

PURPOSE OF THIS REPORT

This report discusses the African Development Foundation's (ADF) performance during Fiscal Year 2001. 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. While OMB may exempt independent agencies with \$20 million or less in annual outlays from the requirements of the Results Act, ADF has not sought an exemption.

ABOUT THE AFRICAN DEVELOPMENT FOUNDATION

Congress established the African Development Foundation (ADF) in 1980 as a United States Government corporation dedicated to promoting development at the community level in Africa. ADF extends grants of \$250,000 or less to private and other non-governmental African entities 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.

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

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

- ▪ By focusing at the community level, ADF taps into the most fertile segment of populations for cultivating innovative and replicable African-owned and African-led solutions to poverty that maximize the use of African resources.
- ▪ By providing funds directly to the intended beneficiaries for initiatives they have chosen, ADF's investments have high people-level impact; low risk of wastage through bureaucratic, administrative and other channels; and high sustainability and replicability.
- ▪ Through its direct relationship with a diversity of African people from various religious, ethnic, national, and other backgrounds, ADF promotes goodwill towards Americans and strengthens the bonds of friendship between Americans and Africans.

TABLE 1. ADF's Strategic Goals and Objectives

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

Objective 1: Promote micro and small enterprise development to generate income and employment |

Objective 2: Expand participation of African grassroots enterprises and producer groups in trade and investment relationships with the U.S. and within Africa

Objective 3: Promote community-based HIV/AIDS interventions

Goal II: Expand use of participatory development policies and practices

Objective 1: Develop, evaluate, and disseminate new interventions and methodologies for participatory development

Objective 2: Encourage African governments and other donors to increase utilization of participatory development “best practices”

Goal III: Enhance American assistance and strengthen U.S. relations with Africa

Objective 1: Expand U.S. funding for participatory grassroots development

Objective 2: Improve program and policy coordination with U.S. foreign assistance and foreign policy agencies

Objective 3: Leverage resources for grassroots development through strategic partnerships

ADF's Portfolio in FY 2001

ADF is a grant-making organization that responds to proposals – most of which are unsolicited -- for African-led initiatives. Since the Foundation funds the best of the submitted proposals without adhering to fixed allocations by country or type of project, the location of the projects and the mix of ADF strategic objectives that they address vary

from year to year. In FY 2001, ADF had 213 active projects in 14 countries. Table 2 shows the distribution of these projects by country and strategic objective.

TABLE 2. Number of Active Projects by Country and Strategic Objective in FY 2001^[1]

Country	Active Grants	Micro- and Small-Enterprise Development	Natural Resource Management	Trade and Investment	AIDS Prevention
Benin	24	22	1	0	5
Botswana	14	14	4	0	1
Cape Verde	9	9	1	0	0
Ghana	10	9	0	0	1
Guinea	10	7	5	1	1
Lesotho	7	6	0	0	0
Mali	16	16	2	0	0
Namibia	16	16	0	2	3
Niger	10	10	4	0	2
Nigeria	1	1	0	0	0
Senegal	22	22	2	0	0
Tanzania	19	18	4	0	2
Uganda	25	25	10	2	6
Zimbabwe	30	30	5	13	0
Total	213	205	38	18	21

ADF's GOALS: CREATING OPPORTUNITIES FOR AFRICA'S POOR

GOAL 1: ADVANCE BROAD-BASED, SUSTAINABLE DEVELOPMENT AND EMPOWERMENT OF THE POOR IN AFRICA

Before the ADF grant, MSHA had difficulty getting working capital to purchase hides, and when it had purchase money it could only afford damaged ones. MSHA also lacked adequate transport, drying, and storage facilities. The low volumes and inconsistent quality of the hides and skins gave MSHA little bargaining power with middlemen.

The ADF grant provided capital to purchase good hides, hire a technical advisor to help boost output, quality, and marketing of the hides; improve facilities; and train MSHA's staff in financial management, product transport, and monitoring, and evaluation. The local farmers, butchers, and MSHA collection center staff attended workshops on improving the quality of hides and skins. Standardized drying frames were set up at all of the collection centers and better-quality knives were purchased to prepare the hides.

The Uganda Leather and Allied Industries Association honored MSHA by inviting one of its members to represent the country at the Africa 2000 Leather Sector meeting in Morocco. From contacts made at this meeting, the Association received inquiries from potential buyers in Syria, South Africa, and the Netherlands.

Objective 1.1: Promote micro and small enterprise development that will generate income and employment

An important part of ADF's mission is to help transform Africans' tremendous untapped entrepreneurial potential into fuel for economic and social development. To this end, ADF reaches out to underserved and disadvantaged segments of a population that face particular barriers to entry and participation in the commercial sector. These groups include the rural and urban poor, women, youths, disabled, ethnic minorities, households living with HIV/AIDS, and so on. While they are involved in highly promising enterprises, ADF's grant applicants generally lack:

- ▪ Capital and credit;
- ▪ Business know-how; and
- ▪ Market information.

