



**ANNUAL PERFORMANCE REPORT
TO THE UNITED STATES CONGRESS
FISCAL YEAR 2003**

March 31, 2004

**African Development Foundation
1400 Eye Street, NW Suite 1000
Washington, DC 20005-2248**



March 31, 2004

Joshua B. Bolten
Director
Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Dear Mr. Bolten:

I am pleased to submit the African Development Foundation's (ADF) Annual Performance Report for Fiscal Year 2003. ADF continued to restructure its operations in FY 2003. This was the first year that ADF had Country Representatives based in most of the African countries with active projects, rather than in Washington, DC. ADF also received an unqualified opinion from independent auditors on all of its financial statements for the past two years.

ADF had active projects in 13 countries during the year and began project development activities in two new countries -- Swaziland and Zambia. ADF did not fund any new economic development projects in Zimbabwe in FY 2003 or FY 2002 due to the country's severe political and economic instability.

In FY 2003, ADF had 183 active projects with significant disbursements and the total amount disbursed to these projects was \$20.874 million. Excluding Zimbabwe, which was not included in the Foundation's annual Assessment of Program Impact this year, there were 159 active projects in the portfolio with total disbursements of \$18.698 million. These projects are improving the lives of everyday Africans struggling to break through the vicious cycle of poverty.

The performance results below pertain to the active projects in FY 2003, excluding Zimbabwe: Over 80,900 micro- and small-enterprises benefited from ADF support and they employed over 112,800 people, 48 percent of whom were women. More than 62 percent of the entrepreneurs benefiting from the \$15.127 million in loans supported by active ADF projects were women. The assisted enterprises have generated \$28.830 million in gross revenues, not counting the income generated by the enterprises that received loans from micro-finance projects.

The Foundation's Trade and Investment (T&I) Program is demonstrating that small-scale producers can become players in regional and international markets. The 9 active T&I projects outside of Zimbabwe have generated \$12.027 million in export revenues (there were another 17 T&I projects in Zimbabwe).

The active projects have provided HIV/AIDS prevention training for approximately 282,100 people. In FY 2003, ADF continued its pilot program of small grants for mitigation of the economic and social effects of the disease for affected families.

ADF leveraged \$0.455 million in contributions from the Government of Botswana in FY 2003. The Foundation also signed memoranda of understanding for new strategic partnerships with the governments of five countries (Cape Verde, Ghana, Mali, Swaziland, and Zambia) that will leverage funding contributions for joint programs.

Four ADF projects in Northern Nigeria were particularly noteworthy in FY 2003. These projects helped local community development associations construct 396 low-cost housing units for people whose homes were destroyed by floods. Half the cost of these projects was covered by contributions from the Government of Jigawa State.

The four housing projects used innovative construction technologies (compressed earth blocks and improved sand-cement blocks), tested the cost and cultural acceptability of 18 different housing layouts, and relied on participatory processes for selecting the households in greatest need. The average construction cost for a house that can accommodate 12 people was \$3,050. The project trained 300 unskilled laborers to become skilled construction artisans and upgraded the skills and tools of another 600 artisans. The Government of Jigawa plans to build on this experience by constructing an additional 5,000 low-cost housing units using its own funds and offering a financing arrangement for buyers.

Sincerely,

Nathaniel Fields
President

TABLE OF CONTENTS

List of Tables and Figures

Transmittal Letter

Purpose of This Report

About the African Development Foundation

Highlights of FY 2003 Results

ADF's Goals and Performance Summary: Creating Opportunities for Africa's Poor

Goal 1: Broad-Based Sustainable Development and Empowerment

Objective 1: Micro- and Small-Enterprise Development

Objective 2: Trade and Investment

Objective 3: AIDS Prevention and Mitigation

Goal 2: Local Capacity to Promote Grassroots, Participatory Development

Objective 1: Sustainable Local Community Development Agencies

Objective 2: Community Reinvestment

Objective 3: Strategic Partnerships With Governments, Donors,
and the Private Sector

Objective 4: Use of Participatory Development "Best Practices"

Summary of Program Evaluations

Management Reforms in FY 2003

Technical Notes

Challenges in Projecting and Reporting Performance Results

ADF'S Process for Assessing Program Impact

Composition of Country Portfolios (Table 5)

Funding Characteristics of Country Portfolios (Table 6)

Trends in Program Performance and Results

Comparison of Performance and Targets

Summary Results by Country

LIST OF TABLES

Table 1. ADF's Strategic Goals and Objectives

Table 2. MSE Performance Against Key Indicators

Table 3. T&I Performance Against Key Indicators

Table 4. HIV/AIDS Performance Against Key Indicators

Table 5. Composition of Country Portfolios by Strategic Objective, FY 2003

Table 6. Funding Characteristics of Country Portfolios, FY 2003

Table 7. Comparison of ADF's Performance Results, FY 2000 - 2003

Table 8. Comparison of FY 2003 Targets and Results

Table 9. Performance Results by Country, FY 2003

Table 10. Comparison of Portfolio Characteristics, FY 2000 - 2003

LIST OF FIGURES

Figure 1. Breakdown of Active Funding by Strategic Objective

Figure 2. Country Shares of All Active Funding



Sofia Maryogo of the Artisan Development Association of Tanzania (ADAT) - an ADF grantee - displays the products of ADAT members to President George Bush and Botswana President Festus Mogae at the Southern Africa Global Competitiveness Hub exhibition in Gaborone, Botswana, in July 2003.

PURPOSE OF THIS REPORT

This report discusses the African Development Foundation's (ADF) performance during Fiscal Year 2003. It responds to the Government Performance and Results Act of 1993 (GPRA), as amended by the Reports Consolidation Act of 2000, which requires U.S. Government agencies, including independent agencies and Government corporations, to submit strategic plans, annual performance plans, and annual program performance reports to the President, Congress, and OMB.

