprises, which exceeds the 20% target). On average enterprises raised US$103,300. The majority (n=12) raised US$50,000 or less while five enterprises raised US$200,000 or more. Ten investments were debt, followed by nine 'other' (assumed to be grant funding) and three equity investments.

4.1.6 Achieving scale

According to GrowthAfrica's expectations, at 31 December 2017 it is still too early to see many enterprises reach scale. At this time, **two enterprises were expected to achieve moderate or significant scale** (See **Annex 4** for GrowthAfrica's definition of scale). By the end of 2018, GrowthAfrica expects to see 16 enterprises scale or 20% of the portfolio.

At 31 December 2017, five enterprises obtained US$200,000 or greater in investment. One of these, is also the only non-profit enterprise in the portfolio and they also had greater than 25 employees (although it has not increased employee numbers since the baseline year). None of the nine enterprises who had at least US$250,000 revenue in 2017 are those that have obtained US$200,000 in investment.

4.2 Which aspects of GrowthAfrica's support most contributed to outcomes?

It is difficult to answer this question because there is insufficient data on what services were provided to enterprises, how and when. All enterprises received support during the workshop phase. From interviews and survey data, some enterprises have received some support since then but there is a mixed picture. Therefore, most changes that GrowthAfrica made some contribution to (see next Section) are more likely to have come from the workshop phase of support.

4.3 What outcomes did GrowthAfrica contribute to?

Summary Finding: Most enterprises interviewed and survey respondents report that GrowthAfrica has contributed to some outcomes, particularly short-term outcomes related to entrepreneurs' capacity and specific areas of business operations relating to a clearer direction and value proposition, improved pricing, marketing and branding, and reducing costs. The majority of participants felt GrowthAfrica contributed least to increased investment and access to investors or funders. There is insufficient quality

[52] Similar to the issue raised earlier with revenue increases, GrowthAfrica presents different expectations via its contracts with enterprises. Standard contract clauses set performance expectations for total capital raised, regardless of classification, at more than US$250,000. Again, our estimation is that 80% of enterprises have contracts with this expectation (although not guarantee), compared to the 40% outlined in the Logframe.

evidence to fully assess GrowthAfrica's contribution to longer-term outcomes of job creation, revenue collection and investment raised.

4.3.1 Entrepreneurs' capacity

More than 75% (n=10/12) of survey respondents felt that participating in the programme contributed to improving their business and leadership skills. Respondents highlighted outcomes related to improved value proposition, pricing, positioning and marketing and branding, which was consistent with outcomes noted by interviewed enterprises. Five (n=5/8) enterprises interviewed mentioned their **increased and/or clearer focus in their direction, vision and value proposition**.

Two interviewees said they were previously 'confused' and 'all over the place' but more focused afterwards. Another enterprise noted that were now better able to gather information on potential customers' needs, and that meetings with potential customers were easier than previously, since they were able to **able to better explain how products were priced and the reasons for this.** GrowthAfrica's encouragement and asking questions also helped enterprises reflect and learn. One enterprise said that the programme exceeded his expectations in terms of **'mental stimulation'**, noting that he had as many ideas and thoughts written at the back of his notebook as he did notes from the workshops and talks that were at the front of his notebook. Enterprises also reported the improved focus had flow-on effects, helping them to refine their business model, better analyse the market, benchmark competitors, as well as increased their confidence in saying 'no' to potential funders who have a different agenda.

Participation contributed least to distribution, sourcing, packaging, tax and regulatory compliance and office/work space.

4.3.2 Enterprises' operations

Overall, survey respondents felt **GrowthAfrica made a modest contribution to changes in business operations**. Respondents were most positive about contributions to new networks of like-minded entrepreneurs and improving the awareness and credibility of the enterprise. Half of the respondents felt GrowthAfrica made no contribution to increasing production and improving the ability to attract staff/staff retention.

GrowthAfrica does not track reduced costs, yet the **enterprises interviewed provided several examples of how they had reduced costs** such as changing to bulk buying packaging; moving to suppliers physically closer to reduce transport costs; moving away from more expensive contract manufacturing; sourcing a cheaper manufacturer; reducing the number of employees; and decreasing the sales cycle time. One interviewee noted they now understood that GrowthAfrica would not necessarily assist in increasing revenue, but they could help reduce costs, suggesting that this was an unintended positive outcome. Two enterprises noted they had 'hired staff without thinking about it' or 'employed staff in the wrong way' but had since 'streamlined' and 'scaled down'.

A few enterprises have also **benefited from meeting other cohort members** by using other members' services or being introduced to potential partners or customers. Survey respondents reported GrowthAfrica made little contribution to business partnerships directly although a few examples of indirect contributions were noted: by encouraging the entrepreneur to seek a particular type of distribution channel; inviting service providers to speak at events. Survey respondents wanted more support to develop partnerships. One enterprise developed a partnership following GrowthAfrica's introduction, something they thought would not have happened otherwise. One interviewee commented they had expected more support in this area.

4.3.3 Increased revenue

Seven (n=7/12) survey respondents felt the programme helped increase revenue at least a little, while five felt it had not contributed or it was too early to tell. Of those enterprises that felt there was some contribution, this was most frequently felt to be a little, rather than some or a lot.

Enterprises selected for GrowthAfrica's programme have increased revenue more than those that were not selected, although the reasons for changes are not reported.[53] Selected enterprises in Kenya (n=6) increased their annual revenue US$144,188 more than the unselected enterprises (n=93), and in Ethiopia (n=9) US$123,470.

See Section 4.3.6

4.3.4 Creating jobs

Eight (n=8/12) survey respondents felt that the programme had contributed to creating more jobs at least a little, while four felt there was no contribution or it was too early to tell.

Available GALI data for Kenya Cohort 1 (2016) and Ethiopia Cohort 1 (2016) shows selected enterprises in Kenya (n=6) increased their average full-time workers by an additional 2.6 employees more than the unselected enterprises (n=93) and in Ethiopia (n=9) by 4.7 employees.

See Section 4.3.6

4.3.5 Increasing investment

GrowthAfrica claims contribution to the outcome of investment raised regardless of whether or not it provided investment facilitation services directly to enterprises. The proposition/hypothesis – or Theory of Change – is that by improving an enterprises' business knowledge, skills and practices, the enterprise's investability is improved, therefore increasing possible or likely raising of investment (indirectly connected to GrowthAfrica's support).[54] Accordingly, at the end of December 2017, GrowthAfrica indirectly supported **19 enterprises to raise investment in 2017 to the value of US$2 million** (approximately 30% of enterprises, which exceeds the 20% target).[55]

Enterprises had more mixed views of GrowthAfrica's contribution to the increased investment. **Nearly half of the survey respondents reported GrowthAfrica had made a contribution[56] to increased investment.** Two of these enterprises had raised investment. Another two enterprises who had raised investment reported it was too early to tell if GrowthAfrica made a contribution. Five enterprises, of which two had raised investment, felt GrowthAfrica had not made a contribution. Respondents felt similarly about contributions to increased access and connections to potential investors/funders. Enterprises interviewed felt similarly about GrowthAfrica's contribution to increasing investment, with one interviewee commenting that raising investment was a 'bonus', but they would not advise others to join the programme if they were looking for investment or funding directly resulting from services delivered by GrowthAfrica.