Strategies

Improving access to capital and credit

Generally, enterprises that receive ADF grants lack sufficient fixed and operating capital. They cannot obtain credit from banks and other formal sector financial institutions, principally because they do not meet requirements for collateral and demonstrate a business track record and credit history. Reasonable access to credit is essential to ensuring long-term enterprise sustainability. ADF has three means to help enterprises improve access to capital and credit:

- ▪ ***Direct capital infusions into individual enterprises.*** ADF provides enterprises the working and investment capital they need to grow. Before a grant award, the enterprise must develop a sound business plan with financial projections that demonstrate it should be profitable and financially sustainable by the end of the grant period. This growth-oriented strategy has immediate benefits for the enterprise and it also yields broader economic and social benefits. As enterprises grow and prosper, they create communities and foster economic development.
- ▪ ***Helping enterprises establish creditworthiness.*** Micro and small enterprises that receive ADF grants make donations to legally recognized trusts for community development in their countries^{2[2]}. The donations are Community Reinvestment Grants (CRG). In each case, the CRG is equal or substantially equal to the value of the grant ADF extends to the enterprise. By demonstrating that the enterprise can make a financial donation comparable in size and terms to capital loan repayments while operating a viable and growing business, the CRG helps the enterprise establish a verifiable indicator of its creditworthiness to formal sector lending institutions.

Women received 52 percent of loans extended under current ADF-financed micro-credit projects.

- ▪ ***Strengthening micro-finance institutions (MFIs).*** The goal of ADF grants to MFIs is to increase the flow of investment capital to the self-employed poor in the informal sector. ADF supports the MFIs in several ways. First, we provide capital for the MFIs loan fund. Second, we help the MFI build its financial capacity to absorb and manage increased funds for loan disbursement, a larger number of clients, and increased client savings. Third, we help build non-financial capacity in terms of organizational development, human resources, information management systems, and client services. Finally, ADF helps MFIs attain financial sustainability by focusing on critical aspects of their operations,
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including deposits and savings mobilization, financial performance, staff motivation, and loan and administrative costs.

Promoting Entrepreneurial Development

Inadequate business skills and poor access to information follow closely behind lack of access to capital and credit as significant obstacles to small entrepreneurs. ADF integrates training and technical assistance in financial management, bookkeeping, marketing, participatory methodology, and technical skills into its financial assistance it provides to entrepreneurs.

Objective 1.2 Expand 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 and enhance their livelihoods through greater participation in the international economy. If poor countries, their citizens, and the international community allow these opportunities to go largely unexploited, the new world economy will become a major force for increased marginalization of the poor. The rural and urban poor comprise the vast majority of the population in most African countries. Their increased participation in trade and investment is essential to fostering long-term, sustainable economic development.

Non-governmental organizations (NGOs) in **Cape Verde** once considered micro-credit as only a resource for short-term emergency needs rather than a critical part of sustainable development infrastructure. In the late 1990s, international donor assistance to the country declined sharply. When commercial banks did not fill the gap left in financial services to the poor, the need for micro-finance became critical in this country where over 40% of the population lives below the poverty line. The Organization of Cape Verdian Women (OMCV) stepped forward as a leader in this area. Established in 1981, OMCV is committed to improving the quality of life of Cape Verdian women. It has an extensive record of community service through decentralized offices in all 17 districts of the country.

With a five-year ADF grant of approximately \$180,000, OMCV consolidated several small revolving fund projects into an integrated micro-credit operation. It formed a Credit Commission to approve loan proposals and manage operations. OMCV placed credit officers in five districts, with three more expected in the first quarter of 2002. The district credit officers receive loan applications, conduct initial screenings, disburse loans, monitor projects, collect reimbursements, and train loan recipients in business management and simple bookkeeping. OMCV developed standardized loan policies and formed a Monitoring and Evaluation Committee.

Since March of 2000, OMCV has provided more than 400 loans totaling \$214,458 to over 270 families, achieving a loan repayment rate of 99 percent. During the 12 months ending in October of 2001, OMCV collected \$23,332 in interest and fees, against operating expenses of \$22,555 -- demonstrating steady progress toward operational sustainability.

OMCV's impact is felt at several levels. Its micro-credit activities have also provided a credible platform to address its community development goals, such as literacy training, health promotion, and AIDS prevention counseling. The National Micro-credit Steering Committee endorsed OMCV's approach and the NGO has been actively engaged in legislative discussions about the role of civil society organizations in micro-credit services.

Edite R. P. Lima is an entrepreneur and mother of four who has received two loans from OMCV to expand her clothing business. Before receiving this credit, Lima had little working capital and her profits were barely enough for survival. Today, her income has more than doubled, and two sons have finished high school. From her business proceeds, she is paying the costs of sending one son to a university (the other received a scholarship). "All this," she says, "only became possible because of OMCV's loans."

In **Ghana**, ADF is investing in ENOWID (Enhancing Opportunities in Development), is a member-based, not-for-profit, micro-finance institution dedicated to improving the livelihood of women through credit and non-financial business management services. During its first eight years, the organization provided short-term loans to more than 8,000 women and achieved a repayment rate of 96 percent.

ENOWID is now covering its operating costs from membership fees and the interest generated through loans. It has over 100 solidarity groups of borrowers. Group members deposit savings to help fund loan accounts, but the members' demand for credit has exceeded their own resources. A five-year grant of \$205,000 from ADF is allowing ENOWID to expand its loan capital and purchase equipment and training services.

The impact has been significant. Mata Fabri, the owner of a cold storage shop in Dumesua in Sunyani district has received two loans from ENOWID. Her first loan provided \$143 to enable her to purchase frozen fish for her shop. She repaid the loan in six months and received a second loan, this time for \$572. Fabri used half of the second loan to purchase frozen fish and the rest to buy corn, which she sells when local supplies are lowest. Prior to receiving the credit, Fabri could only afford to buy 150 kg of fish every two weeks. Now, she purchases 680 kg every two weeks and sells out all almost immediately. Her weekly revenue has more than tripled from \$72 to \$230 and she has hired her husband, an unemployed tailor, to work full-time in the shop. They can now afford

to send their two youngest daughters to secondary school, something that they could not do for their four older children. She also plans to send the girls to university, which will be a first for her family. When asked about her plans for the future, Fabri smiles and says: "The sky is the limit."

