

Oxfam Enterprise
Development
Programme Review
Summary Report
December 2013



Executive Summary

Oxfam GB set up the Enterprise Development Programme (EDP) in 2008 to pioneer a business-based approach to development, through investing in, and building the capacity of early-stage enterprises that empower smallholder producers, particularly women. Since then, EDP has raised £4.7m to support 19 early-stage, rural, agricultural enterprises in 17 countries. In addition to creating direct positive impact on the lives of individuals, the programme's overall purpose is a systemic one: it is about designing and evidencing an effective social investment¹ model that can then be scaled and/or replicated (a "blueprint").

Since the programme has now been running for approximately 5 years, Oxfam's Leadership Team and the Board of EDP (which is largely made up of the programme's donors), have commissioned an evaluation to analyse what EDP has achieved relative to its objectives, how cost-effective the programme is, what key lessons are emerging and how EDP could look in the future.

Performance to-date

The evaluation begins by analysing EDP's performance relative to five core objectives:

"To invest in up to 24 enterprises by July 2014, of which 50% will be viable within 4 years." EDP has invested in 19 enterprises across 17 countries to-date. The current portfolio contains 14 enterprises, 12 of which are actively trading and 2 of which are due to do begin doing so during the next quarter. EDP has exited 5 investments to date. 3 investments have been exited due to poor enterprise performance and 2 have been exited because the ongoing package of support that Oxfam is able to deliver became limited.

Of the current portfolio of 14 enterprises, none are currently considered 'viable'², nor are 50% of those enterprises that have been in the portfolio for four or more years likely to achieve viability by 2014. However, there is a positive trend: enterprises that have been in the portfolio for a longer time do show greater progress towards viability, particularly in terms of trading relationships, management outlook and net profitability (although net profits are still negative across the portfolio, they have increased by an average of c.25% annually over the last three 12-month reporting periods).

"To improve the livelihoods of smallholder farmers and women." Data for the entire portfolio was available at the output-level and showed that the EDP portfolio has created 75 new FTE jobs, increased farmer membership to over 38,000 globally

(generating economic security), paid over £380 thousand in wages and increased the representation of women in leadership positions to 49% across the portfolio. This data showed that EDP was having a significant and positive impact, despite not being on-track with Oxfam's targets.

In terms of whether these outputs have translated into EDP's target social outcomes, control data was available for two enterprises in the portfolio and showed that EDP was generating impact in a number of areas. The control studies showed that enterprise membership enabled improved access to credit and other resources that increase economic empowerment, improved material wellbeing, improved attitudes towards women and perceptions of women's empowerment and increased female self-efficacy. Although evidence was limited – it was available for only two enterprises and could not be interpreted as being representative of the EDP portfolio overall – it did show that EDP had the potential to generate significant social outcomes in the medium and longer terms.

"To prove the viability of EDP as a model for developing rural SMEs." While EDP has evolved in the last 5 years and begun to develop best practices, the programme does not yet have a suite of inputs, activities and outputs that have the consistency of a 'model', nor has it proved across the portfolio that there is a causal link between these and EDP's target outcomes. In addition, and likely as a result, although there is some interest in replicating the EDP model, mostly from Oxfam affiliates, the EDP model has not yet been fully replicated.

"To contribute to Oxfam's efforts to increase public & private investment into agriculture SMEs." EDP has had some success at increasing overall investment into early-stage rural SMEs. EDP has played a key role in securing a total of £697,000 additional investment for the 14 enterprises that are currently in the EDP portfolio and £1.12 m for all 19 enterprises that have been in the portfolio at some point over the lifetime of EDP. EDP has also played a significant role in leveraging further investment into the farmer groups and value chains associated with its enterprises, as well as for the broader EDP Livelihoods work. Oxfam estimate that the value of investment that EDP has influenced is cumulatively worth £16.9m including a £9m of commitments from the public and private sectors to scale EDP's dairy model in Colombia.

"To increase Oxfam's funding, learning and capacity to support enterprise development." EDP has increased Oxfam GB's funding by £4.7m and increased Oxfam staff capacity significantly in

1. We use the term "investment" here to include a package of support that includes loans, grants and human capital.

2. According to Oxfam's definition, viability means achieving five criteria: profitability (excluding grants), solvency to cover finance needs, secure trading relationships; access to finance and ability to repay the EDP loan; positive assessment of management and future.

3. 19 responses were received to the staff survey, of which 16 provided information on skills and experience gained through EDP. As the number of responses is fairly small, compared to the total number of staff involved in EDP across all of the countries in which it operates, results should be read as 'vox-pop' and not necessarily statistically representative.

Executive Summary Cont'

the fields of business support and enterprise development. A specially commissioned staff skills survey³ examining improvement in skills across four thematic areas: 1) Business planning and finance; 2) Operational related matters; 3) Marketing & negotiation and 4) Social impact stakeholder engagement. In all four skills areas, there was evidence that EDP was having a significant and positive impact.

A “glass half empty” view of this performance against EDP’s objectives is that performance is not on-track against at least 3 out of EDP’s 5 objectives. However, analysis shows that positive trends are emerging from the programme. Taking a “glass half full” approach, the evaluation therefore challenges whether the criteria that Oxfam are measuring themselves against – EDP’s objectives – are appropriate, given what EDP is trying to achieve and the context in which it resides. To ‘pressure test’ the objectives, the evaluation considered whether they stem from a coherent logic model⁴, underpinned by a clear Theory of Change, as well as whether their timeframe appears in step with EDP’s broader peer universe.

Stakeholder interviews showed consensus on EDP’s direct theory of change: early-stage rural agricultural enterprises can create sustainable livelihoods and economic empowerment for smallholder farmers, particularly for women. There was also consensus that, in terms of ‘system leverage’, the demonstrated success of EDP could catalyze other funders to support early-stage rural agricultural enterprises. However, while this core theory of change was shared, different stakeholders emphasised different types of ‘leverage’ that they expected an enterprise approach to deliver. In addition to the **system leverage**, four main types of leverage were described, all of which translate into greater social impact:

- **Financial leverage:** Enterprises can ‘stretch’ the philanthropic £ by continuing to generate social value on a sustainable basis into the future, as well as recycling (a proportion of) funds which can generate further impact elsewhere.
- **Political leverage:** Enterprises can act as vehicles for smallholder farmers to influence regional and national agricultural policy
- **Network leverage:** Enterprises can act as a ‘hub’ for provision of training, agri-inputs and gender awareness to smallholder farmers, particularly women
- **Organisational leverage:** Enterprise work can ‘up-skill’ Oxfam’s wider team so that market-based thinking can enhance the impact of Oxfam’s Livelihood Programme more widely

The difference in emphases raised several questions about EDP’s theory of change and, as a result, its logic model and related strategic objectives. For example, through what

lens should EDP be viewed? Should it be considered a cost-effective ‘Livelihoods,’ strategy, in which case, while viability is still the goal, a subsidised enterprise is still valued⁵? Or, should EDP be seen as a social investment strategy, in which case viability is more critical to any definition of ‘success’? If EDP is trying to prove a model, which key stakeholders is EDP trying to ‘prove a model’ to? And, to what extent is Oxfam’s funding, organizational learning and capacity seen as critical to EDP’s success versus a bi-product of it? The existence of all these questions implies that the current EDP objectives do not stem from a clear and shared definition of what ‘success’ looks like.

In terms of the timeframe of the objectives: using an adapted version of Monitor Group’s ‘from Blueprint to Scale’ analytical framework, the evaluation examined EDP in the context of a peer-group of other actors undertaking enterprise development work in three types of market conditions, referred to as Rural World 1,2 and 3⁶. Members of the peer group who were investing in businesses at a similar stage of development and in similar market conditions to EDP had a longer investment horizon than five years, reflecting the duration of the ‘steps’ required to take a new concept to a point where it could continue as a going concern and achieve some level of ‘scale’. We found that the average time for an investment to proceed through the Blueprint (developing the blueprint for the future of the business), Validation (testing and refining the business model) and Resilience (enhancing the conditions required for viability) stages can be 7-10+ years – and this is for enterprises operating in Rural World 1. This suggests that testing the ‘viability’ of enterprises in EDP’s portfolio after five years is premature.

This ‘pressure-testing’ of EDP’s objectives revealed that, whilst EDP looks to be performing poorly against its original targets, these targets should be revised (in terms of a shared view of success) and the timeline to achieve them made realistic (in the context of the strategy that Oxfam is trying to roll out).

Cost-effectiveness

EDP is a new revenue stream for Oxfam GB. As of September 30th 2013, it had raised a total of £4.31m (secured funds) from Oxfam and external donors. EDP has disbursed £2.24m of direct support to date. Disbursing these funds has cost £0.93m in global management costs and project grant management costs. The remaining balance is committed but not yet disbursed. A further £1.25m in ‘in-kind’ support has been provided by Oxfam, meaning that, for every £1 committed to the EDP by external supporters, Oxfam contributes approximately 30p of further ‘in-kind support’. If one were to ‘replicate’ EDP, without Oxfam’s support, for every £1 disbursed by EDP, it would cost approximately 97p to deliver it. An alternative view, looking only at direct management costs (without taking into account in-kind support provided by Oxfam), reduces the ratio. For every £1 disbursed it costs approximately 42p in direct management costs and project management costs.

4. EDP’s specific steps to deliver the Theory of Change.

5. This is because a subsidised enterprise can still re-cycle some capital (creating more financial efficiency than a grants-only model).

6. Rural Worlds 1, 2 and 3 are taken from the Oxfam and IIED report ‘Tipping the Balance’ (available at: <http://www.oxfam.org/sites/www.oxfam.org/files/rr-tipping-balance-agricultural-investments-markets-061212-summ-en.pdf>). Rural World 1 are the 2–10 per cent of producers with access to capital, organization, information, and infrastructure, who can more easily ‘step up’ to formal and co-ordinated markets – i.e. the richest of the poor. RW2 are the majority of smallholders, who are ‘hanging in’ – and who are generally more reluctant than those in RW1 to invest in the agricultural part of their livelihoods. RW3 are the many small-scale farm households are approaching landlessness.

So how cost-effective is EDP? This question depends upon how EDP is viewed. When compared to peers, who operate mainly at the Resilience-building stage of enterprise development, EDP appears expensive (a cost base of c.42%+ vis-à-vis an estimation of ~15-25%+ for the peer group). However, there are three key considerations to take into account. First, whilst all of the peer-group are working in or around the agriculture sector⁷, Oxfam is targeting enterprises in Rural World 2 (and even touching smallholders in Rural World 3), whereas the closest 'peers' to EDP that we could identify are arguably operating primarily in Rural World 1 (touching on Rural World 2). One would imagine that the more remote and marginalised a community is, the higher the transaction costs of building an enterprise. Second, in addition to the Resilience stage (a focus of EDP peers), EDP's current portfolio also includes enterprises at the Validation stage, which are further from financial independence than enterprises at the Resilience stage and therefore require a higher level of support and capacity-building. Third, EDP is arguably pursuing a wider range of impacts than the peer group and there is some evidence that it is affecting change through financial, network, political, organisational and system leverage.

Taking these considerations into account, EDP's higher cost base may be justified, although the scale of incremental cost that is appropriate is harder to determine. A key step and recommendation of this report is that the cost-effectiveness of EDP – that is, the impacts it has delivered per £ committed – is examined in further detail relative to other approaches to rural development. In particular, this analysis should include comparing the cost-effectiveness of EDP relative to approaches that do not use an enterprise model to achieve the same outcomes – something that Oxfam could examine by assessing the cost-effectiveness of EDP relative to other approaches within its Livelihoods programme or more broadly.

Options for the future

EDP appears to be operating across both the Validation and Resilience stages of the enterprise 'trajectory'. Yet it is applying the same programme to both phases (fundraising, investment selection criteria, investment engagement package, staffing model, etc.). As a result, some programme features can appear inappropriate if one is considering them for the Resilience phase rather than Validation, or vice versa. Our evaluation therefore recommends disaggregating the programme into two parts – one designed for validation of enterprise models and another for building resilience. In the final section of the report, we detail the implications of this disaggregation for the EDP 'value chain', matching effective components of the current programme to their relevant 'phase', alongside new suggestions. This disaggregation creates three options for EDP in the future:

- **Option 1:** Focus on the Validation stage, deeply integrating EDP with Oxfam's wider Livelihoods programme and emphasising EDP's potential for

financial leverage, network leverage and political leverage;

- **Option 2:** Focus on the Resilience stage, 'doubling down' on a few countries where Oxfam can build the relationships and eco-system required to maximise financial leverage and system leverage;
- **Option 3:** Continue to operate across both the Validation and Resilience phases but have a strategy and suite of activities that is tailored to each phase.

Our Recommendation

Based on our understanding of the market to-date, this evaluation recommends Oxfam adopts Option 3 due to the multiple synergies that it creates.

However, a necessary precursor to this is for Oxfam and the EDP Board to agree on EDP's Theory of Change and to agree which forms of leverage are critical versus "nice-to-haves". This will inform a clearer definition of EDP's "effectiveness" and allow Oxfam to determine whether EDP is in fact a cost-effective strategy relative to comparable options to achieve the same leverage. Finally, we recommend that Oxfam share learning and collaborate with others attempting to advance enterprise development.

Our rationale for these three recommendations is as follows:

1. Agreeing what EDP is trying to achieve. This evaluation has found that there is not yet complete consensus on the emphasis of EDP's theory of change – and, as a result, on the optimal programme design. Oxfam would benefit from re-visiting EDP's theory of change and agreeing which forms of leverage (for example, financial, political, network and organizational) are critical versus "nice-to-haves".

2. Defining a robust strategy to achieve it. Once EDP's theory of change has been agreed upon, we recommend that Oxfam re-visits the strategy employed to achieve it (the programme's logic model), defining a set of objectives that reflect the agreed-upon theory of change and setting quantitative and qualitative targets (KPIs) against those objectives. In particular, we recommend that the time horizons for achieving the objectives reflect the revised logic model. Of the Options described, based on our understanding of the market to-date, this evaluation recommends Option 3, due to the multiple synergies that it creates.

3. Sharing learning and collaborating with others. Oxfam is a pioneer in early-stage rural agricultural enterprise development and is seeking to establish a robust and replicable approach. This evaluation has shown that there is still relatively little external information regarding comparable approaches to achieving the same long-term outcomes (including those that use enterprise-based models and those that do not). If a buoyant market is going to develop in either one of, or indeed both of these areas, actors will need more and better data on approaches and performance. We therefore recommend that Oxfam pro-actively collaborate with other organisations to support the creation and dissemination of a public knowledge 'bank'.

7. This sector, by its nature, has several external dependencies and is often considered 'risky'.

Introduction

Our understanding of EDP

Oxfam's Enterprise Development Programme (EDP) is pioneering a business-based approach to development by providing an intelligent mix of loans, grants and business support to early-stage rural agricultural enterprises with the potential to create sustainable livelihoods and economic empowerment for smallholder farmers, particularly women.