Relative to their unselected counterparts, Ethiopian selected enterprises' average annual investment decreased by US$32,270 (since selected enterprises' investment fell while unselected enterprises' investment increased), while in Kenya selected enterprises increased investment by US$23,492. Selected enterprises in Ethiopia were affected mostly in decreased amounts of debt investment (as opposed to

[53] This is only based on available data for Kenya Cohort 1 (2016) and Ethiopia Cohort 1 (2016). Data has not been adjusted to remove dropouts. This will be done if GALI provide additional data and there is time to analyse it.

[54] GrowthAfrica tracks the introductions it makes between investors and enterprises, although its tracking sheet did not include any of the cohort companies but rather refer to companies GrowthAfrica has worked with outside of the accelerator programme. One interviewee suggested that a measure of GrowthAfrica's ability to source relevant enterprises and match them to investors' needs are the number of investors who have had a second conversation with enterprises.

[55] According to the Logframe report at 31 December 2017, GrowthAfrica reports that 50% of enterprises who were actively seeking investment have achieved this aim. However, our calculation is 32% being 19 of 59 enterprises.

[56] Reporting either a little or some contribution.

equity or philanthropic funding), while in Kenya increased debt investment accounted for most of the positive changes.

Also see Section 4.3.6

4.3.6 Comparison of GALI data – GrowthAfrica and other organisations

GALI provided a dataset called the *2017-2018 follow-up data release*, which included data from enterprises that applied in 2016 to participating programmes/organisations and included follow-up data for the year 2017.

A comparison of changes in revenue, full-time employees and part-time employees was made between enterprises selected and unselected by GrowthAfrica. Records were used only where there was follow-up data.[57]

A comparison (see table below) was also made between enterprises from selected and unselected by other (anonymised) programmes/organisations. The comparison dataset included enterprises from Kenya, Uganda and Ethiopia since these are the countries that GrowthAfrica selects it enterprises from.

In summary, enterprises selected by GrowthAfrica increased revenue seven times more than those selected by other organisations. Enterprises selected by other organisations increased investment eleven times more than GrowthAfrica's selected enterprises.[58] Enterprises that were not selected by other organisations performed slightly better than those that were not selected by GrowthAfrica. GrowthAfrica's selected and unselected enterprises increased the number of employees more than other organisations/programmes.

Table 3: Comparison between GrowthAfrica's and other programmes' selected and unselected enterprises (2016 application year)

	Revenue	Full-time employees	Part-time employees	Investment	Number of records
GrowthAfrica					
Selected enterprises average increase	116,333	5	7	- 2,716	15
Unselected enterprises average increase	1,385	1	4	722	113
Other programmes / organisations					
Selected enterprises average increase	- 16,462	1	1	29,853	30
Unselected enterprises average increase	- 4,938	2	1	3,859	87

[57] The dataset was cleaned to remove records. This included those enterprises where it was not clear if they 'finished' the BDS, and where there appeared to be data entry errors e.g. one enterprise with a baseline revenue of US$51 million.

[58] There are limitations to this comparison. For instance, it is not known what services are provided by other programmes or organisations. GALI collects data from accelerator programmes and organisations providing investment readiness services. The length and nature of the services delivered may differ.

4.4 What contextual factors affected enterprise growth?

Some enterprises interviewed highlighted internal and external contextual factors contributing to their businesses development.

All enterprises interviewed were based in Nairobi and the **2017 Kenya political situation** affected businesses whose sole or primary market was Kenya (exports were nil or low, or did not work in other countries). Enterprises with customers outside of Kenya were less effected. The collapse of Nakumatt, Kenya's largest supermarket chain, also affected some businesses. **Ethiopia's state of emergency** impacted the short-term performance of the economy although the long-term implications are less clear. However, it has affected foreign investment.[59]

Some contextual factors were very specific to the type of business. For instance, one enterprise joined the programme because of the **downturn in the resource sector in East Africa**. After joining, **increased conflict and insecurity in the region, new industries (such as renewable energy) and development (new road construction) increased demand for services**. Similarly, this enterprise has specific assets (local compliance certificates and local staff) that make it attractive to organisations looking for a local service provider or partner, which allowed them to access new opportunities.

Two enterprises provided examples of where **competition had negatively affected or was expected to affect business.** In one case, another business had set up across the road offering lower prices. In the other situation, a global corporate's business practices were a possible constraint on growth opportunities.

Entrepreneur's and GrowthAfrica staff also noted that the **entrepreneurs' attitudes** also affected business growth and opportunities, both positively and negatively. For instance, the level of GrowthAfrica's service provision was influenced by entrepreneurs' proactiveness in following up with GrowthAfrica. GrowthAfrica described one entrepreneur as 'fixed', which then constrained growth opportunities.

[59] https://www.washingtonpost.com/world/africa/investors-shy-away-from-ethiopia-in-the-wake-of-violent-protests/2016/11/01/2d998788-9cae-11e6-b552-b1f85e484086_story.html?noredirect=on&utm_term=.c205f19147f5

5 Findings: To what extent does GrowthAfrica learn from the sector and contribute to sector learning? (KEQ3)

This section **highlights a range of lessons identified** through the evaluation. Some of these are lessons GrowthAfrica leadership have already responded to. In other cases, issues were identified by GrowthAfrica but have not yet been responded to. Several insights were raised by external stakeholders; these are captured here and may contribute to GrowthAfrica's future learning.

Annex 15 includes a list of all lessons and status of actions.

5.1 What aspects of GrowthAfrica's support are replicable?

Summary Finding: Most survey respondents and interviewees noted short-term benefits from the workshops and therefore this is the most replicable aspect of the programme. However, replicability only seems feasible if GrowthAfrica is able to spread the delivery of the workshops to staff other than the CEO and Executive Director, Accelerator; and can increase and ensure the right quality of resources to deliver the planned support to the enterprises. Replicating only part of the programme may not contribute to achieving sustainable outcomes that GrowthAfrica has articulated as necessary components in its ToC. Additionally, several factors seem to limit GrowthAfrica's ability to scale. Perhaps, most pressing is the current effectiveness of its revenue sharing agreement.

Currently, there is insufficient reliable data on enterprise performance to determine what is working, for whom and when, and the extent to which selected enterprises have sustainably increased incomes, jobs and investment. However, **most enterprises interviewed reported short-term benefits from the workshops** and therefore this currently seems to be the most replicable part of GrowthAfrica's support.

As has been shown by numerous other business development support interventions,[60] **short-term benefits may also not be sustainable.** Therefore, **delivering workshops is unlikely to be value for money if improved longer-term support cannot also be delivered**.

From the findings, there are three other factors that affect GrowthAfrica's ability to replicate and scale:

- Firstly, as one interviewee noted **a core constraint of the cohort model is that a programme is 'stuck' with selected enterprises** for months and these enterprises might not be the right one. The challenge for GrowthAfrica seems to be how to mitigate this constraint through regular re-evaluation of performance and potential performance and allocating resources accordingly. See Lesson 6 (Section 5.2.7).
- Secondly, the programme is 36 months and is far longer than other acceleration programmes, which seems to contradict the term 'acceleration'.[61] **The additional length of the programme may make it more difficult to scale.**
- Thirdly, as outlined by GrowthAfrica in July–December 2017 Progress Report, is **its ability to find suitable ambassadors, spokespersons or support for its identification and selection processes**. The initial programme included local organisations as implementing partners but while this did not prove effective, GrowthAfrica is revisiting local support arrangements.