ADF helps grassroots entities capitalize on the opportunities presented by globalization and regional integration. Our initiatives focus on two areas:

- ▪ Promoting non-traditional products that poor farmers and entrepreneurs can produce and market; and
- ▪ Enabling small manufacturers to expand production for export.

Strategies

As with micro and small enterprises, ADF's trade and investment (T&I) strategies include increasing access to capital and credit and promoting entrepreneurial development. The T&I strategies include two additional components.

Promoting a diversified economic base

Ocean Treasures

In Guinea, ADF assistance enabled the Ratoma Fish Production, Processing, and Marketing Cooperative to expand its operation from one fishing boat to eight. Another two boats are being built. The number of people employed by the cooperative increased from 12 to 59, including 7 women working in the processing facility.

Ratoma now exports fresh and frozen fish to Asia and is in the process of securing approvals to export to the European Union countries. In just three months of production in 2001, Ratoma's revenues rose by 80% and average monthly salaries of the workers increased 14 percent.

In most African countries, the major exports consist of one or two primary commodities. In order to have a measurable impact on poverty, these countries need a more diversified production and manufacturing base for exports. ADF assistance responds to this need by helping grassroots farmers and small producers and manufacturers to --

- ▪ Introduce and expand production of new goods and services in the economy, and
- ▪ Increase value-added production.

Supporting producer and manufacturer associations

- Almost every entrepreneur who applies for ADF's assistance has difficulty accessing capital and credit, management and technical expertise, and market information. These barriers are magnified for those entrepreneurs producing new products and services and entering international markets.

Producer and manufacturer associations provide an effective means for small-scale entrepreneurs to deal with these barriers and level the playing field. By working in associations for their mutual benefit, these producers can gain major advantages, such as easier access to production inputs, technical assistance, greater access to market information, and enhanced their bargaining power in the market. For example, in 1991

25 rural farmers formed the Mukono Vanilla Spices and Horticultural Society in **Uganda**. They quickly found themselves at a disadvantage in dealing with vanilla brokers who extended limited credit to them at high interest rates, and purchased their harvests at low prices. In 1998, ADF awarded a grant to the Society to build its institutional capacity, build a modern vanilla curing facility, and establish a crop-purchasing fund and a revolving loan fund. With the grant, the Society eliminated the middlemen and increased the quality and quantity of the vanilla its members produced. Its membership grew to approximately 6,000 farmers with more than 750 outgrowers. The Society has broken into the international market and is selling its product over the Internet.

Cattle Auctions Bid Up Farmer Income

In 1983, 29 small-scale farmers in the communal areas of the Otjolondjupa Region in eastern Namibia came together to improve their livestock farming practices. Six years later, they formally registered as the Ongombe Farmers Association (OFA) with the aim of improving livestock, crop production, and marketing. By 1998, OFA had grown to include 300 farmers in four districts of the Region.

OFA recognized that individuals in isolated rural areas had virtually no negotiating power or market leverage by themselves. They lacked capital, formal agricultural training, and access to agricultural services and markets. This resulted in low production, poor quality animals, and low prices for their animals. The majority of the farmers had incomes below the national poverty line. The small-scale farmers needed to organize to compete with the well-capitalized, white commercial ranchers who have more animals and larger areas of better-quality land. In 1998, OFA approached ADF with a strong plan to increase the incomes of member herders through a four-year project costing \$228,000.

OFA's project plan addressed each of the major constraints. ADF provided training to improve the business planning, management, and performance monitoring skills of the Association staff. In turn, master farmers were trained in better livestock management at OFA's training center. The master farmers then shared the information and skills with other farmers back in their home areas.

With a tractor and a cutting and bailing machine, the Association began producing fodder and hay in bulk for the livestock farmers. The supplemental feed enabled farmers to increase the weight of the livestock for higher sales revenues while reducing overgrazing of communal lands. OFA established a veterinary shop and launched a breeding scheme to improve the quality of livestock through purebred bulls.

ADF supported water and electricity infrastructure development and the purchase of professional weighing scales. It funded expansion of livestock holding pens and loading ramps to double the capacity and its monthly auctions. A membership drive increased the number of participating farmers to 434. New market stalls were also built to enable local entrepreneurs to sell other products during OFA events.

In just three years, the Ongombe project has had tremendous success. OFA members have improved the quality of their livestock and obtained significantly higher sales prices. The Association has become a strong, well-managed institution that is gaining national recognition. Before the project began, the average annual income of its members from livestock sales was

\$1,800. Three years later, it had increased 54% to \$2,780. Twelve commercial buyers regularly purchase livestock from OFA, up from three buyers before the ADF-funded project began. From its sales commissions, OFA purchased a small grinding machine to provide milling services for grain farmers and increase and diversify the Association's revenues.

With pride, OFA member Albert Tjihero noted that three OFA farmers have received agricultural bank loans for the first time. This is a notable achievement because it signifies that they have made the transition to becoming "commercial farmers".

Objective 1.3 Promote community-based HIV/AIDS interventions

Many of the micro and small entrepreneurs and community-based groups that receive ADF's assistance live and work in environments that have been badly hurt by this pandemic. The high incidence of HIV/AIDS in Africa, has the potential to undermine the economic and social environment across the board. More than 28 million people in Africa are already infected with the HIV virus. In the countries where ADF currently operates, the HIV/AIDS incidence among men and women between the ages of 15 and 49 ranges from 1.4 percent in Niger to 35.8 percent in Botswana.

Strategies

ADF's direct, community-based, participatory approach uniquely positions it to provide HIV/AIDS education, information, and services to those most in need. In Fiscal Year 2001, we relied on a two-prong approach in this area.