Established in 2008, EDP sits within Oxfam GB's Economic Justice - Sustainable Livelihoods Strategy ("Livelihoods Programme") and focuses on two of its four priority areas: creating fairer and sustainable markets; and building women's livelihoods and leadership. EDP typically funds enterprises emerging from Oxfam's Livelihoods Programme, which do not qualify for the type of loans that Microfinance Organisations provide and are too small and risky for banks³. Funding typically comes from high-net worth individuals (or engaged philanthropists), who provide capital and also have the opportunity to sit on a Board, which selects and advises the enterprises that Oxfam supports.

According to Oxfam, all enterprises targeted have the ability to grow and increase market access for marginalised smallholder farmers, particularly women, thereby delivering the social objectives of Oxfam's Livelihoods Programme. As well as creating direct positive impact on the lives of individuals, EDP is also about showcasing (designing and evidencing) an effective social investment⁸ model that can then be scaled and replicated.

Rationale for the evaluation

Since EDP has now been running for approximately 5 years and is due to be fully invested by next year (2014), Oxfam, in agreement with the programme's major donors ('the EDP Board'), has decided to commission an evaluation of the programme.

The evaluation seeks to identify what has worked and what has not, and will feed into a process that will lead to a revised version of EDP – "EDP 2.0" – in 2014. The hope is that this evaluation can translate the programme's performance and learnings to-date (both quantitative and qualitative) into an "evidence" base of what is working and what is not, which can in turn underpin the design of an optimal EDP blueprint going forwards. Oxfam has set the following objectives for the evaluation:

1. To determine **what EDP has achieved** in terms of
 - Developing viable² enterprises Reducing poverty (e.g. raising household incomes and women's empowerment)
 - Changing the behaviour of enterprise (Oxfam and partners) staff

- Generating other benefits (e.g. Oxfam staff capacity, fundraising, innovation)
 - Leveraging other (national and international) actors and resources to invest in women and producer-led enterprises SMEs
 - Proving EDP as a model for investing in rural enterprises;
2. To **evaluate the cost effectiveness** / value for money of the programme;
 3. To summarise the **key lessons emerging from EDP**, particularly on which enterprises Oxfam should support and how;
 4. To provide some recommendations **for how EDP could look in the future.**

8. We use the term "investment" here to include a package of support that includes loans, grants and human capital.

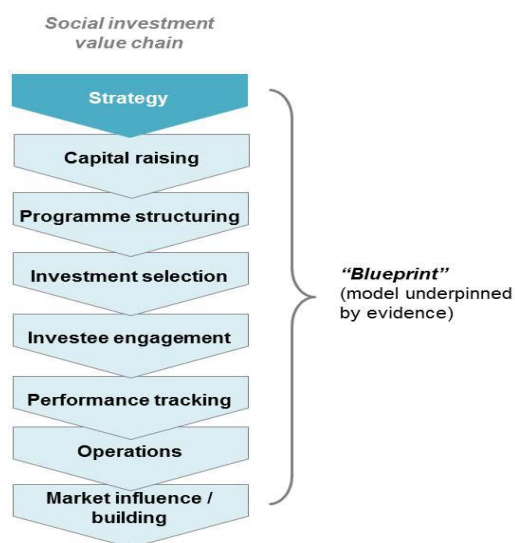
Summary of our approach

The evaluation has been conducted by Bridges IMPACT+, the advisory arm of Bridges Ventures LLP, specialist fund manager, dedicated to using an impact-driven investment approach to create superior returns for both investors and society at-large. Bridges' experience as practitioners suggests that social investment models typically comprise

a value chain of component parts as shown in Figure 1 below – all of which need to be understood and evidenced if the model is to become a “blueprint”.

The evaluation has used this value chain as the basis for an analysis of the EDP model in four main sections drawing on several sources of evidence¹⁰

Figure 1 The value chain of components defining EDP's approach to investment



- **Section 1** examines what EDP has achieved to-date. This includes an analysis of EDP's performance against its original objectives, an interpretation of that performance [in the context of EDP's and Oxfam GB's broader ongoing activities] and a summary / commentary of EDP's other achievements.

- **Section 2** provides an interpretation of EDP's performance, asking whether or not it can be considered as 'good' or not.
- **Section 3** examines how much it has cost to deliver EDP. This includes the direct costs of the programme, as well as those costs incurred by Oxfam GB but not fully ascribed to EDP. In turn it examines whether EDP's achievements have been cost-effective.
- **Section 4** sets out options for the future of EDP, including a final recommendation.

The remainder of this document sets out the findings of the evaluation and is structured according to the four sections.

⁹ Data sources reviewed include: (1) investment-level financial and social impact data collected by EDP for the entire EDP portfolio; (2) two control studies commissioned by Oxfam to evidence social impacts at the outcome level in EDP beneficiary communities; (3) a specially commissioned survey that examined the perceived skills levels of a range of staff involved in EDP and; (4) a series of semi-structured interviews conducted with twenty EDP stakeholders, including Oxfam staff and members of the EDP Board and Investment Committee; (5) Observations recorded during a field visit to two EDP enterprises in Nepal. Further detail on data and its interpretation is given throughout the report.

1 - What has EDP achieved so far?

1.1 How has EDP performed against its original objectives?

Oxfam's Leadership Team and the EDP Board agreed and ratified five main strategic objectives for EDP between 2008 and 2011¹⁰ (Box 1).

Box 1 – EDP's strategic objectives

1. To invest in up to 24 enterprises by July 2014, of which 50% will be viable within 4 years
2. To improve the livelihoods of smallholder farmers and women
3. To prove the viability of EDP as a model for developing [and investing in] rural SMEs
4. To contribute to Oxfam's efforts to increase public & private investment into agriculture SMEs
5. To increase Oxfam's funding, learning and capacity to support enterprise development.

To examine EDP's performance against its original objectives, we assessed a range of performance indicators. [Table 1](#) overleaf and the Scorecard ([Figure 2](#)) that follows provide a 'snapshot' of the EDP portfolio and EDP's performance to-date according to these indicators. In summary it shows that:

- No enterprises are currently considered viable and EDP is not on target to meet its viability target in the foreseeable future.
- There is evidence that at least some enterprises supported by EDP are having a positive impact on the livelihoods of smallholder farmers through job creation, increased agricultural productivity and access to credit, as well as through perceived empowerment of women in households and communities.
- EDP has not yet been proven as a model for developing and investing in rural SMEs
- EDP has had some success at increasing overall investment into early stage rural SMEs but those successes are difficult to attribute directly to EDP.
- EDP has increased Oxfam GB's funding by £4.7m¹¹ and increased Oxfam staff capacity significantly in the fields of business support and enterprise development.

The rest of this section provides a detailed picture of how EDP has performed in each of its objective areas. As the current status of performance is arguably poor (against Oxfam's self-imposed objectives), we have also examined:
a) whether any patterns or trends in performance are

evident; and b) whether the criteria that Oxfam are measuring themselves against – EDP's objectives – are appropriate.

We have taken this approach in order to better understand if, despite headline performance, EDP is having a positive impact on enterprise development over time and if alternative objectives might be more appropriate for the programme, given what it is trying to achieve and the context in which it resides. These issues are explored in greater length in Section 1.2 and Section 4 respectively.

10. It must be noted that EDP's strategic objectives have evolved significantly over the course of the programme; from a notional set of objectives in 2008, to a fully detailed and reviewed strategy in 2010 / 2011.

11. This included monies secured plus monies committed to EDP as of 30th September 2013.

Table 1 Overview of the EDP portfolio

Portfolio Overview									
			Commitment	Loans	Loan disbursed	Loan Repaid	Grant	2012 / 13 Sales (for trading)	Profitable
Latin America									
Honduras	Aproacle	Fruit & veg	176	93	93	43	83	124	Yes
Colombia	Various	Dairy	177	0			163	360	Yes
Haiti**	Let Agogo	Dairy	30	0			30	N/A	N/A
St Lucia**	Belle Vue	Fruit & veg	50	0			50	N/A	N/A
Middle East and Russia									
Armenia	Lchkazor	Fruit	194	50	50	0	87	N/A	N/A
Palestine	NFC	Veg oil	393	133	133	101	221	165	No
Russia*	Forus	Microcredit	169	122	122	119	47	N/A	N/A
Africa									
Rwanda	NB	Fruit & veg	78	24	24	19	38	N/A	N/A
Tanzania	Various	Other (sisal)	162	52	52	100		54	Yes
Ethiopia	Assosa	Processed food	453	245	245	17	179	141	No
Ethiopia		Honey	286	89	89	0	164	113	
Liberia**	AMENU	Cereals	150	0			150	N/A	N/A
Asia									
Bangladesh	Chili TE	Chili	163	50	0		20	N/A	N/A
Pakistan	Chenab	Dairy	207	26	0		106	9	No
Sri Lanka	ULBCS	Dairy	125	33	0		55	~0	No
Nepal	Pavitra	Veg seeds	167	75	75	0	61	86	Yes
Nepal	Dafacos	Veg seeds	174	75	30	0	45	31	No
Philippines	Libas	Moringa	70	0	0	0	62	~0	No
Indonesia**	WMY	Vanilla	114	0			114	N/A	N/A
TOTAL			3,336	1,066	912	300	1,774	1,082	
AVERAGE			176	56	48	16	93.4	57	
*Enterprise exited from EDP portfolio in 2011									
** Enterprise exited from EDP portfolio in 2012									

Figure 2. Summary scorecard detailing EDP's achievement to date. Note: transparent shading used for results based on evidence from two enterprises only.

IMPACT Scorecard – EDP			
Direct impact		Current	Target 2015
# enterprises in portfolio		14	19
cumulative investments to date		19	24
Developing viable enterprises			
Viability criteria			
# enterprises assessed as viable		0	12
% of portfolio assessed as viable		0%	50%
(Viability criteria)			
# enterprises assessed as profitable		4	12
# enterprises assessed as solvent		3	12
# enterprises with secure trading relationships		8	12
# enterprises with access to finance		2	12
# enterprises with +ve assessment of management		5	12
Improving the livelihoods of smallholder farmers & women			
Impact through job creation			
# FTE jobs		111	240
% FTE jobs women		41%	50%
Impact creating economic security			
# farmer members		38,609	40,000
% farmer members women		40%	N/A
# active suppliers		19,202	N/A
% active suppliers women		38%	N/A
Improving access to credit		see breakout	
Improving agricultural production & sales		see breakout	
Impact through increasing incomes & material wellbeing			
Wages paid (per employee)		1,762	N/A
Change in household income			
Impact through women's economic empowerment			
% women in leadership positions within enterprise		49%	50%
Women's access/control over strategic assets		Some evidence of intermediate-term performance from 2 control studies. Should be read as 'potential' and not reflective of EDP as a whole. See breakout overleaf.	
Women's involvement in household decision making			
Perception on women's economic roles			
Woman's independence from Husband's income			
Women's self-efficacy			
Systemic impact			
Proving EDP as a valid model			
Linking EDP's 'recipe' to 'evidence of impact'		see breakout	
Replication of EDP by others		0	
Increasing public & private investment into agriculture, SMEs			
Money leveraged		£1m - £16m	
Increasing Oxfam's funding, learning and capacity			
Total EDP fundraised		£4.7m	£6m
Countries participating in EDP		14	NA
Staff skills & capacity		see breakout	

Evidence of large impact / on target

Uncertain impact / if will meet target

No evidence of impact / not on target

(Sources: EDP management data, stakeholder interviews & Oxfam control studies.)

1.2 Trends analysis

1.2.1 Enterprise viability¹²

Oxfam aims “to invest in up to 24 enterprises by July 2014, of which 50% will be viable within 4 years.” We have interpreted this to mean that 50% of the enterprises that have been in the portfolio for four or more years will be viable. As of October 2013, no enterprises had reached the status of being viable, meaning that EDP is not currently on track to meet this objective.

Trend Analysis: Enterprise viability

Across the live portfolio, EDP is having a noticeable positive impact on enterprise viability. Currently, the average age of investments within the portfolio is 2.3 years and those investments that have been in the portfolio for 4 or more years have made significantly more progress across each of the five viability criteria than those enterprises that have been in the portfolio for less than 3 years, achieving an average of 2.8 out of the 5 viability criteria vis-à-vis 0.6 out of the 5 viability criteria respectively. It should be noted, however, that 3 poorly performing companies have been exited.

There are also some viability criteria areas where EDP appears to be doing better than others. Net profits are still negative across the portfolio but have increased by an average of c.25% annually over the last three 12-month reporting periods. EDP has also shown strong performance in increasing the strength of trading relationships and improving the management outlook of the enterprises, which likely reflects increased capacity across the portfolio.

Enterprises selected in the later years of the portfolio are more likely to achieve viability. For example, four of the investments made in years 2 and 3 are moving closer to viability, versus none of the six investments made in year 1.

Figure 3 Trends in EDP portfolio viability over time. Source: EDP management data

	2008	2009	2010	2011	2012	2013
Enterprises in portfolio	6	11	16	17	19	19
Average age of portfolio (years)	0.0	1.0	1.4	1.7	2.0	2.3
Profitability						
Revenues (GBP 000)	100	150	386	705	1001	740
Gross profit	0	0	77	148	235	134
Net profit	-50	-50	-91	-73	-48	-53
Solvency						
(% of investments made)	0%	18%	13%	18%	21%	16%
Secure trading relationships						
(% of investments made)	33%	9%	19%	24%	32%	42%
Access to finance						
(% of investments made)	0%	0%	0%	6%	5%	11%
Positive management outlook						
(% of investments made)	0%	0%	6%	6%	21%	26%
Viable						
	0	0	0	0	0	0

- Portfolio has seen strong sales growth. Comparing the latest 12 month period for 9 established enterprises, sales grew by 20%.
- Stable / high fixed costs
- Scale is cited as the key for others to break even (low marginal costs once enterprise is established).

- Solvency is currently assessed via EDP management interpretation of financial resources required to cover operations and investments for the next 12 months.

- Area of stronger performance. Strong pattern of growth over the past 4 years.
- Significant EDP activity to support the development of relationships.

