PROJECT COMPLETION REPORT

Private Enterprise Programme in Zambia

SUBMITTED TO
Department for International Development

SUBMITTED BY
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www.nathaninc.com

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SECTION 1. INTRODUCTION

The Private Enterprise Programme Zambia (PEPZ) was programme implemented by Nathan Associates on behalf of the Department for International Development of the United Kingdom (DFID). It started in October 2014 and ended in March 2020. PEPZ was designed to strengthen and build the capacity of Zambia's private sector to create jobs and contribute to the diversification of the economy.

The PEPZ business case[1] stated that the expected impact of the programme was a private sector capable of delivering inclusive growth and its outcome was micro, small and medium sized enterprises (MSMEs) with increased size and capability. More specifically, the business case expected four outputs to PEPZ: more MSMEs supplying larger firms, increased demand for business development services, attitudes to and understanding of entrepreneurship improved, and growth in targeted SMEs.

To achieve these outputs, the business case determined that the programme would have four components, which align exactly with each one of the outputs:

Component 1: Supplier linkage component
Component 2: Business development services component
Component 3: Nationwide business plan competition
Component 4: Impact investment fund

By the end of the programme, the business case estimated that PEPZ would create:

- 40,600 full time jobs (40% for women)
- £30 million in additional investment
- £47.6m in value added

To ensure sustainability, the business case stated the need for the programme to work with local business development service providers and business associations to ensure they developed the capacity and right business models to deliver these services after the programme ended.

During PEZ, some adjustments were made to the programme's logframe, namely linked to the difficulty of calculating the value added. As a result, the final logframe achievements of the programme include:

- 39,435 full time jobs, including direct and indirect
- 41% of direct jobs were for women
- £41,442,212 in additional investment
- 25,726 MSMEs supported

This report presents the main achievements of PEPZ and identify lessons learnt for improved DFID programming and programme implementation. It is not a review of PEPZ and is complementary to other PEPZ reporting, including final annual report that was produced by PEPZ in February 2020 and the PEPZ final financial report produced in March 2020.

The report includes three sections. Section 1 describes how has PEPZ changed over the years and what brought about these changes. Section 2 presents the main results of the programme. Section 3 shows the lessons learnt and presents some recommendations for future DFID programming.

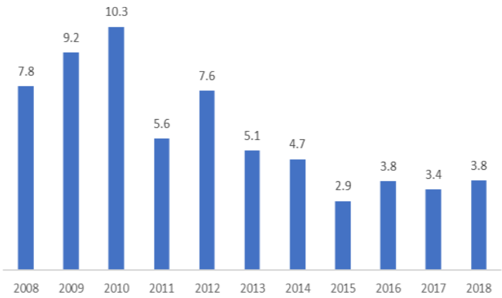
[1] https://devtracker.dfid.gov.uk/projects/GB-1-201980/documents

SECTION 2. PROGRAMME DELIVERY

2.1 GENERAL ECONOMIC CONTEXT

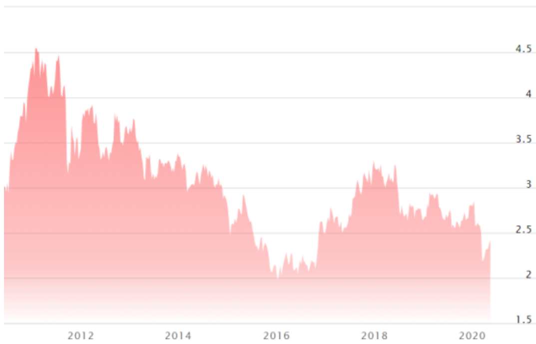
PEPZ was designed in a context of high economic performance in Zambia. In 2014, Zambia was Africa's second-largest copper producer, had achieved middle-income country status in 2011 and had improved economic management. These results followed a decade of impressive economic growth (2004-2014), where GDP growth averaged 7.4% per year (see Figure 1). Economic growth, however, was largely driven by the strong expansion in the mining, construction and services industries, and was not accompanied therefore by sufficient productive job creation.

Figure 1. Annual GDP growth, 2008-2018



In addition, poverty levels in that period remained largely unchanged. Growth had only benefitted a small segment of the urban population and had limited impact on poverty, especially in rural areas. As of 2015, 58% of Zambians still earned less than the international poverty line of $1.90 per day (compared to 41% across Sub-Saharan Africa) and three quarters of the poor lived in rural areas.[2] Measures of non-monetary dimensions of poverty also remained high, with Zambia showing among the highest levels of stunting globally and sharp inequalities in access to health and education services.

Figure 2. Evolution of world copper price



The end of the peak commodity cycle in 2015 revealed Zambia's macroeconomic vulnerabilities, and copper export earnings (in US$) contracted by 42 percent between 2011 and 2016 (see Figure 3). Fiscal deficits widened and monetary policy tightened. Large swings in exchange rates resulted, with a related perception of higher exchange rate risk for foreign investors. Zambia declined in attractiveness for foreign direct investment (particularly in the mining sector). Real GDP growth between 2014 and 2018 slowed to an average of 3.7%, almost half of it was previously.

The business case for PEPZ had been written under the highs of the previous economic cycle. The "new" economic reality faced during PEPZ's implementation had a real impact on Zambia's MSMEs and led to severely challenging conditions which started in 2016. These were as follows:

- Higher inflation and exchange rate volatility caused significant increases in the costs of investing in capital expenditure, particularly new plants and machinery.
- Tightening of monetary policy crowded out banking credit to the private sector. Interest rates (typical SME lending rates >30% from commercial banks and >80% from MFIs) made borrowing in local currency close to impossible for anything other than very short-

[2] WB country overview. Accessible on 28/04/20 at https://www.worldbank.org/en/country/zambia/overview

term cashflow requirements, especially when profit margins would then need to exceed 30-80% in a declining economy

- Significant interruptions in power supply, particularly in 2014-15 and 2019-20, prevented many small businesses from operating efficiently and significantly increased their energy bill. This especially affected agro-processing and agricultural value chains, the bulk of the non-mining economy.
- Tightening labour market conditions, making it more expensive and less attractive to take on staff in formal employment, following the 2019 Employment Act.

The scale and urgency of the economic situation is further exacerbated by Zambia's population growth. Approximately 10,000 people reach working age every week, the vast majority of whom lack the education and skills levels required to contribute to a competitive economy, and in any case have few job opportunities open to them.

Unsurprisingly, these economic and demographic problems are associated with social and political tensions, which have become more apparent in the early stages of the run up to the 2021 presidential elections.

2.2 THE EVOLUTION OF PEPZ'S APPROACH

The (initial) PEPZ approach

The approach implemented by PEPZ was laid out in the PEPZ business case. The PEPZ Strategy[3] produced at the end of the inception phase of the programme identified how the four components would work together to increase the competitiveness of large companies and increase access to markets for MSMEs, develop the "missing middle" of productive small and medium enterprises (SMEs) capable of broadening growth and creating jobs, and support potentially transformative entrepreneurs to fulfil their potential and, by show casing their successes, incentivise others with the required aptitude and attitude to invest in growing their businesses. Coordination was identified as the binding constraint for inclusive growth. PEPZ would achieve increased coordination and systemic impact through four components:

1. *Business Linkages Programme (BLP)* to facilitate linkages between large businesses and MSMEs and help the latter supply the large businesses competitively, helping them to grow and create jobs.
2. *Business Development Services (BDS)* to improve access to markets, governance, management and business planning services for large numbers of potentially transformative MSMEs to help them access loan finance and enable them to grow.
3. *Business Plan Competition (BPC)* to support new start-ups and help innovative businesses grow, crowding-in the banks into the market, generating wealth and creating jobs. It would raise the profile of entrepreneurship in Zambia helping to inspire a new generation of entrepreneurs to set up transformative enterprises.
4. *Accelerator Fund (AF)* to provide patient capital, technical assistance and mentoring support to investment ready MSMEs capable of transformative growth at increases competitiveness as well as create jobs.

PEPZ's design arose from the problem statement, set out in the business case, of why Zambia's private sector was not able to deliver inclusive growth. All four components had a role to play in addressing the constraints to inclusive growth and deliver the outcome of

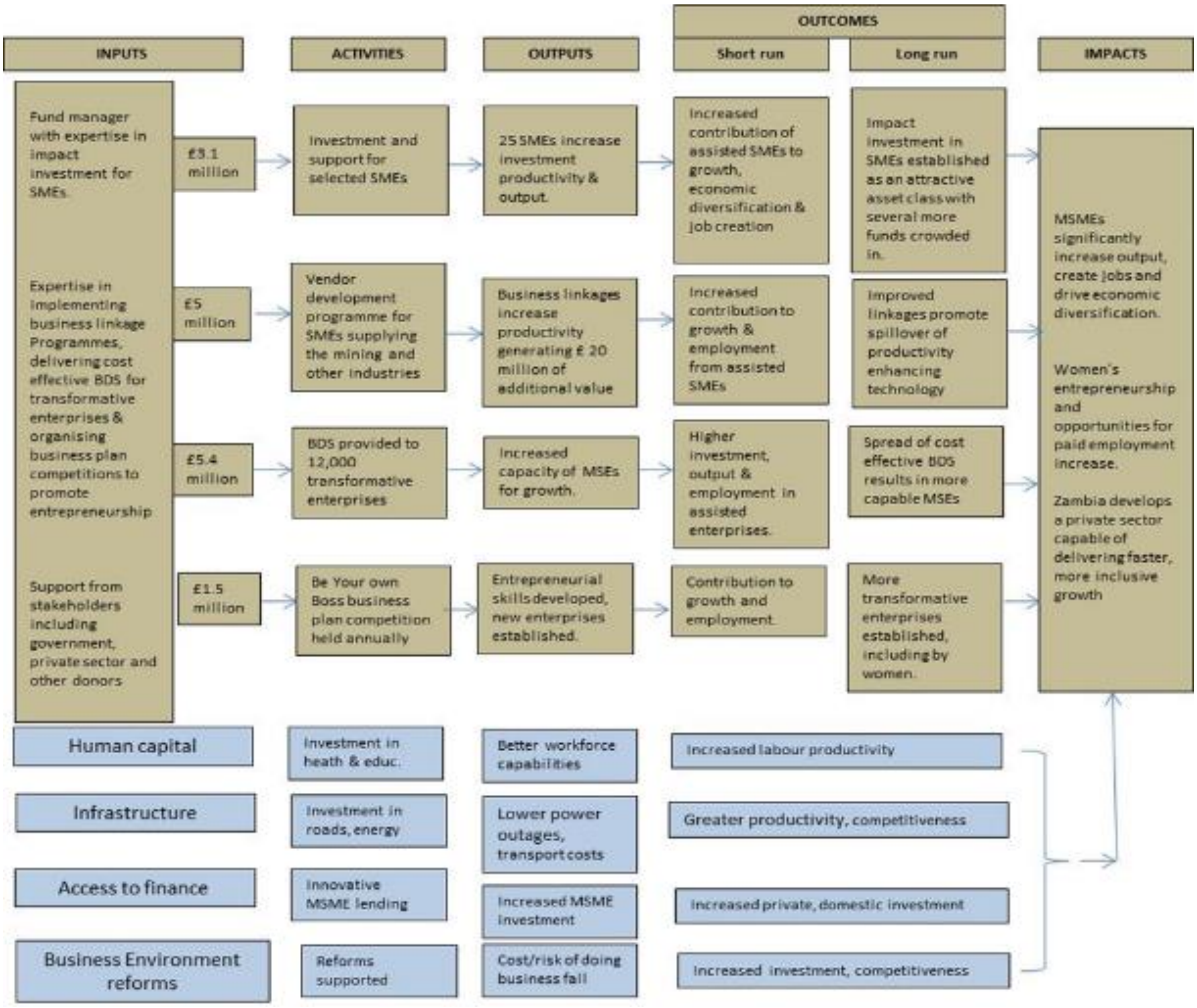
[3] PEPZ Strategy. December 2014.