Making HIV/AIDS awareness and prevention an integral component of assistance packages

ADF supported AIDS awareness and prevention in many of its active projects in FY 2001, including micro and small enterprises, trade and investment, and natural resources management. In many cases, the recipients have internalized this training using their own resources.

Support stand-alone HIV/AIDS initiatives

- ***Targeting a high-risk behavior.*** For example, in **Guinea** the SIDALERTE Project has changed the practices of barbers in the town of Mamou. Previously, barbers reused razor blades until they were dull. Weavers or bicycle repair artisans collected and used razors discarded by the barbers. The NGO SIDALERTE, with funding from ADF, launched a campaign to convince barbers to adopt a "one person, one blade" policy to reduce the risk of spreading the virus among their customers. In addition, the barbers began breaking the used razors in half and burying them to prevent reuse by others. SIDALERTE is

also using ADF grant funds to target high-risk behavior of others, including prostitutes, gold miners, truck drivers, and youths through information, education, and communications activities.

- ***Combining HIV/AIDS education with services for high-risk groups.*** The **Ghana** Youngsters Peer Education Project provides an example. Since ADF funding began in Fiscal Year 2001, the project has reached approximately 30,700 young apprentices in the metropolitan Accra area, with young people delivering the AIDS prevention messages. In addition, the project provides low-cost prophylactics and affordable treatment for sexually transmitted diseases to reduce the risk of HIV infection.
- ***Increasing economic security for households living with HIV/AIDS.*** ADF has begun exploring ways to secure the livelihoods of those affected by the virus. For example, ADF provided a grant to the Youth Self-Employment Foundation (YOSEFO), a micro-finance institution in **Tanzania**. YOSEFO introduced a loan product that helps its clients pay children's school fees, with priority to households that are caring for AIDS orphans. In 2001, the Consultative Group on Assisting the Poorest (CGAP), an international consortium for promoting micro-finance based at the World Bank, gave YOSEFO a "Pro-Poor Challenge Award" for the new loan product. YOSEFO was one of the 5 winners among the 140 organizations competing for the award.

Objective 1.4 Improve Community-based Natural Resources Management

Sweetening Farmer Incomes With Honey and Trees

In FY 1999, ADF extended a \$132,000 grant to the Zimbabwe Farmers Development Trust (ZFDT) for its honey processing and marketing business at Magunje Growth Point, primarily serving beekeepers in the provinces of Mashonaland West and Midlands. The grant financed the construction of a honey processing facility, operating costs for one-year, a truck for transporting raw honey from the beekeepers, training and technical assistance, and credit for beekeepers.

The project takes an integrated approach to assisting farmers who want to begin or expand honey production. It promotes tree planting to increase the supply of nectar for the bees. The trees also provide an additional, diversified source of income for farmers from the sale of fruit or pole wood. In addition, the project encourages cultivation of annual crops that make good nectar for bees (such as sunflowers, soybeans, and sweet potatoes).

Cairns Food Pvt. Ltd. agreed to buy the total amount of honey that ZFDT wished to sell at a set price negotiated in advance and subject to reconsideration as necessary. Cairns also provides packaging materials and labels and transports the processed honey from Nyanga.

P. Mavikeni, the Marketing Director for Cairns Foods, reported in early 2002 that ZFDT is meeting all of its current requirements for honey and the quality has generally been very good. He believes that "the future for the project is very bright, especially with the introduction of the commercialization program that will see an improvement in the supply and quality of honey." He expects sales to increase due to opportunities

The convergence of population pressures, poor policies and practices, and pervasive poverty is destroying Africa's precious land and water resources. Communities have a critical role to play in reversing this trend. ADF helps communities develop replicable models for sound management of their natural resources.

Strategies

ADF's strategy in this area focuses on building local capacity to plan and manage sustainable use of productive resources. We are accomplishing this by supporting innovative, community-based, community-led natural resources management activities in areas such as traditional agricultural practices, land reclamation and soil fertility, water resources management, agro forestry and forestry management, grazing and range management, and alternative energy sources. The following are examples of initiatives ADF funded in Fiscal Year 2001 that generate income and foster improved management of natural resources.

- ▪ In **Botswana**, the Mokoro Safari Project is an ecotourism initiative that provides an economic incentive for local villagers to conserve their natural environment. The villagers are members of the Okavango Poles' Trust – the organization that is implementing the project. Members of the village known as poles take tourists interested in the flora and fauna of the Okavango Delta on traditional wooden canoes, which the poles steer with poles. This project provides an opportunity for other indigenous residents of the area to profit from tourist accommodations and sale of crafts.
- ▪ The West Nile Women's Association (WENWA) works in four districts of western **Uganda** that were badly affected by past civil strife and have a high influx of refugees from Sudan and the Democratic Republic of the Congo. The area suffers from a high rate of deforestation as a result of the heavy use of fuelwood in local tobacco curing and household cooking. WENWA provides the only micro-credit program for women in this part of Uganda. In the two years since ADF awarded a grant to WENWA, it has extended loans to 1,514 women for their micro-enterprises. As part of the loan financing, WENWA encourages its clients to undertake reforestation activities through the planting of trees that produce fruit, fuelwood, and other useful products.

GOAL 2: EXPAND THE USE OF PARTICIPATORY DEVELOPMENT METHODOLOGY

Participatory Development Methods (PDM) are the centerpiece of our approach to grassroots development. PDM requires active involvement of all major stakeholders at each stage of a project from conceptualization through development to implementation, monitoring, and evaluation. In addition, it requires participants to develop and implement systems that ensure transparency and accountability in the use of resources and attainment of program objectives. As a result, PDM empowers stakeholders while fostering more effective programs.