- Securing sustainable access to finance still a challenge for EDP
- Significant uncertainty due to the seasonal and uncertain nature of agricultural payment schedules

- Area of relative strength / improvement
- However come at significant cost / input from Oxfam
- Attracting & retaining talent still noted as a key challenge

- Developing 'viable' enterprises has remained illusive
- Questionable value of the term. Doesn't reflect the ability of a business to deliver EDP's target social outcomes

12. Viable is a term that has been tightly defined by EDP's management team and agreed / ratified by the board.

1.2.2 Improving the livelihoods of smallholder farmers & women

The evaluation examined the efficacy of EDP across four livelihood areas which demonstrate short-term and intermediate – term impact:

- 1. Job creation.** As of October 2013, EDP had created 111 FTE jobs of which 75 were new¹³ within rural enterprise. Of these approximately 41% were filled by women. Based on this performance *EDP is not on track to create the target of 240 jobs by 2015, however it does have the potential to reach 50% female representation in the portfolio.*
- 2. Economic security.** Enterprise membership (adopted here as a proxy for creating economic security for suppliers) is growing and likely to exceed Oxfam's target of 40,000 members by 2015. Currently around 50% of portfolio enterprise members sell their produce back to the enterprise and it assumed that the other 50% accrue benefits through improved access to credit, knowledge and inputs. *It is therefore likely EDP is creating a level of economic security for smallholder farmers.*
- 3. Increasing incomes and material well-being.** Two control studies, conducted in Nepal and Honduras, showed that has had some impact in increasing incomes and material wellbeing. One control study suggested that participants in the EDP programme had increased income and material well-being. The other study provided no evidence of impact though it is noted evidence has been recorded only two years after the start of EDP's intervention. Results should thus be read as interim rather than final. *The two control studies suggest EDP has the potential to increase incomes and material well-being for smallholder farmers.*¹⁴
- 4. Increasing women's empowerment.** Two control studies, conducted in Nepal and Honduras, showed positive impact through increasing women's empowerment across a range of indicators selected and tracked by Oxfam. These included perceptions of involvement in household decision-making, perceived control over resources, perceived roles in the local community and self-perception. *The two control studies suggest that EDP has the potential to meet its objective of empowering women.*¹⁵

Trend Analysis: Improving the livelihoods of smallholder farmers & women

EDP has created livelihood impact through job creation, increasing farmer membership (generating economic security), paying wages and placing women in leadership positions across the portfolio. There has been a steady growth in each of these measures across the portfolio which appears to be commensurate with growth in the size of the portfolio. Proportionate female representation has also increased, as has the number of women in leadership positions within the portfolio. These measures suggest EDP is having an increasingly positive impact across some near-term livelihoods measures.

Two control studies, conducted at the Pavitra cooperative in Nepal and in the communities where APROACLE operates in Honduras, were used to evaluate EDP's livelihoods impacts in the medium and longer terms. These examined responses to a range of questions asked of a sample group of enterprise members, as well as a comparison group of non-members, which provided evidence of impact at the outcome level (intermediate-term and longer-term) in addition to that collected at the output level (near-term) across the portfolio as a whole. It must be noted that these enterprises are two of the stronger examples from the portfolio (as viewed against EDP's five viability criteria) and, as enterprises operate entirely independently of one another, cannot be viewed as being representative of overall portfolio performance. Instead, they should be viewed as case studies which demonstrate the potential livelihood impacts that EDP can bring about. It should also be noted that, in the case of Nepal, impacts have been examined only two years after the start of EDP's intervention, and should thus be read as interim rather than final.

Both control studies indicate that EDP, or in the case of Honduras, EDP together the wider Oxfam Livelihoods programme, are generating positive intermediate-term and longer-term (Honduras) outcomes across a range of measures:

First, in both control studies, **enterprise membership enabled improved access to credit and other forms of factor inputs** including fertilisers, agricultural advice and support and participatory learning courses. In the case of Pavitra (Nepal), members were also more likely to have utilised services than in comparator cooperatives. Although it is not possible to prove a causal link, both control studies, showed that **the intervention beneficiary group went on to increase agricultural production and sales and also generated more revenue from the sale of produce.**

The control study in Honduras found that there was **some evidence that enterprise members also had improved material wellbeing** when assessed through overall household income, dietary diversity, and an index of wealth indicators, though it is not possible to attribute these increases directly to EDP. **In Nepal, there was not yet evidence of improved material wellbeing**

13. It is assumed that new jobs created within enterprises are attributable to enterprise growth and in turn to the package of support provided by EDP.

14. It must be noted that the evaluation has only been able to draw upon evidence from two control studies conducted over a foreshortened time period to evidence the social impact that EDP has potentially had. Limitations in the data available to assess the impact that EDP has had on the livelihoods of smallholder farmers are summarised below.

15. *ibid*

when assessed through an evaluation of household consumption levels or the proportion of households falling below the various poverty lines¹⁶. There was also no evidence of impact when looking at a selection of improvement in wealth indicators such as quality of housing or ownership of assets.

Caveat: It is worth noting that the improvement in material well-being observed on average for the Nepal control study is quite likely¹⁷ to be an understatement of the true benefit from EDP for the bulk of farmers, because of the unavoidably unrepresentative nature of the baseline (and hence follow-up) sample, given the huge expansion of Pavitra membership (from 216 to 816) and farmer group membership (from 216 to 1340) in the two and a half years since EDP started. In addition, some heterogeneity in the results was observed to be consistent with this hypothesis.

Both control studies showed a positive impact in attitudes towards women and perceptions of women’s empowerment.

In Nepal, both men and women expressed significantly more positive opinions on women’s roles in the home and in livelihoods activities and significantly more women agreed more strongly with statements about their ability to influence affairs in their community, and in the cooperative than in the control group. In Honduras, cooperative / community bank members displayed, or perceived that they had, greater involvement in household decision making, greater control over resources and greater presence in community decision making.

In Honduras, **on the self-efficacy scale**, intended to assess a respondent’s self-confidence and ability to improvements deal with problems, was poor. In Nepal, **Pavitra members’ households showed a significant increase in women’s self-efficacy**. It should be noted that Oxfam have questioned the appropriateness of this particular measure and reliability of the data upon which it is based.

Although, as mentioned above, these cases cannot be read to be representative of EDP performance overall, they do suggest that the EDP recipe (the combination of programme inputs and activities employed), or in the case of Honduras, EDP together the wider livelihoods programme, have the potential to generate positive intermediate-term and longer-term outcomes. It should also be noted that creating a robust evidence base to demonstrate this link is rare in social investment models. Oxfam should therefore be commended on the evaluation work they have completed to date and, in line with Objective 3 of the programme – proving EDP as a valid model – consider expanding it geographically and through time, in particular by looking for evidence of impacts at a later stage of the enterprise development cycle¹⁸. (See Section 4 for future recommendations).

Figure 4 Results from the two control studies conducted in Nepal and Honduras

Criteria	Honduras		Nepal	
Access to credit	<ul style="list-style-type: none"> Members of the community supported bank appeared able to access larger loans than control group 		<ul style="list-style-type: none"> Cooperatives members had greater access to services including greater credit, agricultural inputs, and PLCs However little improvement in the adoption of training and improved agricultural methods 	
Household income and material wellbeing	<ul style="list-style-type: none"> Household income was 30 - 50% higher amongst supported households, with corresponding greater dietary diversity. 		<ul style="list-style-type: none"> Some evidence of significantly more revenue from the sale of crops* No evidence of an improvement in the value of consumption No evidence of differential changes in the improvement of wealth indicators 	
Women’s role in household decision making	<ul style="list-style-type: none"> Increased involvement in productive decisions Increase of involvement in decisions in use of income 		<ul style="list-style-type: none"> Positive involvement in household decision-making 	
Women’s control over resources	<ul style="list-style-type: none"> Increased ownership of strategic assets Increased access to credit No evidence of independence of income 		<ul style="list-style-type: none"> Some evidence that women have greater control over money and are empowered to make household decisions 	
Women’s role in public engagement	<ul style="list-style-type: none"> Increased influence in community decision making Increased participation in community groups 		<ul style="list-style-type: none"> Increased ability to influence affairs in their community, and in the cooperative. 	
Women’s self-perception	<ul style="list-style-type: none"> No impact on self efficacy No impact on attitude to women’s economic roles Some evidence of impact in attitude to women’s domestic roles No change in attitude to gender right 		<ul style="list-style-type: none"> Significantly more positive opinions on women’s roles in the home and in livelihoods activities. Significantly positive impact of EDP on the self-efficacy score 	

16. In Nepal, evidence from the control study showed that household consumption levels increased and that poverty rates reduced markedly. However there was not a significant difference between the changes observed in EDP beneficiary households and those of the control group.

17. Although this cannot be proved at the moment.

18. It should also be noted that Oxfam have now completed several other baseline studies globally. In future these could provide a broader evidence base from which to evaluate EDP impacts.

1.2.3 Proving the viability of EDP as a model to invest in rural SMEs

The evaluation has looked for evidence that the EDP model has been proved in two ways.

1. Understanding the recipe. We asked not only whether EDP has evidenced the causal link between the programme and its target social outcomes but also how well it understands its "recipe" (inputs, activities and outputs) for achieving them. To assess whether the causal link is occurring, we considered the results of the two control studies. While it was not possible to provide robust portfolio-wide evidence that EDP's target outcomes were occurring and could be attributed to EDP, the cases showed that EDP can lead to empowerment for women and has the potential (demonstrated in at least one case) to generate increased income and material well-being for smallholder farmers. To assess whether the "recipe" is understood, we looked for commonalities in the nature of EDP's intervention (the nature of its application across all parts of its 'value chain') for the top-performing quartile of enterprises in the portfolio ("Leaders") and the bottom quartile ("Laggards").

2. Replicating. We looked for replication of the EDP model by other parties, both within and outside of Oxfam GB. To date, there has been no replication of the entire EDP model, either from within Oxfam, or externally. However, we do note that there has been significant interest in starting an EDP (or EDP-like programme) by a number of Oxfam affiliates. These include Oxfam Spain, USA and Italy. Oxfam GB has also been providing Oxfam Netherlands with advice as they prepare to raise their own EDP fund.

EDP has not yet developed a suite of inputs, activities and outputs that have the consistency of a 'model', nor proved that there is a causal link between these and EDP's target outcomes. In addition, and likely as a result, although there is some interest in replicating the EDP model, mostly from Oxfam affiliates, the EDP model has not yet been fully replicated. We therefore conclude that EDP has not been 'proven' as a model.

Trend Analysis: Proving the viability of EDP as a model to invest in rural SMEs

The review of portfolio 'leaders' (Nepal – Pavitra, Honduras – Aproacle, Tanzania – Katani) and portfolio 'laggards' (Sri Lanka – Union of Livestock Breeders, Palestine – New Farm Company, Rwanda), was intended to reveal if any commonalities or patterns emerged in the combination of inputs and activities employed (the recipe) at the investment level and if these were reflected by enterprise performance.

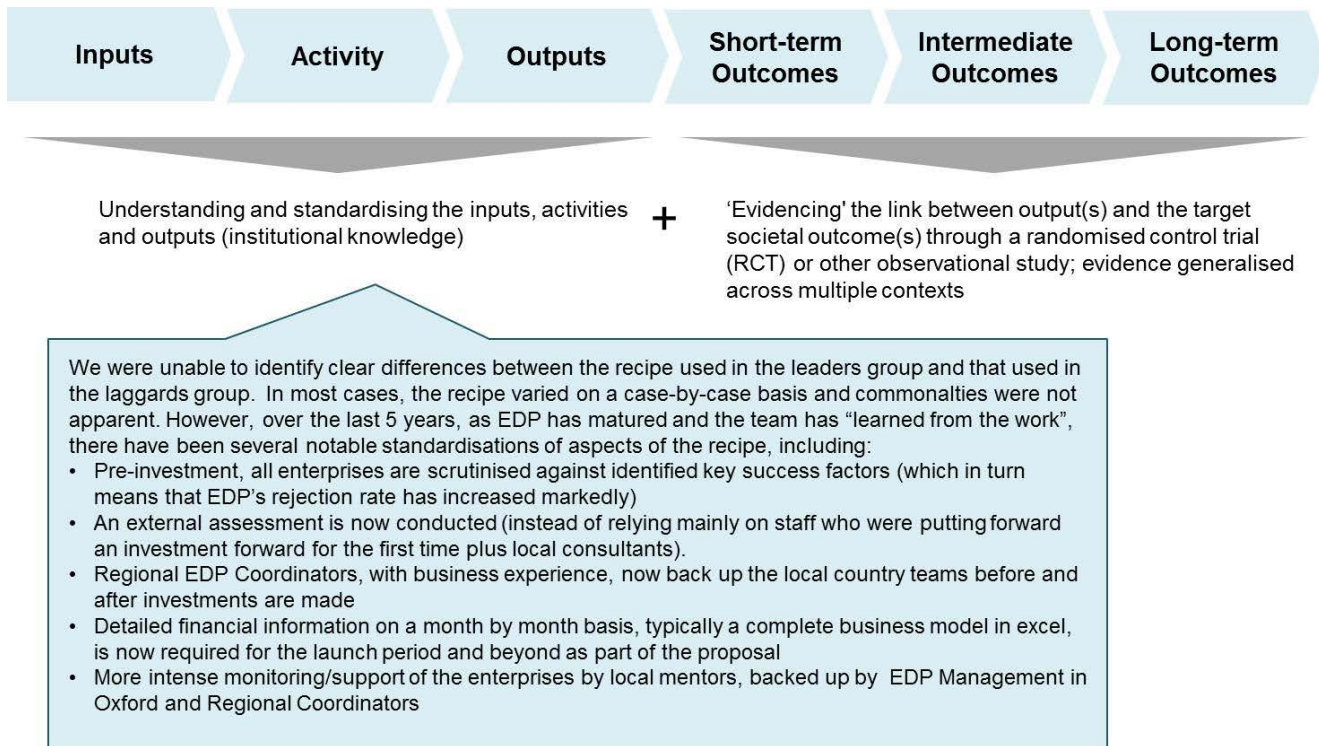
We were unable to identify clear differences between the recipe used in the leaders group and that used in the laggards group. In most cases, the recipe varied on a case-by-case basis and commonalities were not apparent. One theme that did emerge was that the portfolio leaders all originated from some sort of incubation stage involving significant and prolonged capacity support. In the case of Pavitra, the enterprise had been established for some eight years and had received substantial support from CECI. In Honduras, Oxfam had been actively engaging beneficiaries for over a decade via ODECO. In Tanzania, the sisal processing enterprise emerged from a substantial programme of work with the full business support of Accenture's Development Partnership. In the case of the laggards, the enterprise typically emerged without a significant business model design phase, without substantial involvement of business experts, or with the backing of several NGOs, rather than one key partner.

Over the past two years, EDP's management has taken several steps to standardise the recipe used to generate programme outputs and outcomes. These include developing investment identification, incubation, selection and engagement protocols and criteria, as well as standardising performance tracking across the portfolio - a feat which is challenging given the diversity of enterprises within the portfolio; both in terms of the stage and geography. See Fig. 5 below for examples.

