

Sierra Leone Opportunities for Business Action

Portfolio Progress & Learning Review & Assessment

2015 – 2016



Purpose

SOBA completed a Portfolio Progress & Learning Review & Assessment covering the period 2015-2016. This report is a self-assessment of SOBA activities, impact and learning within the programme thus far.

About SOBA

Sierra Leone Opportunities for Business Action (SOBA) is a private sector development programme that uses a market systems approach to facilitate pro-poor economic growth in Sierra Leone. The programme collaborates with private sector businesses in three primary areas: (1) agriculture, (2) renewable energy, (3) professional services and entrepreneurship markets, to trial and to scale innovative and inclusive business practices that reduce poverty and improve economic opportunities for poor women and men.

SOBA is implemented by Adam Smith International and funded by UK Aid.

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Review & Assessment

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Executive Summary

SOBA targets performance shifts across Agriculture, Light Manufacturing, and Sustainable Energy.

Within agricultural markets, investments target three core sectors and functions: Ag-Inputs & Services, Processing & Trade, and Outgrowing & Aggregation. Overall, we're working to enable and incentivize improved and expanded production, linking small farmers and businesses to:

- 1) products, services and information required to grow more efficient production
- 2) conduits or middlemen that are best-placed to support, manage and aggregate production at scale
- 3) buyers with the appetite and resources to purchase at scale
- 4) expanded distribution and resale opportunities that boost demand for Sierra Leonean-made goods

Within Light Manufacturing activity, SOBA prioritizes agro-processing equipment and facilities. In Sustainable Energy, the program prioritizes investment within the solar home system market. Both sectors are new to SOBA and launched in 2016.

Throughout 2015-2016, SOBA piloted innovations in all sectors, and in some cases, began to move to scale. Activities in these sectors has led to:

- 31 private and public sector innovations, achieving 48% above the annual target of 21. These innovations primarily focused on internal business improvements that are fundamental to growth and expansion down the road.
- Matching investment worth £345,338 from business and investment partners, demonstrating partner buy-in and perceived value of SOBA engagement.
- New access to products, services, information and markets for 25,053 people, roughly 50% female. This is above the program's yearly target of 18,276.

SOBA achieved these goals through a breadth of partnerships and investments, totaling 136 active partnerships. This includes 18 formal partnership agreements with different private sector partners through which SOBA was able to facilitate another 118 formal or informal agreements/contracts or arrangement between SOBA's private sector partners and other key market players.

Major Themes for 2015-2016

A complex and frontier economy like Sierra Leone's necessitates a different approach to market systems development delivery. Specifically, most MSD programs rely on a handful of lead firms with greater capacity for innovation, more capital to deploy, and a large farmer or trader reach. With less investment, these actors are able to reach impact at great scale. As well, best-practice MSD standards were designed in contexts like these and where MSD programs are able to partner with a lead firm. As these lead firms do not exist in Sierra Leone, SOBA had to adapt its approach to be positioned to achieve its high outcome targets. The following outlines key changes and tactics applied to this end.

- 1. The importance of targeting a wide breadth of medium or small enterprises.** In a number of sectors, SOBA encountered challenges with large firms during our pilot phase. In some instances, multinationals did not express interest in Sierra Leone; other times, large partners proved unwilling to

invest in pro-poor innovations or more interested in attracting grants than commercial investment. SOBA has in many cases pivoted away from large partners, even though they may on paper look to have the best outreach potential. Instead, SOBA has piloted strategies for engaging higher numbers of small or informal partners and as a way to build engagement with faster-moving, more invested players that are also positioned to achieve change in the whole system. These partners also have lower capital costs, meaning that smaller investments from SOBA can go further in achieving impact.

- 2. Partner self-selection and sprint engagements have allowed best-candidates to emerge.** In moving toward engagement with a wide range of small and medium firms, SOBA has prioritized self-selection strategy – setting a series of hurdles or, more accurately, performance benchmarks, designed to ensure invested, willing and risk-taking partners emerge. SOBA has adapted our Investment strategy accordingly, establishing Pre-Investment and Investment Phase 1-3 opportunities. Each delineates a shared strategy and performance milestones that must be achieved to progress through the investment process. This has proved valuable; SOBA now collaborates with a wide-range of fast-moving actors.
- 3. Establishing a wide network of partners.** Much of SOBA’s 2016-2016 investments have been to establish a network of high performers through which the program can work. As a facilitative program that delivers only through partners, the quality of these partners is essential to SOBA’s overall delivery. Applying self-selection practice as well as strengthening internal business performance has yielded a strong network of partners through which SOBA can now push increasingly sophisticated innovations.
- 4. Strengthening internal operations is foundation for growth, outreach, and sustainability.** SOBA has prioritized improvements in partners’ internal management, often as a precursor to further partnership. This emerged from learning about the limited potential for partners to expand operations or make investments in pro-poor innovations without these systems in place. Key performance improvements have included financial records and management, management structure and governance, inventory controls, and supply chain management. These performance improvements also help to make businesses ‘investment-ready,’ helping to overcome constraints in access to finance.
- 5. Attracting new entrants and investors.** In many ways, Sierra Leone is a greenfield economy. SOBA is positioned to build business cases and to conduct feasibility studies that could be packaged to attract investment. Neighboring countries within West Africa or across sub-Saharan Africa offer large firms with capacity and capital to expand their core business across a geographic scope. Moreover, investment capital exists within Freetown and the Sierra Leone diaspora; these partners are starved for a clear picture and avenue through which to place their capital. SOBA will further shift into harnessing these opportunities in the upcoming year.

Overall Next Steps for 2016-2017

For the remainder of 2016, SOBA will focus our efforts on solidifying our network of partners, continuing to graduate high performers from Pre-Investment to Investment Phase 1 and 2. The program will also integrate improved financial and business management systems, having seen the value of this early investment. Additionally, with sectors and partners who are positioned to expand in 2016-2017, SOBA will target the following tactics and strategies:

- 1. Growing the depth of existing partnerships:** SOBA will build off the successes and learnings of its pilots in 2015-2016, pilots will pivot toward increasingly sophisticated changes in business models,

product and service offers, and embedded information. With the network well-established, the move is to now target improved network performance, durability, and customer/farmer responsiveness.

- 2. Leveraging innovations and performance improvements made by early adopter SOBA partners to trigger wider change across new businesses:** Wherever innovations are ready to scale, SOBA will share successes with the whole sector and connect with new businesses, in order to stimulate interest and promote crowding-in. SOBA will leverage the performance improvements and corresponding revenue growth of early movers to stimulate new practice and improved performance for competitors.
- 3. Improving partners' own partner networks:** With a strong group of agricultural partners in place, SOBA will pivot away from increasing the number of partners that the program recruits and toward working with our partners to themselves grow their networks.
- 4. New partner channels:** In order to achieve significant and more durable impact at a larger scale and in a shorter period of time, SOBA is targeting a greater breadth of private sector channels. We'll continue our work with lead firms that are front-runners within target sectors and functions. We'll also work to attract investment from high performing players to target sectors, both from within Sierra Leone and external to the country. In some cases, we may move down market, playing a higher-touch role with even lower capacity players to achieve impact earlier on. This is particularly the case for SOBA's newer activity, in Sustainable Energy and Light Manufacturing, as well in Ougrowing & Aggregation Sector.
- 5. New Markets Underlie Scalable and Accelerated Market Systems Change:** Improved core market performance as well as accelerated, durable and scalable systems change hinges on the performance of a host of additional, cross-cutting support functions – such as storage, transport & logistics, financial services. Each one of these support functions is a market system in and of itself. Through our initial partner networks and early pilots, a number of critical and common constraints have emerged within support functions that are critical to accelerated and scalable growth widely. Accordingly, SOBA will expand our own activity to include these markets.