Objective 2.1 Develop, evaluate, and disseminate participatory development methodologies and interventions

Much of the progress under this objective is the result of continued innovation and experimentation in programming, followed by rigorous evaluation to determine the most effective approaches for dissemination.

Strategies

- ▪ ***Development communication.*** ADF engages in a range of activities that help to disseminate PDM best practices, such as conferences, lectures, ADF website, and distribution of ADF publications on participatory project development and accountability and oversight.
- ▪ ***Application of PDM in ADF funded projects.*** The Presidential Trust Fund (PTF) project in **Tanzania** demonstrates how ADF disseminates best practices through grant implementation. PTF received an ADF grant for its women and youth program in the Dar es Salaam area that included training and technical assistance in ADF's project accounting system. PTF institutionalized many of ADF's record keeping, reporting, and management systems. PTF credits the new systems for enabling it to achieve high standards of performance and accountability. As a result, PTF has attracted grants from several donors, including the Grameen Bank, Ford Foundation, and Gaspey Trust, in addition to the Tanzanian Government.

Objective 2.2 Encourage African governments and other donors to increase utilization of participatory development “best practices”

ADF has extensive experience and expertise in community-based, participatory development. That is why we are able to influence others to replicate our models. Consequently, the impact of our assistance has a multiplier effect.

Strategies

ADF helps African governments and local development organizations develop, coordinate, and implement national participatory development and capacity-building strategies. This involves working in collaboration with them to demonstrate PDM best practices. For example, in **Guinea** ADF participated in a pilot activity to test approaches for decentralized, community-driven, rural infrastructure development. We successfully demonstrated to the Government of Guinea (GOG) and the World Bank that PDM plays a vital role in developing local capacity and fostering local ownership of infrastructure development. The World Bank recognizes this project as one of its most innovative and effective.

GOAL 3: ENHANCE AMERICAN ASSISTANCE AND STRENGTHEN U.S. RELATIONS WITH AFRICA

Africa is the poorest region of the world and it has a large and growing gap between its development needs and the development assistance it receives. Levels of foreign assistance have fallen – from \$32 per capita in 1990 to \$19 per capita in 1998. Total U.S. assistance has also declined over the last decade. These trends underscore the importance of building relations among a diversity of public and private partners inside and outside Africa to get the most out of each aid dollar invested.

Objective 3.1 Expand U.S. funding for participatory grassroots development

ADF's participatory approach to grassroots development is highly cost-effective. By addressing obstacles that hold back the vast productive capacity of the rural and urban poor, ADF's assistance helps build the foundation for vibrant private sector growth and trade and investment.

The Foundation's assistance is targeted to unleash the entrepreneurial spirit of individuals, groups, and communities. ADF's efforts complement larger, government-to-government assistance programs, both in terms of tackling problems "from the ground up" and in developing new models of participatory development that can be replicated by others.

ADF's public outreach activities heighten Americans' awareness of the needs and aspirations of low-income people in Africa and the value of grassroots, participatory development strategies. ADF consultations with key Congressional members and staff on program resources, strategy, management, and impact also contribute to this objective.

Strategies

- ***Develop partnerships with the private sector in the U.S. and Africa.*** ADF consults with the private sector in the United States and Africa to identify investments that are mutually beneficial. Particularly in the Trade and Investment program, ADF helps develop market linkages between African producers and American importers.

Feeder Roads Pave the Way to Reducing Poverty

Located between two national highways that are 50 miles apart, the 60,000 residents of villages in Fria-Mabiriya in Upper Guinea were virtually cut off from the rest of the country during the eight-month rainy season by seasonal rivers. Crossing these rivers by motor vehicle was impossible because the only bridges were large tree limbs that could just be traversed by pedestrians and then with difficulty. As a result, these communities became "pockets of poverty".

To sell or buy products at the market, women and children had to cross the tree limb bridges and walk up to 15 miles, carrying packages on their heads and often with babies on their back. These unstable

"bridges" and the heat and heavy rains, made the trips dangerous. Pregnant women needing medical attention had to be carried across the tree limb bridges in hammocks and some died before ever reaching the health center.

Community members made valiant efforts to improve their access to the outside world. They had built the tree limb bridges and tried to make swampy areas passable by laying stone blocks and tree branches. All of this was carried out by hand with rudimentary tools. It was easy to see that they had the will power, but not the technical and financial means needed to solve their access problems.

ADF received funding from USAID/Guinea to demonstrate a participatory approach to community needs assessment and planning. ADF then provided a two-year grant of approximately \$219,000 in 1998 that initially focused on construction of concrete bridges and box culverts. Later, the project addressed other fundamental local needs by upgrading 10 wells and building a health post and a primary school. One Morigbeya elder declared that the newly constructed, 40-foot Seze River Bridge was "a liberating deed for more than 2,000 inhabitants of this area who will at last have access to goods and services they had been deprived of".

Objective 3.2 Improve program and policy coordination with U.S. foreign assistance and foreign policy agencies.

Strategies

- ***Coordinate with other Federal agencies.*** We share information on our programs with other federal agencies, and explore strategies for collaboration.

Various U.S. Government agencies (the Department of State, USAID, Peace Corps, Department of the Treasury, U.S. Information Agency, the U.S. Department of Agriculture, Commerce, the U.S. Trade Representative, Eximbank, and the U.S. Trade and Development Agency) have important roles to play in promoting peace and prosperity in Africa and advancing American interests.

