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Evaluation of the Pomona Impact Foundation

Final Report

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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, the Pomona Impact Foundation or of any of the individuals and organisations referred to in the report.

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Executive Summary

Background to the Pomona Impact Foundation and the Evaluation

Pomona Impact Foundation (PIF) is a **trusted provider of Business Development Services (BDS)** for established small growing businesses (SGBs) in the Agri-food systems sector in Guatemala and in Central America. It was established in 2016 with the general aim to help SGBs improve access to financing, but at the same recognizing high synergies with the associated Pomona Impact Fund; PIF could feed into its pipeline. **Since 2019, PIF has been increasingly delivering their services to business partners for a service fee, but as a result reducing its control on the selection of participants.** During the 2018-2021 period PIF delivered three interlinked acceleration programmes: i) the AgTech to benefit SGBs sourced by PIF and by Catholic relief services (CRS)/Isidro Fund (IF); the GreenTech, sourced by CRUSA/PROCOMER in Costa Rica; and Pantaleon to benefit Pantaleon's selected suppliers in Guatemala.

The Evaluation was **commissioned by the Argidius Foundation (Argidius)**, a key funder of PIF since February 2018, with the aim to obtain a better understanding on the profile of beneficiary SGBs, the effectiveness of PIF acceleration services' delivery models and most importantly, how these have contributed to the success of supported SGBs.

The Evaluation applied a **mixed-methods approach** to collect and analyse primary and secondary data through: desk review of programme reports; extensive consultations with PIF staff; analysis of PIF data; field visit to Guatemala to further engage with the PIF team, to interview ten (10) beneficiary SGBs sources by Pomona and Pantaleon, to conduct one (1) focus group with SGBs sourced by CRS/IF and to consult with selected ecosystem players.

Findings

KEQ1: To what extent is the AgTech Accelerator value proposition unique and addressing SGBs needs?

Overall, **PIF value proposition around acceleration services** was **partly adapted to the needs of participant SGBs**, that revolved around access to financing (except for Pantaleon sourced SGBs). SGBs sourced by **Pomona that benefited from the AgTech accelerator** considered that their needs were only partly fulfilled, as the programme was not successful in connecting them with investors. In addition, for mature entrepreneurs, the skills provided, but for the elevator pitch, were not highly valuable to them; this also applied to SGBs sourced by CRS/IF. For less mature cooperatives/associations sourced by CRS/IF, some of the content of the programme was too complex. In addition, very limited networking opportunities were offered. The **GreenTech accelerator** had some level of adequacy of the programme contents vis a vis SGBs needs. The **Pantaleon accelerator** had an adequate level of alignment between SGBs needs and the programme offering, mainly due to the flexibility.

Nonetheless, interviewed SGBs identified some services that were valuable to them and contributed to their business' growth. With regards to SGBs that benefited from AgTech and GreenTech accelerators, these generally saw the elevator pitch module as very valuable. Mentorship was perceived as very valuable by SGBs that participated in GreenTech. Of relevance was the fact that SGBs generally valued the flexibility, guidance and facilitation of Pomona advisors.

To date, **PIF and the Fund had maximized synergies to a limited extent**, mostly by sharing some staff resources and offices. PIF leveraged in the investment team during the content design and delivery of some PIF acceleration services. However, to date no accelerated SGBs accessed financing from the Fund, due to misalignment in SGBs target profiles.

PIF key differentiator from other accelerators is its focus on **the Agri-food systems sector**, where it has built a brand and a reputation in Guatemala. Within the sector, PIF operates in a niche space, providing acceleration services to formalizing/dynamic SGBs. In addition, another uniqueness of PIF services is its **thematic** (strategy investment readiness) focus. Business partners also valued the link between PIF and the Fund. **Additionality across beneficiary SGBs was mixed**; Pantaleon suppliers found the accelerator services to be highly additional while some mature SGBs –Pomona sourced– found that PIF value added to their business growth was low.

KEQ2: Is the PIF selecting and enrolling the right SGBs into the Program towards maximizing outcomes and impacts?

The **PIF selection strategy of participant SGBs evolved from PIF selecting all SGBs** to join the AgTech accelerator (in 2018, it was the only available acceleration service) using a standard selection approach **to allow business partners (Pantaleon, CRUSA or CRS/IF) to select SGBs** (with some varying PIF support) according to their objectives and using different selection processes. Hence, PIF control over which SGBs benefiting from their services was reduced significantly at the expense of gaining volume and fees for their services. The **GreenTech accelerator** had the most robust selection strategy combining thematic webinars for scouting with a 5-day bootcamp to identify GreenTech exporting SGBs in Costa Rica.