ABOUT THE AFRICAN DEVELOPMENT FOUNDATION (ADF)

Congress established the African Development Foundation (ADF) in 1980 as a U.S. Government corporation dedicated to promoting development at the grassroots level in Africa. ADF extends grants that are generally less than \$250,000 to private and other non-governmental entities in Africa. ADF's mandate is to:

- Finance sustainable poverty alleviating initiatives that are conceived, designed, and implemented by Africans and aimed at enlarging opportunities for community development;
- Stimulate and expand the participation of Africa's poor in the development of their countries; and
- Build sustainable African institutions that foster development at the grassroots level.

Table 1 in the opposite column summarizes the Foundation's strategic goals and objectives.

Table 1.

ADF'S STRATEGIC GOALS & OBJECTIVES

GOAL 1

Advance broad-based, sustainable development and empowerment of the poor in Africa

OBJECTIVE 1

Promote micro- and small-enterprise development that will generate income and employment

OBJECTIVE 2

Increase the participation of African small enterprises and producer groups in trade and investment relationships with the U.S. and within Africa

OBJECTIVE 3

Promote innovative, community-based interventions to remediate the economic and social impact of HIV/AIDS and reduce its spread

GOAL 2

Expand local capacity to promote and support grassroots participatory development

OBJECTIVE 1

Build self-supporting, sustainable, local community development agencies that provide technical assistance and support to grassroots groups

OBJECTIVE 2

Promote community resource mobilization and reinvestment

OBJECTIVE 3

Establish strategic partnerships with national and local governments, other donor agencies, and the local private sector, to support sustainable, grassroots development

OBJECTIVE 4

Encourage African governments and other donors to increase utilization of participatory development "best practices"

ANNUAL PERFORMANCE REPORT FY 2003

HOW ADF SERVES U.S. INTERESTS

As the only program within the U.S. foreign assistance program that extends assistance directly to the poor in Africa, ADF serves U.S. interests in unique and vital ways.

- By focusing on the grassroots level, ADF taps into fertile grounds for cultivating innovative and replicable solutions to poverty that maximize the use of African resources and are African-owned and African-led.
- By providing funds directly to the intended beneficiaries for initiatives they themselves have chosen, ADF's investments have high people-level impact, low risk of bureaucratic waste, and high potential for sustainability and replicability.
- Through its direct relationships with diverse African peoples from various religious, ethnic, national, and other backgrounds, ADF promotes goodwill by strengthening the bonds of friendship between Americans and Africans.

HIGHLIGHTS OF FY 2003 RESULTS

- More than 80,900 micro- and small enterprises benefited from the active ADF projects with significant disbursements. These enterprises benefited approximately 112,100 owners and workers and more than 48 percent were women.
- Approximately 68,000 small- and micro-enterprises received loans as a result of ADF support. About \$15.127 million in loans was disbursed, and over 62 percent of the loan value went to women.
- The known cumulative gross revenues earned by assisted enterprises exceeded \$28.830 million. However, this is an underestimate of the actual amount due to lack of information on the incomes of client enterprises assisted by microfinance institutions and other intermediary organizations during the year.
- In FY 2003, ADF supported projects that exported a wide variety of products: paprika (Zimbabwe), vanilla (Uganda), fresh or frozen fish (Uganda and Guinea), silk (Uganda), fruit juices (Uganda), ostrich meat and hides (Namibia); tubes for toothpaste and pharmaceuticals (Zimbabwe), salt (Namibia), rock lobsters (Namibia), cattle hides and skins (Uganda), packaged juices (Uganda), solar-powered hearing aids (Botswana), decorative ceramics (Senegal), pineapple products (Benin), and butter (Tanzania). These export products generated revenues of \$12.027 million for ADF grantees and the client enterprises they assisted.

- Approximately 282,100 people have received AIDS prevention training. Close to 65 percent of the people receiving this training were women. Many were located in rural and peri-urban areas and would not have been reached by other programs, which are predominantly urban. ADF also began a new pilot program of small grants for AIDS prevention and mitigation of the economic and social impacts of the pandemic.
- ADF increased its emphasis on building the capacity of local development assistance organizations to promote sustainable, grassroots development in the 13 countries where the Foundation operates.

Figure 1. ADF Country Operations, FY 2003.

ADF operated in 13 sub-Saharan African countries in FY 2003, and the Foundation completed preparations to expand its program operations into Swaziland and Zambia during FY 2004.



ADF's GOALS AND PERFORMANCE SUMMARY: CREATING OPPORTUNITIES FOR AFRICA'S POOR

Goal 1: Advance Broad-Based, Sustainable Development and Empowerment of the Poor in Africa

Objective 1: Promote micro and small enterprise development that will generate income and employment

Increasing the productivity and profitability of micro- and small-enterprises (MSEs) is critical for broad-based economic growth and poverty alleviation. These enterprises are important sources of income, employment, and empowerment for the poor, particularly for women and other disadvantaged groups. In times of economic distress, MSEs become even more vital as a safety net for producers and an affordable supply of consumer goods for low-income people.

ADF helps transform the tremendous untapped entrepreneurial potential of Africans into fuel for economic and social development. ADF helps small African businesses overcome the common constraints MSEs face in expanding production, improving quality, and increasing value-added, by:

- **Providing direct capital infusions** to individual enterprises and **strengthening micro-finance institutions**;
- **Providing access to improved technologies**;
- **Strengthening the skills of management and workers**; and
- **Improving access to information** on better production methods and marketing.

ADF helps applicants develop their proposals into business plans with full financial analyses, market assessments, marketing strategies, training plans, and implementation plans. ADF only funds MSEs that have good prospects for becoming profitable and sustainable by the end of the grant period. ADF can provide MSE grantees with support directly or through microfinance institutions, cooperatives, producer associations, and other intermediary organizations. Once a project is funded, ADF provides assistance in implementation, upgrading of management information systems, monitoring, and reporting through its network of non-governmental Partner Organizations in Africa. More specialized, African technical service providers are brought in where necessary.