5.2 How, and what, is GrowthAfrica learning?

Summary Finding: GrowthAfrica's learning is predominantly through its internal implementation experience; and there are numerous examples of it identifying lessons and potential solutions. GrowthAfrica has adapted the programme largely in response to resource challenges. Several actions have been implemented, some of which have been partially successful e.g. increasing enterprises

[60] Ibid.
[61] As was highlighted by the GrowthAfrica CEO during a discussion at the SANKALP Forum in February 2018.

understanding of revenue sharing agreements. GrowthAfrica has identified several solutions to improve on the lessons although there is not a clear plan of which to implement. The timeliness of resolution of issues was noted by some interviewees as an area for improvement.

Five key interrelated lessons, emerged. These included: 1) identifying and selecting the right enterprises; 2) resourcing the support to enterprises; 3) programme structure and content; 4) implementing the revenue-sharing contracts with enterprises; and 5) data collection, use and management.

GrowthAfrica spends less time on learning from others or sharing its lessons. Challenges to more external learning (from/to others) are time constraints, the competitiveness among some intermediaries, perceived pressure to demonstrate own organisations' contribution to outcomes. Another challenge is the limited analysis it does of its portfolio's performance, which would provide it with a foundation of lessons to share.

5.2.1 GrowthAfrica's learning processes

Several examples of internal learning processes and actions, along with their strength, were highlighted during the evaluation, specifically:

- GrowthAfrica's six-monthly progress reports to Argidius provide **brief narrative descriptions of implementation lessons** and how GrowthAfrica is responding to these.
- **Feedback mechanisms are in place.** Growth Catalysts and enterprises interviewed cited examples of raising issues and suggesting solutions to the GrowthAfrica's leadership.[62] Some interviewees felt **GrowthAfrica's responsiveness was not timely enough**. For instance, ensuring there were sufficient Growth Catalysts had the right skills and experience to support enterprises; and providing feedback to enterprises on their performance issues. One enterprise felt there was some internal resistance to feedback.
- GrowthAfrica is implementing improvements to data collection and information management systems. However, **the collection, analysis and use of information is not systematic**. **Data quality checks are not functional.** See Lesson 6.

GrowthAfrica is linked through to the wider ecosystem in Nairobi and East Africa.

- **The main forum for external learning is the Aspen Network for Development Entrepreneurs**, where the CEO is on the ANDE East Africa Steering Committee. One GrowthAfrica interviewee observed there was a trade-off between supporting implementation and attending a lot of events, while at the same time noting that GrowthAfrica's visibility in the ecosystem could improve.
- **Implementing human centred design (HCD) processes and tools for the SPRING accelerator programme was a learning opportunity.**[63] GrowthAfrica used the process to gain knowledge and validate their own approach, incorporating some HCD tools and processes, such as a visioning and implementation boot camp, into their programme.
- Some interviewees see **GrowthAfrica's potential to contribute to learning**. One interviewee noted they had used GrowthAfrica to find the right people to speak to in another country, so are seen to have valuable networks. Another interviewee felt GrowthAfrica had insights from their work with enterprises and wanted to know what GrowthAfrica was learning: 'What was the shortcoming of the minimum viable products? Were enterprises learning from customers? Was their product right?'

Several constraints to learning were mentioned: staff time; competitiveness amongst intermediaries leading to lack of trust, openness and information sharing; prioritising which events to attend when

[62] GrowthAfrica also noted it collected written feedback from enterprises after the workshops. Although they could not provide this feedback to the evaluation team.

[63] HCD is an approach to problem solving that centres around obtaining rapid and regular feedback during the design process from the people the product or service is designed to help so that it meets a market need. http://www.designkit.org/human-centered-design

time was limited. The belief that GrowthAfrica had to demonstrate its contribution to outcomes was also mentioned; working with others meant having to share the rewards.

5.2.2 Lesson 1: Identifying and selecting the right enterprises

GrowthAfrica has adapted the way it recruits enterprises, which it says has been more effective in attracting higher quality enterprises. This includes:

- **setting up its own staff in other countries** (after the initial intention of 'partnering' with other organisations did not work). Some Growth Catalysts support enterprises in other countries, a structure that limits the support provided.
- employing **more 'sales-orientated' staff**.
- using **a more targeted approach relying more on referrals from its networks** (such as investors, alumni and other actors) rather than advertising the programme through social media, which was more fruitful. GrowthAfrica noted that it could do more in this area, and separately reported that without a partnerships strategy and dedicated staff, it could not fully leverage partners to identify enterprises.

GrowthAfrica's understanding of the markets also affected identification and selection. The first Ugandan enterprises were at an earlier stage of development and reportedly it gave time for GrowthAfrica to understand Uganda, and Ugandan actors to understand GrowthAfrica.

However, two ongoing issues related to the effectiveness of identification and selection were also highlighted during the evaluation: These are:

Application of the right fit criteria: some interviewees felt there was a greater focus on quantity of enterprises rather than quality (i.e. finding 200 leads). Interviewees commented: 'need to hit 200-250 per country and the quality suffers', 'to get the numbers', while others cautioned GrowthAfrica 'had to be careful at how fast they are expanding'.

GrowthAfrica's limited staff resources: Growth Catalysts lead recruitment processes while also supporting enterprises. High workloads were perceived to affect the quality of both. In 2018, Growth Catalyst's will meet with two new businesses every month spreading identification activities through the year.

There were **divergent views about who GrowthAfrica's programme was best targeted towards**. GrowthAfrica describe their ideal enterprise and entrepreneur as being at a more advanced level than where some interviewees felt the programme was pitched. Two past participants felt the programme was best suited to those who did not have experience running a business (e.g. do not have working financial systems) or limited expertise in business or a specific technical area; or were straight out of university. Another interviewee felt grant funding was more appropriate for the selected enterprises rather than other types of investment.

5.2.3 Lesson 2: Sufficient resources to support enterprises

A recurring theme during the evaluation was the level of resourcing support to enterprises, and to a lesser degree the quality of resources.

In mid-2016, GrowthAfrica highlighted it was considering **'upgrading' the requirements for new Growth Catalysts** since the role of supporting enterprises 'required significant skills and experience to reap the full benefits'. However, this has not yet been implemented. Costs was one reason cited. GrowthAfrica has had **challenges attracting the Growth Catalysts with the right fit**, noting that they would over-recruit by 25% (assuming there would be regular turnover). They also referred to junior and senior Growth Catalysts.

GrowthAfrica's leadership team explained a history of being a lean organisation, an attitude which they noted they have not grown out of. Over the last two years, the focus has been on learning how to expand

and adapt the model to new markets, but more staff were required to support enterprises. While staff numbers have increased, so too have the number of enterprises, meaning there is still a notable resource gap. The evaluation team estimates staff shortages are likely to worsen during the second and third quarters of 2018. **Annex 11** contains this analysis.

GrowthAfrica's ability to support enterprises post start-up stage was raised regularly. The number of enterprises participating in GrowthAfrica's accelerator programme was also commented on:

> *'GrowthAfrica can't get too stretched. Need to solidify the companies; if they [the enterprises] fall off the wagon then they don't fulfil their potential'.*
>
> *'What is the ultimate objective of the AP? I would have thought it was better value for money to invest more deeply, to pick earlier on. It's a huge throughput – to what end? … going to have all this cohort falling off the cliff[64] – would say this about most early stage/accelerator programme models'.*

Nearly all interviewees noted **GrowthAfrica's slowness in answering emails, finalising contracts, returning commitment bonds and providing sufficient guidance to support persons such as mentors and sages as key challenges to service delivery efficiency**. Three interviewees felt the organisational structure, whereby all the Growth Catalysts reported to the Executive Director, Accelerator did not help efficiency. Increased delegation was a solution suggested although some enterprises noted they would like more input from more senior GrowthAfrica team members.