MSMEs with increased size and capability. Each component addressed a different type of enterprise in terms of stage in the business cycle, size and capability. The early start up stage would be addressed by the BPC, giving recognition to the more innovative entrepreneurs and raising the profile of entrepreneurs to motivate talented Zambians to become entrepreneurs. The improved quality of entrepreneurship would form the bedrock on which more capable MSMEs would be built. The BDS component would address all sizes of MSMEs and provide incubation services for start-ups, coaching/mentoring and access to finance for MSEs and technical assistance to SMEs. The BLP would focus on manufacturing, the sector that could contribute most to increasing value added and formal job creation. Impact investment would target well-established SMEs with need of patient capital.

Challenges faced during the first phase of PEPZ implementation

Two years into the implementation phase of PEPZ, and despite logframe output targets being achieved, it became clear that the very facilitative approach used by PEPZ (which focused in improving the enabling environment for private sector growth) would not generate the aspired for economic returns in terms of programme outcomes and impact. The progress from outputs to outcomes as envisioned in PEPZ's theory of change (see Figure 4) did not seem feasible due to two factors:

Figure 4. PEPZ theory of change



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1. The new macroeconomic context and its impact in the real economy led to a contraction in private sector investment and severely restricted access to finance for all firms, including larger firms that were meant to become pull factors for inclusive growth. Firms also became more focused on their short-term plans (looking at cashflow and survival) rather than a more long-term investment planning and growth approach. The cost of doing business also increased as the business environment deteriorated, reducing profitability and the propensity of MSMEs to invest.
2. A more in-depth understanding of the Zambian economy allowed the team to better understand the feasibility of achieving change in supporting markets. The BDS market, for example, faced significant constraints and distortions on both supply and demand sides, which meant that using these intermediate supporting actors to drive significant change with their client MSMEs was unlikely within the time and resources available to PEPZ.

A DFID review in March 2017[4] confirmed that the BLP was exceeding targets for numbers of firms worked with, but that it generated less economic impact on MSMEs than anticipated. It also identified that the potential benefits of BDS for firm productivity were unlikely to be achieved unless key systemic problems (i.e. high cost of provision, low demand and low access to finance) could be overcome. Given these challenges, the review recommended a more targeted approach for the programme.

The revised PEPZ approach

Following the review, in mid-2017 PEPZ went through a major strategic and operational reorientation. The revised approach included a number of changes from the strategy proposed in the business case but maintained the same objective and the same outcome targets. The key aspects of the new PEPZ strategy included:

- **Focus on high-potential economic sub-sectors**. A previously broad focus meant that PEPZ was engaging in a wide range of sectors in a light-touch manner. A sectoral focus would allow PEPZ to build a deeper understanding of the value chains and market systems within those sub-sectors. The sectors were selected following a set of criteria that included, for example, their relevance to the Zambian economy or potential for inclusive growth. The selected sectors were food and agriculture, tourism and hospitality, and mining and mining services
- **Support the BDS market through provision of embedded services rather than intervening in the ecosystem of BDS providers.** Rather than stimulating supply side innovation within the BDS market and supporting BDS providers to provide short-term consultancy to potential MSMEs, PEPZ would promote the provision of embedded BDS to MSEs in the PEPZ focus sector value chains. This allowed for more tailored and efficient BDS provision but reduced the ability to generate systemic change in the market for business development services.
- **Adopt more direct mechanisms to produce MSME growth**. PEPZ adopted new intervention mechanisms that allowed the programme to provide direct financial support to SMEs, including for purchasing of capital expenditure (which was not the case initially). As a result, PEPZ became a market player (rather than the previous approach of pure facilitation), increasing the risks of distorting the market but at the same time increasing its ability to incentivise firms to develop new business models. Some of these instruments

[4] DFID Annual Review March 2017.

included:

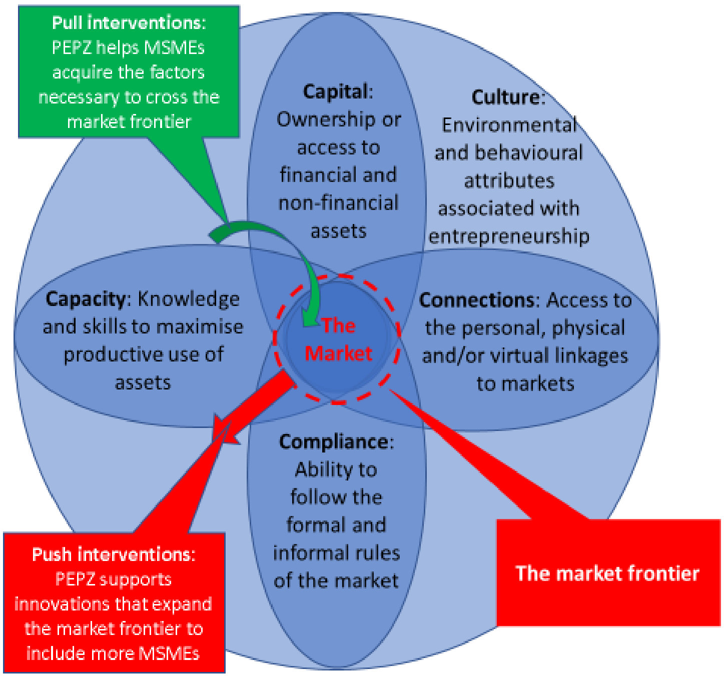
- Provision of matching grants to firms within the focus sector value chains to promote business innovations to increase local content transactions.
- Cost sharing the cost of technical assistance interventions to build SME management capacity.
- Incentivising investment by SMEs in assets and associated skills training to increase competitiveness through an SME innovation challenge fund.

- **Develop the area of "business services for investment and growth".** The business case had envisaged that the accelerator fund component would be at the heart of the impact investment work under the PEPZ programme and would be able to "mobilise other impact asset owners, leverage DFID's funds and crowd in investment to develop the Zambian market". The pilot accelerator fund, however, was not successful in generating an impact investment market in Zambia and achieving the desired results (more in Section 2). Moreover, the lack of alignment of this component (run by Kukula Seed Fund) with the other PEPZ activities limited its ability to crowd in further funds to benefit PEPZ SMEs– including looking at international sources of patient capital (impact investment). The ability of PEPZ to develop this area of intervention allowed the programme to directly intervene to explicitly crowd in capital to address the access to finance constraint and substantially propel MSE growth.

The new focus of PEPZ allowed it to better address the problems faced by the private sector in Zambia at the time. The shift of emphasis from firm to market level acknowledged that in each of the markets targeted by PEPZ, there was a complex range of problems to be overcome if sustainable change was to be achieved and impact results delivered at scale.

To identify the new areas of interventions, PEPZ adopted a "market frontier" analytical model (see Figure 5). This model builds on conventional market systems thinking, ensuring that interventions are thought and designed from a more holistic standpoint. The model identifies

Figure 5. The market frontier analytical model



and understands the constraints for an individual SME to participate in the market from the point of view of the supply chain that the SME wants to access. Interventions are designed to either: 1) help MSMEs acquire the factors that are necessary to pull them inside the market frontier (pull interventions); or 2) encourage innovations with other market payers relevant for the SME to push the market frontier outwards and make the market accessible for this SME (push interventions). For *push interventions*, PEPZ works through intervention partners that together offer the point of optimal leverage so that the intervention benefits the largest possible population of MSMEs, and simultaneously uses *pull interventions* to actively promote response from those MSMEs rather than relying on spontaneous uptake.

To ensure that systemic change can be achieved, the pull and push-type interventions must be:

- **Co-ordinated**: PEPZ organises intervention partnerships as "initiatives" (a group of interventions designed to contribute to helping a particular group of MSMEs – typically defined by sub-sector and/or geography – to cross the market frontier), intending that a range of change agents are mobilised to overcome multiple barriers to market participation for one or more SMEs. This meant more complex interventions, with multiple actors requiring coordinated oversight, rather than interventions driven purely by a single firm (under the previous approach).
- **Commercially driven**: PEPZ uses interventions to incentivise and support investment in innovation driven by commercial (or other) incentives in order to achieve sustainable changes in the way that market players work and so creating new business growth opportunities for MSMEs that drive inclusive economic growth.

Adjusting the way PEPZ operated

The new strategic approach required significant changes in the way the programme was organised. Some of these more operational changes included:

- **Realigning teams into sector components.** Defining our work and organising our team by sectors was more "market facing" and client-friendly than by components (BLP, BDS and BPC) which were not well understood by the private sector. This required adjustment of organograms, job descriptions, and budget alignments, amongst others.
- **Onboarding staff with "sectoral" expertise.** Linked to the above, the new sectoral organisation required the team to onboard more specialised expertise in the four sectors of interventions. This led to significant staff reshuffling.
- **Adjusting operating manuals.** The new instruments developed under the revised strategy required the development of new operating manuals, as the way of operating had changed significantly. This included, for example, a manual for the challenge fund or a revised manual for the new approach to grant making, which was more flexible.
- **Increasing internal capacity.** To attract high quality intervention partners, PEPZ had to take a more proactive approach in engaging them, which required more expertise and time. To achieve this, PEPZ introduced in the team Initiative Delivery Managers (IDM), who were experienced sector experts able to provide strategic advice and guidance to the sector managers, allowing them to be more ambitious in their sector strategies.
- **Developing a presence outside of Lusaka.** Linked to the need to have more presence in the ground and proactively engage PEPZ stakeholders, PEPZ opened a second office in Livingstone. This allowed PEPZ to expand its geographical coverage.

SECTION 3. OUTPUT AND OUTCOME RESULTS

In line with the PEPZ business case[5] and its theory of change, a logframe was developed during the inception period which served the programme to measure output and outcome results within its four components (see Annex 1). Following the strategy redesign, the logframe was revised to align it with the programme's new sectoral approach and ensure that progress and results within each sector could be captured (see Annex 2). This process was done in consultation with DFID and followed the recommendations issues by the 2019 Annual Review. The output results from PEPZ's first three years of implementation under the component strategy were embedded in outputs 2, 3, 4 and 5. The BPC output indicator from the old strategy was not fully incorporated and is therefore included as output 6 in the section below.

With the new strategy in place and an extension of one year, the PEPZ programme managed to exceed all the its new output indicator targets and successfully passed the end of programme outcome targets as presented below.

3.1 OUTPUT RESULTS

Output 1: Accelerator fund facilitates access to patient capital, technical assistance and mentoring support to SME

The original objective of the accelerator fund component was to provide early stage capital together with some technical assistance (small) and mentoring support to investment-ready SMEs. With this objective in mind, in 2015 PEPZ undertook an assessment to identify the best partners in Zambia to implement this component and Kukula Capital, an already established and operational venture finance firm in Zambia, was selected.