Table 2. MSE Performance Against Key Indicators

Performance Indicator	2003 Performance (Planned /Adjusted) ¹	2003 Performance (Actual)	Percent of Target Achieved
Enterprises Assisted	66,200	80,946	122.3 percent
Owners and Employees in Assisted Enterprises	74,350	112,082	150.7 percent
Women as Percent of Employees Assisted	50 percent	48.2 percent ²	96.4 percent ²
Enterprises Receiving Loans	50,165	67,893	135.3 percent
Value of Loans Disbursed to MSEs	\$8.638 million	\$15.127 million	175.2 percent
Percent of Loans Disbursed to Women	50 percent	61.3 percent ²	123.6 percent ²
Gross Revenues of Assisted Enterprises and Associations	\$41.036 million	\$28.830 million ³	70.3 percent ³

¹ Adjusted due to exclusion of Zimbabwe data.

² Actual proportion of assistance to women is substantially higher because data was counted as men only when it was not gender disaggregated.

³ Reported gross incomes fell below targets because some ADF-supported micro-finance institutions did not conduct surveys this year on the income impact of loans on their client enterprises.

Objective 2. Increase participation of African grassroots enterprises and producer groups in trade and investment relationships with the United States and within Africa

The increasingly integrated global economy presents unprecedented opportunities for grassroots entrepreneurs and producers to increase their incomes through greater participation in the international economy. For increased trade to result in broad-based income and employment gains at the grassroots level, smallholder farmers and other producers need to be actively involved in further processing and higher-level marketing of products. Small-scale producers often need assistance in increasing their volume or quality of production and in gaining access to value-added processing and more profitable marketing arrangements.

The African Growth and Opportunity Act of 2000 (AGOA) specifically notes the important role of ADF in developing and implementing strategies for promoting participation of small-scale enter-

ANNUAL PERFORMANCE REPORT FY 2003

prises and informal sector groups such as farmer cooperatives and artisans in trade and investment activities. ADF provides capital and technical and managerial assistance to enable small- and medium-scale producers take advantage of new opportunities for trade and investment (T&I) by:

- **Promoting the adoption of high-value, non-traditional crops** by small-scale farmers;
- **Establishing or increasing local processing or manufacturing** to add value to primary products;
- Enabling small- and medium-sized processors and manufacturers to **begin or expand export production**;
- Helping producers **scale up the quantity and improve the quality of production** to meet specifications of export buyers;
- **Creating new export marketing linkages** for regional or world trade; and
- Increasing their effectiveness in **advocating changes in government policies** that impede trade and investment, where

To make export production that benefits low-income producers more feasible, ADF often works with producer associations or cooperatives that bulk up the production of small-scale producers and carry out processing and/or marketing activities on their behalf. Producer associations and cooperatives can channel other support to small-scale producers effectively; for example lower cost production inputs through bulk purchases, extension services, market and price information, and greater bargaining power in price negotiations.

Table 3. T&I Performance Against Key Indicators

Performance Indicator	2003 Performance (Planned /Adjusted) ¹	2003 Performance (actual)	Percent of Target Achieved
Export Revenue	\$5.832 million	\$12.027 million	206.2 percent

¹ Adjusted due to the exclusion of Zimbabwe data.

Objective 3. Promote innovative community-based interventions to remediate the economic and social impact of HIV/AIDS and reduce its spread

Sub-Saharan Africa is, by far, the region most critically affected by HIV/AIDS. At the end of 2003, between 25.0 and 28.2 million people in the region were living with HIV/AIDS (between 61 and 74 percent of the world total). Approximately 3.2 million people in Sub-Saharan Africa were newly infected during the year. During the year, the disease killed 2.3 million people in the region. Over 11 million children below the age of 15 have lost at least one parent to AIDS and this number is expected to increase to 20 million by 2010.

Since prevention is more cost effective than treatment and mitigation, educational efforts to reduce the spread of the disease are important in all countries. Most efforts by donors, governments, and NGOs have focused on prevention activities in large urban areas. By contrast, most of ADF's support for AIDS prevention is concentrated on rural areas and small towns that have been underserved.

ADF began including a small HIV/AIDS education and prevention component in many of its MSE and micro-credit projects in FY 2001. In FY 2003, the Foundation initiated a pilot program of small grants to support innovative, community-based activities for AIDS prevention and mitigation of the social and economic impact of the disease.

Table 4. HIV/AIDS Performance Against Key Indicators

Performance Indicator	2003 Performance (Planned /Adjusted) ¹	2003 Performance (Actual)	Percent of Target Achieved
People Receiving HIV/AIDS Prevention Training	234,900	282,089	120.1 percent
Women as Percent of Those Receiving HIV/AIDS Training	50 percent	64.9 percent ²	129.8 percent ²

¹ Adjusted due to the exclusion of Zimbabwe data.

² Actual proportion of assistance to women is substantially higher because data not disaggregated by gender was counted as men only.

GOAL 2: Expand Local Capacity to Promote and Support Grassroots Participatory Development

Objective 1: Build self-supporting, sustainable, local community development agencies that provide technical assistance and support to grassroots groups

In FY 2003, ADF continued the efforts it began in the previous year to develop the capacity of its "Partner Organizations," nongovernmental organizations (NGOs) dedicated to participatory approaches to community economic and social development in each of the countries where the Foundation operates. The cooperative agreements with Partner Organizations are performance-based and renewable annually for up to five years. The Foundation is systematically building the capacity of these organizations so that they can become sustainable and have diversified funding sources.

The Partner Organizations help applicants that have passed the initial screening done by ADF's Country Representative to develop their project ideas into business plans with rigorous financial analyses. After ADF awards a project grant, the Partner Organizations train the grantees in financial management and participatory monitoring, visit them regularly to monitor progress and help rectify any implementation problems, and provide assistance in procurement and in preparation of quarterly financial and performance reports.

ADF transfers U.S. development expertise to its African Partner Organizations through training and technical and managerial assistance to build their institutional capacity. It also monitors the quality of their services and helps them plan and develop systems for attracting future funding from other sources.

In FY 2003, ADF was building Partner Organizations in 13 of the 15 countries where it has operations. Over the next five years, ADF expects that these NGOs will become premier community development agencies in Africa that will eventually develop a diversified funding base.