The following sections detail sector-specific progress and learning across the 2015-2016 delivery year. This includes Agricultural Sector: Ag-Inputs & Services, Processing & Trade, Outgrowing & Aggregation; Light Manufacturing; Sustainable Energy.

Sector Progress & Learning

Ag-Inputs & Services

Sector Objectives

- Ag-inputs suppliers offer quality and affordable agricultural inputs and embedded information to small farmers by establishing profitable ag-inputs distribution agents' networks that are accessible to small farmers.
- Improve access and dissemination of relevant market information and advisory services for Good Agricultural Practices that improve farmer input application and generate increased yields

Summary of Progress

High level look at evidence toward systemic change leveraging the AAER (Adopt, Adapt, Expand, Respond matrix).

Adopt

- Three partners installed QuickBooks and completed financial management training
- Partners integrate inventory controls and complete operational improvement plans
- Partners develop product and price list and other recruitment material
- TJAL and Fresh Salone adopt agent model, recruiting agents throughout SL with SOBA support
- Fresh Salone adopts open field kit group model, recruiting groups and installing first kits
- Hired agronomist and operations manager to manage expanded distribution and outreach

Expand

- Other distributors and inputs supplies partners who mainly sold seeds and fertilizers are intensively stocking and marketing agro-chemicals which was not the case before.
- New distributors are equally establishing their own retail networks in the areas they serve
- TJAL improves customer service through regular visits, calls and incentives for trialing other new products.
- TJAL Enterprises supported acquisition of a shop and store for one of the top performing distributors.
- Fresh Salone bringing in larger volumes of key products that emerged as highly-valued during first agent sales.

Adapt	Respond
<ul style="list-style-type: none"> Partners produce monthly management accounts and cash flow projections TJAL establishes new warehouse, improves storage practices, prints product labels in English TJAL and Fresh Salone develop and adapt agent agreements to fit purpose, including integrating credit for agents that demonstrate merit TJAL and Fresh Salone recruit additional agents beyond SOBA recruitment exercise Offered compensation to products that failed first trials to affected first time movers e.g. compensation to Eskimo and farmers for first trial of herbicides that were wrongly applied. After a successful repeat trial, herbicides sales have grown. Training for products now offered. 	<ul style="list-style-type: none"> Ag-dealers not recruited by Fresh Salone and TJAL see success of agents and join networks

Narrative of Progress in Ag-Inputs & Services Sector

Focus: Adopt, Adapt, Expand

SOBA investment focused on the following progressive stages of implementation in 2015-2016 year and with a goal of establishing a network of distributors offering improved ag-inputs throughout Sierra Leone:

- Consolidating SOBA pilot phase learning and adapting approach:** Following pilot phase learning, SOBA honed investment in on ag-inputs and services as a critical supporting services sector within agricultural work stream, building on our earlier seed work in vegetables and rice. We completed updated market and consumer experience research, redesigned our approach, and established partnerships with well-positioned and resilient Freetown-based seed, fertilizer and chemical distributors.
- Invested to strengthen distributors as businesses:** Improving distributors' financial, operational and business management performance was foundational to any expanded product and service delivery. SOBA co-invested with our distribution partners to upgrade the health, systems and competence of their businesses.
- Collaborated with distributors to establish country-wide ag-dealer distribution networks:** With the distributors strengthen, SOBA collaborated with two key partners to rollout two distinct distribution models, group-based open-field kit cluster distribution and agent-based distribution strategies to increase upcountry points of sale for improved ag-inputs and to expand the scale of our activities in the North, South, and Eastern Provinces.
- Launched new investments in high-performing ag-dealers/agents:** To bolster wholesale and retail performance and direct farmer-engagement, SOBA also trialed early engagements with those agents with strong early sales and network performance.
- Linked in investment and new products:** Improved ag-inputs and services are extremely limited in Sierra Leone. To serve farmers, this needs to change – with greater investment and new varieties hitting the market. SOBA worked to attract a number of new suppliers to SL through links with local actors.

Progress: Change Over the Year

A year ago, Sierra Leone's ag-inputs and services sector was almost entirely positioned to service large aid and GoSL contracts. Major distributors had little information about upcountry farmers and did not value their business. Further, these distributor businesses were not positioned to service farmers as customers – they lacked product and price lists, inventory control systems and basic financial management. As a result, farmers had extremely limited and ad hoc access to ag-inputs required to grow production. Those inputs that were available were often excessively priced. Most farmers relied on saved seeds and insufficient fertilizer and chemicals that resulted in poor yields – and limited income.

As a result of SOBA's interventions and investments over the last year, the ag-inputs and services sector has grown in depth and breadth. Distributors now not only value farmers as customers, but have established distribution networks throughout the country to reach them. They also upgraded their internal operational and financial management systems to be able to service small farmers. The distributors value these practices, sharing monthly management accounts with SOBA as one example of this. As well, new products have been tested and adopted by farmers, increasing availability of a wider array seeds, fertilizers, and chemicals.

Further, SOBA ag-inputs distribution and supply partners have reported significant increases in sales (in one case, moving from SLL 28 mil in January 2016 to SLL 493 mil in June 2016). Significant sales growth has also motivated our distribution and ag-dealer partners to invest in product trials, farmer and ag-dealer training, product promotions, and agent incentive schemes. These have been trialed already, with plans to expand across the 2016-2017 delivery year.

Overall, our partners are seeing the incentives for change and are highly motivated to continue their growth, both with and without SOBA's direct support. There are signs of increased dynamism in the industry, compared to the environment at the beginning of the year.

Sector Learning:

- **Investing in financial, operational and business management improvements proved valuable.**
Typically, market systems development initiatives do not invest heavily in internal business performance – choosing to focus on specific innovations instead. However, the quality of ag-inputs and services partners in Sierra Leone was low. We learned from our first engagements in the sector and pre/post-Ebola that a poorly-managed business was a brittle one. Our initial partners in the sector – Holland Farming and Salone Seeds – both collapsed this year. Recognizing this limitation, SOBA trialed a 4-month business improvement stint with each Ag-Inputs distribution partner. During this time we co-invested with partners in QuickBooks integration and training, audits, inventory control systems, and other basic operational improvements. This proved critical. Two businesses emerged from this “get fit” period well-invested, on solid footing and ready to expand. As a result, expansion went well. SOBA is now investing in most partners for a similar “get fit” partnership period and as a self-selection tool.
- **Attracting middle tier investors to Sierra Leone has more success.** SOBA has been working to attract third party ag-input suppliers to Sierra Leone. We learned that large players – like Monsanto or Pioneer – see little merit in SL market. But, small/medium as well as regional players are willing to make the investment. We've pivoted to reach these players.

Overview of Partnerships

Partner	Activities and Results	Learning
<p>TJAL Enterprises</p>	<p>Activities:</p> <ul style="list-style-type: none"> • Installation of QuickBooks software, training, and data migration to QuickBooks. • Recruitment and activation of agro-dealers in Northern and Southern Sierra Leone. • Integration of new products, services. • Adaptation of packaging to improve information for farmers/users. • New shops and upgraded storage facilities <p>Results:</p> <ul style="list-style-type: none"> • Partner is now generating monthly financial statements, good inventory control and has an idea of the business value which he uses to make informed decisions. • New channels of distribution have been established for last mile ag-inputs access by farmers (sales move from 28mil in Jan 2016 to 493mil in June 2016) • Sales and product range has improved at both distributors and partners level 	<p>At the onset of our activities, we expected the least from TJAL. The business proved the most capable of our partners. There was also a willingness to make changes and to invest that also stands well above most SOBA partners.</p> <p>Improved financial, operational and business management practice proved critical. This is a key factor to enable partners to make informed decisions on further investments to the business. TJAL's investment here also proved a valuable self-selection tool.</p> <p>Self -selection of ag-inputs dealers has reduced the rate of ag-dealer drop outs from partnership. Through establishing linkages and developing trust and relationship, more inputs can reach smallholder farmers. Regular engagement between TJAL and agents has made the difference.</p>
<p>Fresh Salone</p>	<p>Activities:</p> <ul style="list-style-type: none"> • Installation of QuickBooks software, training and data migration to QuickBooks • 2-years auditing of books of accounts. • Distribution models design. • Model 1: Installations and launching of open field drip irrigation kit for trials. • Model 2: Recruitment and activation of agro-dealers in Northern, Southern and Eastern regions. • Recruitment of agronomist and operations manager to 	<p>Improved financial, operational and business management practice proved critical. This is a key factor to enable partners to make informed decisions on further investments to the business. Fresh Salone's investment here also proved a valuable self-selection tool.</p>