In order to have the ability to recycle the initial funds invested by DFID over time, in July 2015 PEPZ and DFID set up a special purpose vehicle called Prospero Investment Limited (Prospero). Prospero was a company limited by guarantee (a Zambian non-profit entity) that was able to receive returns on its investment funds and then recycle them into new investments through the selected fund managers. DFID Zambia and Kukula Seed Fund (one of the two ventures funds of Kukula Capital) were the two guarantors of Prospero.[6]

The original design of the component anticipated ~£3.25m of capital available, comprising investment capital (~£2.65m) and technical assistance (~£0.6m). All Prospero investments would be managed directly by KSF, who would match DFID's investment capital with 15% of their own capital, amounting to a total of ~£400,000, under the same investment conditions. The expectation was for Prospero to fully recover its capital investment capital in circa 5.5 years, after adjusting for all costs and losses. In addition, by January 2020 this investment was to have contributed to the successful investment in 23 SMEs (with a number of exits already completed), creating 385 direct jobs (with a target of 40% of these being for women), leveraging additional investment of ~£6.4m. Recovery of returns was mostly delivered through revenue-linked loans and dividends from profits (based on equity shares). The explicit target of the fund were potential high growth Zambian owned SMEs.

[5] https://devtracker.dfid.gov.uk/projects/GB-1-201980/documents
[6] An independent board comprising of DFID Zambia, Kukula Seed Fund (KSF) and Nathan Associates was created, although only DFID (2) and KSF (1) could vote. After a while, CDC a a UK based development finance institution added to the board.

What have been the results of Prospero?

Since 2015, Prospero has achieved the following results through nine investment projects[7]:

Company	Area of focus	Current value of DFID investment	Status of investment
1. Bumi	A start-up pioneering high quality, affordable women's sanitation products	0	Investment written-off.
2. Betternow Finance Company (BFC) Lusaka	A finance company that provides working capital to SMEs (primarily through invoice discounting), enabling them to secure contracts to supply larger off takers.	0	In process of liquidating (disinvesting) to recover as much as possible of the initial capital invested. Potentially significant write-offs are anticipated.
3. Betternow Finance Company (BFC) Solwezi	A finance company that provides working capital to SMEs (invoice discounting), enabling them to secure contracts to supply larger off takers like mines.	0	Prospero exited this company and made a financial return on investment of 25% (IRR of 21%). The invested amount was ZMW 4.5 million and the financial return was ZMW 1.1 million.
4. Eagle Metal Fabrication	A new workshop that makes vital repairs and fabricates new equipment for large and small clients (primarily focused on mines, trucking companies, and allied industries).	ZMW 6,366,793 (GBP 345,083)	In process of financial exit as company is not financially viable. The exit is expected to be concluded by August 2020. The aim is to recover as much as possible of the initial capital invested but potentially significant write-offs.
5. Live Clean Initiatives	A start-up fabricating hygienic toilets out of cargo containers, offering an affordable pay-as-you-go service in poor urban areas.	ZMW 3,733,367 (GBP 202,350)	In process of financial exit as company is not financially viable. The exit is expected to be concluded by October 2020. The aim is to recover as much as possible of the initial capital invested but potentially significant write-offs.
6. Kunzubo	A real estate company developing offices and a commercial business park in Solwezi	ZMW 17,776,010 (GBP 963,470)	Good performance. The investment has delivered relatively solid returns. Ongoing payment of interest and expected repayment of principal debt in 12/2024. Potential buy out at 3x the initial equity investment. Interest payments are currently suspended due to liquidity challenges.
7. Green Dairy Limited	A greenfield commercial dairy farm selling affordable fresh milk to local market.	ZMW 15,259,023 (GBP 827,047)	Under stress. Significant write off is expected.
8. Bresmar Building Materials (BBM)	An early stage commercial quarrying company that supplies refined silica to Kansanshi mine for its copper smelter.	ZMW 11,220,000 (GBP 608,130)	Good performance. Ongoing payment of interest and expected repayment of principal debt in 12/2022. Uncertainty whether exit of the business with multiples of initial investment can be achieved. Interest payments are currently suspended due to liquidity challenges.
9. Impanga Development	The company tackles deforestation and traditional charcoal practices by introducing sustainable forest management and charcoal products	ZMW 2,331,612 (GBP 126,375)	Company not developing. Prospero is seeking exit from the company. Significant write-offs expected.

[7] Information obtained from Niels Bojsen, KSF.

Looking at the portfolio level, the main financial results of Prospero as of December 2019[8] are:

- Fund invested by Prospero: ZMW 85,922,540 (~£4.6m)
- Funds received by Prospero from portfolio: ZMW 9,438,008 (~£0.5m)
- Current value (as per year end 2019) of remaining investments: ZMW 56,686,805 (~£3m)
- Funds leveraged: ZMW 90,000,000 (~£4.8m, against a target of £6.4m)

In addition, Prospero has also provided technical assistance funds in the region of ZMW 3,000,000 (~£162,000) to support the invested companies with technical, financial and managerial inputs over and beyond what was provided by the fund management team as ongoing mentoring.

The developmental results of Prospero as of December 2019 include:

- Number of firms supported: 9 (against a target of 23)
- Number of cumulative direct jobs created: 224 (against a target of 385)
- Number of cumulative indirect jobs created: 1,501
- Percentage of female jobs created: 11.2% (against a target of 40%)
- Total amount paid in taxes by KSF and its portfolio companies: ZMW 20,000,000 (~£1m)

Summary

Overall, the performance of the accelerator fund component has been disappointing, as it has not substantially accomplished the commercial and developmental objectives that were originally envisaged. Only one (minor) investment has been successfully exited and two other investments seem to be successful at this point in time and have a viable exit strategy. The remaining six investments have been either written off or significant write offs are expected. Half of these companies do not seem to be financially viable.

The initial accelerator fund component strategy was to demonstrate that a mid-tier investment fund could develop a context-appropriate business model of a) building a suitable pipeline of businesses with the right commercial, managerial and developmental profile (job creation) to invest in Zambia, b) executing debt and equity transactions in these SMEs at the right price-risk point that allowed the businesses to grow, while ensuring their capabilities to pay back loans or support dividends, and c) provide the right suite of support to ongoing transactions in terms of technical assistance, mentoring support and other services in order to increase the likelihood of business growth and profitability. Although it was recognised at the time that these would be a challenging objectives to meet, it was deemed worthwhile to understand and test such an approach in the Zambian context where high-potential SMEs did not have access to viable growth capital.

However, besides BBM, the nine businesses chosen for investments were mostly greenfield or very early stage businesses, which require very intensive support and are high-risk in nature, with limited ability to absorb shocks with their own capital. This difference in approach (i.e. identifying greenfield sites and creating new business entities with entrepreneurs that already had established businesses) provided much cleaner and transparent companies to invest in from a fund perspective. However, from a market systems or systemic lens, this meant that the fund manager did not have to develop new or innovative processes and systems (e.g. more efficient ways to identify potential investments, better valuation models

[8] Information obtained from Niels Bojsen, KSF. The exchange rate used in this section is dated 31 December 2019 – GBP/ZMW18.45 and GBP/USD 1.22.

appropriate to the context, capacity to undertake digital assessments, reliable and streamlined due diligence processes) to create commercial viability for such a small business growth fund.

As a result, Prospero was not able to reach the expected number of Zambian high growth “gazelle” SMEs through more efficient and effective tools and processes, spreading risk appropriately through a variety of ways, while testing new investment models more appropriate to the environment. Additionally, this limited the potential to demonstrate commercially successful SME investment practices to the wider market and meant that its activities were not replicated nor producing wide scale change as originally anticipated.

Output 2: Food and agriculture sector

Throughout the duration of the programme, PEPZ created 86 partnerships and successfully implemented 88 interventions under output 2. Following the push- and pull-type strategies, the Food and Agriculture sector doubled its targets for MSME outreach and reached 22,690 MSMEs. Through this output, PEPZ measured SME capacity building and provision of commercially viable business services. The Food and Agriculture sector worked through four initiatives – input financing, rural enterprise linkages, small livestock and value chain strengthening.

With the **input financing** initiative for instance, PEPZ aimed to improve the accessibility, affordability and quality of inputs for smallholder farmers by strengthening the ability of agro-dealers to create efficient business linkages and develop innovative solutions to reach more rural SMEs. Under this initiative, PEPZ tested two pull-strategy business models. Through one of the business models PEPZ successfully demonstrated that 28 agro-dealers were able to sell their inputs to smallholder farmers at a more affordable price than other input providers. This way farmers were able to access more affordable inputs commercially rather than through the government FISP programme and were “pulled” into the existing market frontier by increasing their competitiveness on the market. As of the end of PEPZ, the partner had already started replicating the business model in other regions. With the second business model PEPZ successfully pulled 420 farmers into the market frontier by supporting five agro-dealers and ten lead farmers to set up demonstration plots and thereby provide service to these farmers. The project increased expertise of agro-dealers that are now able to provide more quality information on inputs and services to the farmers.

The **rural enterprise linkages** initiative aimed to identify opportunities to leverage private sector investment in rural areas by promoting increased entrepreneurship, trade and economic diversification through private sector actors who have a commercial interest in expanding their rural market penetration through a Rural Enterprise Hub model (REH). These REHs incentivised rural economic activity and provided access to commercial products and services for rural communities. PEPZ partnered with the Zambia Cooperative Federation (ZCF) and successfully established seven REHs of which each received a dedicated hub manager who managed to establish diverse private sector services throughout the hubs including mobile money, health services, educational services, agricultural aggregation, beverages and solar home systems. As of the end of the PEPZ, 200 new micro-entrepreneurs were recruited to supply health services across 7 hubs and have sold more than 15,000 units of simple health products within their communities. Off-grid energy connections were established connecting 42 MSMEs to solar grids and impacting over 2,000 people from surrounding communities.

The **small livestock initiative** aimed to contribute to the growth and commercialization of market-led small livestock value chains by addressing market access issues for commercial and smallholder farmers through improving the availability and accessibility of good-quality goat breeds, improving pasture development and husbandry skills and increasing the size of individual goat tribes. Through the formation of a Goat Consortium with five commercial goat breeders and the development of a goat production manual which was distributed across 5 districts, the initiative reached over 1,600 smallholder farmers with sessions on goat production, breeding, business management, and markets. As a result of this initiative, the commercial goat breeders increased their goat tribes and expanded their market whereas smallholder farmers gained access to good-quality goats and were able to diversify their offer.

Under the **value chain strengthening** initiative PEPZ aimed to contribute to the creation of competitive value chains in horticulture and legumes by supporting private sector business innovations that generate growth opportunities for SMEs through vertical and horizontal linkages. For instance, through partnering with several aggregators of fruits and vegetables, PEPZ created market access for 200 bean smallholder farmers and provided training to over 700 farmers in good agronomical practices. As a result of this intervention, one of the aggregators could expand their operations, secure additional retail markets and acquire a warehouse to support their new aggregation model with a significant increase of farmers. The initiative also worked with agro-processors of nutritious products such as High-Energy Protein Supplement (HEPS) or finger millet. With PEPZ support, these agro-processors increased their sourcing and processing capacity and as a result were able to source from over 3,000 new smallholder farmers of which half are women. This initiative contributed significantly to PEPZ positive impact on nutrition by introducing a new food supplement product for children made from maize and soya which will be sold particularly in rural areas which suffer from severe food shortages caused by droughts.

Output 3: Mining and mining services sector

In Mining and Mining services, PEPZ build 21 partnerships through grant support, MoUs and facilitations with a mix of ten SMEs, five mines, three chambers of commerce, one large international mining and metals company and their foundation. With these partners, PEPZ successfully implemented 15 interventions through the local content and the local economic development initiatives under which 476 smallholder farmers were trained.