Objective 2: Promote Community Resource Mobilization and Reinvestment

In FY 2003, ADF continued its community reinvestment policy to mobilize local capital for grassroots development projects and to foster a culture of social responsibility among commercial enterprises. Although ADF provides grants rather than loans, the Foundation encourages profitable enterprises to donate a specific amount of money to a legally recognized development trust in their country. These funds are then used for other development purposes. Thus, the Community Reinvestment Grants help broaden and multiply the

impact of ADF's initial investment in an enterprise. In addition, the CRG creates business goodwill and fosters the development of social responsibility in commercial enterprises.

In FY 2003, the initial set of participating grantees in the Uganda and Zimbabwe continued to make their CRG contributions, largely on schedule.

Objective 3. Establish strategic partnerships with national and local governments, other donor agencies, and the private sector to support sustainable grassroots development

Strategic partnerships with African governments, other donors, and the private sector leverage additional funds for ADF programs, demonstrate that the added value of ADF's work is recognized externally, and expand the influence of ADF's strategies and program approaches.

- **Strategic partnerships with African governments and other donors.** In these strategic partnerships, government or donors match ADF's contribution to an ADF project, usually on a 1-to-1 basis.
- **Partnerships with the private sector in the U.S. and Africa.** ADF consults with the private sector in Africa and the United States and to identify investment opportunities. ADF then helps develop market linkages between African producers and importers, particularly in the United States and other countries.

In FY 2003, ADF entered into strategic partnerships with six more African countries, making a total of nine such arrangements that leverage contributions for grassroots development. ADF now has strategic partnerships in Botswana, Cape Verde, Ghana, Guinea, Mali, Nigeria, Senegal, Swaziland, and Zambia.

Objective 4. Encourage African governments and other donors to increase utilization of participatory development "best practices"

African governments are usually very interested in adopting new ways of fostering broad-based, cost-effective, and sustainable economic development at the local community level. However, there is often a gap between the desire and commitment of government agencies to implement new approaches and the organizational capabilities and resources needed to carry them out.

ADF's participatory development methods (PDM) actively involve all major stakeholders at each stage of a project from conceptualization through development, implementation, and monitoring. In addition, participants develop and implement systems that ensure

ANNUAL PERFORMANCE REPORT FY 2003

transparency and accountability in the use of resources and attainment of program objectives. As a result, PDM empowers stakeholders while fostering more effective programs.

- **Application of PDM in ADF funded projects.** ADF helps African governments and local development organizations develop, coordinate, and implement participatory development strategies. The strategic partnerships that ADF develops with African governments and other donors have increased funding for the use of participatory development methods in grassroots development activities. While participatory development methods are a common element throughout ADF's programs, they are the primary strategic objective in a subset of projects that have emphasized participation in setting priorities for local infrastructure construction and implementing them.

In Guinea, ADF helped the World Bank and government successfully demonstrate that PDM can play a vital role in developing local capacity to set priorities for investments in rural community infrastructure and fostering local ownership in construction and maintenance of the infrastructure. The World Bank subsequently replicated this experience in Niger. The ADF-funded projects have developed or maintained secondary roads, bridges, classrooms, and health facilities for rural people.

In Nigeria, ADF and the Government of Jigawa State used PDM to help communities reach consensus on who should benefit from housing units built after a major flood and test different designs and low-cost construction methods for the houses.

- **Development communications.** ADF also encourages use of participatory development methods and appropriate development strategies for underserved and disadvantaged populations through its learning and information dissemination activities. These include ADF publications and a Web site. ADF-Washington and Partner Organization staff also participated in various conferences.

SUMMARY OF PROGRAM EVALUATIONS

ADF did not evaluate any country programs in FY 2003. Close-out reports were prepared for projects that ended during the year, in accordance with ADF policy.

MANAGEMENT REFORMS IN FY 2003

The Foundation completed the final step in a major restructuring of its field operations in FY 2003. This was the first year of operations with ADF Country Representatives based in Africa, rather than in Washington, DC. In FY 2003, ADF had contracts with Country Representatives in all countries except for Zimbabwe (where ADF suspended new project development other than small AIDS prevention and mitigation projects) and the new program countries of Swaziland and Zambia.

The Country Representatives report to ADF and are independent of the Partner Organizations. While the Partner Organizations assist grantees and are part of the field programs, the Country Representatives carry out functions that support ADF. The Country Representatives screen proposals, assess the financial management capacity of new grantees, ensure compliance with U.S. Government regulations and ADF policies, review the grantees' use of ADF funds, monitor project implementation and remediation, and assess project impact.

ADF realigned its headquarters staffing in FY 2003 to fit the new field structure. The reorganization enabled the Foundation to improve pre-project analysis and financial management, expand support for the Trade and Investment and AIDS programs, develop new strategic partnerships, and better assess the lessons learned from projects and programs. Although significant costs were incurred in FY 2002 and FY 2003 for the transition, ADF is confident that the new organizational structure will improve efficiency and effectiveness over time.

ADF takes its fiduciary responsibilities very seriously. Despite the poverty and limited educations of many of its grantees, ADF maintains high standards of financial accountability. The capacity of prospective grantees to manage US Government funds is a critical aspect of the initial screening by the Country Representative before a decision is made on proceeding with project development. After a grant is approved, the Partner Organization provides intensive financial management training to the grantee. Then, the Country Representative or an ADF headquarters staff person formally assesses each grantee's capacity to manage and account for funds and certifies its financial management capacity, noting areas where additional training or remediation are required. Where needed, ADF requires grantees to hire a part-time or full-time bookkeeper or accountant.

All grantees are required to submit quarterly financial reports and activity and performance reports. Business enterprises are also required to submit quarterly financial statements. The grantees receive hands-on reporting assistance from the Partner Organization when necessary. Each of the Partner Organizations has a full-time, experienced Financial Officer on staff. The Country Representatives monitor grantee progress and reporting.