	<p>support improved operational efficiency/models integration and expansion.</p> <p>Results:</p> <ul style="list-style-type: none"> • Partner is now generating monthly financial statements, good inventory control and has an idea of the business value which he uses to make informed decisions. • Partner is now positioned to attract financing • A pilot trial in place to assess the productivity of 250sq meter plots and test credit repayments of the kit tied to produce sales over a period of 12 months. • New channels of distribution have been established for last mile ag-inputs access by farmers. • Sales and product range has improved at both distributors and partners level • Partner has improved operational efficiency as well as technical competence to manage and offer advisory services to the farmers/customers 	<p>Agent model yielded tremendous demand. The partner sold out of inventory much more quickly than envisioned. This wasn't entirely predictable. But, better forecasting is needed.</p> <p>Open field installation encountered challenges. Down payment, group cohesion and land issues emerged. Adaptation was required. The project is on good footing. As expansion occurs, these issues must be addressed. There is a level of dynamic management required here that is tough.</p>
<p>Seed-Tech International</p>	<p>Activities:</p> <ul style="list-style-type: none"> • Expansion strategy, targeting upcountry demo farms and sales points • Recruitment of a financial investment advisory firm to develop a viable business case for external venture capital investment to fuel expansion <p>Results:</p> <ul style="list-style-type: none"> • An innovative financing mechanism for business expansions in trial 	<p>Securing investment takes time. Seed Tech is the largest distributor in SL and while they're bought into expansion, securing the capital to do so won't likely happen until 2017 – limiting the impact that can be achieved during the life of SOBA.</p>
<p>Muctarr Enterprises</p>	<p>Activities:</p> <ul style="list-style-type: none"> • Linked to TJAL as agent • Pilot Use Case for Ag-Dealer Development Program • Training on basic book keeping. • Formalization of the company (including registration, new bank account) • New premises, expanded storage • Farmer engagement and promotions <p>Results:</p> <ul style="list-style-type: none"> • Ag-Dealer Development Program refined • A legal entity to trade in stocking, sales and distribution of ag-inputs in place. • The partner is now able to order more stocks, and has increased visibility of his business besides now separating the business from household. • Partner has shown signs to start separating business expenses from individual household expenses. 	<p>Muctarr has been slow to uptake financial improvements. But, got caught in over extended credit in the past. SOBA plans to leverage TJAL as a spotlight for the merit in change. Integrating tangible examples and from the supplier will yield higher buy-in. This is a new piece of the ag-dealer development program than envisioned at the start.</p>

United Farmers Development Association Limited	<p>Activities:</p> <ul style="list-style-type: none"> • Linked to TJAL as agent • Initial business diagnostic completed, with support to basic book keeping and farmer engagement <p>Results:</p> <ul style="list-style-type: none"> • Supplied fertilizer (42 MT) and other inputs to farmers in Port Loko • Will participate in Ag-Dealer Development Initiative 	<p>There is a huge demand for ag-inputs and a ready group of disjointed potential agents. This is one great example of the missed opportunity out there. SOBA will continue to work with distributors to expand agent networks.</p>
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Expected Next Steps

In the coming year, SOBA expects to continue to support current partners to adapt and to expand innovations. As well, SOBA plans to scale-up and to crowd-in other businesses. The focus in the past year has been to test and expand the ag-inputs distribution network from the supplies side which has ensured that sales outlets are available within smallholder farmers' reach. The next phase will focus more on consolidating and expanding the demand side of the sector, through interventions that stimulate uptake and adoption of the ag-inputs by last mile customers – interventions to include:

- **Scale-up ag-dealer distribution initiative.** We've had great success applying the "get fit" approach with our distribution partners. We piloted a more focused approach with two ag-dealers in the first half of 2016; moving ahead, we'll scale this up across ag-dealers (wholesale, retail agents) in collaboration with our distribution partners. The aim of the project is to 1) accelerate performance at the wholesaler level and with the goal of accelerating access and impact for farmers; 2) establish ag-dealer development programs within each distributor business to carry forward this investment.
- **Link in more products and services.** SKUs on offer are still few in number. Farmers have a huge need. SOBA will work to expand the products/services on offer. Specifically: 1) linking in more suppliers; 2) improving customer-distributor feedback; 3) integrating product and farm training
- **Information. Information. Information.** Perhaps the biggest challenge confronting the farmer is information. Product information. Cultivation –land prep through harvest – practice information and skills. Market information. SOBA is targeting significant expansion of activity aimed at addressing information and skill inadequacies to enhance product uptake, visibility, awareness, and safe use and handling. Activities planned range from demo plots, to product training, to mobile-based promotion/information voice messaging platform and to mass media campaigns.
- **Promotions and branding.** As demand for agro-inputs continues to grow, SOBA will also work with existing partners to develop and to roll out innovative product marketing and new branding. This activity links in to information and advisory focus as well as de facto quality assurance needs.
- **Link ag-inputs activity into other SOBA work streams.** SOBA has established significant networks through our processing and trade and outgrowing activities. SOBA plans to leverage this to expand access and uptake of improved ag-inputs, linking distributors and ag-dealers to traders and buyers. To begin, SOBA is targeting vegetable traders identified through Network Analysis completed in December 2015 who offer inputs to farmers on credit already – but not improved inputs.
- **Increased focus on supporting services.** SOBA expects to intensify its focus on supporting markets in agro-inputs, to facilitate crowding-in and wider uptake of new ideas. This is expected to stimulate new

businesses and new investments in services like commercial spraying services, integration of advisory services by partners, packaging solutions for produce, and growth of processing and storage

Sector Progress & Learning

Outgrowing & Aggregation

Sector Objectives

Middlemen, or outgrower programs and aggregators, increase the number of farmers that they're reaching with improved inputs, information, finance, services and market links. As a result, farmers are improving production and yields, accessing new opportunities and achieving more income.

Summary of Progress

Adopt

- Partners (P4F and WWL) have independently invested financially and non-financially (eg. purchase of inputs, existing staff taking on a new role etc.) toward piloting new outgrower practices recommended by SOBA
- Partners' satisfaction with results from the pilot; interested and took ownership over learning that emerged from the pilot; partners were furthermore willing to assume all recurrent costs of the pilot without the programme

Expand

- Partner have expanded behaviour/practice changes recommendations to other outgrowers similar to the pioneered outgrower group during the pilot, all of whom have adopted comparable changes without programme support.

Adapt

- Partners recognized the value of continuing with changes (high input investments, farm management and Planting practices) made from phase-1 implementation of the partnership irrespective of programme support, and have accordingly invested in upholding these changes with further plans to cover any associated recurrent costs without programme support.
- Aggregators have intensified Seed and other inputs on credit lending schemes to outgrowers due to the lack of institutions to provide credit-lending products/packages that are suitable for agriculture.

Respond

- No evidence yet

Narrative of Progress in Outgrowing & Aggregation Sector

Focus: Adopt, Adapt

SOBA's Outgrowing and Aggregation sector interventions focused on adopt and adapt activities in the 2015-2016 year. Specifically, piloting and then adapting a number of new innovations including sustainable business management, integration of information and skill development alongside inputs, and maize shellers.