PEPZ has faced significant challenges in working with and implementing interventions in the mining sector, especially in the first years of implementation. This was mainly due to falling international copper prices and a decrease of foreign investments in the Zambian mining sector which resulted in a downturn of the sector in 2015. Nonetheless, the programme was able to make significant inroads into the sector and quadrupled the target of 123 by reaching 583 MSMEs through interventions in the mining sector.

Especially through the **local economic development** initiative, PEPZ was able to implement push-as well as pull-type interventions as it was designed to strengthen and create sustainable non-mining value chains that have the ability to sustain economies in areas that are dominated by the mining sector. Through an intervention in Kalumbila, PEPZ opened a new vegetable centre with the aim to create a sustainable business venture servicing smallholder farmer from surrounding areas. At the same time PEPZ helped to design a training to support 276 smallholder farmers of which 49% were women in improving their productivity and quality to “pull” them into the newly established market. Reversely in Munali, PEPZ developed a new legume supply chain by linking smallholder farmers to profitable off-taker market. A total of 200 farmers were pulled inside the market frontier with this intervention when they received training and seed input packs to respond to market demand.

With the **local content** initiative PEPZ aimed to create inclusive economic impact of the mining sector in Zambia through increasing the use of locally available goods and services in the mining supply value chain. The use of local goods and services in the Zambian mining sector is still in its infancy which is why this initiative was mostly centred around the development of a 'Local Product Opportunity Roadmap' to identify opportunities for creating domestic linkages. At this early stage of the initiative PEPZ was able to work with five local SMEs and provided capacity building and technical assistance in order to improve their ability to address market needs and "push" them towards the existing market frontier. It is expected that through the increase of local content/products in the mining market alone, additional GBP 245m could go to Zambian MSMEs which could have a significant economic impact on local SME suppliers.

Output 4: Tourism and hospitality sector

In tourism and hospitality, PEPZ created 25 partnerships in its last year of implementation and successfully implemented 25 interventions thereby reaching 1,877 MSMEs through three initiatives.

Through the **tourism hub** initiative, PEPZ introduced the idea of regional tourism hubs to Zambia and successfully created the first hub in the Livingstone area thereby inviting new investment into the Zambian tourism industry and creating local and regional tourism opportunities for Zambian businesses. At the end of the programme, a Destination Livingstone Board (DLB) was established with the purpose to coordinate relevant tourism activities in the region, advocate for greater tourism sector collaboration and lead the way in supporting Livingstone's inclusive growth and competitiveness. Simultaneously, PEPZ also worked with several SMEs in Livingstone to provide grassroots example to the DLB on how small businesses can be successfully integrated into the larger plan for Livingstone's development. With this approach PEPZ encouraged the DLB to push the market frontier and make the tourism sector accessible for local SMEs but also strengthened the offer of existing SMEs to align them with tourism market trends and pull them into the newly created market frontier.

Interventions under the **crafts sector scale up** initiative on the other hand were initially mostly designed as pull-type interventions as the aim was to work with crafts producers to increase their capacity, especially in terms of production capacity, efficiency and quality, familiarity with international buyers and requirements and market linkages. On the other hand, PEPZ also worked closely with the buyer side of the market, focussing specifically on international buyers, and was able to support activities that enabled them to build trust with producers and increase their placement of high-value orders. The mix of these pull- and push-type interventions, also formed the basis for the successful introduction of Zambia crafts products at the NY NOW retail tradeshow held in New York in February 2020 as well as the establishment of Zambia's only art and design award conventions the Zambia Art & Design Awards (ZADS) as well as the Ngoma Awards.

The **sustainable tourism and conservation initiative** aimed to generate inclusive, conservation-driven economic growth within the tourism industry to positively impact conservation while also contributing to inclusive growth within domestic and international markets. PEPZ promoted the importance of conservation and the benefits of tourism within communities in and around Zambia's protected areas and implemented specific activities that improved the infrastructure around several national parks in Zambia such as the Kasanka National Park, North Luangwa National Park and the Lusaka National Park. These were aimed boosting tourism numbers in these areas to create opportunities for local communities and businesses to engage in the local tourism market through agriculture, arts and crafts, hospitality and wildlife conservation. As of the end of the programme, PEPZ successfully supported the development and construction of two game camps and a conservation education centre and held a Public – Private Partnerships (PPPs) workshop with the Department of National Parks and Wildlife. The long-term objective of a strengthened PPP framework for conservation is to incentivise greater private sector investment in the Zambian conservation sector and thereby expand its tourism offers.

Output 5: Business services and access to finance

PEPZ created 52 partnerships and successfully implemented 57 interventions through initiatives such as business to business linkages, crowdfunding, early stage growth fund and impact investment. PEPZ reached a total of 567 MSMEs and was able to facilitate several investment deals as well as establish Zambia as a serious market player in the international impact investment spheres.

The key initiative in this sector was the **Impact Capital Africa (ICA)[9],** an initiative to bridge the gap between impact investors and growth-oriented businesses looking to raise finance from USD 100,000 to USD 5m or more. PEPZ co-organised two rounds of ICA (2018 and 2019), each culminating in a conference held in October of the respective years. The focus of PEPZ's work was on developing a SME pipeline and helping these SMEs to become investment ready, while ICA focused on building investor interest and other outreach activities. PEPZ supported a total 28 SMEs in their investment preparation and capital raising efforts by co-financing technical assistance by investment advisors to build the investment readiness of these SMEs. The two ICA rounds have resulted in investment deals that will bring some USD80m to Zambian SMEs once all transactions have been closed. As of the end of PEPZ in March 2020, twelve SMEs have successfully raised between USD 50,000 and USD 16.5m of investments amounting to a total of USD 31.1m.

Building on these successes, PEPZ put additional efforts on building the impact investment ecosystem in Zambia and supported the formalisation of the National Advisory Board for Impact Investment (NABII) through co-funding research on the impact investment ecosystem in Zambia and the development of a full business and 3-year strategic plan. This also had a significant policy impact which is further explained under outcome 1. As a result, PEPZ gained a much broader understanding of and wider engagement with the impact investment environment than emerged through the Accelerator Fund delivering promising results with the potential for lasting and sustainable impact.

As part of the **business to business linkages** initiative, PEPZ focus was on commercialising the ZamB2B platform which was successfully registered in Zambia and attracted 347 local suppliers and 10 corporate buyers registered on the platform. Prior to the strategy change from components to sectors, the aim of the component was to enable Zambia MSMEs to increase the value of their sales to large corporates and end consumer markets through the creation of business linkages. Through 30 partnerships with anchor firm, PEPZ mobilised £517,644 of private sector resources worked with 303 SMEs who entered an agreement to increase their management capacity/improving access to technology and skills to supply market demand. These results were generated through Business Linkages Programme (BLP) interventions and were then incorporated in the new logframe, however it is noteworthy that the BLP managed to exceed its targets before it was incorporated into the sector logframe.

[9] More details on the ICA in the case study: PEPZ 2020, Impact Capital Africa – Under the Private Enterprise Programme Zambia.

The **early stage growth** initiative aimed to pilot a fund targeting early stage businesses and establish whether there is investor interest, if there are sufficient potential investee companies and if such a fund could achieve commercial sustainability. PEPZ partnered with a Zambia based asset manager and impact investor and provided financial and operational support to the fund which successfully raised USD 1m for two local companies from four investors.

The **crowdfunding** initiative aimed to launch a crowdfunding pilot to raise investment for social impact SMEs from local investors. The initiative raised over GBP 20,000 which confirmed that Zambians are willing to invest in local businesses.

Output from original logframe – Business Plan Competition

The Business Plan Competition (BPC) Nyamuka Zambia completed three seasons of the competition (2015, 2016 and 2017) with a total of 49 winners who received awards ranging from ZMW 75,000 to ZMW 250,000. It also generated a media coverage of £1,389,548, significantly exceeding its target of £890,000 and met its target by supporting 180 businesses. The BPC contributed to the job target with 98 direct and 3,954 indirect jobs.[10]

At the end of those three years, PEPZ had acquired valuable insights into the processes and challenges of establishing a business in Zambia and had established a well-recognised brand connected with entrepreneurial endeavour. The competition attained a high level of market awareness and publicity attracting 5,813 people to register interest and 1,508 applications over the three years. It also won five awards from the Zambia Institute of Marketing including the best brand campaign for 2017. The competition directly supported 49 SMEs of which 16 were owned by women with seed capital, business development services and mentoring. The branding and media attention also attracted several large private sector firms and financial institutions raising ZMW 2.7m in sponsorship for the competition.

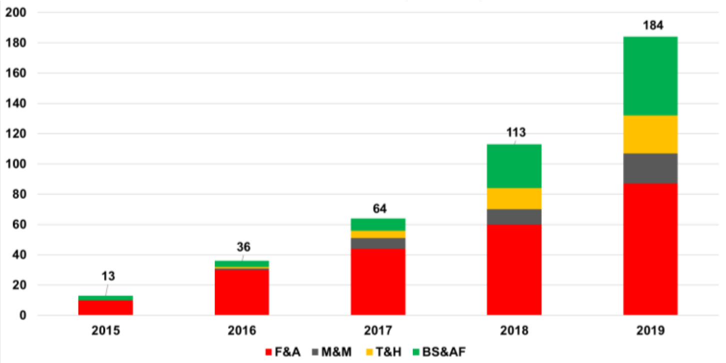
3.2 OVERVIEW OF OUTPUT RESULTS DURING THE PROGRAMME LIFETIME

The cumulative output results of PEPZ are presented below.

Partnerships developed

PEPZ developed 184 partners across all sectors, a 16% increase over the original target (158 partnerships). The majority of these partnerships were built in the last year of implementation (71) (see Figure 6). The increase in the number of partnerships can be attributed to the change in strategy away from high-value capacity building grants with a limited number of partners and provision of in-house technical assistance to a high-volume of grantees ranging from £2,000 to £ 110,000 in PEPZ contribution. Additionally, PEPZ started to rely more from on external partners for the implementation and delivery of grants as the available in-house team resources were insufficient to support the increased number of grants.

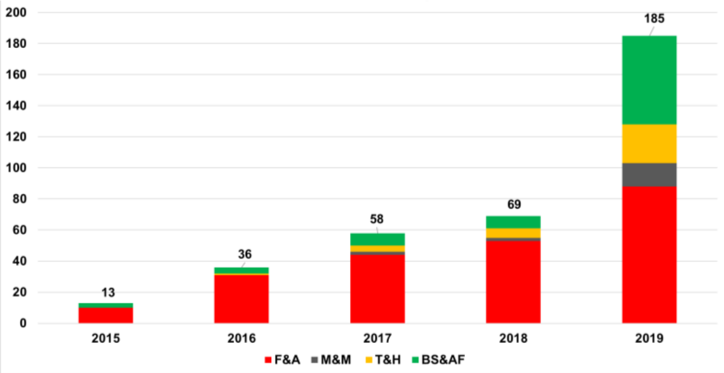
Figure 6: Cumulative number of intervention partnerships



[10] More details on the Business Plan competition in the case study: PEPZ 2020, Nyamuka Zambia – A Business Plan Competition.