PIF success in the selection and enrolment of a good quality SGBs to benefit from PIF acceleration services that would maximize their growth potential, post programme completion was mixed. The level of success varied and depended on: i) the business partner selection strategy; ii) PIF's capacity to guide and influence the process; and iii) the level of education of the entrepreneur. For the **Pomona sourced AgTech accelerator**, the pool of participants was generally adequate, while for **CRS/IF sourced AgTech accelerator** –with the selection process fully delegated to IF– it was not highly successful in identifying the right SGBs. To date, only three (3) SGBs accessed IF financing. For, **the GreenTech accelerator** some selected SGBs were not ready to receive investment, since in many cases they did not have clarity on how to use funding; and for the **Pantaleon accelerator**, participant SGBs were diverse in maturity levels and needs. The pool was generally adequate; but for few SGBs been far to mature to benefit from the accelerator.

KEQ3: To what extent is the AgTech Accelerator delivery model effective to support the achievement of programme benefits?

There is **mixed evidence with regards to the extent to which PIF acceleration delivery models contributed to achieve PIF benefits**: i) the AgTech accelerator, albeit it has a simple but adequate delivery model, did not target SGBs with the most potential; ii) the Pantaleon accelerator, adapted to the SGBs needs, but was not aligned with PIF outcomes; iii) the GreenTech accelerator delivery model was the best positioned to contribute to the achievement of PIF intended outcomes.

Nonetheless, there are overall positive aspects of the delivery models: **flexibility** in adapting to the SGBs needs and for external factors that may impact delivery; **good standard tools and templates** on focused strategy and investment readiness themes; and **adequate quality of acceleration services** mostly due by the quality of the PIF team. The Evaluation Team (ET) also identified the

following shortcomings: **very limited mentorship services offered to SGBs** –except in GreenTech– due mainly to lack of capacity by PIF; several limitations identified in the **content and structure of the PIF acceleration services**; **limited post completion activities** undertaken by PIF mostly limited to follow up calls to SGBs to collect financial data; and **minimal Peer to Peer (P2P) learning activities** during programme delivery.

PIF faced corporate governance and organizational performance relevant issues, affecting programme delivery and posing some reputational, accountability, and fiduciary risks:

- PIF, registered in the USA, does not have a subsidiary in Guatemala, and when funds need to be channelled to Guatemala an organization managed by the AgTech director is used. The Board of directors is inactive, composed by PIF director' relatives and all based in the USA;
- PIF organizational structure is still in its infancy stages and this reflects on the way it has grown in an opportunistic and unstructured manner, always linked to the Fund team. There are not clear role and responsibilities across the team and some key functions are missing.

The ET noted that the **PIF director generally recognised these weaknesses and has already presented an initial version about Pomona 2.0.** to Argidius.

The programme faced the following **external challenges** were related to the delayed closure of the Fund restricting the alignment with PIF; and to a limited extent the effects of the Covid-19 outbreak, as **PIF services** were generally well adapted to cope with face-to-face restrictions.

KEQ4: What evidence is there that the AgTech Accelerator is likely to contribute to the intended outcomes, as well as any unintended or unexpected effects?

There is **some evidence that the PIF accelerations services contributed to the programme intended outcomes**. However, all these results should be **treated with caution**. PIF acceleration services are upstream in nature, and hence the level of attribution to results becomes less obvious. There are other factors (e.g., business environment, Covid-19) that influence how a company grows/scales up, and how entrepreneurs act.

Interviewed SGBs confirmed that **PIF contributed to improve their business practices**: for 70% of the interviewed SGBs the programme was instrumental in enhancing their strategic planning processes and for 50% in improving their business models, value proposition and financial and forecasting processes. 80% of Pomona sourced SGBs agreed that as a result of PIF, now they are better positioned to pitch their business to potential investors. Finally, 40% of Pantaleon sourced SGBs claimed that the PIF supported them to improve their corporate governance practices. PIF was **not successful in actively promoting P2P learning and in gaining social capital**. PIF did generally not intentionally promote networking across their accelerators, other than the joint face-to-face sessions for programme content delivery.

The ET found that **changes in the performance of beneficiary SGBs (long term outcomes) can be partly attributed to PIF acceleration services**. For 30% (3/10) of the interviewed SGBs there was no programme contribution to changes on their financial performance. Nonetheless, the **programme contributed to outcome achievements** for seven (7) SGBs in relation to: i) increased product offering or/and outreach to three SGBs; increased (or maintained sales) at end 2020 with positive 2021 prospects for five (5) SGBs; ii) generated some employment in three (3) Pantaleon sourced SGBs; iii) three (3) SGBs accessed financing; and iv) 40% of Pantaleon sourced SGBs claimed that that PIF was instrumental in winning more contracts with Pantaleon.