ADF has implemented a comprehensive grants database to improve

internal management of its funds and monitor timely financial and progress reporting by its grantees and Partner Organizations. ADF is now using the database to support its year-end financial statements.

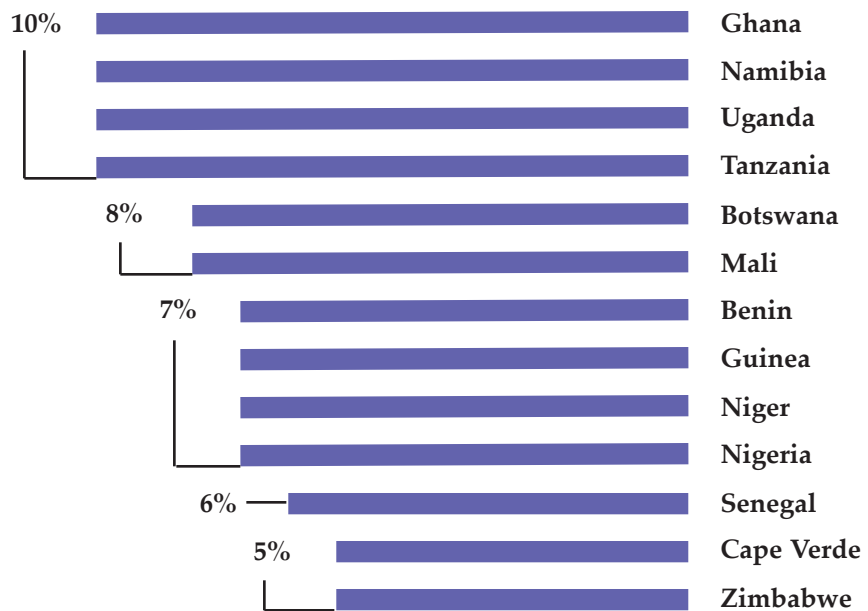
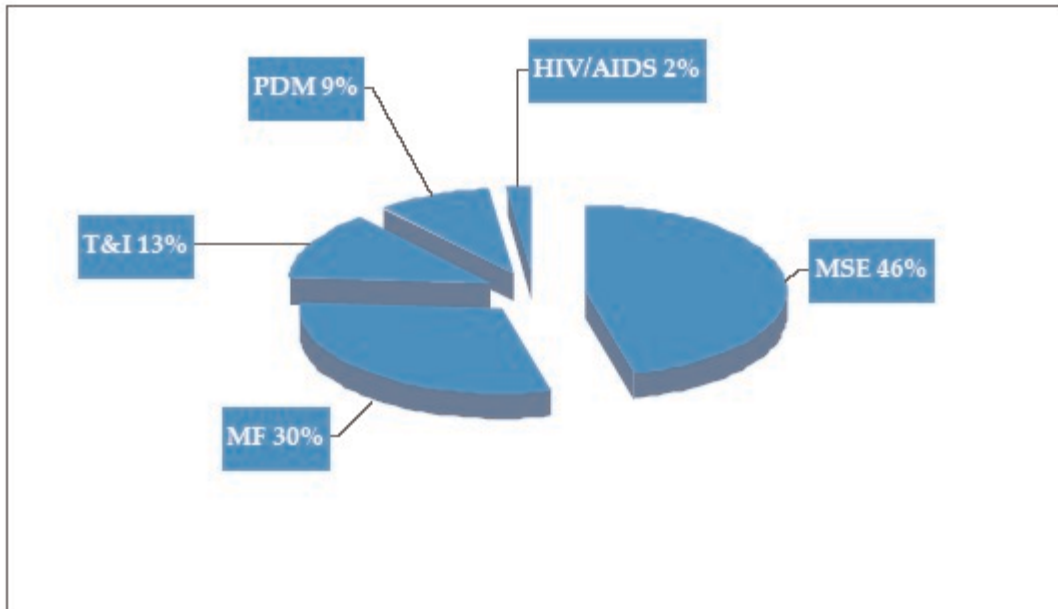
The Foundation has internal capacity in auditing and supervision of external audits. ADF has a full-time, internal Financial and Field internal management of its funds and monitor timely financial and progress reporting by its grantees and Partner Organizations. ADF is now using the database to support its year-end financial statements.

The Foundation has internal capacity in auditing and supervision of external audits. ADF has a full-time, internal Financial and Field ADF also has a full-time Financial Control Officer whose primary responsibility is oversight of the Foundation's grantees. ADF contracts for the services of independent audit firms approved by the US Embassy in each country where it operates. All grants over \$50,000 are audited at least once during the 18-to-60-month project period. Every year, approximately 25 percent of the outstanding grants of this size are audited.

ADF undergoes annual, independent audits that assess its own financial statements, internal controls, and compliance with USG laws and regulations. In FY 2003, the Foundation received its third straight unqualified opinion on all five financial statements from its independent auditors and the USAID Office of the Inspector General. The Foundation is in full compliance with all OMB requirements and new statutes, including the Accountability for the Tax Dollar Act.

In FY 2003, ADF negotiated an interagency agreement with US Department of Interior, National Business Center (NBC) to supplement ADF's accounting operations and provide full systems support using the Federal Government's Oracle Financial Management System. ADF expects to complete this conversion by December 31, 2004. The Oracle Financial Management system will help ensure the integrity of ADF's financial data and generate more timely reports for management decisions.