PEPZ interventions

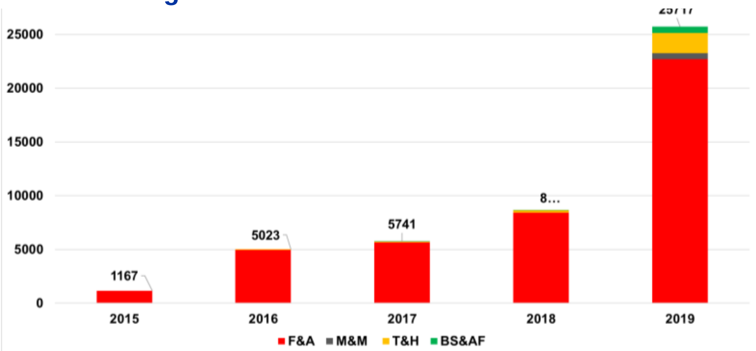
Figure 7: Number of interventions implemented



By the end of the programme, PEPZ implemented a total of 185 interventions of which 116 were implemented in the last year (see Figure 7). The figure of partnerships implemented vs. partnerships created in 2019 is higher as partnerships signed in the earlier years of PEPZ (2016 – 2018) were often designed to last longer than one year. This means that several partnerships from 2018 only completed in 2019. Additionally, the change of PEPZ support to SMEs (from long-term interventions and TA to promote capacity building and innovative product development to short-term financial support to cost-share asset procurement, business expansions, skills trainings and local linkages), meant that interventions in the final year were designed with shorter lifetimes.

MSMEs reached

Figure 8: Number of MSMEs reached



PEPZ reached a cumulative total of 25,717 MSMEs through the provision of direct and embedded BDS services by working with BDS providers, input suppliers and off-takers (Y1-Y4) as well as initiatives with larger businesses and anchor companies that had the capacity to reach a wider breadth of MSMEs (see Figure 8). In the last year of PEPZ, partnerships were designed to directly incentivise partners to improve MSMEs capacity, compliance, connections to market and access to capital. Through the inclusion of direct MSME outreach targets in grants and delivery partnerships, intervention partners were more focused on reaching MSMEs than in previous years. The food and agriculture sector had the largest contribution to reaching MSMEs with over 22,000 MSMEs reached over the course of the programme.

3.3 OUTCOME RESULTS

Outcomes did not change with the redesign of PEPZ's strategy. The only change was the replacement of value added (which was too difficult to quantify and most gains would after the end of the programme) with the International Climate Finance (ICF) indicator. A close look at the achievements at the outcome level follows.

Outcome 1: Policy influence - models of engagement with private sector demonstrated by PEPZ and taken up by government and development partners

PEPZ's approach to policy influence was largely opportunistic although the programme has managed to build a lot of credibility in the last two years of implementation through increased engagement with a diverse set of stakeholders. The new PEPZ strategy was designed in

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alignment with Zambia's Seventh National Development Plan (7NDP)[11] which opened-up new opportunities to engage with government entities such as the Ministry of Tourism and Arts (MoTA) or the Ministry of Fisheries and Livestock. This also secured a higher buy-in by other government or non-government development stakeholders during the later implementation of the strategy who either actively participated in individual PEPZ interventions such as the National Arts Council during the ZADS or formally expressed interest in collaborating such as the Ministry of Commerce, Trade and Industry (MCTI) with regards to policy and regulatory work on impact investment. A closer look at the individual PEPZ target sectors shows how further progress was made on policy engagement and collaboration.

In the **food and agriculture** sector, PEPZ signed a Memorandum of Understanding (MoU) with the Livestock Development Trust (LDT) to promote livestock rearing and engaged LDT in the goat trainings held with PEPZ partners, contributing to a "government approved" training curriculum which has the potential to be rolled out at a larger scale. Further to that, PEPZ also signed a MoU with the Zambia Cooperative Federation (ZCF) to establish rural hubs at ZCF cooperatives. PEPZ has linked two of these cooperatives to microgrids and began engaging with the directorate of cooperatives to see how best the PEPZ demonstration and pilot rural hub projects can be scaled up. As of the end of PEPZ especially the rural microgrid hubs were very successful linking more than 40 MSMEs to electricity which constitutes a major a major opportunity for the remaining hubs if ZCF decides to take up the approach.

Despite a slow start, PEPZ managed to significantly increase its engagement with government stakeholders under its **mining and mining services** sector work. Initiated through an African Development Bank (AfDB) report, the Ministry of Mines and Minerals Development approached PEPZ to support the development of a product opportunity roadmap. Using the product opportunity feasibility study under this initiative, PEPZ also organised a workshop in the Copperbelt for mining and business zssociations as well as the local chambers of commerce to present its findings and increase buy-in for future interventions.

Under **tourism and hospitality**, PEPZ led the formation of the Destination Livingstone Board to drive the development of a destination management plan for Livingstone, an initiative with significant replication potential for other tourist areas in Zambia. PEPZ also supported the introduction of minimum standards for non-accommodation establishments as well as a formalised hotel grading system which has been adapted by the Zambian Tourism Agency (ZTA) and can help to achieve consistency in the quality of Zambia's tourism offer. Further to that, PEPZ helped to develop the first wildlife safari guide curriculum in Zambia which was approved by the Technical Education, Vocational and Entrepreneurship Training Authority Zambia (TEVETA). A different training initiative was initiated through a Memorandum of Understanding with the Livestock Development Trust (LTD) which was signed to promote livestock rearing and directly involve the LTD in goat trainings held with PEPZ partners, contributing to a government-approved training curriculum.

In **business services and access to finance**, PEPZ supported the National Advisory Board for Impact Investment (NABII) in becoming a recognised formal body and develop an impact investment strategy to influence policy. As a result, the newly established NABII became one of three African countries to be an official member of the Global Steering Group for Impact Investment (GSG). At the same time PEPZ continued engaging the Ministry of Commerce, Trade and Investment (MCTI) to improve the marketing of Zambia as an investment location

[11] Ministry of National Development Planning, 2017. SEVENTH NATIONAL DEVELOPMENT PLAN 2017-2021.

and potential regional hub to compete with countries such as Kenya, Nigeria, Rwanda and South Africa.

Outcome 2: Additional investment by micro, small and medium enterprises

The target for additional investment by MSMEs was GBP 30m and PEPZ successfully exceeded the target by generating over GBP 41m of investment (see Figure 9). Under the PEPZ strategy additional investment was to be generated by PEPZ SMEs investing in physical assets and working capital with their own resources or external financing as well as through attracting external investments. However, accessing affordable finance for growth from local sources has been virtually impossible especially for MSMEs in Zambia due to the their poor business acumen and lack of MSME-friendly products and policies with local financing sources. SMEs willingness and ability to invest their own resources, commit to cash expenditures and seek external financing was therefore extremely low which meant that overall investment levels were also significantly lower than initially anticipated.

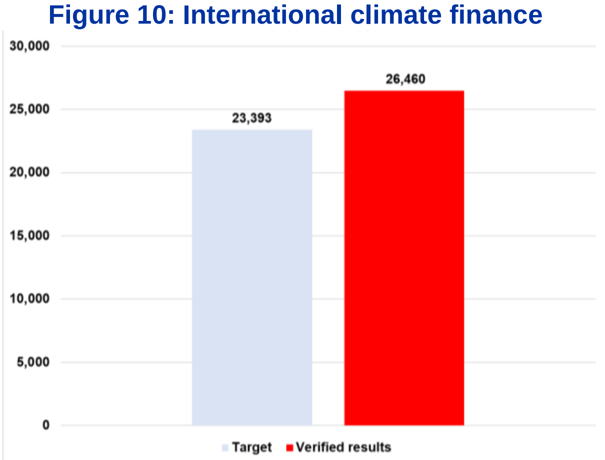
Figure 9: Additional investment generated

In the course of 2019, several investment deals from ICA impact investment conferences in 2018 and 2019 were completed and generated a total of USD 31.6 million of additional investment. These investment deals have provided the majority of results towards PEPZ's ability to meet and exceed its additional investment outcome target of GBP 30m.

Outcome 3: Number of people supported to cope with the impacts of climate change

The International Climate Finance (ICF) indicator was introduced in the 2018 logframe revision as Outcome 3: Number of people supported to cope with the impacts of climate change. Within each sector, activities that supported grantee beneficiaries to cope with the impacts of climate change were identified and counted. PEPZ supported 26,460 people (35% female), exceeding its cumulative log frame target of 23,393 (see Figure 10). ICF beneficiaries largely came from interventions in the food and agriculture sector. They included:

Figure 10: International climate finance



- Activities that promoted improved production of crops, animals and other agriculture products by introducing new, improved drought-resistant inputs and technologies. For example, within the small livestock initiative, PEPZ linked smallholder farmers to commercial goat breeders by increasing the availability and accessibility of good quality goat breeds. The initiative aimed to promote the commercialisation and formalisation of the small livestock sector improve the quality of genetics and services through breeding and training programmes, ultimately developing a new market for many smallholder farmers.

- Offering diversified income opportunities for rural or peri-urban communities/MSMEs by supporting the creation of jobs within the non-farming sector, businesses that are more resistant to climate change, and industries that lead to overexploitation of natural resources and can lead to biodiversity loss (e.g. overfishing).
- Improving access to markets and opportunities for rural or peri-urban communities/MSMEs by engaging off-takers and dealers of high-value crops to establish demand and link them with small-scale producers. Most of these interventions included training on improved crop production technologies such as irrigation which can drive down input costs, improve soil usage, increase water usage efficiency and contribute to improved resiliency against climate change.

As Zambia has continued to experience power shortages and overall limited access to electricity in rural areas, PEPZ also included the promotion of renewable and clean energy amongst its partners. Specifically, under the rural enterprise linkages initiative, a rural hub was established to install solar panels and provide off-grid energy solutions for both MSMEs and individual households.

Finally, PEPZ also promoted the adaption of more resilient seed varieties which responded directly or indirectly to climate change allowing farmers to scale-up their businesses through increased resilience to the effects of climate change as well as pests. Additionally, large marketing campaigns and demonstration plots as implemented through partnerships such as with New Rotation Zambia or MRI, can have great climate benefits in the agricultural sector through laying the foundation for increasing the hybridisation and innovation rate when it comes to seed technologies as well as developing the understanding of seed treatments and the value it holds to farmers and their plant health ultimately increasing their yield and profitability.

Outcome 4: Additional full-time jobs created by MSMEs.

PEPZ has successfully achieved its logframe target in terms of direct (and indirect) jobs with 11,524 direct jobs (see Figure 11) and 27,911 indirect jobs (Figure 12) created. Across the sectors, food and agriculture had the largest contribution to direct jobs with over 7,000 direct jobs. Within the food and agriculture sector, the value chain strengthening initiative created the majority of direct jobs (over 4,300 direct jobs) by supporting agro-processors and aggregators in the expansion of their smallholder farmer supply chains.

Figure 11: Direct jobs

While PEPZ exceeded its overall direct job target, it achieved only 74% of the total women jobs target by creating a total of 4,836 direct jobs for women (see Figure 13). The programme's business case[12] laid the foundation for interventions that would strengthen the private sector and therefore make it more capable of delivering inclusive economic growth, however it did not include a scope for addressing the systemic issues that affect women's economic empowerment. As a result, PEPZ activities were not designed to specifically address the needs of women's economic development or specifically create jobs for women but rather included a simple gender disaggregation of targets. The main reason for this was that these targets would have been too ambitious due to the systemic underlying gender issues in the business environment which reversely had not been addressed in the business case.

Figure 12: Indirect jobs

Cross cutting outcomes of PEPZ

PEPZ also achieved impact in cross cutting areas such as gender and nutrition.