Another notable achievement of EDP has been negotiating heads of terms with local financial intermediaries to secure lending to enterprises. In most circumstances, enterprises have previously fallen outside of the risk profile and criteria demanded by lenders. By drawing upon the experience of the EDP management team and example from within the portfolio, EDP has been able to propose innovative risk sharing arrangements that allow enterprises to qualify for credit.

While significant progress has been made in standardising these inputs, activities and outputs, there are still questions regarding the extent to which there is a causal link between these and EDP's target outcomes. The existing control studies have been conducted too early in the life, and are not sufficiently representative of the portfolio to enable us to understand if EDP 'recipe' is leading to the desired outcomes.

Figure 5 Evidence of EDP making steps toward proving a model



1.2.4 Improving Oxfam’s efforts to increase public & private investment into [early stage rural] SMEs

The review has not been able to evaluate trends in additional funds flowing to early-stage rural throughout the lifetime of EDP. Instead, the evaluation examined cumulative additional investment into early stage rural SMEs attributable to EDP in two areas:

- 1. Direct financial capital leveraged.** EDP has played a key role in securing a total of £697,000 additional investment for the 14 enterprises that are currently in the EDP portfolio and £1.12 m for all investments, including those investments that have previously been within the EDP portfolio. This compares to direct Oxfam investment (loans and grants made) of £2.17m and £2.69m in the enterprises respectively. This is a leverage ratio of approximately 0.3 – 0.4.
- 2. Financial capital leveraged for Oxfam-related work.** EDP has also played a key role in leveraging financial resources for broader Oxfam livelihoods work and programmes. EDP management estimate that an additional £16.9m has been invested in farmers, the specific value chain or the local geography of EDP enterprises, as a result of those enterprises being viewed as a model that can feasibly be scaled or replicated.

EDP has also had some success in influencing national policy to increase investment into smallholder production. For example,

in Colombia, the experience of Oxfam and Fundacion Alpina led them to co-publish a report that documented the conditions required for smallholders to access loans successfully. The report was one influencing factor that led the Colombian government to review policy for lending to rural cooperatives. In parallel, Fundacion Alpina went on to replicate the model that they developed with EDP nationally at an estimate worth of US\$15m.

EDP has had modest impact in leveraging external financial resources for investment directly into its beneficiary groups. However, relative to its cost base, EDP has played a significant role in leveraging further investment into the farmer groups and value chains associated with its enterprises, as well as for the broader EDP Livelihoods work.

Box 2 – A Note on EDP’s Economic Multiplier

In addition to EDP’s leverage of public and private investment in rural agricultural enterprises, we also assessed the economic “multiplier effect” of EDP in the following way:

- **Direct spend:** the total spend by EDP’ portfolio companies on suppliers in their local vicinity, plus additional spend by those suppliers on other suppliers, PLUS
- **Induced spend:** the total spend by EDP’ portfolio companies on wages to their employees, plus additional spend by those employees in the area

To ensure that EDP’s “multiplier effect” is additional, we remove the effect of “what we think would have happened anyway” (deadweight) when calculating social impact. This is captured by setting baseline data when EDP make a new investment, e.g. company would have gone bust (zero deadweight) versus company would have stood still/ any growth is attributable to EDP (limited deadweight) versus company would have grown anyway though perhaps less quickly (high deadweight). As Oxfam is often involved in establishing enterprises and EDP provides most enterprises with their sole source of working capital, we have assumed that EDP carries zero deadweight.

We (conservatively) estimate that EDP has had a cumulative 1.95 x economic multiplier – £1.95 of additional spending in underserved areas for each £1 Oxfam invested, where:

- **Spending** is defined as total Direct spend (spend on suppliers across the portfolio) + total Induced spend (spend on employee wages across the portfolio)
- **Invested** is defined as “£ disbursed by EDP to-date”

We have not included spending on enterprise products (e.g. enterprise revenues) as, for most EDP companies, produce is marketed outside of the local vicinity.

1.2.5 Increasing Oxfam’s funding, learning and capacity to support enterprise development

The evaluation has looked for evidence of EDP increasing Oxfam’s funding, learning and capacity to support enterprise development in the following ways:

1. **New funds secured.** As of October 2013 has secured a total of £4.7m in from external donors to EDP.
2. **Increases in Oxfam staff skills.** Results from a specially commissioned staff skills survey¹⁹ examining improvement in skills across four thematic areas: 1) Business planning and finance; 2) Operational related matters; 3) Marketing & negotiation and 4) Social impact stakeholder engagement. In all four skills areas, there was evidence that EDP was having a significant and positive impact.
3. **Organisational learning.** There is also significant evidence that Oxfam and EDP are seeking to improve their capacity by reviewing the performance of various components of the EDP programme as well as the EDP programme as a whole

EDP has generated new revenue for Oxfam GB, as well as ‘up-skilled’ Oxfam staff across a range of business-related areas globally.

19. 19 responses were received to the staff survey, of which 16 provided information on skills and experience gained through EDP. As the number of responses is fairly small, compared to the total number of staff involved in EDP across all of the countries in which it operates, results should thus be read as ‘vox-pop’ and not necessarily statistically representative.

Trend Analysis: Increasing Oxfam’s funding, learning and capacity support

EDP has created a new revenue stream for Oxfam GB and its livelihoods programme of work. As of October 2013, EDP had raised a total of £4.7m from private donors and foundations and secured significant ‘in-kind’ support by creating an investment committee and programme board comprising career experts in the fields of investment management and enterprise development. The current fundraise is below Oxfam’s target of £6m though is a laudable achievement in the financial climate of the past five years.

Oxfam staff perceived that their skills levels had changed in the following ways:

Business planning: Prior to EDP, an average of nearly 4 out of 16 respondents to the staff survey (25%) stated they had no experience when asked a range of questions about business planning and financial analysis skills. A further 7 (41%) had only basic experience. The remaining 36% of respondents stated having either good or solid experience.

Today, the number of respondents claiming no experience dropped to 1 (and only for 1 question) and the number of respondents stating they only had basic experience in business planning and financial analysis related areas halved. The number of respondents who state they now have either good or solid experience have more than doubled and now represents over 75% of the sample group. EDP has had a large and significant impact on perceived business planning and finance skills.

Business operations: Prior to EDP, an average of 3.5 out of 16 respondents to the survey (25%) stated they had no experience when asked a range of questions about enterprise operations. A further 7 (41%) had only basic experience. The remaining 35% of respondents stated having either good or solid experience.

Today, the number of respondents claiming no experience dropped to 1 and the number of respondents stating they only had basic experience in enterprise operations has halved. The number of respondents who state they now have either good or solid experience have more than doubled and 69% of the sample group. EDP has had a large and significant impact on perceived business operations skills.

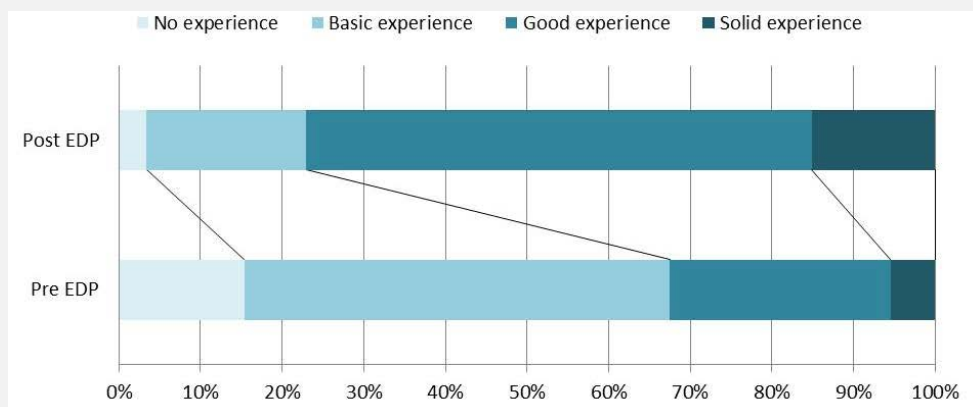
Marketing & negotiation: Respondents were asked how they rated their skills in negotiations with buyers and banks. Over the course of EDP the number of respondents stating that they had good experience grew from 3 to 10 and the number with solid experience grew as well. EDP has had a large and significant impact on perceived marketing and business negotiation skills.

Livelihood issues: Respondents were asked how they rated their experience across a number of other question areas related to EDP’s theory of change. These included gender empowerment, climate-related risk and advocacy with national policymakers.

Prior to EDP, over 70% of respondents said that they had no or only basic experience in stakeholder engagement across these additional livelihood areas. 26% said they have good experience and 4% had solid experience.

Today, the number of respondents claiming no experience dropped to 0 and the number of respondents stating they only had basic experience dropped to 15%. The number of respondents who state they now have either good or solid experience grew to 85% of the sample.

Figure 6. Average perception of skills across all areas, pre-EDP and current. Source: staff survey



1.3 Data Limitations

Box 3 – A Note on Data Limitations during Evaluation

The evaluation has tried to make the best use of available data to determine the impacts and cost-effectiveness of EDP. Data availability and quality has varied significantly across the objective areas of the programme which has meant that we have been able to examine some aspects of programme performance with greater accuracy and certainty than others.

In general the evaluation has been limited by three main factors:

- 1. Data collected only partially reflects the programme's strategic objectives** and is not collected in a systematic and consistent way across all objective areas. For example, data on business performance and progress towards enterprise viability is collected periodically (every six months) and according to a standard set of criteria specified by EDP management. This is also the case for some of the KPIs collected on improving the livelihoods of smallholder farmers. Where EDP has been able to collect data on outputs or near term outcomes, they do so. In contrast, Oxfam do not collect data systematically across their other objective areas and instead utilise proxies and ad-hoc surveys to assess performance. This makes tracking progress across other objective areas particularly challenging.
- 2. There is a significant degree of subjectivity throughout the evidence base available for review.** EDP management have gone to great lengths to provide the most transparent and objective information possible concerning programme performance. However, due to a lack of readily available primary data or obvious proxies, in some areas performance information is the product of a significant amount of work and interpretation on the part of the EDP management team, rather than a true reportage of primary information. This is particularly the case when reporting enterprise viability, which is a blended measure containing several subjective elements and management judgements. We note that EDP management have historically presented an optimistic outlook about future viability of enterprises within the portfolio. >3 enterprises have been assessed as being within 12 months of viability since October 2011 (or before). Subjectivity is also likely to influence the results of the staff survey.
- 3. There is insufficient data to reliably generalize results across different countries for intermediate-term and long-term impacts.** The intermediate and long-term aspects of objective 2 (improving the lives of smallholder farmers) were only able to be examined using evidence from 2 control studies conducted in Nepal and Honduras. The studies are not comparable in their approach and one also considers the impacts delivered by a broader Oxfam livelihoods programme. Findings from these control studies are also limited by the time horizon that they are conducted over. Results should be read as intermediate and not final. In some impact areas, there is a strong possibility that evidence of impact will 'lag' intervention by a significant period. It is therefore dangerous to extrapolate the findings of these studies and to interpret the results as being representative of overall portfolio performance.

2 - Interpretation of performance

2.1 Performance against objectives

The “glass half empty” view

The snapshot view of EDP’s progress against its objectives suggests that EDP has performed poorly:

- Performance is not on-track against at least 3 out of EDP’s 5 objectives;
- The cost to deliver the programme ranges from 42% to 97% of the funds provided to the enterprise. In other words, if EDP was to be replicated as-is, up to 97p in management and overhead would be spent on providing £1 of loan or grant.

Furthermore, our analysis suggests that the sample group is, on average, too immature and the global spread is too wide to draw any solid conclusions about why performance is poor (i.e. what is working and what is not).

The “glass half full” view

Despite progress being far from meeting EDP’s objectives, a close look at the trend analysis shows that, in some cases, positive trends are starting to emerge.

Taking a “glass half full” approach, the evaluation therefore challenges whether or not the objectives themselves are appropriate.

2.2 Re-visiting EDP’s objectives

We assume that the EDP objectives will be appropriate if they:

1. Map to a coherent logic model²⁰, underpinned by a clear theory of change; and
2. Have a timeframe that is consistent with the timeframe suggested by the logic model

2.2.1 Is there a clear Theory of Change?

Based on interviews with 20 Oxfam stakeholders, we were able to map Oxfam’s Theory of Change, as shown below.

All stakeholders’ views could be mapped back to a core Theory of Change, which argues that, at a direct level, early-stage rural agricultural enterprises can create sustainable livelihoods and economic empowerment for smallholder farmers, particularly for women. All stakeholders also agreed that, at the systemic level, the demonstrated success of EDP could catalyze other funders to support early-stage rural

agricultural enterprise, bringing benefit to more smallholder farmers than Oxfam could alone (here termed **System leverage**).

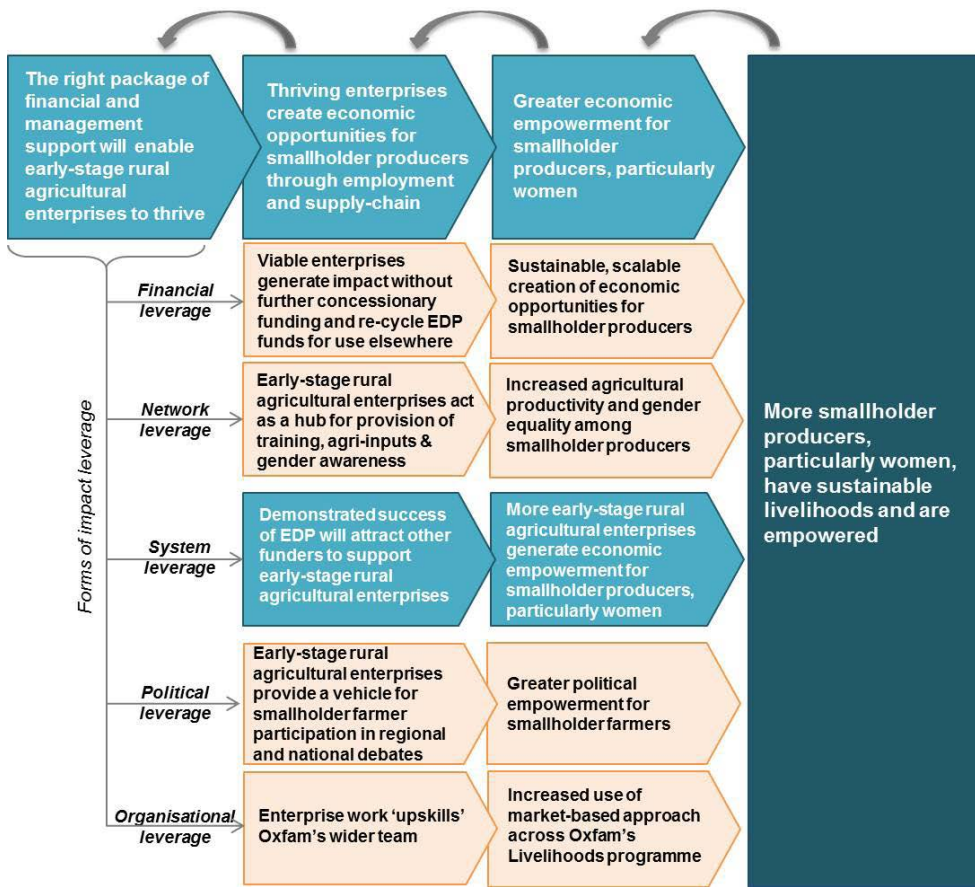
However, while this core theory of change was clear, we observed that different stakeholders emphasised different types of ‘leverage’ that they expected an enterprise approach to deliver. In addition to **system leverage**, four main types of leverage were described, all of which translate into greater social impact:

- **Financial leverage:** Enterprises can ‘stretch’ the philanthropic £ by continuing to generate social value on a sustainable basis into the future, as well as recycling (a proportion of) funds which can generate further impact elsewhere.
- **Political leverage:** Enterprises can act as vehicles for smallholder farmers to influence regional and national agricultural policy
- **Network leverage:** Enterprises can act as a ‘hub’ for provision of training, agri-inputs and gender awareness to smallholder farmers, particularly women
- **Organisational leverage:** Enterprise work can ‘up-skill’ Oxfam’s wider team so that market-based thinking can enhance the impact of Oxfam’s Livelihood Programme more widely

Figure 7 overleaf summarises EDP’s theory of change, highlighting in orange the forms of leverage which different stakeholders emphasised to different degrees.