ANNUAL PERFORMANCE REPORT FY 2003



Country	Total Budgets of Active Projects with Significant Disbursements	Amount Disbursed to Date in Active Projects	Average Grant Budget	Average Percentage of Project Budgets
Benin	\$2,502,305	\$1,421,338	\$131,700	60.8
Botswana	\$1,338,919	\$1,213,608	\$148,769	90.6
Cape Verde	\$794,193	\$714,598	\$99,274	90.0
Ghana	\$1,539,193	\$1,406,599	\$192,398	91.4
Guinea	\$2,133,215	\$1,681,140	\$133,326	78.8
Mali	\$2,461,330	\$1,423,392	\$153,833	57.8
Namibia	\$951,382	\$740,648	\$190,276	77.8
Niger	\$1,785,102	\$1,251,723	\$135,449	62.8
Nigeria	\$2,573,530	\$1,617,012	\$137,316	70.1
Senegal	\$1,226,386	\$776,210	\$121,490	58.1
Tanzania	\$1,732,844	\$1,379,710	\$192,538	79.6
Uganda	\$5,399,832	\$4,971,676	\$207,686	92.1
Zimbabwe	\$2,201,359	\$2,176,437	\$91,723	98.9
Total	\$26,749,579	\$20,874,091	\$146,173	78.0

ANNUAL PERFORMANCE REPORT FY 2003

	Performance Indicator	FY 2000	FY 2001	FY 2002	FY 2003
MSE	Enterprises Assisted	19,635	47,049	86,180	80,946
	Owners & Workers in Assisted Enterprises	47,168	36,457	96,854	112,802
	Women as % of Owners and Workers in Assisted Enterprises	77.0	56.8	58.1	48.2
	Enterprises Receiving Loans	42,518	54,099	65,319	67,893
	Value of Loans Disbursed	Indicator not in use	Indicator not in use	\$11.243 million	\$15.127 million
	Proportion of Loans Disbursed to Women	81.7	50.8	60.6	61.8
	Gross Revenues of Grantees & Assisted Client Enterprises	Indicator not in use	\$17.457 million	\$53.440 million	\$28.830 million
	Net Income of Grantees & Assisted Client Enterprises	Indicator not in use	\$10.528 million	\$14.611 million	\$6.369 million
T&I	Export Products Promoted	2	4	19	Indicator discontinued
	Gross Export Revenues Grantees & Their Assisted Client Enterprises	Indicator not in use	Indicator not in use	\$7.594 million	\$12.027 million
HIV/AIDS	Persons Receiving HIV/AIDS Prevention Training	962	35,483	274,041	282,089
	Women as % of Persons Receiving HIV/AIDS Prevention Training	No data	57.0	66.8	64.9
PDM	Partner Development Agencies Assisted	13	14	13	13
	Host Governments or Major Donors Providing More Funding for PDM	2	2	4	8

	Performance Indicator	FY 2003 Targets	FY 2003 Targets ¹	FY 2003 Results	Percent of Targets Achieved
MSE	Enterprises Assisted	63,900	66,200	80,946	122.3 %
	Owners & Workers in Assisted Enterprises	83,000	74,351	112,082 ²	150.7% ²
	Women as % of Owners and Workers in Assisted Enterprises	50.0%	50.0%	48.2% ³	96.4% ³
	Enterprises Receiving Loans	56,000	50,165	67,893	135.3%
	Value of Loans Disbursed	\$9.638 million	\$8.634 million	\$15.127 million	175.2%
	Percentage of Loans Disbursed to Women	50.0%	50.0%	61.8% ³	123.6% ³
	Gross Revenues of Grantees & Their Assisted Client Enterprises	\$45.809 million	\$41.036 million	\$28.830 million ⁴	70.3% ⁴
T&I	Export Revenues of Grantees & Their Assisted Client Enterprises	\$6.510 million	\$5.832 million	\$12.027 million	206.2%
HIV/AIDS	Persons Receiving HIV/AIDS Prevention Training		282,089	120.1%	282,089
	Women as % of Persons Receiving HIV/AIDS Prevention Training		64.9%	129.8%	64.9%

Table 9. Performance Results by Country, FY 2003 - Cumulative Figures for Active Projects

Country	Enterprises Assisted	Owners and Workers in Assisted Enterprises	Women as % of Owners & Workers in Assisted Enterprises ¹	Enterprises Receiving Loans	Value of Loans Disbursed (USD)	Percent of Total Value of Loans for Women	Total Gross Revenues (USD) ²	Gross Export Revenues (USD) ²	Net Income of Grantees & Their Assisted Client Enterprises ³	People Receiving HIV/AIDS Training	Women as % of People Receiving HIV/AIDS Prevention Training
Benin	4,005	4,194	74.8%	3,488	\$305,180	0.0%	\$2,764,423	\$8,448	\$134,657	0	0.0%
Botswana	5,712	5,781	92.9%	5,561	\$650,635	100.0%	\$609,754	\$62,460	\$81,389	40	30.0%
Cape Verde	3,861	3,882	59.9%	3,815	\$2,859,000	82.0%	\$666,986	\$0	\$191,653	0	0.0%
Ghana	10,802	10,802	75.7%	10,105	\$1,879,565	71.9%	\$406,295	\$0	\$56,909	228,404	66.1%
Guinea	873	1,102	73.2%	0	\$0	0.0%	\$1,019,096	\$7,185	\$36,687	1,797	39.1%
Mali	1,858	2,975	52.8%	1,113	\$222,902	69.0%	\$841,555	\$0	\$86,333	80	100.0%
Namibia	113	160	0.0%	15	\$41,620	0.0%	\$816,300	\$816,300	\$25,738	0	0.0%
Niger	2,799	2,929	89.4%	2,795	\$1,045,511	74.9%	\$383,402	\$0	\$10,802	150	100.0%
Nigeria	12,446	13,636	14.1%	12,381	\$510,485	79.5%	\$85,146	\$0	\$7,306	3,762	67.6%
Senegal	7,454	9,940	66.5%	7,450	\$2,193,940	76.2%	\$967,516	\$1,427	\$2,096	1,774	82.9%
Tanzania	9,710	18,080	41.2%	8,915	\$2,014,133	89.5%	\$7,880,876	\$2,127,023	\$4,774,026	2,545	65.2%
Uganda	21,313	38,701	36.5%	12,255	\$3,403,069	52.4%	\$12,389,069	\$9,003,862	\$976,474	43,537	58.2%
Zimbabwe	No Data	No Data	No Data	No Data	No Data	No Data	No Data	No Data	No Data	No Data	No Data
Total	80,946	112,082	-	67,893	\$15,126,939	-	\$28,830,412	\$12,026,706	\$6,369,459	282,089	-
Country Average ⁴	6,745	9,340	48.2%	5,658	\$1,260,578	61.8%	\$2,402,534	\$1,002,225	\$530,788	23,507	64.9%
Country Median ⁴	4,859	4,996	-	4,688	\$848,073	-	\$828,928	\$4,938	\$69,149	2,160	-
Project Average ⁴	509	704.9	48.2%	427	\$95,138	61.8%	\$181,323	\$75,640	\$40,059	1,774	64.9%

¹ The actual percentage is higher than this figure because in cases where no gender-disaggregated data were available, it was assumed that all of the beneficiaries were men. The reported numbers are thus conservative, lower-bound estimates.