Gender

PEPZ's gender-related logframe target was the creation of 6,520 direct female jobs and by the end of the programme, PEPZ had created 4,836 jobs for women which amounts to 41 percent of the total direct jobs created and is a 74 percent achievement of the total women jobs target. This was achieved through specific activities within each of the original components and focus sectors such as targeted calls for proposals within women-only business networks, gender-related milestones in project grants and deliverables and targeted recruitment and capacity building of women through project partnerships. Through that, PEPZ also successfully attracted women entrepreneurs and business owners to apply for support; in 2019 alone, the programme worked with 41 female partners.

Figure 13: Jobs for women

At the end of the programme, PEPZ conducted a case study on "Promoting gender inclusivity through private sector development"[13] and interviewed four female grantees who have received PEPZ support throughout the years of the programme (2015-2019). All interviewees confirmed that PEPZ successfully helped them overcome roadblocks that were impeding their business growth such as access to technical expertise, facilitation of business linkages, in-house capacity and capital access. PEPZ provided support to address their financing gap as well as capacity building to increase in-house capacity and access to technical expertise.

Nutrition

Though not included in the programme's logframe, partnerships in the food and agriculture sector have also generated nutritional benefits for PEPZ's beneficiaries. PEPZ interventions

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[12] DFID, 2013. Private Enterprise Programme Zambia Business Case, available at https://devtracker.dfid.gov.uk/projects/GB-1-201980/documents.
[13] PEPZ, 2020. Promoting gender inclusivity through private sector development.

have helped bring more nutritious products to the market such as meat and other animal products, fish, soy and other nutritional grains or vegetables and fruits. Although limited in numbers, some PEPZ partners reached low-income Zambians suffering from malnutrition. This has been achieved by offering affordable nutritious products such as high energy protein supplements and fortified cereals, meals, flours and meat substitutes . Other PEPZ grantees also produced and/or distributed other high-nutritious foods such as fruits and vegetables, meat or fish through supermarkets, hotels or restaurants but as the prices of these are high, the reality is that most of these cannot be accessed by the lowest-income Zambians and have a limited impact in address malnutrition.

As outlined in a nutrition case study[14] developed under PEPZ, the accessibility and affordability of nutritious products remains a major obstacle in the fight against malnutrition and despite efforts to grow and diversify the food sector, there are insufficient incentives for businesses who produce highly nutritious products to tap into markets serving low-income customers. To address this, private sector development programmes such as PEPZ can incorporate incentives for such businesses to tap into these markets, diversify their product range and sell affordable but nutritious foods or explore the potential for nutritious by-products.

SECTION 4. LESSONS LEARNT

Over the course of the six-year implementation period, the PEPZ implementing team has experienced many successes and challenges. These have generated many technical and operational lessons learnt that could provide useful insights for future DFID programming. They are presented below.

From a technical standpoint

ON THE DESIGN OF PEPZ

In hindsight, some of the structural challenges that PEPZ has faced can be traced back to issues arising from how the programme was originally designed. These included:

- The original assessment of the business development services (BDS) market – on both the supply and demand side was accurate, summarised in the strategy as “the market for BDS is in its infancy” – but the programme objectives, output targets and the approach to overcoming both supply and demand constraints were both overly-optimistic. Furthermore, the emphasis on access to bank finance as an incentive was misplaced. As it turned out, there were few BDS providers that had the capacity to begin to engage with PEPZ/add value for their clients, local SMEs saw little benefit from engaging poor-quality BDS providers and consequently were largely unwilling to pay for the delivery of BDS, and banks faced much wider constraints to SME lending. There is no doubt that SMEs can benefit from business development services, but a more grounded and realistic approach to building the BDS market would have yielded better results.

- The obstacles to making a successful business plan competition were recognised in the strategy, “difficulties in translating innovative business concepts into viable business models, weak business and organisational skills, unrealistic financial projections coupled with poor discipline of winners… and the unavailability of mentors”, yet these were precisely the problems that undermined the effectiveness of the component. The detailed design and approach to the business plan competition turned out to be insufficient to produce enough new viable businesses and was too expensive for any civic organisation to host it beyond the

[14] PEPZ, 2020. Nutrition under the Private Enterprise Programme Zambia.

planned three years supported by PEPZ and other sponsors. The focus on business plans encouraged pre-start up “businesses” to apply but very few of the eventual winners were able to implement their business plans. This was mainly because the entrants lacked the necessary business and organisational skills to take their business plans (or rather business ideas) to execution. A “business growth plan competition”, open only to established businesses that could show that they were on a potential growth trajectory, might have been more sustainable. However, such a plan would perhaps not have attracted the nationwide attention by youth, television and aspirants that made Nyamuka Zambia such a successful and recognised brand, allowing PEPZ to achieve its main outcome of improving the perception of entrepreneurship in Zambia.

- The decision to separate the management and strategy of the accelerator fund from the other components of PEPZ led to significant missed opportunities (as discussed earlier). The accelerator fund should have been conceptualised, strategized and implemented as a fully integrated component of the PEPZ programme. While making direct investments, the fund should also have been engaged in aligning market opportunities and gaps in bringing more SME finance to Zambia.

ON PEPZ INTERVENTIONS

Detailed lessons learnt at the sector level are included in the PEPZ annual reports. However, some cross-cutting findings and lessons across sectors are:

- Taking a portfolio-based approach was the right one, rather than trying to ensure that every single intervention had low risks. There is always risk and some interventions necessarily fail, particularly in a context with such weak firms. A higher risk appetite driven approach can deliver good results when combined with the right oversight. It is important to note that even when these interventions fail because the risks come to fruition, they can be terminated early (fail fast and fail cheap), through a milestone-based, high-oversight approach. The impact and results on the sector from a few, highly successful interventions can mitigate such losses.

- The milestone payment approach was adequate to ensure focus of interventions, but flexibility is required in some sectors to adapt to the reality on the ground. For example, agri-business interventions are very linked to the rainy seasons and delays in some activities (leading to non-achievement of earlier milestones and non-payment of those milestones) can lead to them missing the season because of a lack of cash from the expected milestone disbursement. Similarly, unexpected bureaucratic requirements can cause unexpected delay in the disbursement of milestone payments, and penalising MSMEs by withholding critically needed cash may not be fair.

- Most grant agreements were linked to delivery of milestones, not a specific activity, so financial support was not attached to a specific budget line. This flexibility allowed firms to focus on what was really needed (allocating and re-allocating between specific budget lines as the situation changed flexibly) to achieve the desired outputs and allowed PEPZ to achieve more results.

- Following the strategic realignment of PEPZ, the programme had to prioritise achieving logframe outcomes as the remaining implementation time was limited. However, a more systematic grantee selection process would have ensured the inclusion of grantees that propose inclusivity (and more indigenous businesses) which may have achieved lower results in terms of investment and job creation versus those that can significantly contribute to the achievement of logframe. This is also a wider recommendation to DFID to understand that working with women and other disenfranchised communities means a slower approach that also yields smaller results in terms of headline numbers such as job creation, revenues, profits and investments, but is nevertheless important for long-term impact.

- Given the chronic weakness of financial and management systems by SMEs, significant, intensive efforts are required to build the capacity of those firms receiving DFID funds. These weaknesses affects not only their profitability, but their ability to report to DFID, pass DFID's supply chain compliance, due diligence and other safeguards. Such work requires also intensive resources, without necessarily a direct, immediate correlation on the increased productivity and revenues of firms (i.e. without a direct and immediate impact on a programme's logframe targets).

- The grant support provided by PEPZ was used for working capital requirements unofficially, a very necessary constraint that firms need to manage effectively. However, the terms of DFID's subsidy on the private sector policy may be interpreted to not always permit such use. Given that there is a near total absence of formal, affordable (less than 30% interest) working capital facilities in Zambia, more latitude and innovation needs to be permitted to allow programmes to work effectively with private sector grants (which are essentially a form of SME finance). Additionally, there is a need to engage on the corporate financial sector front (maybe through FSDZ) to provide MSMEs in Zambia access to finance to ensure they are sustainable.

- PEPZ had a policy influence outcome indicator yet the logframe included no output policy indicators. As a result, a lot of the work undertaken by PEPZ working with stakeholders such as the different ministries (Commerce Trade & Industry, Mines and Mineral Development), the national park boards, local chambers, tourism boards and NABIL is poorly reflected in the logframe and reporting, reducing the visibility of all the efforts made in this area.

ON THE ACCELERATOR FUND

- The change in strategy (i.e. investing in green field or very early stage businesses rather than medium sized company with +50 employees and + ZMW 30 million turnover) meant that the financial requirements from Prospero were significantly larger than originally budgeted. As a result, the total size of the accelerator fund had to be expanded by £1.25m.

- The change in strategy meant that a younger portfolio was actually identified which required a much closer involvement and oversight from the fund manager, so the number of companies that could receive funds was significantly lower than anticipated (9 investments instead of 23). Thus, whilst the cost of initial pipeline development and high transaction of costs of complicated deal and ownership structuring was avoided this was off-set by significant and time consuming direct management of the invested companies, as well as the inability to have a more diversified portfolio.

- The change in strategy also meant that Prospero and KSF ended up having the majority shareholding in most companies, reducing the incentives of local entrepreneurs to manage their businesses more effectively. This meant that should these entrepreneurs be successful, the costs of buy-out of both Prospero and KSF would be prohibitively high. Furthermore, with the high cost of commercial debt and less than anticipated growth in revenues, it was extremely difficult for Prospero to exit its investments. Conflicts may have also arisen between the fund manager and the entrepreneur in such a close management structure, further exacerbating operational challenges.

- The change in strategy also meant that the accelerator fund component was not able to test a new investment fund business model and demonstrate that it is possible to operate a medium sized investment fund in Zambia that is commercially sustainable. As is the case of fund managers operating in other developing countries, the main reason is that the management fee and the financial structure of the collaboration did not reflect the cost of running the fund by its manager. The fee structure followed an international standard (reflecting the costs of operating internationally) but the funds under management were not enough to achieve financial sustainability (as the costs involved in Zambia, for early-stage companies to achieve true success were far more substantial). Under the current fee structure (commitment fee of 3% and annual management fee of 2.5%) and the more traditional way of operating, the fund manager would have required a substantially greater fund size invested in a far more diversified portfolio – in the region of USD + 40 million under management, before it could be financially viable.

- Though the initial strategy envisaged close cooperation between the accelerator fund and PEPZ's BLP component to identify those enterprises with the greatest potential to achieve PEPZ's goals, the accelerator fund component was ultimately managed and implemented fully autonomously by KSF, under an agreement between DFID and KSF. There were no links or and very limited coordination between PEPZ interventions and the accelerator fund investments.

- The objectives of Prospero's investment policy were vaguely defined ("… to achieve as high a social and financial return as possible …") and included no reference to PEPZ's logframe, despite the original PEPZ recommendations. As a result, the fund manager applied generic ESG principles to its investments, lacking a clear developmental angle to its investments. For example, Prospero invested in a real estate business that developed business parks, which had a questionable developmental impact (although there was subsequently a shared space for micro enterprises and limited business service support provided). Prospero only met 52% of its direct job creation target. Of these, only 12% were female jobs versus a 40% target.