20. EDP’s specific steps to deliver the Theory of Change.

Figure 7 EDP's Theory of Change



2.2.2 Is there a coherent Logic Model?

Figure 8 below shows EDP's Logic Model (EDP's specific approach to deliver the Theory of Change), while Figure 9 shows how EDP's objectives are derived from the logic model. Several challenges to EDP's objectives emerge from this exercise:

Figure 8 EDP's Logic Model

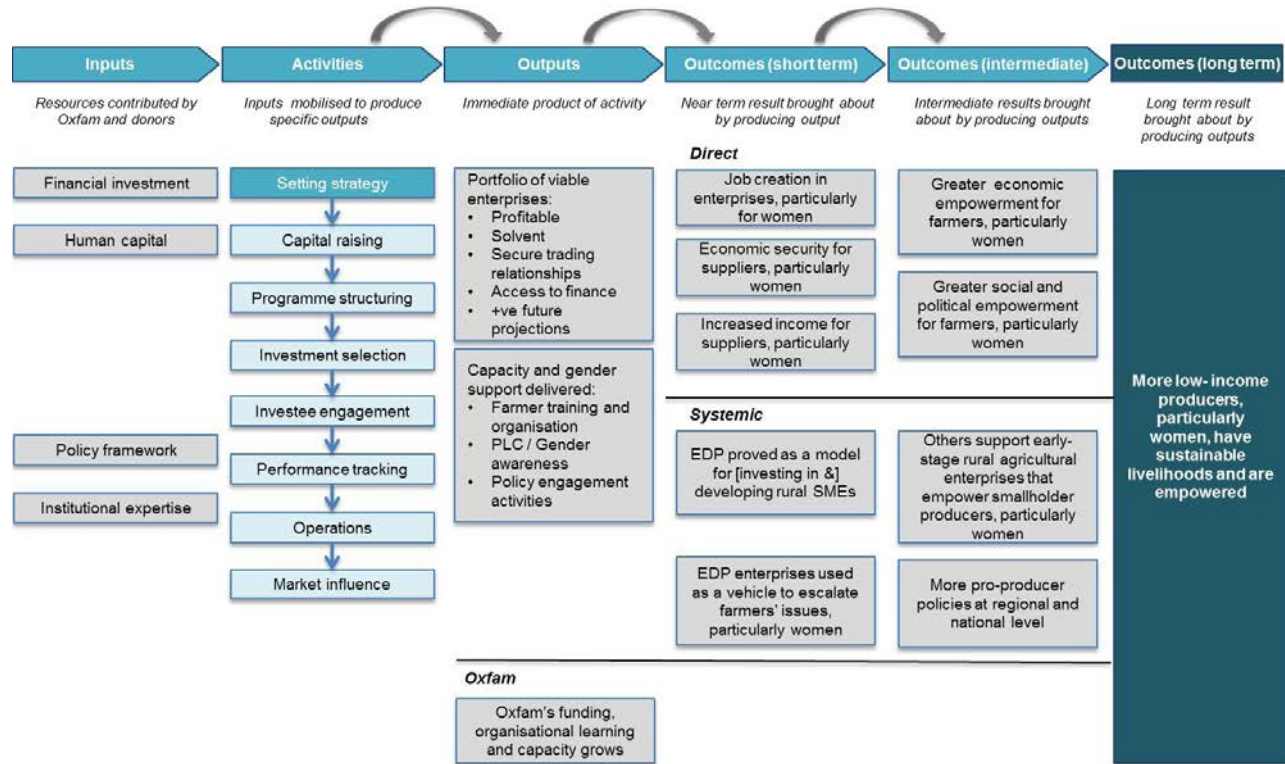
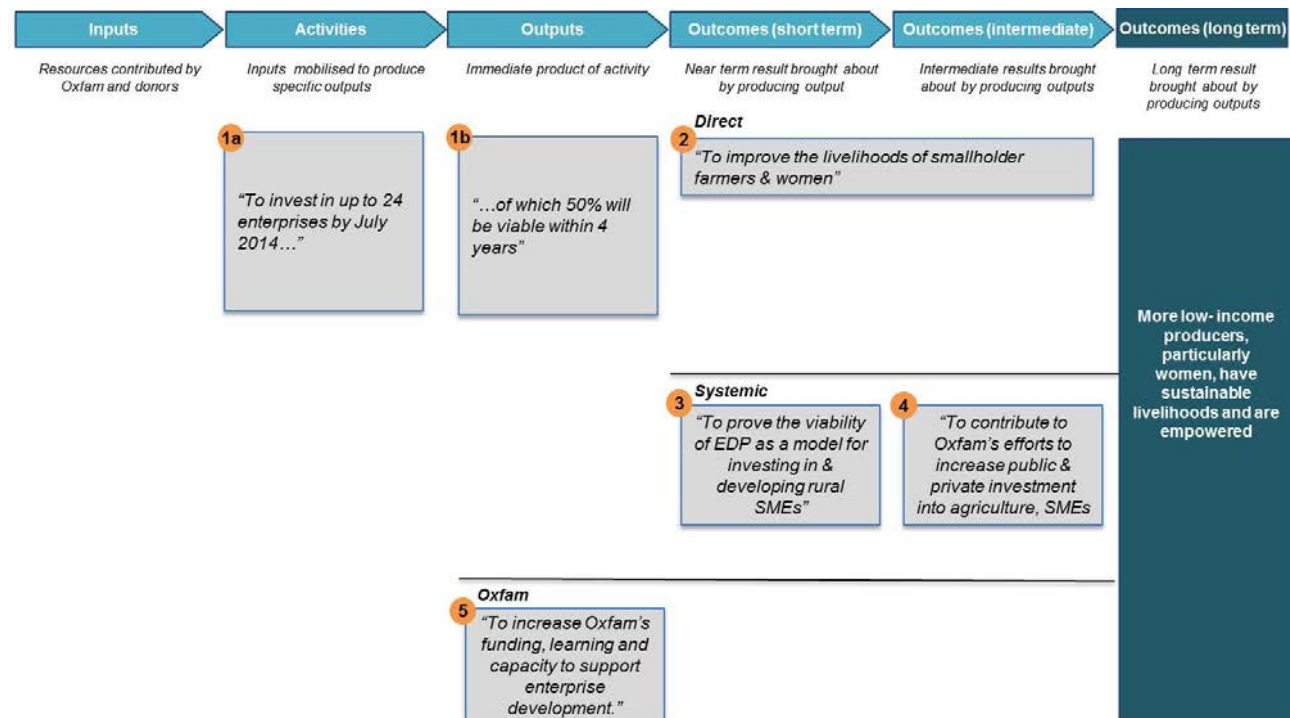


Figure 9 EDP's original objectives



Several challenges to EDP's objectives emerge from this exercise:

1 Developing viable enterprises

Despite the logic model being a 'causal flow' from left to right, EDP's performance data suggests that the programme has made significantly more progress against objective (2) than objective (1). An implication of this is that an enterprise need not necessarily be 'viable' in order to create greater economic empowerment for smallholder farmers, particularly women. In other words, positive social change can be delivered by a subsidised enterprise, through employment, supply-chain spend and "network leverage" (as defined above). This is not to say that the financial leverage would not amplify the positive social change significantly. But it is to say that, whether or not you consider EDP's performance to-date to be 'poor' depends on two factors:

Whether you are a stakeholder who places a much greater emphasis on the financial leverage associated with an enterprise approach (enterprise viability) than other forms of leverage, such as network leverage or political leverage; and

Whether or not the 'subsidised enterprise' approach is more cost-effective than a non-enterprise approach to delivering the same social outcomes (if it is, one could expect Oxfam to endorse EDP, regardless of whether or not the portfolio reaches viability)

This raises an important question: **through what lens should EDP be viewed?** Should it be considered a cost-effective 'Livelihoods,' strategy, in which case, while viability is still the goal, a subsidised enterprise is still valued? Or, should EDP be seen as a social investment strategy, sitting within, but independent of, the Livelihoods programme, where financial leverage is the priority?

2 Improving the livelihoods of smallholder farmers and women

If EDP is being viewed as a cost-effective 'Livelihoods strategy' **is it actually a more cost-effective way of delivering its target social outcomes than other approaches?** For example, how does EDP's approach compare to livelihoods approaches that don't involve enterprise development at all, or equally to those that do support enterprises but do so using a wholly grants-based approach? Equally, how does it compare to more commercial approaches to enterprise development work, where a greater proportion of the support package demands a financial return and the grant component is minimized?

It is not clear whether the EDP model should be considered "proven" only when it has a portfolio of viable enterprises, which are attractive to social investors, or whether success

3&4 Proving EDP as a model to invest in early-stage rural enterprises and; contribute to Oxfam's efforts to increase public & private investment

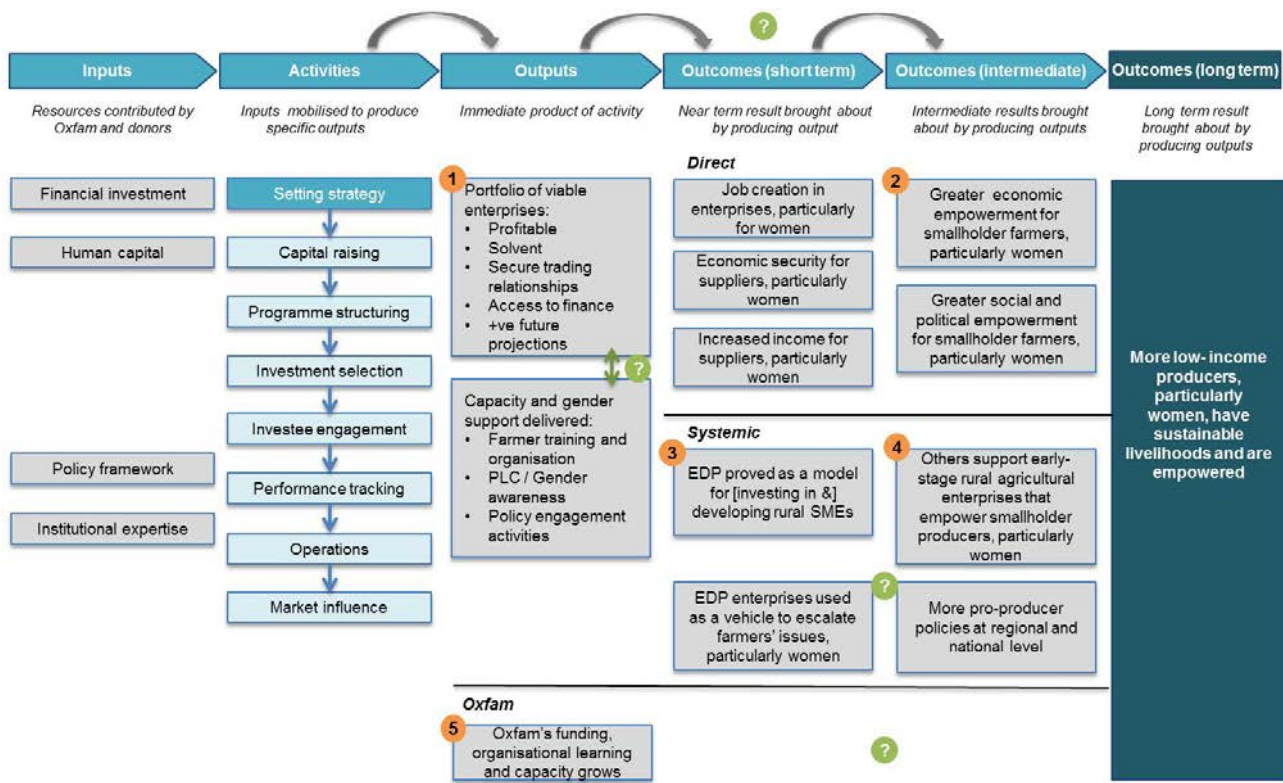
could also be defined as EDP influencing other international and local NGOs to fund cost-effective enterprise-based approaches to their livelihoods work. This raises the question: **which key stakeholders is EDP trying to 'prove a model' to?**

5 Increasing Oxfam's funding, learning and capacity to support enterprise development

EDP showed strong performance against objective #5, particularly in terms of the 'up-skilling' of its staff. However, it is not explicit how that improvement in Oxfam's capacity translates into EDP's target long-term outcomes. **To what extent is Oxfam's funding, organizational learning and capacity seen as critical to EDP's success versus a bi-product of EDP's success?** If critical, how can Oxfam be more explicit about how organizational capacity ultimately translates into greater social impact?

In summary, re-mapping EDP's theory of change, logic model and key objectives has shown that there is not yet clear consensus about exactly what EDP is trying to achieve, what the most cost-effective way to achieve it is and who Oxfam is trying to prove EDP as a model to. Consequently, whilst EDP looks to be performing poorly against its original objectives, these should be revised and made realistic in the context of the strategy that Oxfam is trying to roll out.

Figure 10 Remapping EDP's theory of change, logic model and original objectives, generates a number of questions about EDP's future strategy.



2.2.3 Is the timeframe for meeting EDP's objectives consistent with the timeframe suggested by the Logic Model?

The only time-bound objective set by EDP was to have 50% of the portfolio considered "viable" by June 2014. However, since the evaluation was commissioned in 2013, we assume that there is an expectation that reasonable progress will have been made to-date, i.e. within a 5 year timeframe.