Progress: Change Over the Year

Outgrowing and aggregation practice in Sierra Leone is often exploitive and cost-intensive. As a result, few farmers are benefiting from what can be a valuable and productive lifeline to markets and to new income. SOBA's initial Phase 1 partnership with Mountain Lion Agriculture demonstrated this opportunity. At the start of the year, SOBA sought to expand activities in this area and from this learning – leveraging the valuable role that the middleman can play while integrating innovations that help farmers to grow.

- SOBA consolidated pilot phase learning and adapted our approach in outgrowing/aggregation. We completed updated outgrower model research, redesigned our approach and launched partnerships with maize traders and outgrower programs.
- Maize shellers were introduced to SL and as an incentive offered by aggregators to boost volumes of produce aggregated. Shellers are a valuable service but did not take off – few farmers learned of their availability. SOBA will adapt the initiative, integrating marketing, and trial for a second time in 2016.
- Sustainable business model and new outgrower engagement/skill development strategy trialed with P4F and WWLG. Both adopted SOBA's technical and farm practice recommendations independently to expand their outgrower networks and improve crop yield performance. P4F, particularly, proved merit in the model and adapted and expanded their investment in it in 2016.

As a result, the sector is better positioned to expand and to reach additional aggregators/traders working with farmers in the coming 2016-2017 year.

Sector Learning:

Overall, middlemen offer an important avenue to farmers and entrepreneurs – particularly for a market systems development program that aims to facilitate changed incentives that sustain and grow impact in time. Tapping a collective channel, as opposed to trying to reach each farmer, is important given this goal and the few resources available to us. SOBA hasn't quite figured this out just yet. We've trialed some activities successfully and other unsuccessfully. Here's what we've learned:

- **Leverage traction from other, successful investments.** Moving ahead, we'll link in our middleman activity more closely with our ag-inputs and processing/trade activity. Now that we've made significant headway towards expansion in both of these sectors, there's a huge opportunity to expand with additional links to middlemen who are conduits to a huge array of farmers.
- **Growth capital is a major barrier to activity.** There's a limit to what SOBA can do here. We aim to work on improved financial services sector that can unlock investment and capital. But, we're stretched as a team and short on time. This is a longer, larger systemic change activity that is unfortunately an impossible – and limiting – hurdle for the program. A lot of the issues at the middleman level are financial barriers. There's

interest in working with more farmers, integrating improved inputs, and expanding production – just not the capital to do so.

- **Big investors offer the pull of large outreach but are often more challenging to engage with.** We also expect to drop some partnerships toward the start of the implementation year. These include engagements with Natural Habitats and Gold Tree. This was a good learning for the program. These partners have tremendous reach and influence, with thousands of current and potential outgrowers. However, both operate with strong commercial focus and directed toward their nucleus plantations. Their investors are not willing to put notable resources toward outgrower practice. With models that necessitate offering inputs on credit and with long-term returns (oil palm is a 4-year seedling to first harvest trajectory), a lot of upfront capital is required. While SOBA is willing to support outgrower program development that integrates the innovations we’re targeting, it’s not possible for the program to also invest several hundred thousand dollars in growth capital. Together, SOBA and partners have not found outside investment interest. Unfortunately, this is also a risky sector with little interest from even the most risk-tolerant investors.
- **High reach partnerships with more informal actors offer an exciting inroad for the program.** As a result of this experience, SOBA has pivoted toward smaller investments and partnerships and where capital requirements are more manageable. Moving into next year, engagements to include vegetable traders who operate de facto outgrower programs with several hundred farmers at minimal cost. With partners like this, SOBA can achieve significant impact at reduced time and capital cost.

Overview of Partnerships

Partner	Activities and Results	Learning
Project 4F	<ul style="list-style-type: none"> • Business diagnostic assessment of Partner business • Coaching on improved agronomic and farm management practices • Broker ag-inputs for credit scheme between Ag-input supplier and aggregators. During the review period, SOBA facilitated inputs on credit scheme between Salone Seeds and Project 4F. Both partners developed a contract that offers a range of ag-inputs (seeds, fertilizers, chemicals) on credit. Access to these enabled Project 4F to cultivate demo farm and trial improve variety of ag-inputs. The input on credit model would enable Project 4F to scale up and expand its outgrower scheme to benefit more farmers, addressing outgrowers financing gaps. • A demo-plot of 5 ha. was independently cultivated by partner to pilot SOBA’s STTA recommendations. The result of the demo plot showcases high crop yield and a healthy, resilient crop to adverse climatic changes. • The demo plot served as a training vehicle for outgrower groups. It was highly successful. 	<p>P4F-SOBA’s outgrower scheme is proving a highly successful strategy for working collaboratively with smallholder farmers to increase their production and overall outcomes by integrating a set of value-added services, including seed loans, mechanized tillage services and cash contributions, that could serve as a model for other outgrower schemes and traders across the country. However, the model’s recommended practices are based on high inputs application for a higher output. As such, Partner is challenged by capital limitations to expand.</p>

<p>Maize traders:</p> <p>P4F and Mohamed Alaska (Mile 91) and Bangura Haja Sundu Marah and Worja Kabbah (Kabala)</p>	<ul style="list-style-type: none"> • SOBA introduced mechanized maize shelling to SL • FINIC fabricated maize shellers • In theory, maize shellers reduce costs associated with hand shelling and threshing by 94% and 83% respectively and encourage aggregation. • SOBA during the period under review succeeded in mapping out areas and good traders around the maize belt areas of Koinadugu and Mile 91, and provided linkage support between traders and FINIC in procuring shellers. • The traders cost-shared with SOBA in the acquisition of the shellers and have commenced the trial 	<p>In the first season of operation, the shellers did not attract as much use as anticipated. Moving ahead, SOBA will support wider marketing (major gap that emerged) – particularly geared toward commercial producers and medium/large-tier maize traders – and to be launched in time for first harvest/second season of maize sheller operations.</p>
<p>World Wide Lemongrass Company</p>	<ul style="list-style-type: none"> • Promoting value added efficiency and commercialization of aggregators and smallholder farmers. During the period under review, SOBA contracted an STTA that conducted business specific diagnostic assessment of the partner and provided them with technical recommendations and improvement plan in setting up a cost-effective, scalable and sustainable business model that will provide value-added investment in farmer production with appropriate matching incentives and support. • Partner has independently established 80 acre nucleus lemongrass farm in Kabala to operationalize the recommendations for business growth and knowledge transfer to outgrowers. • Partner has also grown number of outgrowers under model. 	<p>There is high demand for lemongrass products, and partner is keen to service more of it. However, partner will need to address business and operational management challenges that limit growth of the company as put forward from the business diagnosis report conducted by SOBA’s STTA on the business during the review period. In absence of key changes and because the partner is unlikely to grow significantly, SOBA has not pursued Phase 2 investment.</p>
<p>Natural Habitats/Gold Tree</p>	<ul style="list-style-type: none"> • Established a new outgrower program and strategy for both partners aimed at trialing multiple outgrower development practices. • Targeted investment for capital required for outgrower expansion. 	<p>Both companies are oil palm companies with a strong commercial imperative. They’re open to building outgrower programs, mostly as a goodwill gesture, but want to minimize their exposure. Their investors will not agree to side track notable plantation investment to build outgrower programs. Investors view the sector/crop as too risky to fund outgrower programs independently. SOBA does not have the capital required</p>

to support both the technical and financial needs.

Expected Next Steps

In the coming year, SOBA expects to continue to support current partners to adapt and to expand innovations. As well, SOBA plans to scale-up and to crowd-in other businesses. The focus in the past year has been to trial new strategies. The next year will continue to trial new strategies while expanding activities and investments that have proved successful. The outgrowing and aggregation sector will continue to scope for additional partners to pilot innovations in strengthening farmer production, increase yield, and improve farmer income. The next phase is expected to provide specific targeted support in building linkages between aggregators and ag-input companies and to increase farmer production through application of improved inputs and adoption of best practices.