5.2.4 Lesson 3: Programme structure and content

The programme design has been adapted. The key driver for changes seem to have **difficulty in securing the quantity and quality of human resources** when they are needed. An example of an adaption is the removal of the scale-up programme, boot camp and the Gazelle Forum:[65]

It is **not always clear how, and especially how quickly, GrowthAfrica responds to enterprises' feedback**.[66] In mid-2017, GrowthAfrica proposed enterprises meet-up monthly in smaller groups and attend quarterly one-day workshops (called GrowthDays) on topics relating to scaling up, as well as revisiting the tools, frameworks and exercises from the initial six-month period.[67] These do not appear to yet be implemented. GrowthAfrica interviewees also explained several other adaptions being considered but do not have a clear plan for making a decision on whether to go ahead or not. Most ideas seem to relate to resource constraints rather than content. GrowthAfrica's ideas and interviewees recommendations are listed **Annex 13**.

5.2.5 Lesson 4: Implementing the revenue-sharing contracts with enterprises

GrowthAfrica **thought the contracts were 'entrepreneur friendly' and had not expected the level of resistance.** They underestimated the level of education they needed to do to ensure entrepreneurs understood the contract (including shares and equity as a delayed payment mechanism and in lieu of an upfront payment for business development services). It also appears GrowthAfrica underestimated the level of effort needed to build trust, or the partnerships they desired.

GrowthAfrica has **adapted the contracts to ensure they are 'fair' to entrepreneurs; and increased their explanation of the contracts**. They also provided support to some enterprises to implement share transfer processes. GrowthAfrica's flexibility in contract clauses has been effective in signing 'right fit' enterprises. However, fee paying contracts have resulted in 'transactional relationships' rather than 'partnerships'.

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[64] The interviewees' term 'falling off a cliff' refers to what they feel would happen when support to enterprises ends.
[65] GrowthAfrica's mid 2017 progress report also notes that it was extending the programme to 42 months. However, this has not been adopted.
[66] GrowthAfrica noted they collected feedback forms at the end of workshops. However, they were unable to provide any to the evaluation team.
[67] PR Mid 2017.

Given some ongoing misunderstanding about specific clauses, **communication efforts appear partially effective.** Two enterprises asked that GrowthAfrica provide practical examples of how the revenue share would work, and work through the numbers with each enterprise before they sign the contract to demonstrate how much it would cost. GrowthAfrica noted they also had some other ideas about how to continue to improve this aspect of their model, including 1) having an external, perhaps legal, professional to act as a 'trusted convener' to explain to enterprises; and 2) creating explainer videos. These strategies have not been implemented.

It also appears GrowthAfrica **underestimated the resources and effort required to manage the contracts**. While GrowthAfrica highlighted some challenges with internal financial management resources, it does not yet appear to have fully addressed this issue. Currently, few enterprises have transferred shares and there are gaps in baseline revenue data.

5.2.6 Lesson 5: Managing enterprises' expectations

Most enterprises joined the programme because they believed they would secure investment but based on GrowthAfrica's experience **entrepreneurs are not always realistic about where they need to be or what they need to do to be investment ready.** GrowthAfrica reported that enterprises do not always listen to GrowthAfrica staff and in response are not put forward for investor presentations during initial workshops and some individual investor-enterprise meetings during the early stages of the programme. Examples arose during the evaluation where this appeared to be an effective strategy, however overall there appears to be a continued level of dissatisfaction with GrowthAfrica's ability to support increased investment.

GrowthAfrica attempts to screen entrepreneurs for the right attitude and/or level of commitment during the selection process. It does this by including a contract clause requiring at least one founder/decision-maker is available for all workshops. In practice, however, GrowthAfrica has found it difficult to screen for and enforce entrepreneurs' commitment. Entrepreneurs reported time constraints as a challenge for participating in all activities. Enterpreneurs' levels of ambition may also change over time. One entrepreneur noted they were interested in scaling the business but changed their level of ambition as the programme progressed.

5.2.7 Lesson 6: Information to support decision making

GrowthAfrica's information management systems are not strong, as demonstrated by the difficulty addressing the evaluation team's information requests. **GrowthAfrica is developing a database to help them store their data, recognising that data collection and management can be improved**.

GrowthAfrica also identified other initiatives they were seeking to implement including an activity log for Growth Catalysts to record interactions with enterprises, increase accountability as both the Catalyst and enterprise sign-up to actions and timeframes. An internal monthly report will complement the activity log. Up until early 2018, the Growth Catalysts were keeping their own versions of documentation on the enterprises they work with; for the most part this information has not been stored systematically or centrally. The evaluation team did not receive copies of these activity logs – the extent to which they are planned versus implemented was unclear.

GrowthAfrica did not clearly demonstrate that it uses the information it collects from enterprises to: 1) monitor the performance of enterprises and support them; 2) assess the overall strength, weaknesses and opportunities in the portfolio; or 3) understand which parts of the accelerator programme are more effective and for whom, and to use this information to manage the programme (and resources).[68] Nor does it appear to use other information that it has access to, e.g. GALI data, analysis conducted by

[68] It is noted however that the July-December 2017 progress report included more observations about specific enterprises related to specific indicators – revenue, jobs, outsourcing, and exports – than earlier reports. However, there is no portfolio analysis and overall assessment of the performance of each of the enterprises.

financial modellers, for these purposes. One interviewee noted that GrowthAfrica 'need(s) to unpack more about if we are adding enough value, or the right value, or enough improvement in their business'. Another observed that 'no one is sitting back to look at the bigger picture' of enterprise performance, noting that when analysis is done on an aspect of an enterprise's operation the emphasis was on completing the task rather than being more strategic. One example arose where GrowthAfrica's analysis showed an enterprises' precarious financial position but there was a reluctance to communicate this information to the enterprise. The evaluation team observed the leadership team was cautious about assessing enterprise and portfolio performance and to use this information to manage the programme, e.g. listing an enterprise as a low performer since this may change. It also suggested that stopping support to some enterprises or having enterprises fail was demotivating for cohorts.

6 Conclusions and recommendations

6.1 To what extent did GrowthAfrica deliver the right services to the right enterprises in the existing BDS market?

Enterprises selected

GrowthAfrica selected enterprises that mostly met its selection criteria. With only one exception, the enterprises were for-profit and the exception was earmarked as a 'wild-card'. The post-revenue criterion was applied more flexibility with about half meeting GrowthAfrica's aspiration threshold of US$50,000 in the year preceding their application. Enterprises that did not meet this criterion were not seen as 'wild-cards' but rather they were viewed as having the potential to reach this baseline level of revenue, although how long this was expected to take remains unclear. Despite most enterprises meeting the selection criteria, several informants felt **the quantity of enterprises overrode quality** at the selection stage. It is not possible to determine if, or how, the criteria-match or mismatches have an impact on shorter and longer-term outcomes because most enterprises are only half way through the programme. Low quality data also impacts on the ability to analyse this.