² Because field data were not collected for FY 2003 for indicators that were not included in grantee reports, the most conservative assumption of 1 owner/worker per enterprise assisted was adopted. The actual number of owners and workers assisted is likely to be substantially higher than this estimate.

³ Data for assisted client enterprises includes credit providers.

⁴ The averages and medians exclude Zimbabwe.

ANNUAL PERFORMANCE REPORT FY 2003

Table 10. Comparison of Portfolio Characteristics, FY 2000-FY 2003¹

	FY 2000	FY 2001	FY 2002	FY 2003
Number of Active Projects	236	213	183	183
Total Budget in Active Projects	ND	\$25.798 million	\$26.750 million	\$26.750 million
Disbursed Amount in Active Projects	ND	\$17.655 million	\$20.103 million	\$20.874 million
Average % of Revised Budgets Disbursed in Active Projects	ND	68.4%	75.2%	78.0%
Proportion of Project Budgets for MSE and Microfinance	83%	82%	84%	78.0%
Proportion of Projects Budgets for NRM	7%	6%	Included in MSE	Included in MSE
Proportion of Project Budgets for T&I	5%	9%	11%	13.1%
Proportion of Project Budgets for HIV/AIDS	1%	1%	1%	1%
Proportion of Project Budgets for PDM	4%	2%	4%	8.3%



TECHNICAL NOTES

ANNUAL PERFORMANCE REPORT FY 2003

Challenges in Projecting and Reporting Performance Results

ADF is a grant-making organization that primarily responds to unsolicited proposals from African enterprises for African-led initiatives.¹ The Foundation funds the best of the submitted proposals without adhering to budget fixed allocations by country, type of project, location of the project, and the mix of ADF strategic objectives addressed. As a result, the composition of the projects varies across years. ADF bases its projected targets for the reporting year on performance in the prior year and the cumulative disbursements of active projects in the current and prior years.

Projects that focus on different strategic objectives have different impact patterns. For example, T&I projects and to a lesser extent, MSE projects, have the potential to achieve relatively large impacts on total gross revenues. T&I projects are largely responsible for the bulk of gross export revenues. Microfinance projects can produce much larger numbers of enterprises assisted and owners and workers benefiting than MSE projects. However, T&I projects with large backward linkages to farmers and other raw material suppliers who receive project assistance can also generate large numbers of enterprises assisted and owners and workers benefiting. Although microfinance projects can generate a lot of impact on the gross revenues of the client enterprises, most MFIs do not routinely collect data on the income gains of their loan clients.

These factors present some unique challenges to projecting and reporting performance results and help explain why the projected performance targets and actual results are not perfectly congruent.

ADF'S Process for Assessing Program Impact

ADF's annual Assessment of Program Impact (API) uses a standardized set of performance indicators. The Foundation collects performance and results data each year on projects that were active during the prior fiscal year and have had at least one significant disbursement of funds for implementation activities. API data are not collected on new projects that have not yet received any significant disbursements.

For reasons of cost and logistics, ADF does not generally collect performance data on projects after the grant period has ended. However, anecdotal information or occasional site visits to projects after the period of active ADF involvement have indicated that most successful projects continue to generate economic and social benefits long after ADF support has ended. As a result, the actual long-term impact of the Foundation's programs is greater than the short-term and medium-term impacts that are reported in the API.

¹ The small, pilot projects for AIDS prevention and mitigation that were funded in FY 2002 and 2003 were exceptions. These projects were identified through a solicited request for assistance.

² Active projects are grants that were in effect for at least one day during the reporting year. Projects with significant disbursements have received funding from the Foundation for activities other than just ADF-required training in financial management and reporting.

The collection of performance data on projects is often costly and difficult due to the location and characteristics of the beneficiaries targeted by the Foundation. Because of ADF's mandate to reach underserved people, most grantees are located in rural or peri-urban areas. Many are in remote locations poorly served by transportation and communications infrastructure. In some countries, the beneficiaries are dispersed over a large geographic area.

The API data come from a variety of sources - grantee questionnaires; interviews with the grantees; project records, site visit reports by ADF staff, contractors, and Partner Organization staff; and grantee progress reports, financial statements, and financial reports.

The data for the FY 2003 API were drawn from existing information from the grantees' quarterly progress reports and financial statements in ADF/W files. These documents were reviewed before the API data collection time by the Partner Organization, Country Representative, and the ADF/W Program Analyst assigned responsibility for the country. Following this feedback, the grantees were to correct the identified errors and omissions, with the assistance of the Partner Organization when needed.

To make the FY 2003 desk review more feasible, ADF simplified the list of performance indicators and modified some of the definitions so that the information could be taken directly from the grantees' quarterly progress reports and financial statements. This step increased the reliability of the reported numbers this year. When there were questions about the accuracy or completeness of grantee reports and financial statements, ADF/W staff either used conservative, lower-bound estimates or reported "no data," which was then counted as zero impact in the analysis.

As a result, ADF is confident that the reported results for the FY 2003 portfolio do not overstate the actual total impact of the Foundation. In fact, they are likely to substantially understate the actual impact. In FY 2004, ADF's Country Representatives will be responsible for the API data collection and interacting with grantees to obtain missing data. Site visits to grantees for verification of the API data will also be resumed.