Sector Progress & Learning

Processing & Trade

Sector Objectives

Facilitate establishment and growth of high-performing and sustainable businesses offering attractive processed foods and poultry products:

- Improved efficiency of locally-processed foods that increase their competitiveness relative to imported substitutes.
 - Financial and business management improved
 - Quality and breadth of processed products increased
 - Marketing and distribution (including packaging) improved
 - Affordable and high-quality raw materials available
- Improved sourcing and supply chain management practice

Summary of Progress

High level look at evidence toward systemic change leveraging the AAER (Adopt, Adapt, Expand, Respond matrix).

Adopt

- Three partners made \$345,000 of investments, without SOBA's support, on further making changes to their business models. This includes

Expand

- The Minister of Agriculture and Food Security has been promoting SOBA initiatives towards achieving systemic market growth and

<p>investment in physical processing centres, processing equipment, farm machines and transportation.</p> <ul style="list-style-type: none"> • Two partners independently signed contracts with new suppliers for procurement of local raw materials. • SOBA's partner in plastic packaging expanded its new products to additional locally sourced foods. • 	<p>sustainable private sector development.</p>
<p>Adapt</p>	<p>Respond</p>
<ul style="list-style-type: none"> • Two rice processors procured and installed a high quality and industrial scale rice mill that dramatically changed the quality of their rice. • Two rice processors introduced improved packaging. • Two rice processors provided high-quality rice seed to farmers on an interest free loan with first priority to buy back harvested rice. • A local plastic producer trialled the production of plastic packaging for processed foods, which was used by the two rice processors. • Two partners jointly undertook market research with SOBA, to help them decide if they should introduce new products and services. • Two businesses tried out new raw materials sourcing strategies, to improve local procurement practices, support local farmers, and increase efficiency 	<ul style="list-style-type: none"> • One of the largest rice processors in the country copied and replicated the retail rice packaging of Lion Mountain in a much larger scale and with improvements based on the learning from the Lion Mountain initial introduction of the packaging.

Narrative of Progress in the Processing & Trade Sector

Focus: Adopt, Adapt, Expand

In 2016, SOBA conducted extensive research, market analysis, and engagement with partners and key stakeholders to ascertain systemic constraints, pro-poor impact potential, growth potential, sustainability and general market dynamics of the processing and trade sector. The outcome of this analysis informed the development of interventions, partnerships and collaborations. By doing so, SOBA has been able to pinpoint the practices and behaviours that require change, and the incentives to make that change, in order to bring about the desired systemic changes.

Several pilots were conducted with strategically placed self-selected partners, in order to prove initial assumptions and test preliminary strategies and tactics that will backdrop a scale up phase.

Progress: Change Over the Year

SOBA's partners have taken steps to improve their internal operations, invest in physical infrastructure, and reach suppliers and consumers in new ways. These partners show stronger growth orientation and a continued willingness to improve and to drive the sector forward.

Associations and large traders have embraced formal procurement contracts as it provides investment security and they have become increasingly confident to invest in expanding their production given the market assurance that formal contracts avails them.

The sector is beginning to gain momentum with increased collaboration among stakeholders and market players. There is an increased awareness of the opportunities that exist in the sector with entry of new market players across the sector value chains – processors, raw material aggregators, service providers and farmers.

St. Lawrence Foundation, an Italian based organization, is establishing an agro-food processing fund in Sierra Leone, Entrael Sarl a poultry feed company in Guinea is expanding to Sierra Leone, Africa Industries Limited is starting a paper based packaging (cartons) in Sierra Leone, among other examples of emergent businesses in the sector. SOBA's efforts in bringing together stakeholders through workshops and seminars, sharing market information in different stakeholder forums, building and sharing investment cases and pilot results, and engaging businesses and investors both locally and internationally has effectively portrayed the potential of the sector and arouse a keen interest from market actors, other implementing partners and government. Relative to last year, there is a growing and much stronger need and demand for support services and a very compelling case for investment across the sector.

Sector Learning:

The following important findings and updates emerged in the last year:

- Sierra Leone' food processing and trade ecosystem is weak, with a glaring absence of reputable suppliers of support services and inputs. Overcoming this challenge required innovative interventions in the form of facilitating new investment or helping existing businesses tap market opportunities through diversification by building on their advantages; for example, Milla Group, a renowned plastic producer now producing plastic packages for processed foods.
- The project has also sought solutions and investment from neighboring Guinea which has established suppliers of poultry inputs and services supporting a very vibrant and high performing food processing sector.
- Partnerships with large corporate players like Airtel can be prone to shocks, such as due to change of ownership. The project is now adopting a multiple pilot approach, simultaneously targeting different partners and locations, in order to avoid termination of an intervention due to one partner pulling out. SOBA also intends to maintain a more flexible and less reliant partnership relationship with large corporate players, and a relatively stronger one with mid-tier businesses.
- The massive untapped opportunities that exist in food processing must be supported by enormous raw material supply from multiple crops that can be grown in the country. However, the quality, production efficiency and quantity of raw materials in the country is poor and requires urgent improvement.

Overview of Partnerships

Partner	Activities and Results	Learning
<p>Lion Mountains</p>	<p>Lion Mountains is a rice production and processing company based in Bo, Southern Sierra Leone. SOBA and the partner are working on packaging and marketing aimed at expanding uptake from local consumers.</p> <ul style="list-style-type: none"> • Developed new packaging (20,000 5 and 10 cup rice packages featuring messaging/measurements tailored to average SL consumer) • Partner procured and installed a modern Alvan Blanch rice mill with a capacity to mill 700kg of rice per hour • Greater market penetration and increased market share: <ul style="list-style-type: none"> – Two kiosks built and operationalized as rice outlets, two more under construction. – Over 900 farmers have increased access to a reliable market for their paddy rice. • Large contracts secured – in part due to SOBA’s role in WFP PAG: <ul style="list-style-type: none"> – Completed supply of 700 bags of processed rice to WFP. – Received an extended contract from WFP of 2,000 bags of processed rice. – Received offer from Sierra Rutile, one of the largest mining companies in the country with over 2000 workers, to supply processed rice to its staff members. 	<p>Packaging is a huge challenge that bears follow-on investment. Challenges to the project include:</p> <ul style="list-style-type: none"> • Finding a local supplier to offer quality, without sourcing from abroad, was very challenging. • Once a local supplier was chosen, the best available option, it turned out the supplier had a lot of capacity limitations. • The process was cumbersome and took a lot more time than agreed for the order to be delivered • Though the packaging material turned out to be durable, the printing was fading gradually and very fast especially when exposed to sunlight. • Market uptake in rural areas was slow relative to urban areas, mostly due to lack of awareness. • It was very costly <p>A more sustainable local packaging solution will require building the capacity of a local supplier or attracting investment from foreign established suppliers. SOBA is targeting this for 2016-2017.</p>
<p>Bennimix</p>	<ul style="list-style-type: none"> • Bennimix is a long-standing nutritional and baby food processing company struggling to compete with imported varieties. Over 70 percent of the inputs for its two core products are sourced locally from over 2,000 farmers (sesame, sorghum, pigeon peas). Together, we’re working 	<ul style="list-style-type: none"> • It will require fixing of several key support functions in the sector for processing companies to thrive. Targeting support