ADF plays a catalytic role in the testing and application of innovative, African-led solutions to the development problems of small-scale producers and rural and peri-urban communities. The Foundation seeks to influence the programs of other agencies that design and implement development projects by sharing information on its programs and exploring strategies for collaboration. ADF encourages other agencies to replicate the Foundation's successful approaches. It does not duplicate the roles of other U.S.G. agencies. ADF participates in inter-agency fora and coordinates with U.S. Embassies abroad in scheduling staff and consultant visits.

Objective 3.3 Leverage resources for grassroots development through strategic partnerships

Strategies

- **Strategic partnerships with African governments for sector development.**
Under these arrangements, African governments in recognition of ADF's expertise in PDM, enter into agreements to co-finance ADF-funded projects that support an agreed strategy. ADF, in essence, becomes the managing partner in the relationship. ADF and the Government of Botswana (GOB) formed a strategic partnership to help implement the country's National Rural Development Programme. Under the five-year arrangement, the GOB matches ADF's contribution to all projects in the country. The program strategy focuses on strengthening the capacity of NGOs and community-based organizations in participatory grassroots development and promoting micro and small-enterprise development.
- **Strategic partnerships with major donors.** In FY 2001, ADF had strategic partnerships with the World Bank and U.S. Agency for International Development (USAID) mission in Guinea. Both of these partnerships supported infrastructure development in designated "pockets of poverty" in remote rural areas of the country. These partnerships have expanded ADF's impact and influence by promoting decentralized, participatory approaches to setting priorities and implementing infrastructure projects.

FISCAL YEAR 2001

SUMMARY OF PROGRAM PERFORMANCE OBJECTIVES AND RESULTS

Promoting Micro-and Small Enterprise Development

- • Approximately 36,500 business owners and workers benefited from new jobs or more productive employment, more than double the number in FY 1999, but a 23% decrease from FY 2000.
- • The cumulative gross revenues of assisted enterprises and organizations in active projects were approximately \$17.457 million. The cumulative income distributed by assisted enterprises and organizations as salaries, dividends, or profits amounted to approximately \$10.528 million. These projects are expected to continue generating income after the grant period ends.
- .. Over 47,000 micro- and small enterprises received ADF assistance – a seven-fold increase over FY 1999 and more than two-fold increase over FY 2000.
- .. Approximately 54,100 loans were disbursed to MSEs under MFI projects, a 27% increase over FY 2000 and 180% increase over FY 1999.
- .. Over 66,100 entrepreneurs and workers received business management or technical training through active ADF projects – more than double the number in

FY 1999 and a 68% increase over FY 2000.

Expanding Trade and Investment at the Grassroots

- .. ADF projects promoted 4 types of export products (paprika, vanilla, fish, and ostrich products) -- double the number in FY 1999 and FY 2000.
- • ADF grants were critical in the establishment of 18 new export production ventures in four countries (Zimbabwe, Uganda, Namibia, and Guinea), an increase from 3 in FY 2000. Most of the new ventures were replications of earlier successful projects to achieve greater cost effectiveness, scale of outreach, and impact.

Improving Natural Resource Management

- .. Nearly 3,600 people benefited from training in improved natural resource management, a 39% decrease from FY 2000 (the Foundation had more NRM projects in the client training stage in FY 2000 than in FY 2001).

Promoting Community-Based HIV/AIDS Interventions

- Approximately 35,500 people, who would not otherwise have been reached by other programs that are predominantly urban, received training in AIDS.

Expanding the Use of Participatory Development Methods

- In FY 2001, ADF continued a relationship with the host country government and major donors in two countries (Botswana and Guinea). The Government of Botswana and the World Bank and the U.S. Agency for International Development in Guinea increased their support for participatory development approaches and tapped the expertise of ADF and its partner organizations for innovative approaches.

TABLE 3. Comparison of ADF's Performance Results for Fiscal Years 1999, 2000, and 2001

Performance Indicator	FY 1999 Results	FY 2000 Results	FY 2001 Results
<i>Micro- and small enterprise development</i>			
Cumulative number of MSEs assisted	5,863	19,635	47,049
Cumulative number of new micro-credit facilities established	49	136	Indicator discontinued
Cumulative number of loans disbursed to MSEs	18,910	42,518	54,099
Cumulative number of new loan products supported	19	80	Indicator discontinued
New intermediary organizations providing business services and training	Indicator not in use	20	Indicator discontinued
Cumulative number of people receiving business management or technical training	23,636	39,354	66,126
Cumulative gross revenues of assisted enterprises and organizations	Indicator not in use	Indicator not in use	\$17,456,526
Cumulative income distributed by assisted enterprises or organizations as salaries, dividends, or profits	Indicator not in use	Indicator not in use	\$10,528,248
Cumulative number of workers in MSEs receiving loans or trade and investment assistance	15,655	47,168	36,457
<i>Natural resource management</i>			
Cumulative number of	Indicator not in	60	Indicator discontinued

new NRM technologies promoted	use		
Cumulative number of communities adopting at least one improved NRM practice	51	166	Indicator discontinued
Cumulative number of people trained in improved NRM practices	18	5,888	3,598
<i>Trade and investment</i>			
Number of export products promoted	2	2	4

TABLE 3 (continued).