In order to establish whether this timeframe was appropriate, we considered the average investment period of an EDP 'peer' group. These included other investment

funds who were seeking to bring about agricultural-led rural development by servicing the bottom of the pyramid (BoP) market. Using an adapted version of Monitor Groups 'from Blueprint to Scale' analytical framework²¹, along with the Rural World categories as defined in Oxfam's "Tipping the Balance" report²², we categorised each member of the peer group according to their stage in the life-cycle of enterprise development in pioneer markets (defined as un-tested markets and new sectors).

Box 4: A Note on Rural World Categories

Rural World 1: These are the 2–10 per cent of producers with access to capital, organization, information, and infrastructure, who can more easily 'step up' to formal and co-ordinated markets – i.e. the richest of the poor.

Rural World 2: These are the majority of smallholders, who are 'hanging in' – and who are generally more reluctant than those in RW1 to invest in the agricultural part of their livelihoods. They are also less likely to be formally organized in the market, are likely to trade with the informal sector, and may derive part of their incomes from waged work. State institutions and modern agri-food business are usually inaccessible for smallholders in RW2.

Rural World 3: Many small-scale farm households are approaching landlessness; surveys in sub-Saharan Africa have shown at least 25 per cent to be in this position, controlling less than 0.11 hectare per capita. Tenant farmers and wage labourers are often the most marginalized rural citizens. There are around 450 million agricultural workers globally, 200 million of whom cannot cover their basic needs. Small-scale farms in RW3 are more likely to be female-headed households, and more likely to depend on off-farm labour opportunities. Policies and business initiatives that support smallholder production may not cater for the needs of these groups.

Our analysis showed that members of the peer group who were investing in businesses at a similar stage of development to EDP had a longer investment horizon than five years, reflecting the duration of the 'steps' required to take a new concept to a point where it could continue as a going concern and achieve some level of 'scale'. The first of these steps is to develop a '**Blueprint**' design for the future of the business. This involves developing an understanding of customer needs, a genuine value-add proposition and a business and operational plan to serve that need. In pioneer markets this can take at least 2 years and in many cases longer, reflecting the need to assimilate a wide range of 'skills', including strategy development and business planning, that can be hard to find in remote rural locations (i.e. Rural Worlds 2 and 3) but are necessary to prove the business concept.

For EDP, the Blueprint step of enterprise development is typically initiated by Oxfam programme staff (as part of the wider Livelihoods Programme), prior to it being considered as a candidate for EDP. The duration of the Blueprint step varies on a case-by-case basis.

The second step, '**Validating**' the blueprint, involves testing the business model and the key assumptions upon which it is built. These include testing the commercial aspects of the business model, as well as capacity-building, such as teaching suppliers new skills and supporting the development of local distribution networks – notably both core activities in Oxfam's Livelihoods programme. This step also examines the efficacy of the enterprise at delivering its target impacts; in the case of EDP improving the livelihoods of smallholder farmers and in particular women. Compared to the Blueprint stage, this step requires increased financial resources and time; particularly as many of the intended benefits are intermediate in their nature and can take several years to become apparent and thus refine.

Building '**Resilience**' into the business model is the process of enhancing the conditions required to take the tested business model to the point of being considered a going concern and achieving a target level of 'scale'. For pioneer rural businesses, this step can involve preparing the conditions in the market to accept the new product or value chain approach. On the demand side, this might include measures to promote and build awareness of the new product and its benefits and also to

21. The Blueprint to Scale Framework is available at www.mim.monitor.com/blueprinttoscale.html and details the stages of firms pioneering a new business model. We have adapted this to include market development, reflecting EDP's role in not only developing new enterprises but also entering un-tested markets and new sectors.

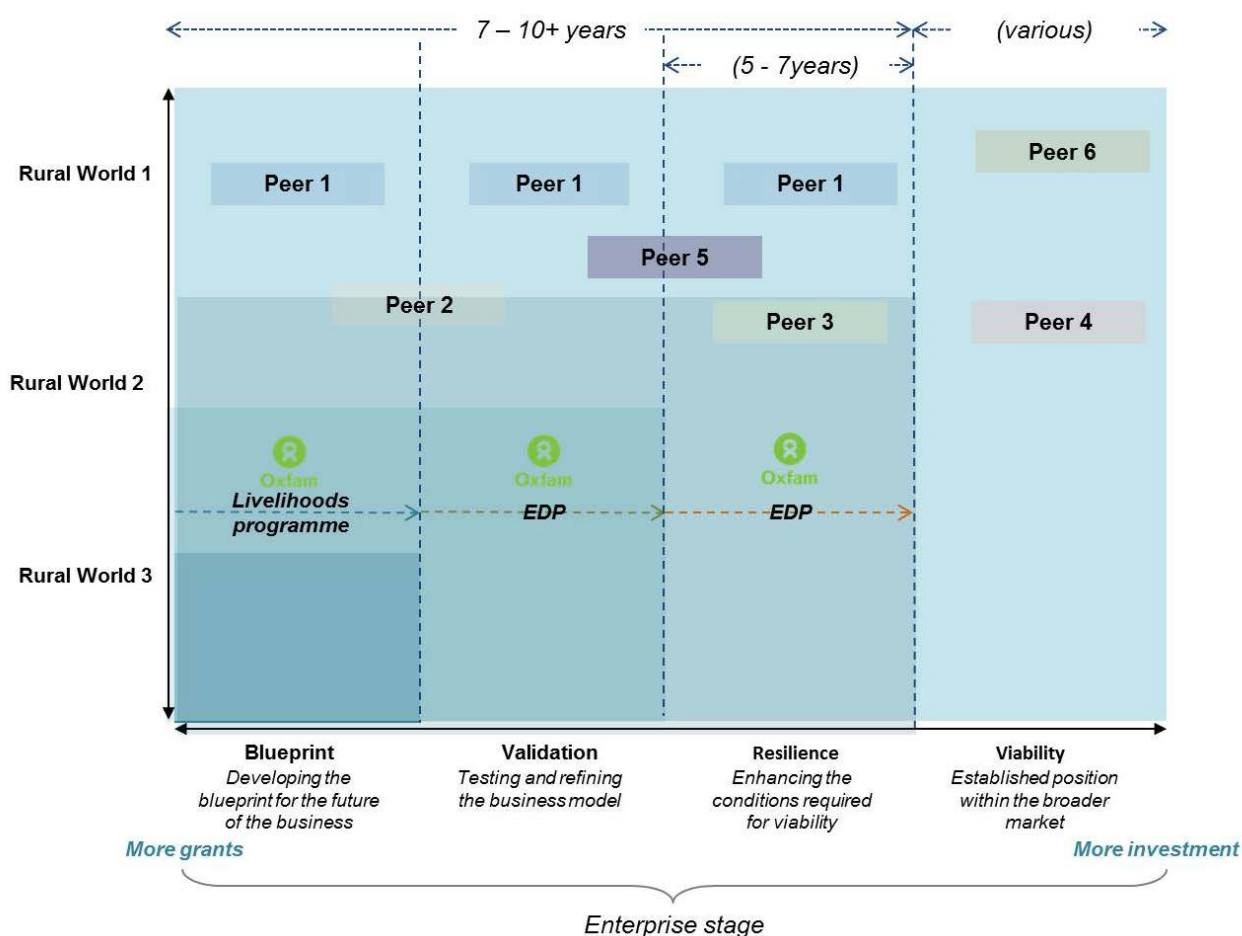
22. <http://www.oxfam.org/sites/www.oxfam.org/files/r-tipping-balance-agricultural-investments-markets-061212-summ-en.pdf>.

secure purchase agreements. For example, in the case of Pavitra, the Nepalese seed cooperative, negotiating terms with seed processors and distributors nationally. On the supply side, it can involve further building the capabilities of suppliers to allow them to fully engage with the maturing business model. Building resilience also involves developing a deeper skill level within the organisation, or importing these from outside.

For enterprises operating in pioneer markets, this process of building resilience, a necessary pre-requisite for viability, can again, take several years.

Our market analysis suggests that the average time for an investment to proceed through the Blueprint, Validation and Resilience stages can be 7-10+ years – and this is for enterprises operating in Rural World 1. Therefore testing the 'viability' of enterprises in EDP's portfolio after five years is premature.

Figure 11 The average time enterprises/new models take to progress to viability



3 - Is EDP's approach cost-effective?

This section of the evaluation looks at how much it has cost to deliver EDP's impacts to-date and questions whether, given the outcomes achieved, EDP could be considered 'value-for-money'.

3.1 Total spending

Table 1 provides a summary of cumulative incomes to and expenditures of EDP to date, as well as forecast to FY 2015/16.

Table 2. Cumulative incomes to and expenditures of EDP to date.

Income / Inflows (excluding loan repayment)	Achieved (cumulative) 30/09/2013
Funds raised / committed from supporters	4,231,232*
Funds provided by Oxfam	80,084
Total fundraised income	4,311,316
Oxfam headquarter subsidy	640,914
Oxfam local subsidy	606,977
Total Oxfam subsidy	1,247,892
Total inflow (direct & subsidy) to EDP	5,559,208
Outflows / expenditure	
Loan disbursements	-912,455
Business grants	-920,202
Social project grants	-407,267
Total disbursed	-2,239,925
Global management costs	-487,013
Project grant management costs	-446,104
Total direct management costs	-933,117
Subsidised headquarter costs**	-640,914
Subsidised local costs**	-606,977
Total costs (direct & subsidised)	-2,181,008
Loan repayment	274,884
Cumulative cash flow	-4,695,817

* £4.23m is the amount of external money secured by EDP as of September 30th 2013. A further £0.57m has been committed to the programme;

**Subsidised costs include the 'in-kind' contribution that Oxfam GB makes to EDP through staff time and back office function.

23. The amount and effective cost of in-kind support provided by Oxfam has been estimated by Hugo Sintes (EDP manager): EDP management costs covered by Oxfam in years 1 and 2 of the programme; fundraising team costs; adviser and investment committee time committed, senior management time committed; measurement, finance and other back office costs, all subsidised within headquarters and regional offices. It also includes local staff from Oxfam offices globally who provide their time to EDP throughout the investment cycle.

Income to the programme includes funds raised or committed by supporters, as well as those committed to the programme by EDP (£4.31m to date). We have also included an estimate of the effective subsidy that EDP has received through in-kind staff support provided by Oxfam GB²³ both from the UK and via their network of regional and local offices (£1.25m). In combination these total £5.6m. **It is estimated that Oxfam contributes approximately 30p for every £1 committed to the programme by external supporters.**

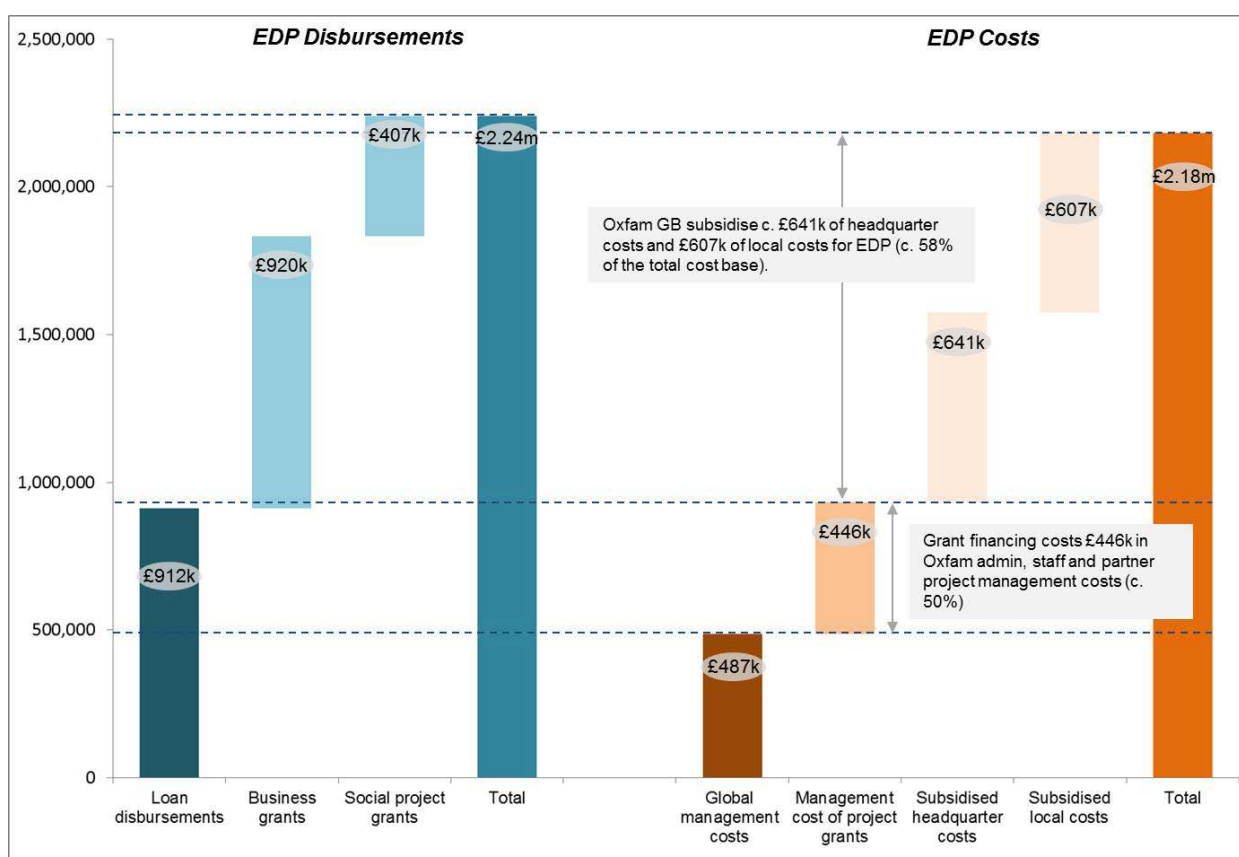
Expenditure has been estimated in a similar way to inflows. Firstly, we have totalled the amount that EDP has disbursed as loans (£0.912m), business grants (£0.920m) and project grants (capacity support) (£0.407m), totalling £2.24m to date.

Disbursing these funds has cost £0.487m in global management costs and a further £1.25m in 'in-kind' support

provided by EDP and its supporters (see above). Further, it is estimated that it costs £0.45m to administer the project grant component of EDP with monies being used to fund Oxfam admin costs, Oxfam staff costs (including travel), partner project management and project management.

In summary, if one were to 'replicate' EDP, without Oxfam's support, the most relevant view would be that, for every £1 disbursed by EDP, it costs approximately 97p to deliver it. An alternative view, looking only at direct management costs (without taking into account in-kind support provided by Oxfam), reduces the ratio. For every £1 disbursed it costs approximately 42p in direct management costs and project management costs.