Composition of Country Portfolios (Table 5)

In FY 2003, ADF had 183 active projects with at least one disbursement for a purpose other than ADF-required pre-implementation training. These projects were in 13 countries. Excluding Zimbabwe, which was not included in the API this year, the portfolio included 159 active projects with significant disbursements, which are the subject of this report.

Table 5 shows the distribution of projects by country and primary strategic objective. In decreasing order, the countries with the largest number of active projects were Uganda, Zimbabwe, Mali, and Nigeria. The countries with the smallest number of active projects were Botswana, Cape Verde, Tanzania, Ghana, and Namibia.

Table 5 also shows the differences in the composition of projects by strategic objective. Sixty percent or more of the total number of active projects in Benin, Botswana, Guinea, Mali, Namibia, Niger, and Senegal supported micro- and small-enterprise development. In Ghana and Nigeria, at least sixty percent were microfinance projects. Over seventy percent of the active projects in Zimbabwe supported Trade and Investment. Two countries, Guinea and Niger, had at least 5 ADF projects focusing on use of participatory development methods. Ghana and Guinea were the only countries

with large AIDS prevention projects. There were also some active small, pilot projects for AIDS prevention or mitigation, but only one (in Nigeria) had received any disbursements by the end of FY 2003.

Table 5 also shows the total revised budget of active projects with significant disbursements by primary strategic objective. MSE projects constituted over 60 percent of the portfolio budgets in Mali, Benin, and Botswana and less than 33 percent in Nigeria, Uganda, and Zimbabwe.

Microfinance projects represented over 60 percent of the revised project budgets in Cape Verde, Ghana, and Nigeria and less than 33 percent in Benin, Botswana, Ghana, Mali, Namibia, Uganda, and Zimbabwe. All but five of the Nigeria projects were for microfinance activities and nearly all were located in the Northern and Middlebelt regions of the country. ADF made a relatively large investment in microfinance in Nigeria since the country had missed out on the main wave of prior donor funding for microcredit.

ADF initially concentrated its trade and investment projects in just three countries - Zimbabwe, Uganda, and Namibia. T&I dominated the revised project budgets in Zimbabwe (71 percent) and Namibia (55 percent), but only represented 28 percent of the total in Uganda. There were no active, ADF T&I projects with disbursements in other countries in FY 2003.

Projects that supported participatory development methods for rural community infrastructure construction comprised 55 percent of the revised portfolio budgets in Guinea and 4 percent in Niger. The four PDM projects in Nigeria supported low-cost construction of private housing following flood destruction and amounted to 34 percent of the portfolio's revised budget. One PDM project in Botswana focusing on NGO capacity building comprised 12 percent of the country portfolio's revised budget. There were no projects with a primary strategic objective of PDM in the other country portfolios. However, ADF also requires Partner Organizations to use participatory processes in helping applicants develop projects addressing the Foundation's other strategic objectives.

Figure 1 shows the breakdown of all active funding by primary strategic objective, including both appropriated funds and leveraged funding contributions from strategic partnerships.

Funding Characteristics of Country Portfolios (Table 6)

Figure 2 shows the country shares of ADF's portfolio, based on the revised budgets of active projects in FY 2003, including both appropriated funds and leveraged funding contributions from strategic partnerships.

Table 6 presents the revised budgets of active projects with significant disbursements and the amount disbursed by country through FY 2003.¹ Including Zimbabwe, the active projects in FY 2003 have had total disbursements of \$20.874 million. Excluding Zimbabwe, the total amount disbursed was \$18.698 million.

Uganda had by far the largest share of the total revised budget among the country programs. Other countries with large total revised budgets were in decreasing order Mali, Nigeria, Benin, Zimbabwe, and Guinea. ADF's smallest active portfolios in budget terms were in Namibia and Cape Verde.

Table 6 also presents the country averages for revised project budget, percent of budgets disbursed, and percent of the project elapsed. The average revised budget for the active projects with significant disbursements in FY 2003 was \$146,200. This figure includes the Zimbabwe projects and the one active, small AIDS grant.

The average revised budget of a project was relatively high in Uganda (\$207,700), Tanzania (\$192,500), Ghana (\$192,400), and Namibia (\$190,300). It was relatively low in Zimbabwe (\$91,700) and Cape Verde (\$99,300). The country variation in the average revised budget stems from differences in the scale of project activities, the local cost structure, and currency fluctuations after project funding since ADF denominates grants in local currency. For Zimbabwe, the main reason for the drop in revised budgets was the declining value of the local currency, rather than a small, average initial grant size.

Since the average percent of project budgets disbursed was calculated without including the new projects that have not yet had any significant disbursements, the measure does not indicate whether country portfolios are actually increasing or decreasing in size. However, it is useful at the project level as a benchmark in comparing impact against targets and in comparing portfolio impact across countries.

A low disbursement percentage can either indicate that many projects are new, provide working capital over an extended period of time, have not yet satisfied their Conditions Precedent to disbursement, or have had delays in disbursements or a suspension of disbursements.

The average disbursed proportion in the active projects with significant disbursements was 78 percent of the revised budget. However, more than 90 percent of the revised budget of the projects had been disbursed in Botswana, Cape Verde, Ghana, Uganda, and Zimbabwe. A high disbursement percentage may indicate that, on average, projects are approaching the end of their terms or are fixed capital intensive (with the bulk of funding disbursed early in the project). In Zimbabwe, it is mainly due to the fact that ADF did not provide funding for any new, large projects in FY 2002 or FY 2003 and most of the revised budget of the existing projects has been disbursed.

Less than 60 percent of the revised project budgets had been disbursed in Mali and Senegal. In Mali, this was because most of the projects were relatively new. In Senegal, most of the projects were relatively old, but many have had disbursements suspended at some point or faced delays when ADF found it necessary to change Partner Organizations.

¹ The revised budget of a project is the sum of the actual disbursements in U.S. dollars through the end of the fiscal year plus the undisbursed balance of the original or amended budget in local currency divided by the local currency exchange rate at the end of FY 2003.