	<p>on operational and financial management solutions alongside new marketing strategies and improved sourcing mechanisms.</p> <ul style="list-style-type: none"> The following activities/results were achieved with the partner in the last year: <ul style="list-style-type: none"> Processed foods market appraisal to build a deeper understanding of business growth and expansion opportunities, including consumer insights, in the processed food industry; with strategic recommendations for growing Bennimix and the sector. Bennimix invested \$115,000 on improvement of factory layout and processing flow based on SOBA recommendations QuickBooks financial software procured and installed Successfully implemented two buyer-led workshops as raw material sourcing strategy 2 Agricultural Business Centers (ABCs) in Koinadugu, with 15 sub contracted/represented Farmer-Based organizations (FBOs), have completely fulfilled the supply contract for 32.5 metric tons of pigeon peas and sorghum collectively. Full contract volume delivered and Bennimix have made full payment. 2 ABCs in Kono, with 6 subcontracted/represented FBOs, to supply 20 metric tons of pigeon peas and sorghum collectively. 75% of the contract volume has been supplied. Over 1,000 farmers have gained increased access to a reliable market. 	<p>service (packaging, marketing, BDS, financial management, factory equipment, etc.) providers moving forward will avail to processing businesses the inputs and services they require to improve performance and compete.</p> <ul style="list-style-type: none"> Buyer-led workshops must be decentralized and spread across communities targeting raw material production hubs. Businesses must develop and be willing to offer incentives to suppliers in order to build a reliable and loyal base of raw material suppliers. Incentives can be tailored to the need of the particular raw material target group obtained from feedback during workshops.
Solon Capital Partners	SOBA and Solon Capital Partners partnered to explore investment in a FMCG snacks processing facility and brand. Together, we completed market research, product narrowing and an initial investment case.	While the case is commercially-appealing, it does not fit SCP scope. SCP is looking for a USD 5mil capital deployment in 2 years.
Leecon Poultry	<p>Leecon Poultry is the biggest layer producer in Sierra Leone. They're also operating with paper-based financials, limited operational controls and no brand. A keen entrepreneur, Leecon CEO is ready to expand and partnering with SOBA to do so.</p> <p>To date, SOBA and Leecon have completed a business diagnostic, business performance improvement plan, pilot of new sourcing strategies, and initiation of brand birth.</p>	Even though it's the biggest producer in country, with a keen CEO and positioned to drive sector-wide change, SOBA only found Leecon by accident. Limited connectivity and information is a huge challenge not only for SOBA but for the businesses in SL.
Big Things Poultry	<p>Big Things is a small but ambitious poultry farm located in Makeni, with main revenue derived from the sale of eggs. Key activities and results 2015-2016 include:</p> <ul style="list-style-type: none"> Business diagnostic conducted, with recommendations 	The initial intervention plan hinged on trying a locally based alternative feed formula until the project

	<ul style="list-style-type: none"> for improvement • A due-diligence check conducted on the partner’s business • Land acquired for the trial of a new feed. The new feed will be administered to 50 set of layers from day-old. • Supply chain management training workshop conducted for the partner 	<p>uncovered new information that pointed to a better feed alternative. The partner will now trial whole feed sourced from Guinean feed companies with whom the project is working towards expansion to Sierra Leone.</p>
Pajah Poultry	<ul style="list-style-type: none"> • Pajah Poultry is one of the largest poultry companies in Sierra Leone, deriving revenue streams from the resale of eggs, poultry feed, spent hens and day old chicks. SOBA worked with the partner to improve poultry feed supply. We implemented the following activities together: <ul style="list-style-type: none"> • Market research and analysis. • Development of improved raw material (feed inputs) sourcing strategies. The new model recommended formal contracts with farmers and offering performance incentives. • Mill installation toward effective processing and resale of processed layer feed. 	<ul style="list-style-type: none"> • For SOBA investment to work, we need open-minded and commercially-oriented partners. Those that don’t fit the bill, will be dropped. Pajah unfortunately falls in the latter category – preferring grant subsidies above commercial revenue streams. We do not anticipate follow-on investment accordingly.
Sierra Akker	<ul style="list-style-type: none"> • Sierra Akker is another large poultry company in Sierra Leone. We’ve collaborated informally to test formal relationships and guaranteed purchase as an incentivizing mechanism for traders through which to boost the company’s access to locally-produced maize. Specifically: <ul style="list-style-type: none"> – Sierra Akker procured 37.5 metric tons of maize from aggregators through SOBA facilitated purchase contracts. – More farmers are growing more maize in response to guaranteed contracts, which will translate into larger quantities of maize supply to Sierra Akker. – The company has adapted this raw material sourcing strategy for the procurement of inputs from several other suppliers. 	<ul style="list-style-type: none"> • The partner is heavily donor driven and the project has struggled to incentivize the partner with our commercial focus (much like Pajah) • The project therefore resorted to light touch interventions with the partner focused on the operations level of their business.

Expected Next Steps

In 2016-2017, SOBA will continue to run simultaneous pilots with strategically placed businesses who will serve as leaders and influencers of change. SOBA will facilitate the building of investment-ready processing business models with its partners and help share the learning and results to influence the practices and behaviours of other processing businesses across the country. By doing so, SOBA will look to crowd-in additional businesses around the successful practices and behaviours. SOBA thus expects to move into scaling interventions before the end of 2017.

Implementing tactics for improved raw materials sourcing. The project is integrating improved raw material cultivation to support local food processing. This will be achieved through an aggregator-led and demand-driven incentives to improve cultivation practices, transfer of knowledge, adoption of high yielding varieties and production scale in a bid to capitalize on market opportunities.

Building of raw material procurement strategies and relationships between food processors and smallholder farmers. This will increased market opportunities for poor farmers and provide a huge incentive to increase their productivity.

Attracting investment into the sector. The project will concurrently attract investment from foreign companies, especially neighboring Guinea, specialized and proven in inputs supplies and support service provision for food processing to include: packaging, branding, advertisement, BDS, poultry feed, veterinary services, day-old-chicks supplies, etc. This will provide the required support function services at a consistent, high-quality, and affordable basis required for local processing companies to reduce their production cost, increase efficiency, increase yield and productivity, capitalize on domestic preferential competitive edge, increase market penetration and gradually outcompete imported substitute.

Sharing of learning from Bennimix, Lion Mountains, Mountain Lion, and other pilot partners, and scaling up to other partners across the sector. The results from initial pilots has shown huge promise for adaptation and expansion. The project hopes to build on this to induce crowding-in from more partners in the sector. The project will, where needed, seek to induce a response from government and other sector players to support the expansion and scale of new ideas.

Piloting sustainable local packaging solutions. Scaling-up of packaging solutions to a comprehensive strategy and solution that is transferable to a broader range of food processors.

Sector Progress & Learning

Light Manufacturing

Sector Objectives

SOBA's Light Manufacturing activity is primarily focused on agro-processing equipment facilities and as an entry point for wider repair, service, equipment and financing challenges that mire the sector on the whole.

Here, the program is targeting:

- Efficient and **commercially-managed agro-processing operations** that generate multiple, profitable revenue streams
- Well-performing and **routinely-serviced agro-processing facilities** and machines
- **Well-trained machine operators, including operation, fault diagnosis, services, repairs and maintenance.** "Operator Certification Course" on offer (and paid for by operators and agro-processing facilities)

Narrative of Progress in the Light Manufacturing Sector

Focus: Adopt

SOBA relaunched our Light Manufacturing sector activity and with a sharpened focus on the intersect of Light Manufacturing and agro-processing in Q2 of 2016. We completed our market analysis at this time and identified a number of high potential partners and new innovations, with negotiations underway and Investments to be launched in Q3 2016.

Prior to this, SOBA LM activity was largely characterized by our numerous engagements with FINIC. SOBA worked closely with FINIC, piloting a number of new innovations including fabrication of the maize sheller, training operators on maintenance and use, building/adapting a briquettes machine, designing and fabricating a flatbed drier, and integrating credit scheme. These activities and results could be ascribed to Adopt, Adapt and Expand stages of implementation.