Figure 12 Breakdown of EDP's cumulative disbursements and cost base to date. These include costs effectively incurred by EDP but subsidised by Oxfam GB. Source: EDP Management



3.2 Is EDP's approach cost-effective?

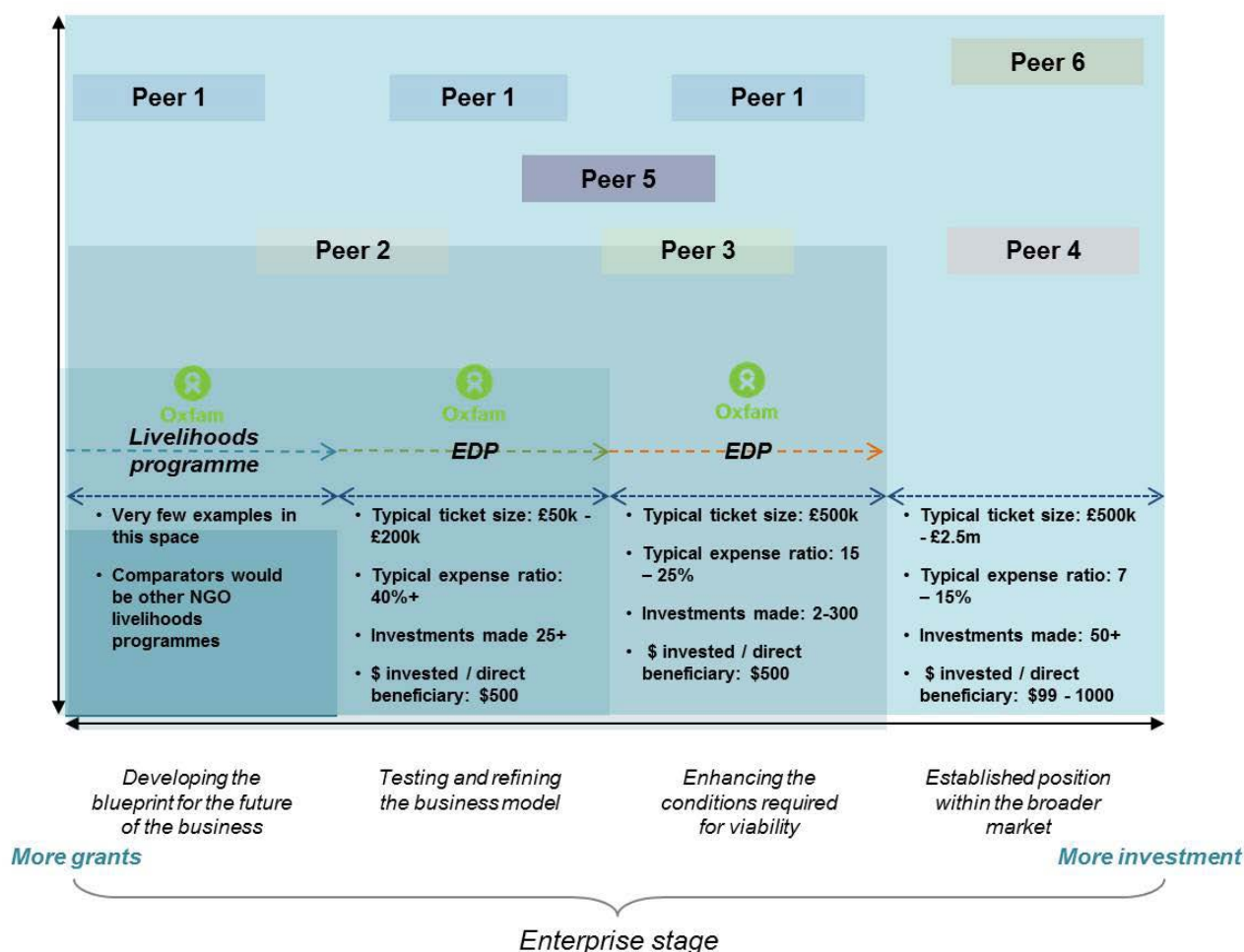
As well as time, pioneer firms still in the Blueprint, Validate and Resilience stages of enterprise development require significantly more support, in the form of finance and skills than those at the 'Viability' stage of development. To examine the cost-effectiveness of EDP, we re-mapped the universe of peers, looking at the typical expenses associated with each stage of enterprise development. Data availability varied across the peer group. Where financial performance information was publically disclosed, this was adopted for comparison. Where data was not disclosed, a proximate²⁴ expense ratio was estimated as a function of assets under management, average investment size ("ticket size") and investment approach.

Figure 14 shows that, across the three stages of enterprise development in which EDP is active, the typical scale of

investment and expense ratio varies widely. However, indicative ticket sizes (the size of investments, loans and grants made to a business) were smaller for organisations supporting enterprises at the validate stage (£50k - £200k) than those at the Resilience stage (up to £500k). In terms of the funding mix, the ratio of grants to investments also shifts as enterprises move along the trajectory. In terms of expense ratios, we estimated that organisations operating at the Resilience stage had expense ratios ranging from ~13% – 25%. The one organisation that we had expense information for at the Validation stage – Oxfam EDP – had a higher expense ratio²⁵, at 39%+ of monies disbursed.

Broadly speaking, Oxfam operates in the blueprint stage of enterprise development through its Livelihoods programme and at the Validation and Resilience stages of enterprise development through EDP.

Figure 13 Figure 13 EDP placed within a peer universe. This has been adapted from the 'Monitor Blueprint for Scale' report and combined with Oxfam's own definition of 'Rural Worlds' in "Tipping the Balance".



24. The peer-group that we have mapped is neither directly comparable in their intended impact (Theory of Change), approach adopted (logic model), or target beneficiary group, nor is full financial performance information disclosed.

25. Only the expense ratio of Oxfam EDP is available and has been included at the validate stage.

So how cost-effective is EDP? This question depends upon how it is viewed. When compared to peers, who operate mainly at the Resilience-building stage of enterprise development, EDP appears expensive (a cost base of c.40% vis-à-vis one of 15-25% for the peer group).

However, there are three key considerations to take into account. First, whilst all of the peer-group are working in or around the agriculture sector (which by its nature has several external dependencies and is often considered 'risky'), Oxfam is targeting enterprises in Rural World 2 (and even touching smallholders in Rural World 3), whereas the closest 'peers' to EDP that we could identify are arguably

operating primarily in Rural World 1 (touching on Rural World 2). One would imagine that the more remote and marginalised a community is, the higher the transaction costs of building an enterprise. Second, in addition to the Resilience stage (a focus of EDP peers), EDP's current portfolio also includes enterprises at the Validation stage, which are further from financial independence than enterprises at the Resilience stage and therefore require a higher level of support and capacity-building. Taking these considerations into account, EDP's higher cost base may be justified, although the scale of incremental cost that is appropriate is harder to determine (see Box 4 below).

Box 5: A Note on limitations of the peer universe and the 'critical' role of EDP

To-date the Validation stage has been largely underserved, or served mainly by grants-only approaches. EDP's performance would therefore need to be evaluated against other grants-based approaches to market development work to determine whether or not it is performing well. One would imagine that the potential for capital re-cycling (through the loan component of EDP) could make EDP a most cost-effective approach (if the transaction cost of delivering an 'investment' package is not significantly more than the cost of delivering a grants-only package) but this evaluation has not gone as far as examining the cost base of EDP relative to grants-only approaches to delivering the same outcome. We recommend that Oxfam now examine EDP's cost base in relation to other Oxfam and external NGO approaches to enterprise and market development to determine if it is more cost-effective.

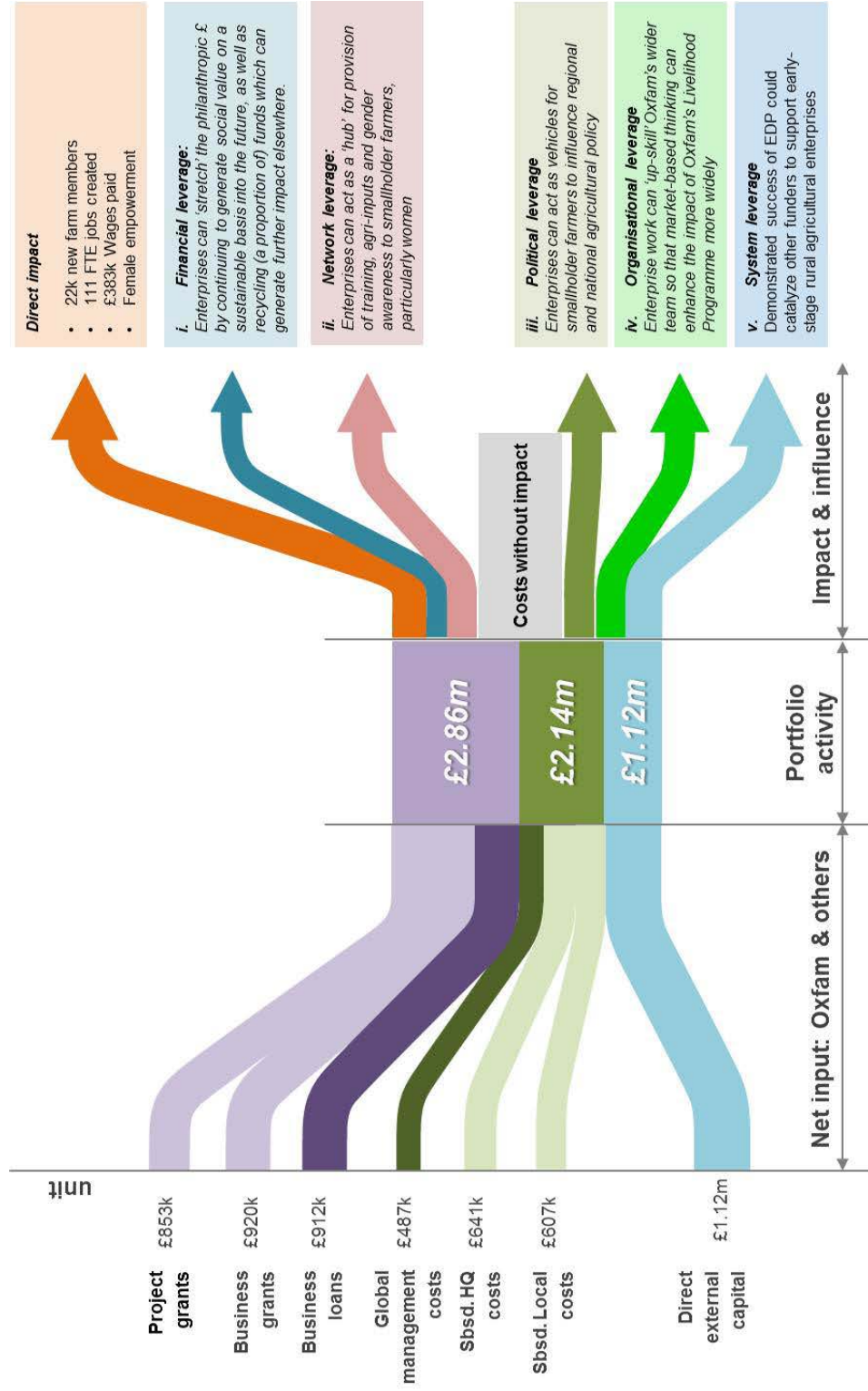
It is of particular note, however, that identifying EDP's peer universe was challenging for the precise reason that EDP appears to be filling a critical funding gap – not just in terms of financing enterprises at the Validation phase but also in terms of originating investments that create impact for harder-to-reach producers in Rural World 2 (and even touching Rural World 3). In this respect, EDP's approach is unique and commendable.

Third, EDP is arguably pursuing a wider range of impacts than the peer group. Through the five types of leverage described in Section 2.2.1, EDP is seeking to affect systemic change, as well as direct change, at several scales. For example, through **financial leverage**, approximately £912k of the £2.86m deployed by EDP has been repaid or is outstanding for repayment and has the potential to be redeployed within the portfolio. Through **network leverage**, Oxfam has been able to deliver several 'Participatory Learning Courses,' which have shifted community attitudes and perceptions towards women, and also been able to deliver technical training to up skill and build capacity of members. Similarly, in Colombia, through **political leverage**, EDP has influenced government to change national lending policy for smallholder farmers, catalysing a large-scale replication of the supported enterprise worth an estimated £9m. Through **organisational leverage**, EDP up-skilled and changed the approach adopted by Oxfam (a major international NGO) to livelihoods and enterprise development work. Finally, through **system leverage** in Nepal, EDP's work with Kumari Bank is shifting the Nepalese perceptions of lending risks to small rural enterprises.

These examples, shown in Figure 14 below, illustrate how EDP is leveraging its inputs (financial resources) to deliver a wider range of impact than detailed in the programme's objectives. The evaluation was not able to fully quantify the effectiveness of all forms of leverage which highlight a key issue for the programme: without a clear strategy, objectives and KPIs that reflect its entire theory of change, it is only possible to present a partial view of how well EDP is performing. Thus, if Oxfam want to determine how cost effective EDP is in its entirety, first it needs to revisit EDP's theory of change and to amend it to include all of the impacts that Oxfam is seeking to deliver. In turn, it can develop a comprehensive strategy, objectives and KPIs that reflect the theory of change and, in turn, develop a quantitative picture of the programmes overall impact and cost efficacy (see recommendations at the end of the report).

A key step and recommendation of this report is that the cost-effectiveness of EDP – that is, the impacts it has delivered per £ committed – is examined in further detail relative to other approaches to rural development. In particular, this analysis should include comparing the cost-effectiveness of EDP relative to approaches that do not use an enterprise model to achieve the same outcomes – something that Oxfam could examine by assessing the cost-effectiveness of EDP relative to other approaches within its Livelihoods programme or more broadly.

Figure 14 EDP converts program inputs to impact directly and via five forms of leverage. Although it has not been possible to quantify the value of each impact area, this schematic illustrates how EDP achieves impact, both directly and through five forms of leverage. The evaluation recognizes that some input will not translate directly to impact. These have been labelled as 'costs without impact' and represent programme inefficiency. This evaluation has not gone as far as quantifying this inefficiency. It is expected that as the programme matures, the combination of increased economies of scale and increases in Oxfam's management skill will reduce total relative costs without impact and drive greater impact per £ invested.