- The fund manager was expected to double the size of the fund with a commensurate increase in impact by leveraging funds from other partners. In most investments, however, a combination of Prospero and KSF held the majority shareholding, reducing the incentive of the fund manager to leverage more funds. In fact, only 62.5% of the amount that was originally envisaged to be leveraged in the design document (circa £4m versus a target of £6.4m) was realised. In addition, as KSF and Prospero ended up holding the majority shareholding (and both were being managed by the same entity), the incentive of the entrepreneur to take ownership back was limited. Going forward, it is important to ensure a dilution of interests so that the fund manager does not control the company as then the incentive of entrepreneur to take ownership and buy-out investor partners is viable.

- The fund manager struggled to build a strong core team, which limited its effectiveness. The limited talent pool in Zambia and absence of fund managers in the market meant that significant capacity building efforts were required. In addition, getting the operational side of the investment model right (building fit-for-purpose systems and processes) was challenging as KSF had to build all its systems from scratch. In the future where similar arrangements are considered, when the fund manager is not fully established, it is important to ensure that all the governance and oversight mechanisms (such as those originally envisaged in the design document) are fully in place before the fund manager makes its first investment.

- Some members of the Prospero board lacked either the technical capacity or the time and resources to provide adequate commercial oversight of the fund manager's performance. This led to some companies (unexpectedly) being at the brink of failure or bankruptcy and Prospero having to undertake emergency investments. In future similar arrangements, it would be advisable to set up an Investment Sub-Committee made up of appropriate board members along with a small group of independent, co-opted market experts to liaise with the fund manager on all issues related to the investments and the timing of exits from the businesses.

ON GENDER AND SOCIAL INCLUSION

- PEPZ sector strategies did not include an intentional and tailored gender approach which meant that specific gender constraints within a sector and the geographies it worked in were not taken into consideration. Sector strategies should include an in-depth assessment to understand the gender-based constraints and opportunities within the target sectors (e.g. female crops, crafts, hospitality) and how they can impact the design of activities to facilitate best possible results for women economic empowerment.

- Some of PEPZ interventions included gender specific targets which contributed to PEPZs jobs target for women. Gender challenges and opportunities in Zambia, however, are much broader (including behavioural aspects) and require more defined, focused interventions to achieve real change. Overall, it is important that gender considerations are mainstreamed in the design stages of a programme (including the business case), considered in all interventions and cascaded down to grantees and service providers. Importantly, to ensure explicit and focused gender based programming it is essential to include SMART gender targets in the logframe (i.e. not only through a high level gender-disaggregated outcome indicator) and that the right level of specialised resources is devoted for this purpose.

- PEPZ interventions had some successes in reaching female farmers and providing capacity building to them but had limited success in changing gender norms and the perception of women in business due to its tangential approach. Increased capacity building efforts which target group of women in leadership and negotiation skills for female entrepreneurs or technical training for women in manufacturing jobs would have a higher chance to contribute to systemic change.

- PEPZ has successfully promoted female entrepreneurship through the BPC and tailored gender events. At the intervention level, coordination with local public and private stakeholders should be increased to identify areas for collaboration and champion women's economic empowerment locally.

ON COMMUNICATIONS

- PEPZ had a strong focus on communications. This not only included leveraging the BPC activities (using television, etc.) to enhance entrepreneurship, but used all other tools available – social networks, case studies, etc to try raise the profile of entrepreneurship in Zambia. This aspect was not fully considered in the business case and TOR for PEP Zambia but ended up being a key component of the success (and perceived success amongst national stakeholders) of PEPZ. Communications is an essential aspect of PSD programmes.

- Communications and advocacy spending is absolutely key to building awareness, outreach and finding good partners and mobilising government and other stakeholders – i.e. comms and advocacy is of operational importance and affects the ability to produce outputs and outcomes. Sometimes however spending on communications may be considered by DFID to not be a priority, especially as it may not be perceived to relate to intervention delivery. This should change.

ON MONITORING AND EVALUATION

- The PEPZ M&E framework used in the first half of the programme was not fit for purpose following the strategic review. This required a complete overhaul of the M&E framework and made it very difficult to reconcile the data from the first two years of the programme with the data generated in the last three years. Impact evaluations were difficult/not possible due to the shifting of PEPZ strategy from components to sectors and limited exposure times.

- Lack of M&E capacity among most grantees required significantly more efforts than anticipated in data gathering and verification exercises by the MEL team. As part of this process, PEPZ had to work closely with grantees to overhaul their management systems so that they could produce relevant M&E data to meet DFID requirements. Despite these efforts, there was still a big disconnect between the size of the M&E budget and data requirements by

DFID. MEL budgets need to be commensurate to the MEL expectations of any programme.

- The M&E function needs to include the learning function (to become monitoring, evaluation and learning – MEL). This requires that systems and resources which need to be put in place to capture learning in a more structured way and feed day to day programming. PEPZ also developed its outward facing learning strategy and outputs probably too late. Defining the learning outputs and strategy earlier in the programme (keeping in mind that results must be achieved first) would have allowed for better dissemination of the learnings and, importantly, developing a higher profile of the programme.

From an operational standpoint

ON WORKING WITH DFID AND ADAPTIVE MANAGEMENT

- DFID Zambia has been an integral part of PEPZ, in effect co-delivering PEPZ and the different SROs have been very involved in the delivery of the programme. This has been very welcomed and has allowed the management provider and DFID to work closely together and have a frank, genuinely collaborative and productive relationship. The fact that DFID Zambia had a good understanding of the challenges and successes allowed the programme to adapt faster.

- On the procurement side, however, PEPZ has faced significant challenges. Some DFID contract amendments have taken over a year to be confirmed, generating insecurity in the team and affecting its ability to implement longer-term interventions effectively. For example, the delays in signing the one year extension to PEPZ meant that some interventions could only be contracted for a few months at a time in terms of duration. They were therefore too short and failed to reach the desired developmental impact.

ON PROGRAMME AND FINANCIAL MATTERS

- The light-touch facilitation role envisaged for PEPZ at the start meant that PEPZ had a very lean team, relying mainly on intermediate actors in the market system to propel change. However, the substantially higher than anticipated weakness of the private sector and market actors in Zambia (despite being on the path to a middle income country) very quickly meant that much more resources were required to work with the right types of firms to PEPZ. PEPZ was able to attract the right staffing resources for effective implementation only after the strategy was reshuffled.

- PEPZ experienced a relatively high turnover as it was challenging to find the right staff with the adequate skills. PEPZ, however, was able to build the capacity of those staff with the right skills, who were able to grow into new positions.

- The milestone nature of contract posed significantly challenges to the ability of the programme to forecast spending accurately. A risk-adjustment forecasting tool was developed that allowed to significantly reduce the forecast variance.

- New DFID terms and conditions presented challenges to large companies with complex holding structures (delivery chain mapping) and required significant efforts from PEPZ to bring them onboard.

ANNEX 1: ORIGINAL PEPZ LOGFRAME

IMPACT	Impact Indicator 1		Baseline (2009/2011)	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
A Zambian private sector capable of delivering inclusive growth through increased private investment and employment creation in the economy	Proportion of labour force in formal non-public sector wage employment	Planned	6.71%	6.71%	6.71%	8.00%	8.5%	9.0%	10.0%
		Achieved		7.61%	Data not available	Data not available			
		Source							
		Living Conditions Monitoring Survey data (2010 data presented in http://www.worldbank.org/content/dam/Worldbank/document/Africa/Zambia/Report/zambia-economic-brief-october-2013.pdf)							
	Impact Indicator 2		Baseline	Milestone 1 June (2015)	Milestone 2	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
	Private investment ratio as a proportion of Gross Domestic Product (GDP)	Planned	18%	18%	18%	20%	21%	22%	23%
		Achieved		14%	11%	Data to arrive in mid 2017 from the IMF			
		Source							
		International Monetary Fund Article iv (baseline - January 2014 report) url = http://www.imf.org/external/pubs/ft/scr/2014/cr1405.pdf							
OUTCOME 1.	Outcome Indicator 1		Baseline (2009/11)	Milestone 1 June (2015)	Milestone 2	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
Policy influence	Models of engagement with private sector demonstrated by the Private Enterprise Programme Zambia (PEPZ) and taken up by government and development partners (qualitative indicator)	Planned	N/A	Monitoring and development of successful case studies for publicising (from both business linkages and Business Plan Competition (BPC) components)	Monitoring and development of successful case studies for publicising (from both business linkages and BPC components)	Engagement with government and development partner forums to promote the business linkages and BPC concepts	Engagement with government and development partner forums to promote the business linkages and BPC concepts	Evidence that business linkages models are being replicated by both government and other development partners. Evidence that business plan competitions are also being used by other donors.	Evidence that business linkages models are being replicated by both government and other development partners. Evidence that business plan competitions are also being used by other donors.
		Achieved		PEPZ advisory committee, BLP steering committee set up	Completed. 1. The Accidental Honey Man and 2. Business linkages case studies developed.	Completed. World Bank, EU engaged. Business linkage component has been used as template for a new WB programme. SAB Miller and a number of other stakeholders engaging with BPC team to explore opportunities for replication of their systems	Completed. Government engaged via Zambia Development Agency (ZDA) with PEPZ a core partner in Impact Capital Africa as well as through the Partnership for Investment and Growth in Africa (PIGA). Other parnterships include Zambia Cooperative Foundation, ILO and USAID. No partner found to carry on BPC.		
		Source:							
		Monitoring and Evaluation (M&E) monitoring and stakeholder mapping - decisions by key ministries and development partners							

OUTCOME 2.	Outcome Indicator 2		Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
Investment	Additional investment by Micro Small Medium Enterprises (MSMEs) supported by PEPZ (Great British Pound (GBP) and cumulative)	Planned	£0	£0	£ 500,000	£ 10,000,000	£ 17,000,000	£ 22,000,000	£ 30,000,000
		Achieved		£ -	£ 253,146.00	£ 7,654,949	£ 10,500,000		
		Source							
		Surveys for 4 components will seek to measure investments directly attributable to PEPZ.Financial information gathered by M&E team on matched funds and subsequent data analysis, fund monitoring system (IRIS), PEPZ M&E systems and MSMEs' financial records. Case study follow up will seek to measure degree of attribution and validity of self assessments							
OUTCOME 3.	Outcome Indicator 3		Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
Value addition	Increased value addition by MSMEs supported by PEPZ (GBP and cumulative)	Planned	£ -	£ -	£ 500,000	£ 3,500,000	£ 9,000,000	£ 16,000,000	£ 23,000,000
		Achieved			£13,597 (excluded BDS component data as not available at time)	£ 1,817,930	£ 4,100,000		
		Source							
		Surveys for 4 components will seek to measure investments directly attributable to PEPZ. Case study follow up will seek to measure degree of attribution and validity of self assessments							
OUTCOME 4.	Outcome Indicator 4		Baseline	Milestone 1 June (2015)	Milestone 2	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
Jobs	Additional full time jobs created by MSMEs directly or indirectly supported by PEPZ, direct/indirect/women (cumulative)	Planned (direct)	0	-	98	3,835	6,165	8,085	10,235
		Achieved		-	8	1,430	2,523		
		Planned (indirect)	0	-	265	5,700	9,800	12,700	16,300
		Achieved		-	462	2,437	4,083		
		Planned (women direct)	0	-	106	2,280	3,920	5,060	6,520
		Achieved		-	Data not available	Data not available	810		
		Source							
		Surveys for 4 components will seek to measure investments directly attributable to PEPZ. Case study follow up will seek to measure degree of attribution and validity of self assessments							
OUTCOME 5.	Outcome Indicator 5		Baseline	Milestone 1 June (2015)	Milestone 2	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
Awareness	Increased percentage of Zambian adult population with positive views towards entrepreneurship Indicator deleted 2017	Planned	TBD - based on Attitudinal survey	0	+1%	+3%	+4%	+5%	+6%
		Achieved		0	17.4% (Average increase in positive responses regarding entrepreneurship between 2015 and 2016 attitudinal survey. An attitudinal index is currently being develop.)	To be calcualted once attitudinal survey completed for Year 3. For the meantime it is 17.4%	N/A		
		Source	Programme monitoring and meaurement system						
		This will be measured by a specific survey carried out by PEPZ. The outline of this survey is presented in Annex 2 of the Results Measurement (RM) Handbook							