Progress: Change Over the Year

SOBA's activity in Light Manufacturing started the year with a number of focused fabrication and outreach innovations with FINIC. We viewed this engagement as a learn-through-doing pilot. With some initial success with FINIC, we decided to grow our investment in the company, targeting internal business and strategy improvements that would help FINIC to position as a leading equipment fabricator, parts supplier and repair/maintenance skill developer. However, FINIC proved more interested in short-term grant funding than in adapting to commercial opportunity. Without a commercial imperative, sustainability is at risk – limiting SOBA's willingness to invest.

Following this learning, SOBA reexamined the sector. We completed an updated appraisal of the LM opportunity and honed in on agro-processing. This would enable the program to build on its partnerships and to tap into successful interventions ongoing in our Agricultural Sector activity in order to gain quick traction in Light Manufacturing Sector. As the Sector grows, SOBA would leverage our early foothold to exploit opportunities in skills development, investments and certification of technical modules important to LM broadly.

Moving into Q2 of 2016, SOBA had redefined our focus and strategy, scoped and recruited initial partners, and begun crafting new innovations. SOBA is targeting engagements with machine resale, repair and spare part resellers and toward establishing an operator training and certification program alongside early repairs for agro-processing equipment in Sierra Leone, 70% of which is currently nonoperational. Here, SOBA has made headway with Sierra Leone Agricultural Equipment Company Ltd. and Winchin, the two largest machine and parts distributors and resellers in Sierra Leone.

Sector Learning:

- **Locally-produced equipment is a long-term goal. Imported equipment is an important stopgap.** SOBA has worked closely with FINIC in all equipment-related activity. While the local manufacturer has proved innovative, he has not proved business-minded or cost-competitive. SOBA had wanted to stimulate local production. We've learned from this experience that a viable, cheap imported product may be more valuable and play a stronger role in development in the short-term. Building a strong and competent local equipment manufacturer is, however, a long-term objective.

- **So few partners to work with raises sector risk and limits delivery potential.** Finding strong partnerships and investees is always a challenge in Sierra Leone – characterized by thin markets across the board. However, within the light manufacturing sector this is all the more acute. We’ve found two primary parts, equipment and repair service providers – they’re both connected. Accordingly, stimulating activity and new innovations is all the more challenging in Light Manufacturing.
- **Ascertaining commercial interest is primary.** SOBA had a number of successful engagements with FINIC. However, in the end, FINIC proved more interested in positioning to attract grants than positioning to service consumers. Without a commercial imperative, sustainability is always at risk – limiting SOBA’s potential impact and thus interest. SOBA stayed with FINIC for as long as we did because there were no other actors with which to engage at the time.
- **Leveraging progress in Agriculture to make headway in Light Manufacturing.** Overall, SOBA is limited by team time and breadth as well as project capital. To overcome the resource challenge while making notable headway in the sector, SOBA has focused in on agro-processing. This was a strategic decision aimed at leveraging the partnerships and activity developed under our Agriculture Portfolio to facilitate change and performance under Light Manufacturing faster.

Expected Next Steps

- SOBA targets the following strategic interventions within Light Manufacturing agro-processing in the coming year:
 - **Ownership and management:** SOBA and stakeholders engage non-performing community owned and managed agro-processing units for transformation from community ownership and management to private investor investment and management.
 - **Skills training and upgrading:** SOBA and agricultural equipment dealers support machine operation skills upgrading program and investment by other stakeholders for skills upgrading for machine operators.
 - **Expanded revenue streams:** SOBA supports development of agro-processing business models that will increase revenue streams for agro-processing units to improve on cash flows and profitability
 - **Access to reliable sources of capital:** SOBA supports establishment of linkages between new agro-processing investors and sources of investment capital to finance initial operational costs.
 - **Expansion and replication:** SOBA and agricultural equipment partners disseminate information on successful practices for expansion and replication.
- **Launch partnership with agricultural equipment dealer.** SOBA will formalize activity with equipment, parts and service dealer in Q3 and launch machine operators’ skills training and certification as well as repairs and service offers for faulty processing machines. Negotiations are underway with Sierra Leone Agricultural Equipment Company Ltd. and Winchin.
- **Undertake agro-processing units’ assessment with partner.** In partnership with parts and service dealers, SOBA aims to undertake a joint assessment of the status of machines as well as agro-processing units for developing training and repair offers and initial targets.

Sector Progress & Learning

Sustainable Energy

Sector Objectives

Low cost solar home systems are readily available and widely accessible, driving increased investment in the sector. To do this, SOBA targets:

- **Route to market and distribution** strategy development and pilots
- **Marketing and consumer awareness** activity to stimulate interest and demand
- **Consumer finance options:** PAYG, product lending, and other **credit solutions** that facilitate consumer uptake
- **Investment Preparedness: financial and business management** development and toward investment preparedness
- REASL and other membership bodies emerge as advocacy leaders that facilitate **improved policy and RE operating environment for private sector ongoing**

Summary of Progress

High level look at evidence toward systemic change leveraging the AAER (Adopt, Adapt, Expand, Respond matrix).

Adopt	Expand
<ul style="list-style-type: none"> • 2016 Finance Bill passed Parliament, moving into law: duty-free import, adoption of IEC quality standards, formalization of “1 mil power for all by 2020” – for solar products. • UK Energy Africa Compact signed, committing Sierra Leone to solar market reforms • REASL utilizing communications strategy and materials. REASL pursuing 3-pronged reform strategy. • EES updated business strategy, RTM approach and new registration • Solar Era completed audits and updated account management • Easy Solar adopted two new hypotheses • BBOXX utilizing investment strategy, pursuing funding with SOBA support. 	<ul style="list-style-type: none"> • Not yet at this stage of implementation
Adapt	Respond
<ul style="list-style-type: none"> • Efforts to operationalize policy changes have led to the creation of a policy directive which will fast track the streamlining process. SOBA and the 	<ul style="list-style-type: none"> • Not yet at this stage of implementation

Compact Task Force are working with necessary Ministry Departments and Agencies to fully-engage in fluidity of process. SOBA initiated the Mini-Grid Working Group. UNOPS adapted their delivery to employ a private sector approach following group feedback.

Narrative of Progress in Sustainable Energy Sector

Focus: Adopt, Adapt

SOBA's solar home system and sustainable energy activity kicked off in February 2016. In the five months of implementation to date, the program has prioritized adopt and some adapt activity. Specifically, SOBA focused in on key policy and regulatory changes needed to boost the attractiveness of the sector for investment as well as to significantly lower the costs of doing business and overall end user product prices. At the same time, SOBA established Pre-Investment relationships with a number of solar distributors, working with them to adapt route to market and marketing strategies as well as to upgrade financial and business management practices that would be foundational to any investment needed to bring in additional inventory.

Progress: Change Over the Year

SOBA jumped into renewable and solar home system programming only five months ago. At the start of our programming, the market was virtually nonexistent, with only a handful of businesses in operation and that mostly didn't have any inventory in country at all. At the same time, UK Energy Africa Compact and DFID interest in the sector – alongside an active Minister of Energy – shone a bright light on solar home system activity that motivated private sector activity and sped reforms.