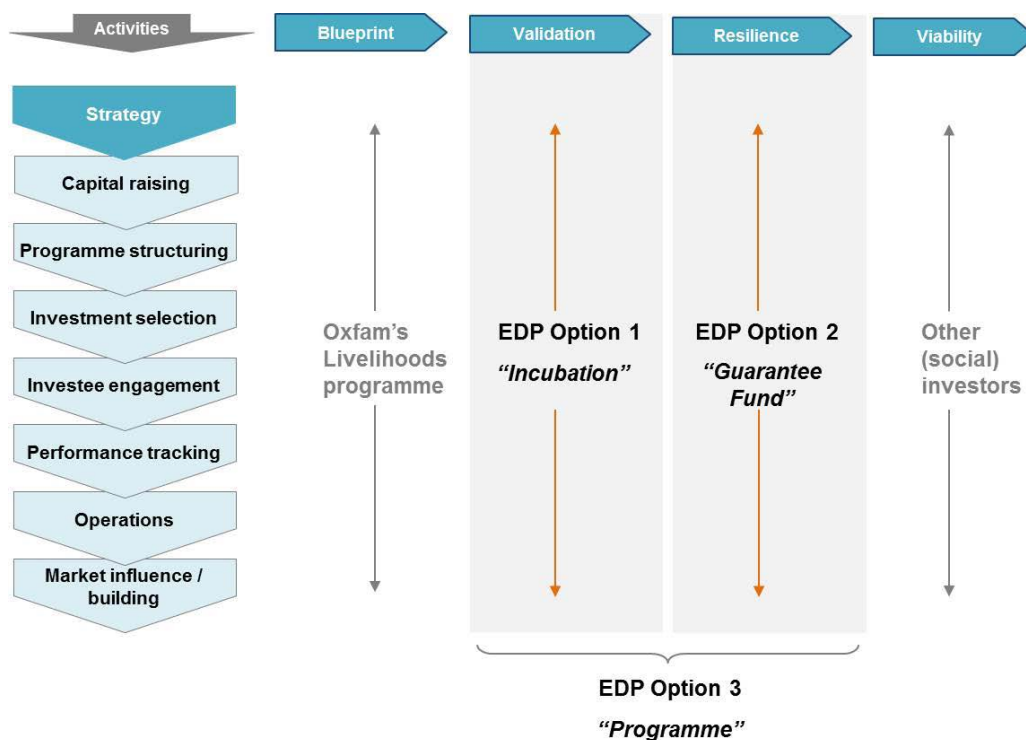
4 - Options for the future

In the previous section, we described how EDP appears to be operating across both the Validation and Resilience stages of the enterprise 'trajectory'. Yet it is applying the same programme to both phases (the same fundraising approach, the same investment selection criteria, the same investment engagement package, etc.). Going forwards, an alternative approach for EDP is to disaggregate the programme into two parts, one designed for validation of enterprise models and another for building resilience. This disaggregation would create three options for EDP in the future:

Option 1: Focus on the Validation stage, deeply integrating EDP with Oxfam's wider Livelihoods programme and emphasising EDP's potential for financial leverage, network leverage and political leverage (as described in section 2.2.1 above);

Option 2: Focus on the Resilience stage, 'doubling down' on a few countries where Oxfam can build the relationships and eco-system required to maximise financial leverage and system leverage; or

Option 3: Continue to operate across both the Validation and Resilience phases but have a strategy and suite of activities that is tailored to each phase.



In the following tables, we describe the implications of Options 1 and 2 for each component of the social investment value chain, matching effective components of the current programme to their relevant 'phase', alongside new suggestions. Finally, we conclude by showing the synergies that can be achieved if EDP pursues Option 3.

Validation

Option 1: "Incubation"

<p>Strategy</p>	<p>Provide strategic grants that incubate rural agricultural enterprise models within Oxfam's wider Livelihoods Programme in order to:</p> <ul style="list-style-type: none"> - Catalyse the growth of 'specialized trading intermediaries' with the potential to create sustainable economic opportunities for smallholder farmers, particularly women, as well as re-cycle capital for further impact (financial leverage) - Act as a hub for provision of training, agri-inputs and gender awareness (network leverage) - Act as vehicles for smallholder farmers to influence policy (political leverage)
<p>Capital raising</p>	<p>Attract institutional capital from major donors focused on using catalytic grant making to support an enterprise-based approach to development, e.g. DfiD, Comic Relief. Also continue to raise money from private donors, who understand the need for incubation within the development cycle of early-stage rural enterprises.</p>
<p>Programme structuring</p>	<p><i>Support package:</i> Business support grants + Project grants <i>Re-active approach:</i> Originates enterprise models from within Oxfam's Livelihoods programme and provides support for selection and incubation (see below).</p>
<p>Investment selection</p>	<p>Originate enterprise models from within the wider Livelihoods programme. Select models with the potential to:</p> <ul style="list-style-type: none"> - Become viable 'specialized trading intermediaries' - Act as a hub for provision of training, agri-inputs and gender awareness - Act as vehicles for smallholder farmers to influence policy
<p>Investee engagement</p>	<p>Criteria for business support grants could include:</p> <ul style="list-style-type: none"> - Market research and Business plan refinement in order to develop <u>clear positioning in a market with strong fundamentals</u> - Recruitment & training in order to build <u>committed leadership and skilled management</u> - Technical advice: Secondment of a technical expert to implement a system or rectify a specific problem for a defined period of time in order to ensure <u>appropriate use of technology (if applicable)</u> - Urgent environmental, social or governance interventions which are beyond the enterprise's means, but without which the enterprise does not have the <u>strong ESG fundamentals</u> to raise capital from a credible intermediary. <p>Criteria for project grants could focus on:</p> <ul style="list-style-type: none"> - Provision of training to smallholder suppliers to the enterprise - Provision of agri-inputs to smallholder suppliers to the enterprise - Gender awareness within the community (enterprise employees, smallholder suppliers, etc.) - Support for the enterprise's stakeholders to influence local, regional or national policy (e.g. participation in agricultural initiatives)***
<p>Performance tracking</p>	<p>KPIs selected to demonstrate:</p> <ul style="list-style-type: none"> - Direct impact - Financial leverage (cost-effectiveness relative to pure grants programme) - System leverage - Network leverage - Political leverage - Organisational leverage
<p>Operations</p>	<ul style="list-style-type: none"> - Deep integration with wider Livelihoods programme, with Livelihoods officers trained in criteria for business support grants (through an EDP training module developed for all Oxfam Livelihood staff); - Strong buy-in and oversight from Country Director, with regional EDP Managers responsible for day-to-day management of business support grants, supported by Oxfam GB; - Review skills & experience of current IC for Incubation stage – for example, Oxfam GB + regional external representatives (e.g. a corporate supply-chain expert) could oversee the Incubation phase of the programme
<p>Market influence</p>	<ul style="list-style-type: none"> - Target of influence are other international and local NGOs, who are not currently using an enterprise-based approach in their work

Resilience

Option 2: "Guarantee Fund"

Strategy	<p>Provide guarantees (and business support) that catalyse financial intermediaries to extend credit to previously "unbankable" rural agricultural enterprises in order to:</p> <ul style="list-style-type: none"> - Increase the resilience of 'specialized trading intermediaries' that can create sustainable economic opportunities for smallholder farmers, particularly women, as well as re-cycle capital for further impact (financial leverage) - Influence financial intermediaries to underwrite and monitor similar loans without guarantees in the future (system leverage)
Capital raising	Attract private capital from HNWI's and corporates, who emphasise creating impact through financial leverage
Programme structuring	<p>Support package: Guarantee Fund* + Business support facility**</p> <p>Pro-active approach: 'double down' on highest potential:</p> <ul style="list-style-type: none"> - Countries (e.g. Nepal, Honduras, etc.); - Value chains (e.g. veg) - Intermediaries (e.g. Kumari Bank relationship)
Investment selection	<p>Focus on building 'portfolio synergies' that can increase cost-effectiveness</p> <p>Originate 'specialised trading intermediaries' from both within and outside of Oxfam's wider Livelihoods programme</p> <p>Selects 'specialised trading intermediaries' that exhibit*****:</p> <ul style="list-style-type: none"> - <u>Clear positioning in a market with strong fundamentals</u> - <u>Trading track record</u> - <u>Committed leadership and skilled management</u> - <u>Appropriate use of technology (if applicable)</u> - <u>Presence of an 'aligned' financial intermediary</u> - <u>Strong ESG fundamentals</u>
Investee engagement	<p>Criteria for business support grants could include:</p> <ul style="list-style-type: none"> - <i>Training</i>: such as Management Information Systems (MIS), financial controls and administration; Technical training; Mentoring (management/leadership); Governance (Board structuring & management); HR policies & practices; and Impact assessment - <i>Secondments or Staff costs</i>: only if time limits are clearly-defined - <i>Eco-system development</i>: to address infrastructure or eco-system constraints that are a critical (but addressable) barrier to the firm's sustainability and which require a one-time investment in improving the conditions. **** <p>To the extent possible investees should make some contribution to Business Support costs in order to demonstrate buy-in.</p> <p>EDP team to include entrepreneurs and analysts and split support provided to enterprises between mentoring and scrutiny.</p>
Performance tracking	<p>KPIs selected to reflect priority of:</p> <ul style="list-style-type: none"> - Direct impact - Financial leverage: enterprise resilience (i.e. sustainable delivery of impact through reduced need for Oxfam) and re-cycled capital - System leverage - Continuation of control studies and external benchmarking
Operations	<p>Focus on developing internal EDP capabilities:</p> <ul style="list-style-type: none"> - Increase due diligence capability of regional manager to support team (rather than hiring assessors) - Replace mentor role with full-time portfolio management hire (by 'doubling down' within a country/region, this should create a full-time role, which can provide management support across the portfolio in that country/region) - Use external "Assessors" for technical expertise rather than business/EDP expertise - In addition to providing support and oversight, EDP Management team can focus on strategic aspects, such as building strong relationships with a select group of financial intermediaries, identifying partnerships, etc.
Market influence	Target of influence is local banks, as well as the social investment market, who are not currently in 'Rural World 2'

Synergies created by Option 3	
Strategy	Oxfam provides the full suite of early-stage support so that models developed through the Livelihoods Programme ("blueprint" phrase) have the potential to move along a trajectory that can ultimately connect them with local banks or other investors
Capital raising	<ul style="list-style-type: none"> - Widens total pool of potential donors. - Potentially allows a wider range of donor expectations to be met simultaneously.
Programme structuring	<ul style="list-style-type: none"> - Ensures that enterprise models incubated by Oxfam have 'somewhere to go' - Creates pipeline for EDP's "Guarantee Fund", which may otherwise struggle to originate suitable enterprises in remote regions.
Investment selection	- Ensures that specialised intermediaries already have key components in-place (<i>see underlined criteria under Options 1 & 2, which show enterprise engagement practices in Option 1 focusing on building the key success factors for Option 2.</i>)
Investee engagement	
Performance tracking	- Provides an opportunity to build a robust evidence base that EDP is having livelihoods impacts and that different versions of the EDP model are required depending upon enterprise stage,
Operations	- Up-skills Oxfam's wider team so that market-based thinking can be applied across Oxfam's Livelihood Programme more widely
Market influence	<ul style="list-style-type: none"> - Creates "bridge" between international NGOs and Social Investors; - Opportunity to create transparency around time & costs of these critical early phases

*The preferred instrument would be a loan guarantee issued to a financial intermediary (identified using Oxfam's checklist for financial partners), who on-lends to the investee. The financial intermediary will risk-share and the guarantee should be reduced over time.

**Includes current business support grants with tightened criteria

***These project grants can continue beyond the Incubation phase if there is a clear plan for how the enterprise can influence policy as it scales.

****This may include grants for gender awareness, smallholder training or agri-inputs but only if they can be credibly linked to the enterprise's trajectory towards sustainability.

*****These criteria include "key success factors" as identified during the first phase of EDP.

5- Recommendations

Based on our understanding of the market, this evaluation recommends that Oxfam adopts Option 3, due to the multiple synergies that it creates.

However, a necessary precursor to this is for Oxfam and the EDP Board to agree on EDP's Theory of Change and to agree which forms of leverage are critical versus "nice-to-haves". This will inform a clearer definition of EDP's "effectiveness" and therefore allow Oxfam to determine whether EDP is in fact a cost-effective strategy relative to comparable options to achieve the same leverage. Finally, we recommend that Oxfam share learning and collaborate with others attempting to advance enterprise development.

Our rationale for these three recommendations is as follows:

1. Agreeing what EDP is trying to achieve. This evaluation has found that there is not yet complete consensus on the emphasis of EDP's theory of change – and, as a result, on the optimal programme design. Oxfam would benefit from re-visiting EDP's theory of change and agreeing which forms of leverage (for example, financial, political, network and organizational) are critical versus "nice-to-haves". This theory of change will form the foundation for setting EDP's future strategic approach and model (see 2 below). A relatively simple step would be to convene a stakeholder workshop to discuss and critique the theory of change presented in this evaluation. In turn, an amended version of this could be ratified and used as a point of reference for programme design. This should be a priority before embarking on EDP 2.0.

2. Defining a robust strategy to achieve it. Once EDP's theory of change has been agreed upon, we recommend that Oxfam re-visits the strategy employed to achieve it (the programme's logic model), defining a set of objectives that reflect the agreed-upon theory of change and setting quantitative and qualitative targets (KPIs) against those objectives. In particular, we recommend that the time horizons for achieving the objectives reflect the revised logic model.

Of the Options described, based on our understanding of the market to-date, this evaluation recommends Option 3, due to the multiple synergies that it creates. As an example: EDP's work to-date shows that operating in a critical market gap – in terms of stage and location of enterprise – is challenging and expensive. However, one would imagine that serving this market gap would be even more difficult (and even more costly) without a natural deal origination strategy (Oxfam's wider Livelihoods Programme) and a commitment to continue working with enterprises as they progress along the trajectory towards viability. For example, if, instead, EDP were to focus only on the Validation stage, a lack of investors focusing on Rural World 2 at Resilience stage might result in enterprise models having "nowhere to go" post EDP's involvement. Or, if EDP were to focus only on the Resilience stage, a dearth of suitable investment 'pipeline' might cause EDP to migrate to Rural World 1 (or to lose its focus on

women because the enterprises have not worked with Oxfam to integrate women empowerment into their philosophy from the start). Both of these situations would undermine what we see as the most important and commendable purpose of EDP, which is to create lasting positive change for harder-to-reach agricultural producers, particularly women.

3. Sharing learning and collaborating with others. Oxfam is a pioneer in early-stage rural agricultural enterprise development and is seeking to establish a robust and replicable approach. This evaluation has shown that there is still relatively little external information regarding comparable approaches to achieving the same long-term outcomes (including those that use enterprise-based models and those that do not). If a buoyant market is going to develop in either one of, or indeed both of these areas, actors will need more and better data on approaches and performance. We therefore recommend that Oxfam pro-actively collaborate with other organisations to support the creation and dissemination of a public knowledge 'bank'. A practical first step would be commissioning (or co-commissioning) a detailed piece of research which examines the strategic approach, cost base and realized benefits of alternative approaches (the combination of inputs, activities and outputs) to early-stage rural agricultural enterprise development.



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