There seemed to be **a disconnect between the enterprises GrowthAfrica would ideally like to attract to the programme and others' views about who the programme is best suited to**. Informants felt the programme structure and content was most relevant for 1) less experienced entrepreneurs without much business or organisational experience and without basic systems (e.g. financial) in place; 2) entrepreneurs who had time to take time out of their business to participate in monthly workshops; and 3) those at a stage of development where grant funding was most appropriate. GrowthAfrica notes that there is a difference between the ideal and what is available in the market. Regardless, the GrowthAfrica leadership team were not clear on their own value proposition, apart from proposing to be a leading accelerator in Africa, a perspective that is perhaps influencing the perceptions of quantity over quality.

Services delivered

GrowthAfrica **met the needs of some of the enterprises, and most enterprises were positive about the support they had received,** citing practical examples of how it helped their individual development and their business. Overall, however, **enterprises had not received the quantity of services in the post-workshop period** they expected, leading to some dissatisfaction. GrowthAfrica has the challenge of supporting small and growing businesses, while also effectively managing their own growth. Currently, it does not appear that they have found a balance, which also waters down their key point of differentiation – supporting programmes over an extended period. Two key challenges seem to underpin the current situation:

Firstly, GrowthAfrica has **insufficient Growth Catalyst resources** to support enterprises in the post-workshop phase while also delivering the workshops to new enterprises. GrowthAfrica has taken steps to improve this situation, it also reported ongoing challenges in finding the staff with the right level of experience and attitude, who are interested in working with an organisation like GrowthAfrica, and who GrowthAfrica can afford. The proposed strategy is to overrecruit by 25%, although it is not clear how effective this will be if there are too few 'right staff' around and GrowthAfrica cannot, or is not, prepared to pay more. GrowthAfrica's faster-than-planned programme implementation (where 59 enterprises are in the current programme compared to the planned 40) is putting further pressure on its resources. The evaluation team remains unclear on the reasons for this.

Secondly, **enterprises have high expectations of securing funding or introductions to investors**, having self-identified this as their most needed solution when applying for the programme. GrowthAfrica has adapted its communication with enterprises, e.g. ensuring contracts are clear that there is not guarantee of funding, communicating at the start of workshops that only 40% of cohorts may attract investment, and asking investors to speak to enterprises during the workshops and individually to reiterate its messages about investment readiness, even when it did not believe that enterprises were ready. Investors seem happy to contribute to this as part of building the ecosystem. Examples arose during the evaluation that demonstrated that some of these strategies had been effective with some enterprises, although overall it appears that there is more work to be done. One interviewee felt there was a U-shaped pattern. Enterprises expectations were high at the beginning of the programme, but this decreased over the course of the workshops and rose again at the end of the workshops. This pattern perhaps also reflects the depth and frequency of GrowthAfrica's engagement with most of the enterprises; and a strategy to better manage enterprises' expectations around investment is also to address the issue of the drop-off in support post-workshops.

Revenue sharing agreements

GrowthAfrica's revenue sharing contracts present a more complex and multi-faceted challenge beyond enterprises willingness to pay for business development services; and GrowthAfrica creating a future revenue stream. GrowthAfrica intended for the agreements to communicate to entrepreneurs their commitment and belief in the growth trajectory of the enterprises they support; as such the contracts created a 'partnership' between the organisations. Since all enterprises in the programme have signed contracts, it could be assumed there is a level of willingness to pay for business development services. However, there were examples of enterprises who did not understand the contracts when they signed (and still do not understand) or have not bought into the intent behind the contracts.

Entrepreneurs with more experience have negotiated individual terms, which they felt better reflects the value GrowthAfrica offers. They have been in a good bargaining position because GrowthAfrica wanted them in the programme. These enterprises were in the minority but appeared to be more likely to grow regardless of GrowthAfrica's support, as their negotiation of conditions demonstrated a capacity to get the deal they want. Some of the enterprises offered places did not sign because they did not reach agreement on terms or GrowthAfrica's offering was not a good match to their specific needs. There is insufficient reliable enterprise performance information (past and projected) or GrowthAfrica's assessment of potential, but it appears that the enterprises with standard contracts may be less likely contributors to GrowthAfrica's revenue generation targets. A compounding factor to this challenge is that GrowthAfrica has not fully appreciated the level of effort or been able to allocate the resources required to operationalise the contracts. The lack of follow-through in ensuring adequate baseline revenue information and finalising share transfer arrangements has meant that it has not reinforced the intent underpinning the contracts. It is not clear that the cost to manage the contracts reflects value financially (e.g. it generates a substantial revenue stream) or in terms of producing the desired partnership.

Additionality

Many enterprises apply for GrowthAfrica's programme and this may be an indicator of the need for its services. While there are other accelerator programmes with similar ambitions and activities, **GrowthAfrica's differentiation is the length of ongoing support to enterprises**. Thirty-six months of support is contradictory to the term 'acceleration' but this perhaps more accurately reflects the needs of most of the enterprises it is selecting. There are also fewer local or regional organisations providing acceleration services – most have an international foundation sometimes supplemented by a local presence.

6.2 To what extent is GrowthAfrica effective and what are the successful and unsuccessful aspects of the programme?

Outcomes achieved

According to available data, and **with caveats due to data quality, the overall portfolio has reached its end of 2017 performance targets in most areas although performance is more mixed when assessed against the actual number of enterprises supported**. At the end of 2017:

- **enterprises have earned US$6 million, exceeding the milestone of US$4.5 million,** although performance falls to -10% against the adjusted target.
- **Seven enterprises doubled their number of jobs and income opportunities**.
- **19 enterprises raised investment in 2017 to the value of US$1,962,041** (exceeding the target by 20%).

Enterprises have applied knowledge and skills learned from the workshops and follow-up support:

- **reducing costs** (through strategies such as bulk buying packaging, changing suppliers to ones that were closer geographically and thereby reducing transport costs, moving away from contract manufacturing, sourcing a supplier or manufacturer at a cheaper price, reducing the number of employees, and decreasing the time taken to complete sales). This may be considered a positive unintended outcome since GrowthAfrica does not track it.
- **increased and/or clearer focus in their direction, vision and value proposition** leading to refinement to enterprises' business models, better analysis of markets including benchmarking competitors; better understanding of customers' needs.

No enterprises have yet reached moderate or significant scale.

GrowthAfrica's ROTI to the end of 2017 has been calculated at 3.9, based on estimated expenditure to 31 December 2017. Data quality issues affect the reliability of this calculated return. At this point of implementation ROTI was expected to be around 2.2 slightly ahead of the end of programme target of 2.1. Given that enterprises remain at early stage, with none reaching moderate scale according to GrowthAfrica's definition, depth and sustainability of outcomes are untested.

GrowthAfrica's contribution

A lack of information regarding GrowthAfrica's services and poor quality data on individual enterprise performance makes it difficult to assess GrowthAfrica's contribution to outcomes. Enterprises reported **GrowthAfrica's has contributed somewhat to shorter-term outcomes, such as improving entrepreneurs' business and leadership skills and increasing networks with like-minded entrepreneurs.** Enterprises felt GrowthAfrica had also contributed at least marginally to revenue growth and job creation (although less than the shorter-term outcomes). Almost half of enterprises believed GrowthAfrica made some contribution to increasing investment.

6.3 To what extent does GrowthAfrica learn from others and contribute to learning?

Since the acceleration programme commenced, GrowthAfrica has identified lessons and adjusted aspects of the programme. **Some actions have been more effective than others**, while some actions are yet to be implemented. Despite progress to date, **GrowthAfrica's learning of or actions to address lessons were not always viewed as timely.** The leadership team currently has a suite of possible solutions to new and ongoing challenges and it is unclear which ones are considered most feasible and likely to be implemented.