	FY 1999 Results	FY 2000 Results	FY 2001 Results
Cumulative number of new production and export trade arrangements established	Indicator not in use	3	18
<i>AIDS prevention and mitigation</i>			
Cumulative number of people receiving training in AIDS prevention	Indicator not in use	962	35,483
<i>Participatory development methods</i>			
Host governments encouraging donors to adopt PDM or allocating more funding to PDM	Indicator not in use	2	2

The main reasons for the increasing cost effectiveness and impact of ADF's programs over the last two years include the following:

- Improvements in the Foundation's criteria for grantee and project selection and their application;
- The maturation of the projects funded in the past several years that have a stronger focus on financially viable micro- and small-enterprise development
- Reflows from ADF investments in revolving loan funds that continued to provide micro-credit to enterprises;
- Continuing benefits of capacity strengthening that enabled assisted CBOs and IOs to scale up their impact; and
- Increases in the buying power of the U.S. dollar relative to African currencies.

Although ADF began including AIDS prevention training as a small component of some projects with a primary focus on other strategic objectives in FY 1999, it did not track the number of people receiving AIDS training until FY 2000. The first year when a large number of people received AIDS prevention training through ADF projects was FY 2001.

TABLE 4. Comparison of FY 2001 Targets and Results¹

Performance Indicator	FY 2001 Target	FY 2001 Results	Percent of Target Achieved
<i>Micro-and small enterprise development</i>			
Cumulative number of MSEs assisted	10,900	47,049	432%
Cumulative number of loans disbursed to MSEs	34,000	54,099	159%
Cumulative number of people receiving business management or technical training	10,600	66,126	624%
Cumulative number of workers in MSEs receiving loans or trade and investment assistance	20,500	36,457	178%
<i>Natural resource management</i>			
Cumulative number of people trained in improved NRM practices	No target set	3,598	---
<i>Trade and investment</i>			
New export products promoted	4	4	100%
New production and export trade ventures established	2	18	900%
<i>Use of participatory development methods</i>			
Host governments	5	2	40%

encouraging donors to adopt PDM or allocating more funding to PDM			
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¹Only lists indicators that had targets established for FY 2001. Numbers reported are cumulative figures for the active projects since the grant began.

Actual Performance Versus Performance Targets in Fiscal Year 2001

Except in one category, ADF achieved considerably more than 100 percent of its performance targets for Fiscal Year 2001. The main reason for the high variation between targets and actual achievements is the targets were set before ADF had reliable portfolio-wide performance data based on standard indicators. Fiscal Year 1999 was the first year in which ADF had standardized indicators. The Fiscal Year 1999 performance data could not be collected until Fiscal Year 2000 and were not yet available when the targets for Fiscal Year 2001 had to be submitted. Beginning with Fiscal Year 2002 reporting, we will base targets on actual achievements in previous years.

One performance target was not met -- the number of host governments encouraging donors to adopt PDM or allocating more funding to participatory development. ADF continued its successful partnerships with the Government of Botswana and the World Bank and USAID in Guinea, but concluded no new partnerships. A major reason for this was the higher priority we gave to designing and instituting partnership arrangements with NGOs in 12 countries, partly in response to an audit by the Office of the Inspector General. However, in Fiscal Year 2001, we engaged three governments in dialogue on partnerships. One partnership agreement was concluded in early Fiscal Year 2002.

Summary Results by Country

Table 5 disaggregates the MSE results for the active projects by country. ADF does not base its project funding decisions on pre-established allocations of its grant monies by country. Instead, ADF funds projects that it concludes have the best prospects for success, regardless of the country (as long as it is in one of the countries where ADF works). The perceived economic and political risks in a country do affect the Foundation's decisions on individual grants. That is why ADF made few new grants in Zimbabwe in FY 2001 although this country had the largest number of active grants that year due to grants awarded in previous years.

The relative size of ADF expenditures in each country should be taken into account in comparing performance results (see the earlier section on “ADF’s Portfolio in FY 2001”). The differences in the mix of strategic objectives addressed in each of the country programs is another important factor in looking at each country's share of ADF's

program results. The discussion below is based on the cumulative performance figures for the active projects and it shows some distinct differences among the country programs. Note that results data were only available in FY 2001 for 3 of the 7 active projects in Lesotho, since ADF is closing its program in that country.

TABLE 5. Micro-and Small-Enterprise Development Results by Country, FY 2001 (cumulative figures for the active projects)

Country	MSEs Newly Assisted	Loans Disbursed	Entrepreneurs and Workers Trained	Gross Revenues of Enterprises or Organizations (USD)	Income Distributed (USD)	Workers in MSEs Receiving Loans
Benin	2,403	1,242	211	1,354,286	99,899	1,522
Botswana	4,053	1,802	2,435	608,881	586,420	1,554
Cape Verde	724	1,217	771	1,368,152	187,825	706
Ghana	6,688	6,064	5,019	149,800	551,830	7,484
Guinea	2,560	51	71	192,820	92,824	51
Lesotho	4	0	51	540,504	56,321	0
Mali	3,212	0	1,185	147,492	73,683	437
Namibia	470	453	820	1,119,715	1,030,707	572
Niger	58	7,796	3,052	2,935,309	1,356,118	3,546
Senegal	4,916	10,293	651	448,750	37,901	4,911
Tanzania	10,893	16,065	8,698	962,016	2,020,301	5,353
Uganda	6,107	6,949	38,074	1,664,233	232,537	8,326
Zimbabwe	4,981	2,167	5,088	5,964,748	4,201,882	1,995
Total	47,049	54,099	66,126	17,456,526	10,528,248	36,457

Empowering Women

Table 6 contains gender-disaggregated data for key indicators; it is based on actual data on the number of women benefiting. Some projects were not able to report separate subtotals for men and women. In those cases, no assumptions were made about the number of women benefiting and all of the beneficiaries were assumed to be men. As a result, the reported numbers for women's participation are a lower-bound estimate of the gender-disaggregated impact of ADF's programs. The actual number is likely to be substantially higher.