With regards to overall mobilised investment during the 2018-20 period, **PIF acceleration services success to facilitate financing to SGBs via associated funds (KIVA, IF, and CRUSA funds) was limited:**

- **One (1) SGB accessed financing from the KIVA Fund** (managed by PIF) as PIF does not have the capacity or the right structure to manage the Fund;
- **One (1) SGB accessed IF financing** and with one (1) in final stages of negotiation with the investment committee (IC) and two (2) in early negotiation stage. The Fund is now adjusting its target participant profile as well as the financial product offering to increase their utilization rate;
- **Two (2) SGBs have recently accessed CRUSA Fund financing.** This is partly due to the fact that the GreenTech 2020 was completed in April 2021 and the profile of the participants was not fully adequate.

24 AgTech beneficiary SGBs (Pomona sourced) managed to raise **around US\$ 4 million in financing during the 2018–2020 period.** With regards to CRS / IF sourced SGBs, there is no data included in the database and the ET only found 2 of the focus group participants that benefited from additional financing. PIF has not tracked data to date on beneficiaries from Pantaleon and GreenTech accelerators.

Beneficiary SGBs have generally leveraged to a very limited extent on the PIF alumni and its network. PIF does not generally conduct events to promote networking and business linkages to connect participant SGBs and Alumni. This was partly due to lack of prioritization of such activities triggered by the lack of capacity across the PIF team and the lack of adequate systems where consolidated SGBs information is stored.

The in-depth interviews with beneficiary SGBs indicated that there were **other positive effects**, like: i) development of new business opportunities; ii) press visibility and awards; and iii) social impact with benefits to vulnerable population.

KEQ5: To what extent is the AgTech accelerator sustainable?

To date, **PIF sustainability strategy has been successful to some extent in attracting funding from a diversity of partners** (public / private / third sector) to increase volume, develop proof of concept of its acceleration services, and gain credibility in the ecosystem. PIF operated in an **opportunistic mode**, searching for business opportunities to be able to continue operating. In addition, PIF leveraged on core funding from Argidius to maximize the delivery of its acceleration services (around 54% of total funding for the 2018–2021 period). However, PIF struggled to attract funding from the Pomona Impact Fund other than in-kind resourcing support and to get a net margin from services provided to business partners. Participant fees have been minimal and no success fee was raised, as planned.

PIF is at a crossroads. It is not a sustainable organization and it fully relies on business partners' incomes. The PIF director is at present developing a **concept for enhancing and institutionalizing PIF** that entails PIF and the Fund maximizing synergies. This could provide additional sources of income for PIF towards enhancing its sustainability. However, the ET notes that by aligning PIF and the Fund, there is a risk of losing the Agri-food systems focus of PIF and on PIF becoming a for-profit service provider, not addressing critical market failures for the Agri sector.

Recommendations

The main recommendation is for **PIF to establish its foundations** to grow in a transparent, structured, efficient, and effective manner. This entails to:

- Establish an **adequate corporate governance** structure: i) Set up a subsidiary of PIF in Guatemala and define a Charter and ii) Nominate a local Board that incorporates independent experts.
- Develop a **PIF strategy** based on a hybrid funding model where PIF focus continue to be on the Agri-food systems sector. Develop an associated organizational structure with clearly defined roles and responsibilities that will implement the strategy. Recruit a **PIF executive director** who can lead in the transformation of PIF.
- Strengthen the **M&E function** by recruiting a M&E officer.
- Develop a **fundraising strategy** that will support in implementing the strategic pillars where there is a need for subsidization.

Other recommendations identified by the ET towards strengthening current PIF acceleration services are as follows:

- **PIF Delivery model:** i) maintain the hybrid (or blended) delivery model; ii) adopt the GreenTech acceleration delivery model as best practice; iii) incorporate mentorship services; and iv) revisit the pricing made to business partners.
- For the **AgTech accelerator delivered to SGBs sourced by Pomona**, increase access to potential investors by programme completion.
- For the **AgTech accelerator delivered to SGBs sourced by CRS/IF:** i) increase the level of involvement in the selection process; ii) introduce a session to assess the level of financial literacy of entrepreneurs in the bootcamp.
- For the accelerator delivered to **Pantaleon suppliers:** i) support Pantaleon in their supplier's segmentation to identify suppliers with most potential; and ii) for family-owned suppliers, add a corporate governance module.
- **PIF Operations:** i) establish basic operational tools/systems so PIF activities can be tracked and assessed over time; ii) implement knowledge management processes; and iii) implement a post completion monitoring framework.
- **P2P learning activities and networking:** i) plan P2P learning activities in all acceleration programmes; ii) create a database where all beneficiary SGBs are included; and iii) recruit a community catalyst to promote networking P2P learning across Alumni.