A key challenge to learning is GrowthAfrica's lack of systematic use of performance information, which should originate from a clear perspective on what information is most useful to its operations, quality data collection (including utilising current cost-effective avenues), through to analysis and reflection of how individual enterprises and the portfolio is performing. While resource constraints present a challenge, there seems to be reluctance to signal low performance and act on that. The situation may be exacerbated by the leadership teams' close engagement with enterprises, increasing the difficulty of objectively assessing performance and making hard decisions. Undoubtedly, decisions about when to decrease or withdraw support from enterprises are difficult and are ultimately a judgement call. The workshop phase of the programme seems most replicable but being able to replicate would require GrowthAfrica addressing challenges such as sufficient right quality of staff to support enterprises.

6.4 Recommendations

The GrowthAfrica team has already identified several possible adaptions to the programme to take account of its learning. The evaluation team **recommends GrowthAfrica conduct a rapid review of the key aspects of the programme, followed by the development of improvements plan** for the next period:

Strategy

1. **Review and clarify the value proposition** of the accelerator programme, drawing on the experience and views of staff and feedback from enterprises. This process should pay particular attention to: 1) re-assessing who the target customer is and the value that will be delivered to them and when; 2) whether the focus is scale or depth of support. GrowthAfrica may also benefit from reviewing existing research and evaluations on the type and depth of outcomes achieved over different periods compared to the level and type of inputs (e.g. workshops, consulting) provided. This could help GrowthAfrica reflect on the desired value-add versus cost for each of the programme components (workshop, post-workshop support and mentoring).

2. Following the above, **review the accelerator programme structure, content and communication** against the value proposition and target customers and update as necessary. This process should ensure past and current participants' feedback (See **Annex 14**) is addressed, and rapid feedback mechanisms are implemented and used.

Operations and governance

3. Following the strategy recommendations, **assess the performance and projections of the current portfolio** to determine alignment with the value proposition and how and where best to use GrowthAfrica's human and financial resources. An assessment of staffing requirements and any gaps will need to be undertaken (also see below).

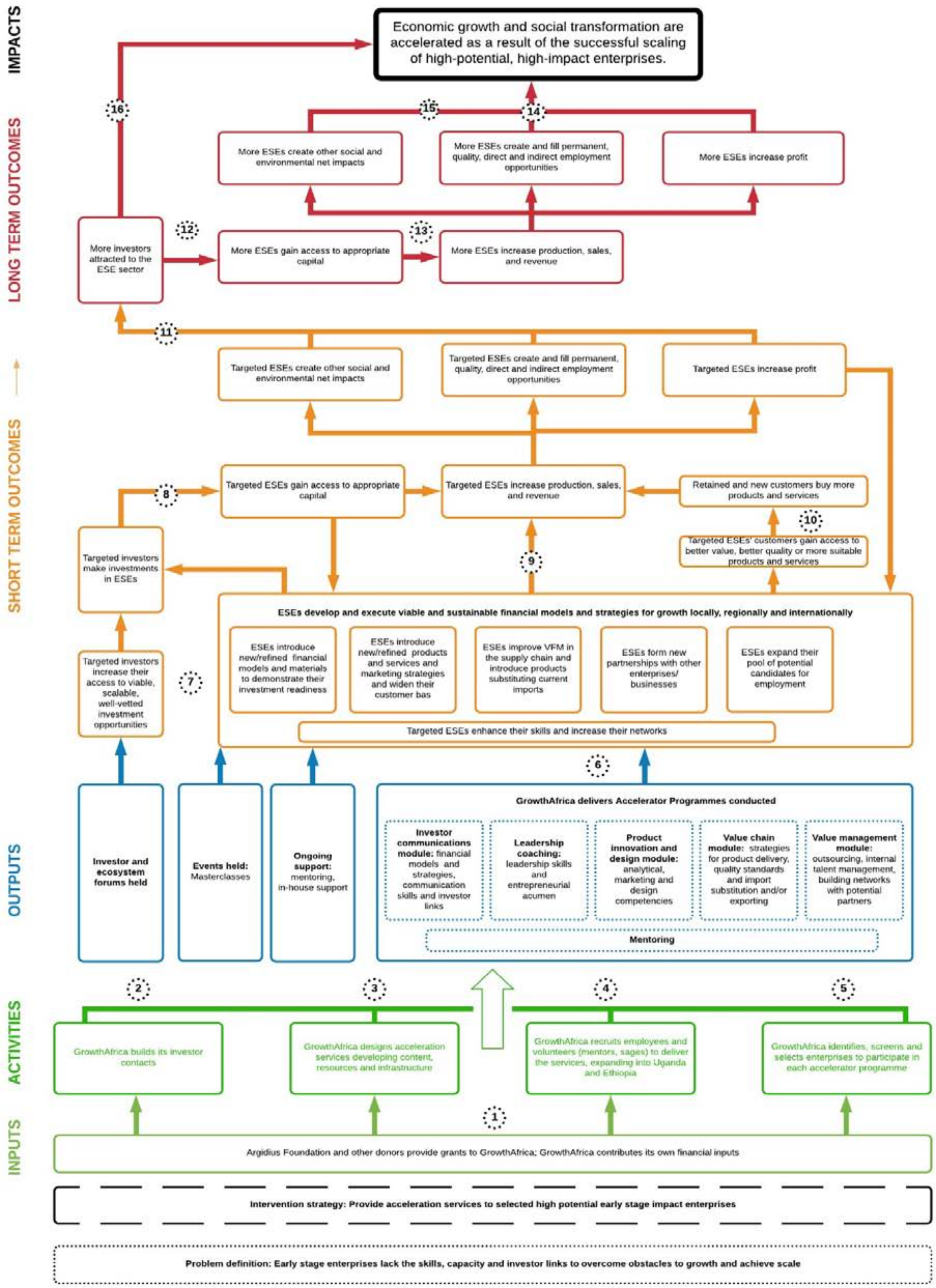
4. **Create more separation between the key delivery team and the executive management team**. Options to explore include: delegating more operational decision-making and delivery responsibility to mid-level staff; and developing stronger oversight from external board members or similar mechanism to challenge performance and learning.

5. **Assess what information is required to monitor and manage the performance of the programme**, developing a clear, progressive plan to create more systematic, quality data collection, analysis and use. This assessment should include an examination of appropriate performance measures given GrowthAfrica's activities, and the quantity and depth of support, including a review of the new customer relationship management (CRM) system to assess support of GrowthAfrica's information needs. Improved analysis may present learnings that GrowthAfrica can share with the sector. Further suggestions regarding the M&E system is included in **Annex 6.**

Enterprise partnerships

6. Following 1 or in conjunction with 1, **revisit the revenue sharing agreements** underpinning GrowthAfrica's business model, assessing whether there is genuine financial benefit (revenue attained compared to operationalisation costs) and partnership benefit versus other options for efficiently achieving the desired financial and partnership benefits.