Over 3,300 women have benefited from employment in implementing organizations (community-based organizations and intermediary organizations) in ADF projects. Women constituted more than half of the total employment in implementing

organizations in Namibia and Mali and over one-third in Ghana, Guinea, and Niger. The reported share of this employment for women was lower in other countries, mainly because less gender-disaggregated data were available for the active projects.

TABLE 6. Gender-Disaggregated Performance in FY 2001, Cumulatives for the Active Projects

Country	Women's Percent of Cumulative Employment in Implementing Organizations (IOs and CBOs)	Women's Percent of Cumulative Jobs in Enterprises Receiving Credit	Women's Percent of Cumulative Loans Disbursed	Women's Percent of Cumulative People Receiving AIDS Prevention Training	Women's Percent of Cumulative People Receiving Business Management or Technical Training
Benin	19.7	82.1	1.1	0.0	40.2
Botswana	27.4	11.6	99.7	40.9	52.5
Cape Verde	16.0	94.5	0.0	-	92.8
Ghana	39.4	61.5	39.4	57.1	75.0
Guinea	25.8	3.9	3.9	43.3	19.1
Lesotho	71.4	-	-	-	82.4
Mali	46.6	0.0	-	-	26.6
Namibia	70.3	30.9	30.9	-	75.3
Niger	35.3	12.8	12.8	-	94.3
Senegal	32.0	82.1	82.1	-	64.0
Tanzania	27.2	80.5	80.5	71.3	70.9
Uganda	41.3	13.2	13.2	62.0	2.5
Zimbabwe	33.3	0.0	0.0	-	65.7
Total	32.8	56.8	50.8	57.2	26.3

SUMMARY OF PROGRAM EVALUATIONS

OMB Circular A-11 requires that annual performance reports include a summary of any program evaluations conducted during the year. In FY 2001, ADF commissioned external evaluations in the two countries where we felt programs were the weakest – Lesotho and Botswana.

Lesotho

ADF contracted with Ebony Consulting International (ECI) of South Africa for the Lesotho assessment, which was completed in late FY 2001. ECI reported that the overall

macroeconomic environment in Lesotho was poor and the political environment uncertain. The assessment concluded that the results of ADF's Lesotho program were comparable to those that other donors had achieved in this country and that all donor programs there have had mixed results. ECI noted that ADF was well regarded in country and the Government of Lesotho identified ADF's positive role in its "Poverty Alleviation White Paper." However, ECI found that only six of the nine ADF projects it reviewed in detail appeared to be sustainable over the long-term. None of the micro-finance projects supported by ADF or any other donor in Lesotho have resulted in sustainable credit funds and none of the business training programs has had a large impact.

ECI concluded that the income gains resulting from ADF's program were positive, but low relative to the costs and the number of beneficiaries was small. Like most businesses in Lesotho, many of the assisted enterprises faced a weak demand for their products or found it hard to compete with imports. There was also a general shortage of qualified technical assistance providers for business development services within the country.

Following an internal review of ECI evaluation, ADF decided to suspend operations in Lesotho in FY 2002. ADF will not fund new projects there in FY 2002 and all but one of the existing projects will be closing during the year.

Botswana

In FY 2001, Alternative Development Services and Peer Consultants conducted a program evaluation at the midpoint of the strategic partnership agreement with the Government of Botswana. The evaluation stated that the Government of Botswana was generally satisfied with the implementation of the program and progress to date. The evaluation noted that ADF had registered concerns about the general weakness in entrepreneurial capacity and motivation in this country.

The evaluation concluded that program implementation had not been as successful in Botswana as it might have been, with only 4 of the 10 active projects meeting their quantitative targets. Disadvantaged groups had not received as much attention as needed, and the report urged ADF's local country liaison officer to take a more pro-active role in project development and implementation and promotion of participatory development methods. It also recommended greater involvement in the partnership by the Government.

In early FY 2002, ADF substituted a partnership agreement with a newly created local organization for the country liaison officer. The new partner, Action for Economic Empowerment Trust (AEET), is developing an operating strategy that takes account of the evaluation findings.

MANAGEMENT REFORMS: BREAKING NEW GROUND

Internal Financial Management

In Fiscal Year 2001, ADF achieved its two-year goal of reengineering its accounting systems. We received an auditor's "clean opinion" on all financial statements. In addition, we established a general ledger and reconciled each obligation and account balance with source documents. For the first time, ADF compiled financial statements directly from the general ledger.

Grants Database

We implemented phase II of the grants database project, which integrated grantee financial reporting with budget and disbursement information already established in phase I. With phase II, the database can produce timely reports on the financial status of each grant. In addition, it gives us the capability to accumulate and document grantee expenditures and perform confirmatory testing of ADF records information reported by the grantee.

Information Technology Program

We performed a comprehensive vulnerability assessment of our information network infrastructure. Based on this assessment, we made a number of changes to strengthen network security.

Program Monitoring

In Fiscal Year 2001, our program staff monitored the financial and activity performance of projects through review of trimester reports from grantees, monthly reports from partner organizations, and project site visits to verify performance.

The Foundation has internal capacity in auditing and supervision of external audits. ADF has a full-time, internal Financial and Field Auditor (FFA) who reports directly to the President. The FFA is primarily responsible for financial oversight of all partner organizations that have cooperative agreements with the Foundation. ADF conducts an internal audit of each partner organization at least once every two years.

ADF also has a full-time Financial Control Officer (FCO) whose primary responsibility is oversight of the Foundation's grantees. ADF contracts for the services of independent audit firms in each country where it operates. Every year, 25 percent of all outstanding grants are audited. Each grantee is audited at least once during its life.