OUTPUT 1	Output Indicator 1.1		Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
Accelerator fund (AF) faciltates access to patient capital, technical assistance and mentoring support to Small Medium Enterprises (SMEs)	Additional investment generated as a result of the intevention (crowded in)	**Planned**	0	0	0	£ 2m ($3m)	£ 3.3m ($5m)	£ 6m ($9m)	£ 10m ($15m)
		Revised 2015			£339,236 ($500,000)	£678,472 ($1 m)	£1.22 m ($1.8 m)	£5.49 m ($8.1 million)	£6.44 m ($9.5 m)
		Achieved		0	0	£ 2,672,000	£ 5,058,480		
		Source							
	Output Indicator 1.2		Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
	Number of SMEs provided with loans / investments under the AF	**Planned**	0	0	0	20	30	40	50
		Revised 2015			1	5	11	17	23
		Achieved		0	1	8	9		
		Source							
		Fund monitoring system (IRIS), PEPZ M&E system							
	Output Indicator 1.3		Baseline	June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (2017)	Milestone 4 (2018)	Milestone 5 (2019)	Target (2020)
	Value added by enterprises supported by the Fund (GBP and cumulative)	**Planned**	£ -	£ -	£ -	£ 1,000,000	£ 3,000,000	£ 6,000,000	£ 8,000,000
		Revised 2015		$0	$0	£0.74m ($1.1m)	£1.49m ($ 2.2m)	£2.61m ($3.9m)	£3.69 ($5.5m)
		Achieved		0	0	£ 984,028	£ 3,327,428		

OUTPUT 2	Output Indicator 2.1		Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
Business Linkages Programme (BLP) enables capable Zambian MSMEs to capture an increasing share of large corporate's purchasing power	Numbers of anchor companies, Business Member Organisations (BMO) and large firms in partnership with the business linkages programme (cumulative) Revised 2017: Anchor firms in active partnership with PEPZ	**Planned**	0	15	20	50	75	75	75
		Revised 2016	0	15	20	34	39	44	44
		Revised 2017					20	35	35
		Achieved		15	34	44	30		
		Source							
		PEPZ database, Chamber of Mines database, Zambia Association of Manufacturers database, survey of business linkages (Annex 4)							
	Output Indicator 2.2		Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
	Number of MSMEs supported by PEPZ and with greater capacity to supply anchor firms (cumulative). Figure in brackets indicates number of MSMEs provided a diagnostic assessment in order to determine capability of supplying anchor firms Revised 2017: SMEs committed to increasing management capacity/improving access to technology and skills to supply market demand	**Planned**	0	25	45	150	250	350	500
		Revised 2016	0	0	10 (37)	24 (72)	32 (92)	50 (137)	50
		Revised 2017					45	140	140
		Achieved		0	10 (38)	41 (77)	303		
		Source							
		PEPZ database, MSMEs associations and small business registries, survey of business linkages (Annex 4)							
			Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
	Output Indicator 2.3	**Planned**	£ -	£ -	£ 500,000	£ 2,500,000	£ 6,000,000	£ 10,000,000	£ 15,000,000
	Value of additional transactions between anchor and supplier firms through established business linkages (GBP and cumulative) Revised 2017: Private sector resources mobilised	**Revised 2016**				£2.22 m (ZMW 36m)	£4 m (ZMW 65m)	£6.16 m (ZMW 100m)	£9.25 m (ZMW 150m)
		Revised 2017					£ 430,000	£ 1,000,000	£ 1,000,000
		Achieved		0	£10,072 (ZMW 163,312)	£ 560,091.68 (ZMW 7,001,146)	£517,644		
		Source							
		PEPZ M&E system and MSMEs financial records , survey of business linkages (Annex 4)							
	Output Indicator 2.4	Planned					10	20	20
	Revised 2017: Number of facilitation mandate letters signed	Achieved					12		
		Source							
		PEPZ facilitation mandate tracker							

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			Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
OUTPUT 3	**Output Indicator 3.1**	**Planned**	0	500	2,600	8,000	10,660	13,375	13,375
Business Development Services (BDS) supply-side is stimulated to deepen the market for stand alone BDS and large firms are encouraaged to supply embedded BDS	Number of MSMEs provided with new, innovative and additional BDS (cummulative) Revised 2017: Micro-enterprises receiving commercxially viable business services from input suppliers, off-takers, or business service providers	**Revised 2016**		500	2,600	3,800	5,000	6,000	6,000
		Revised 2017					2,000	5,000	5,000
		Achieved			1,163	1,801	2,284		
		Source							
		Survey of business development services (Annex 5), continuous assessment of type of services offered (innovation)							
			Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
	Output Indicator 3.2	**Planned**	0	5	15	50	70	90	90
	Numbers of BDS providers supported by PEPZ providing new and additional services competitively to MSMEs for fees Revised 2017: Organisations in partnership with PEPZ to improve delivery of commercially viable business services	**Revised 2016**	0	5	15	30	45	50	50
		Revised 2017					100	200	200
		Achieved			7	66	116		
		Source							
		Survey of business development services (Annex 5). Data gathered from BDS providers on pricing strategies, day rates, new services/locations, cost per beneficiary (jobs)							
			Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
	Output Indicator 3.3	**Planned**	0	0	5%	18%	25%	28%	30%
	Average increase in turnover of assisted SMEs (annual) Indicator deleted 2017	**Revised 2017**					N/A	N/A	N/A
		Achieved		0	No data at time	No data at time	N/A		
		Source							
		Data gathered from BDS providers on pricing strategies, day rates, new services/locations, cost per beneficiary (jobs)							
			Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
OUTPUT 4	**Output Indicator 4.1**	**Planned**	0%	0%	4%	8%	8%	8%	**8%**
		Revised 2017 TBD							
Business Plan Competition (BPC) improves or promotes positive attitudes towards entrepreneurship in Zambia through active marketing and promotion of BPC on TV and other media channels.	Changed perceptions on entrepreneurship resulting in a higher applicant/selection ratio as winners for the BPC Number of businesses supported through incubator fund (TBD)	**Achieved**		0%	3.30%	To be completed post survey. For now it is 3.3% but we expect this to rise	N/A		
		Source: Two PEPZ surveys (Annex 2 and Annex 3): 1) an ex ante and an ex post street survey of attitude change; 2) and a longitudinal interview series with applicants , participants and winners , as part of live programme content							
			Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
	Output Indicator 4.2	**Planned**	0	0	60	120	180	180	**180**
	Number of businesses supported through BPC (cumulative)	**Achieved**		0	60	120	180		
		Source							
		PEPZ M&E system, survey of Business Plan Competition (Annex 3)							
			Baseline	Milestone 1 June (2015)	Milestone 2 (Jan 2016)	Milestone 3 (Jan 2017)	Milestone 4 (Jan 2018)	Milestone 5 (Jan 2019)	Target (2020)
	Output Indicator 4.3	**Planned**	0	£ 10,000	£ 50,000	£ 100,000	£ 100,000	£ 100,000	£ 100,000
	Amount of media coverage generated through BPC (estimated value of coverage)	**Revised 2016**		£ -	£ 390,000	£ 640,000	£ 890,000	£ 890,000	£ 890,000
		Achieved			£ 390,000	£ 873,800	£ 1,389,548		
		Source							
		Regular overview of media coverage by M&E and communications team - a mixture of qualitative and quantitative information							
Notes:	1 Jobs are defined as formal and informal jobs that are full time and permament (not casual). Estimates of FTEs are according to international benchmarks								
	2. All jobs numbers will come from component surveys undertaken by the PEPZ, essentially drawing on data from firms supported by the programme. Case study follow-up is required to estimate the accuracy of these numbers.								
	3. Investment and value addition estimates will also need to come from component surveys.								
	4. Exchange Rates for USD/GBP (1.4739) and GBP/ZMW (16.2129) calculated as of 31/12/15 (FT)								

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ANNEX 2: REVISED PEPZ LOGFRAME

Level	Indicator	Achieved to date	2020 target (cumulative)
Output 1: Accelerator Fund facilitates access to patient capital, technical assistance and mentoring support to SMEs	1.1 Additional investment generated as a result of the intervention (crowded in)	**£8,195,642**	£6,440,000
	1.2 Number of SMEs provided with loans / investments under the IIF	**9**	9
	1.3 Value added by enterprises supported by the Fund (GBP and cumulative)	**£746,971**	£3,700,000
Output 2: Food and Agriculture Sector	2.1: Number of intervention partners in F&A (based on a grant agreement, MoUs, TA contract or facilitation agreement)	**86**	73
	2.2: Number of interventions implemented in F&A (based on objectives achieved)	**88**	69
	2.3: Number of MSMEs reached through intervention partners in F&A	**22,690**	11,344
Output 3: Mining and Mining services sector	3.1: Number of intervention partners in M&M (based on a grant agreement, MoUs, TA contract or facilitation agreement)	**21**	20
	3.2: Number of interventions implemented in M&M (based on objectives achieved)	**15**	4
	3.3: Number of MSMEs reached through intervention partners in M&M	**583**	123
Output 4: Tourism and Hospitality sector	4.1: Number of intervention partners in T&H (based on a grant agreement, MoUs, TA contract or facilitation agreement)	**25**	24
	4.2: Number of interventions implemented in T&H (based on objectives achieved)	**25**	17
	4.3: Number of MSMEs reached through intervention partners in T&H	**1,877**	749
Output 5: Business services and access to finance	5.1: Number of intervention partners in BS&AF (based on a grant agreement, MoUs, TA contract or facilitation agreement)	**52**	41
	5.2: Number of interventions implemented in BS&AF (based on objectives achieved)	**57**	32
	5.3: Number of MSMEs reached through intervention partners in BS&AF	**567**	108

Level	Indicator	Achieved to date	2020 target (cumulative)
Outcome: Increased size and capability of Zambian firms	Outcome 1: Policy Influence - Models of engagement with private sector demonstrated by the Private Enterprise Programme Zambia (PEPZ) and taken up by government and development partners (qualitative indicator)	PEPZ's engagements with relevant stakeholders to influence policy across the years was mostly opportunistic and focused on gaining buy-in and support for on-going or planned interventions. Especially in the last years of the programme, PEPZ has built a lot of credibility and has been able to make more inroads in policy influence as well as translating its initial success into outcomes.	Evidence that business linkages models are being replicated by both government and other development partners. Evidence that business plan competitions are also being used by other donors.
	Outcome 2: Additional investment by Micro Small Medium Enterprises (MSMEs) supported by PEPZ (GBP and cumulative)	**£41,442,212**	£30,000,000
	Outcome 3: KPI 1: Number of people supported to cope with the impacts of climate change	**26,460**	23,393
	Outcome 4: Additional full-time jobs created by MSMEs directly or indirectly supported by PEPZ, direct/indirect/women (cumulative)	**11,524** **27,911** **4,836**	10,235 (Direct) 16,300 (Indirect) 6,520 (Women direct)