7 Theory of Change


IMPACTS
LONG TERM OUTCOMES
SHORT TERM OUTCOMES
OUTPUTS
ACTIVITIES
INPUTS
Economic growth and social transformation are accelerated as a result of the successful scaling of high-potential, high-impact enterprises.
16
15
14
More ESEs create other social and environmental net impacts
More ESEs create and fill permanent, quality, direct and indirect employment opportunities
More ESEs increase profit
12
13
More investors attracted to the ESE sector
More ESEs gain access to appropriate capital
More ESEs increase production, sales, and revenue
11
Targeted ESEs create other social and environmental net impacts
Targeted ESEs create and fill permanent, quality, direct and indirect employment opportunities
Targeted ESEs increase profit
8
Targeted ESEs gain access to appropriate capital
Targeted ESEs increase production, sales, and revenue
Retained and new customers buy more products and services
10
Targeted ESEs' customers gain access to better value, better quality or more suitable products and services
9
Targeted investors make investments in ESEs
ESEs develop and execute viable and sustainable financial models and strategies for growth locally, regionally and internationally
Targeted investors increase their access to viable, scalable, well-vetted investment opportunities
7
ESEs introduce new/refined financial models and materials to demonstrate their investment readiness
ESEs introduce new/refined products and services and marketing strategies and widen their customer bas
ESEs improve VFM in the supply chain and introduce products substituting current imports
ESEs form new partnerships with other enterprises/ businesses
ESEs expand their pool of potential candidates for employment
Targeted ESEs enhance their skills and increase their networks
6
Investor and ecosystem forums held
Events held: Masterclasses
Ongoing support: mentoring, in-house support
GrowthAfrica delivers Accelerator Programmes conducted
Investor communications module: financial models and strategies, communication skills and investor links
Leadership coaching: leadership skills and entrepreneurial acumen
Product innovation and design module: analytical, marketing and design competencies
Value chain module: strategies for product delivery, quality standards and import substitution and/or exporting
Value management module: outsourcing, internal talent management, building networks with potential partners
Mentoring
2
3
4
5
GrowthAfrica builds its investor contacts
GrowthAfrica designs acceleration services developing content, resources and infrastructure
GrowthAfrica recruits employees and volunteers (mentors, sages) to deliver the services, expanding into Uganda and Ethiopia
GrowthAfrica identifies, screens and selects enterprises to participate in each accelerator programme
1
Argidius Foundation and other donors provide grants to GrowthAfrica; GrowthAfrica contributes its own financial inputs
Intervention strategy: Provide acceleration services to selected high potential early stage impact enterprises
Problem definition: Early stage enterprises lack the skills, capacity and investor links to overcome obstacles to growth and achieve scale

1 GA has sufficient financial resources (from grants and revenues) available at the right time to deliver the planned activities.

2 Investors are open to engaging with GrowthAfrica's cohortsand interested in attending events.

3 There is a sufficient pool of suitable candidates (for mentor, sage and growth catalyst roles) interested in working for/with GA and that meet GA's needs.

4 There is a sufficient pool of ESEs, that meet GA's criteria, available and motivated to participate in accelerator programmes.

5 The fee structure for the programmes does not deter ESEs from participating

6 The training and events are high quality, well facilitated and meet ESEs' and investors' needs.

7 ESEs deploy improved communication skills at investor forums and successfully engage investors' interest.

8 Investors are willing and able to invest in ESEs given adequate exposure to viable opportunities.

9 ESEs are motivated to change their business models and develop new partnerships.

10 There is unmet demand for the products and services offered by ESEs which can be met with better quality/lower price offerings.

11 Investors continue making positive financial and social returns on investments in ESEs

12 The political and legislative environment is conducive to continued investment and growth

13 The selected ESE's service offerings remain relevant and are not rendered obsolete by technological innovations in the interim scaling period.

14 Employment in ESEs exhibits a demonstration effect, encouraging local and international talent to join the candidate pool.

15 Job creation and increased production by ESEs leads to social transformation.

16 Investments in ESEs exhibit a demonstration effect, encouraging other investors to deploy capital with ESEs.

A ToC for the GrowthAfrica activities funded by Argidius Foundation (in conjunction with other donors)[69] has been developed. It sets out the expected causal pathways between GrowthAfrica's activities and objectives to build the capacity of early-stage enterprises and accelerate their success. In turn, this will stimulate economic growth and social transformation. The resulting ToC is a representation of this roadmap (not the status of progress to date or results achieved).

The ToC focuses on understanding and unpacking the effects on:

- An associated change process, on ESEs resulting from GrowthAfrica's interventions.
- Investors and the impact investing market due to GrowthAfrica's market building activities.
- Customers of ESEs following from GrowthAfrica's capacity building interventions.

[69] The precise activities are set out in the Grant Agreement between Argidius and GrowthAfrica. However, as described in section 2.2.1 GrowthAfrica was not in a position to implement all of the activities set out in the agreement. The ToC correspondingly covers only the activities that Itad understands were delivered in the period 2016-2017.

- Job creation and income generation in the wider economy resulting from GA's activities.

Annex 3 contains a ToC conceptual diagram. This section presents an accompanying narrative of the causal pathways from inputs to outputs, short term outcomes, long term outcomes and impact. Critical assumptions that underpin the pathways are also outlined. Critical assumptions are those that need to hold true for the higher order changes to occur.

Inputs to outputs[70]

Argidius provides a grant to GrowthAfrica, as do other funders. GrowthAfrica also generates income from other revenue streams, such as through its revenue sharing contracts with the ESEs who participate in its accelerator programmes. With these funds, GrowthAfrica deliver a programme of activities, including:

- Designing acceleration services, including diagnosing enterprise needs, developing content, resources and infrastructure.
- Recruiting employees and volunteers, such as mentors and sages, to deliver the services, and expanding operations into Uganda and Ethiopia.
- Identifying, screening and selecting enterprises to participate in each programme.
- Building the investor contact base, networking with established and new impact investors.

Completion of these activities produces a chain of intended outputs:

- **Accelerator programmes** (implemented over a 36-month period) are delivered to cohorts of ESEs. The programme includes:
    - Leadership coaching on leadership skills and entrepreneurial acumen.
    - Product innovation and design module on analytical, marketing and design competencies.
    - Value management module on outsourcing, internal talent management and building networks with potential partners.
    - Value chain module on strategies for product delivery, quality standards, and strategies for import substitution and/or export to new markets.
    - Investor communications module on financial models and strategies, communication with investors and building networks.
    - Ongoing individualised support is provided for a period of 30 months after the structured programme in the form of mentoring and in-house support from GrowthAfrica staff (Growth Catalysts).
- **Investor and ecosystem forums** are held, bringing ESE cohorts and potential investors together.
- **Events** run by GrowthAfrica, such as Masterclasses, provide teaching and capacity building to ESEs and enable participants to engage with a wide range of organisations and increase their contacts and networks.

GrowthAfrica originally envisaged a package of ongoing support and events that have been more significant than those implemented.[71] This included scale-up programmes, boost camps and a wide range of masterclasses. However, due to funding constraints, GrowthAfrica has focused on conducting accelerator programmes and has reduced the scale of ongoing support and events.

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[70] Outputs for this logic are the products and services that are produced from a series of inputs. The changes that result from these outputs, even in the very short-term, are considered short-term outcomes. These demarcations are consistent with other evaluations being conducted for Argidius. However, the outputs listed in the GrowthAfrica Logframe equate to the short-term outcomes here.

[71] This package was outlined in its proposal to Argidius.

Critical assumptions[72]

1. GrowthAfrica has sufficient financial resources – from grants and revenues – available at the right time to deliver the planned activities.
2. There is a sufficient pool of suitable candidates – for mentor, sage, growth catalyst and internal management roles – interested in working with GrowthAfrica, and that meet GrowthAfrica's needs.
3. There is a sufficient pool of ESEs, that meet GrowthAfrica's criteria, available and motivated to participate in accelerator programmes.
4. GrowthAfrica understand enterprise needs and is able to deliver appropriate services in an effective and engaging manner.
5. Sufficient ESE applicants believe that the longer-term value of GrowthAfrica's support – underpinned by the revenue sharing contract – presents good value for money.
6. Investors are open to engaging with GrowthAfrica's cohorts and interested in attending events.
7. The training and events are high quality, well facilitated and meet ESE's needs.
8. The investor forums and support are high-quality, well-facilitated, and meet commercial and impact investors' needs.

Outputs to short term outcomes

GrowthAfrica's outputs in turn give rise to a series of linked outcomes. Some outcomes are expected to start materialising during the production of the outputs – since outputs, such as 'ongoing support to post-Accelerator programme participants,' supports the use of new knowledge and skills gained through the accelerator programme.

As an immediate effect, the accelerator programme outputs are expected to lead to ESE (co)founders and managers with:

- Increased confidence, leadership skills and entrepreneurial acumen.
- Improved learning, reflection, judgement skills.
- Improved analytical, marketing and design competencies to segment customers and deliver value products consistently.
- Improved knowledge and skills to manage outsourcing, internal talent and building networks with potential partners.
- Improved competencies to develop strategies for product delivery, quality standards, define and execute strategies for import substitution and/or export to new markets.
- Increased capacity to develop financial models and strategies and communicate with investors – through pitches and proposals.

The new knowledge, skills and confidence are then expected to be applied in the development and execution of **'growth strategies'** leading to some, or a combination of:

- Improved customer segmentation and delivering value products consistently.
- Enhanced product design, quality, and delivery.
- Reduced costs.
- Improved marketing and supply chain management.

[72] The order of these critical assumptions is not necessarily chronological nor sequential.

- Appropriate outsourcing.
- Improved management of internal talent.
- New and/or stronger networks with potential partners.
- Execution of import substitution strategies and/or export to new markets.
- Development of financial models and strategies.
- Improved communication with investors.

Within six to 12 months of commencing the 36-month accelerator programme, targeted ESEs with improved business processes are expected to:

- **Create better value, better quality or more suitable products and services for customers** – which leads to increased customer retention and an expanding customer base.
- **Increase growth** – increase productivity, production, sales and revenue.
- Better demonstrate their **investment readiness**.

Investors, having been introduced to or re-engaged into the ESE investment scene through the investor and ecosystem forums, increase their exposure to promising opportunities with ESEs. Investors are expected to view the targeted ESEs as well-vetted, more viable and scalable and as such increasingly provide external investment capital for expansion.

Starting in the short term, ESEs are expected to achieve some growth, although limited, within six months. A proportion of the targeted ESEs will be expected to:

- Gain access to appropriate capital from investors.
- Increase their profitability.
- Create and fill permanent, quality, direct employment opportunities through their expanded operations – or create indirect employment opportunities by outsourcing components of their value chain.
- Generate other social, environmental, and economic[73] net impacts.

Critical assumptions

9. The enterprises increase their knowledge, skills and confidence to use their enhanced skills to execute strategies for their own organisations.
10. Investors increase their knowledge and confidence about investing in Kenya, Uganda, Ethiopia.
11. Improved business practices in key areas are necessary for enterprises to grow.
12. ESEs deploy improved communication skills and successfully engage investors.
13. ESEs – especially management – are willing to change their business models and develop new partnerships.
14. There is unmet demand for the products and services offered by ESEs, which can be met with better quality, lower prices and innovation.

Short-term to longer-term outcomes

As a continuation of short-term changes, ESEs are expected to implement improved business processes, increase profitability, create quality jobs and increase income. ESE outcomes may occur at different

[73] Economic impacts reflect changes such as value created in value chains.

speeds and scale – with a few reaching significant scale (100% growth), the majority moderate scale (50%) while others will experience limited growth.[74]

As participants in GrowthAfrica's programmes implement their strategies for growth and utilise the ongoing support, it is expected that exposure of investors to these enterprises will increase – and more investors will be attracted to opportunities with these ESEs.

Critical assumptions

15. ESEs will continue to implement ongoing business improvements.
16. Investors are willing and able to invest in ESEs that demonstrate business improvements and growth.
17. Investors continue making positive financial and social returns on investments in ESEs.
18. The political and legislative environment is conducive to continued investment and growth.
19. The selected ESE's service offerings remain relevant and are not rendered obsolete by technological innovations in the interim scaling period.

As a result, more ESEs who have been through the programme are expected to receive investment, and in turn to scale up their production of goods and services, increase profits, create more direct and indirect jobs and generate other social and environmental net impacts.

Long-term outcomes to impacts

It is expected that the effects of the GrowthAfrica programmes will extend beyond the enterprises which GrowthAfrica engage with directly – and will lead to advancements in the wider ecosystem of small growth enterprises. These effects are expected to stimulate three key components of the ESE ecosystem:

- **Investors increase investment in the ESE sector** – as more successful investments provide evidence for the commercial viability of ESE investments, investors are expected to deploy additional capital, offering a wider range of financial products to suit ESEs. As investment in ESEs increase, capital flows into the economy will rise and will be deployed into sustainable businesses.
- **ESEs increase production of goods and services** – as more ESEs gain access to adequate finance and successfully scale their businesses, they increase output in the economy and provide better value products and services to customers. In so doing, they will also generate positive social and environmental net impacts.
- **ESEs raise incomes** – as enterprises expand they hire more employees and contract more businesses to provide them with services. This in turn leads to the creation of induced jobs, both within ESEs and in the wider economy and drives social transformation by providing sources of high quality, stable employment.
- **ESEs catalyse new entrepreneurs** – as enterprises expand, attract investment and become recognised as successful, they attract new entrepreneurs to 'start-up' new enterprises.

[74] These are GrowthAfrica's explanation of significant, moderate and limited scale:

	Limited scale	**Moderate scale**	**Significant scale**
Annual revenue	Min. US$250,000	Min. US$1 million	Min. US$5 million
Employees*	25+	100+	500+
Geography	Few locations, no subsidiaries outside country of origin	Cover the majority of a country and/or all major cities in a region	Well established in min. three countries and representation in min. five countries
Investment/external finance (completed)	None/limited	Seed round/pre-Series A (min. US$500,000)	Series A/Series B (min. US$1 million)
Governance (effected)	Advisory board	Semi-professional board	Fully professional board
Business processes (maturity)	Partly mapped/undocumented	Fully mapped/partly documented	Fully mapped/comprehensively documented

However, scale and growth are normally viewed as different things. Growing means an enterprise is adding resources at the same rate that they are adding revenue. Scaling refers to adding revenue at a faster or more significant rate, while only adding resources at an incremental rate.

- **Successful entrepreneurs also start new businesses**

Through these mechanisms the GrowthAfrica interventions achieve the ultimate impacts of accelerating economic growth and driving social transformation across their regions of operation.

Critical assumptions

20. Investments in ESEs exhibit a demonstration effect – encouraging other investors to deploy capital with ESEs.
21. Employment in ESEs exhibits a demonstration effect – encouraging local and international talent to join the candidate pool.
22. Successful entrepreneurs exhibit a demonstration effect – encouraging other people to develop product and service ideas and start enterprises.
23. Job creation leads to social transformation.

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