In the short period of implementation, SOBA facilitated the following:

- **Policy and regulatory changes and ongoing advocacy in effect and underway:**
 - Key reforms passed into law
 - Active working groups established to shepherd regulatory changes from legislature to practice
 - REASL, Renewable Energy Association of Sierra Leone, a private-sector led advocacy group launched
 - Public-Private Roundtables and dialogue (four events) completed
 - Sierra Leone Energy Revolution Event, highlighting solar opportunity, signaling SL's openness to investment and informing SL leaders completed
- **Market research and strategic investment pathway outlined:**
 - Market systems analysis, exploring the solar home system market, including supporting financial and consumer market research completed
 - Strategic development pathway outlined, focusing on policy, distribution, marketing, and finance
- **Pre-Investment partnerships and investment underway:**
 - SOBA collaborating with 6 solar home system partners, with 4 investments underway
 - Consumer market research conducted with two partners and to define key market activity
 - Trade financing arranged between one partner and Greenlight Planet, respected small solar supplier

- Upgraded financial and operational structures with two business partners
 - Hypotheses outlined for upselling and reduced repayment periods
- **Collaboration with key financiers:**
 - Capital gap is key. SOBA is collaborating with a number of investors to explore financing options for the sector – including PAYG models, energy project-modeled financing (Ignite Power, Mano Cap), and debt financing (Cordaid)

Overall, SOBA has made significant headway in the sector in a short period of time. Key investment relationships, including those related to each strategic focus (policy, distribution, marketing and finance) are not only underway but well-into implementation. In the next 6 months, SOBA expects to continue on this trajectory while branching into more creative and riskier potential solutions – such as piloting third party-organized and collated shipping that would enable smaller shipments at reduced transport costs, making inventory accessible to a notably wider group of businesses.

Sector Learning:

- **Sierra Leone Energy Revolution Event propelled change.** While the event was itself costly, it did propel activity and reform. The motivation that emerged in the sector and as a result of the Revolution event, in conjunction with the series of activities and events leading up to this, was monumental. Without this, it’s doubtful that policy reforms would be so forthcoming – these reforms are vital to improved market performance.
- **A law does not make change alone.** The Finance Bill of 2016 featured a number of reforms associated with the energy sector. All told, it took about a month to debate, to refine, to integrate and to pass these reforms. In other words, it was lightning-quick. But, as we learned, legislated reforms did not mean much in practice. The process of operationalizing these reforms – required to make them accessible – will be protracted. To date, the program has been involved in this process for about 4 months now and with much more time and effort left to expend.
- **Financing gap is a huge predicament. Without ready financing, the solar home system market will limp along.** The companies that are willing to invest in the Sierra Leone solar market are unable to bring notable finance to bear. The market is itself not extremely attractive and so does not draw major investors. Shipping in small amounts of product is only possible through air freight which skyrockets shipping costs. To be able to ship in via freight, companies need to purchase a minimum of half a container – this is often \$100k+ in product. But, again, because the market is not attractive, the risk is perceived as very high, and the companies seeking investment don’t have a track record (perceived as weak), financiers are not forthcoming. To jumpstart the market, subsidized financing is needed. In absence of this, market growth will continue to stagnant.

Overview of Partnerships

Partner	Activities and Results	Learning
Easy Solar	<p>Established two hypotheses for trial:</p> <p>1) shorter product repayment periods do not significantly reduce sales or repayment rates;</p> <p>2) upselling higher value products to customers who</p>	<p>Financing through this Credit Line is appropriate for Easy Solar as it is still in its start up phase. It’s valuable for this</p>

	<p>purchased lower end products and repaid them will drive revenue and reduce per customer acquisition costs</p> <p>SOBA successfully negotiated credit line between Greenlight Planet and Easy Solar and toward testing the two sales hypotheses.</p>	<p>business to get started with sales and demonstrate revenue that can be used to attract financing. However, air freight and small orders are not appropriate for most other partners. Moreover, it's clear from this engagement with Greenlight Planet that and other like suppliers that sales on credit – even with a guarantee – aren't interesting. In other words, it's not a scalable and replicable strategy.</p>
BBOXX SL	<p>SOBA and BBOXX completed a business diagnostic, including a strategy for attracting financing and sales.</p> <p>SOBA conducted consumer demand research surveying BBOXX's existing customers, as part of an Investment Phase 1 partnership. SOBA and BBOXX will develop a marketing strategy in Q3.</p> <p>SOBA and BBOXX are also exploring a range of financing options, from Standard Chartered Bank, to Cordaid Investment Fund, to trade financing through BBOXX UK.</p>	<p>BBOXX, like its competitors, must build a strong foothold and sales performance track record before targeting solar sales to low-income populations. There is a commercial pathway toward reaching this customer, but it will take years.</p> <p>This is a predicament for the SOBA program given our high low-income targets vs our 18 month longevity. Do we make investments with no target return in order to lay the commercial foundation for long-term pro-poor access? Or, do we place our resources in higher return portfolios?</p>
Energy Efficient Solutions	<p>Pre-Investment engagement included business diagnostic, business registration, upgraded financial management practice, and focused product/growth strategy – including 5 routes to markets.</p> <p>In Q3, the program will support EES to finalize early investment and secure new inventory, trailing RTM strategies.</p>	<p>Pre-investment engagement is a crucial part of the investment process and for our partners. With EES, it helped the company to establish a strong vision and accompanying strategy needed to substantively grow the business. Without this, and supporting financial management structures, success was doubtful.</p>

<p>Solar Era</p>	<p>Business diagnostic and performance changes recommended by SOBA. Business and financial management improvements underway, as part of pre-investment support.</p> <ul style="list-style-type: none"> ○ Solar Era has made changes to its organizational structure allowing for streamlined decision-making and transparency. ○ Solar Era audited their accounts for the last three years. <p>These changes are essential in ensuring Solar Era is positioned for growth.</p>	<p>Business practice in Sierra Leone does not always follow a regimented formulaic method. Instilling good business practices is a slow process, but eventually partners understand to be competitive they need to adapt.</p>
<p>REASL (Renewable Energy Association of Sierra Leone)</p>	<p>Formally launched with SOBA-supported communications strategy and material.</p> <p>6-month advocacy strategy developed with SOBA support. REASL honed in on three-pronged strategy aligned to private sector policy reform and enabling environment needs in Strategic Design Sessions. Areas of focus determined: 1) streamlined registration; 2) universal waiver; 3) energy finance.</p> <p>REASL a strong voice for private sector energy companies. Attracted good membership base and playing a key advocacy role towards operationalized waiver process.</p>	<p>REASL is still in its infancy stages as an organization and as such will need to consolidate its internal structure to be more effective. Frequent communication with SOBA has already proven useful in aiding this process.</p>
<p>Compact Task Force</p>	<p>2016 Finance Bill passes key reforms into law. Reforms include universal duty waiver and adoption of global IEC standards for solar.</p> <p>Sierra Leone Energy Revolution Event completed. This is a major SOBA programme achievement completed on 10 May and following months of events and reforms targeted to signal <i>“SL is open and ripe for energy investment and as a partner in the UK Energy Africa Campaign.”</i> Major achievements include:</p> <ul style="list-style-type: none"> – Energy Africa Compact signed. – HE President Koroma, UK Minister Hurd and SL Energy Minister Henry Macauley presided over the event. – Attracted private sector to the conference and generated interest in the sector more widely. Over 100 private sector actors attended the conference. – Launched major renewably energy reforms. Reforms to taxation and import processes improved to incentivize private sector companies to operate. Import duty waivers, GST waivers and quicker access through ports have been introduced. – National commitments announced. – Renewable Energy Association (REASL) key player in 	<p>It proved relatively easy to pass major reforms into law. It has, however, proved exceptionally difficult to operationalize these reforms.</p> <p>While these reforms are meaningful to sector performance and delivery, in effect reducing per product pricing by 40%, they’re also a long-term battle that the SOBA program is not positioned to fight. REASL has proved a valuable partner in this effort. However, motivation is at risk of waning if change continues to be so time-consuming and difficult. There are many vested interests.</p> <p>As energy is a high priority of</p>

	<p>event.</p> <p>Energy Compact Implementation Task Force. SOBA, along with REASL, Power for All, UK Compact team and the MoE, are continuing to facilitate operationalization of key reforms through an established Task Force. To date, the program is facilitating a number of dialogues and process mapping toward operationalizing reforms passed in 2016 Finance Bill.</p>	<p>the GoSL there is great political willingness to meet the targets set by the President. This political willingness has not translated yet to substantive and meaningful change. This is a long process. It's difficult to point to tangible results.</p>
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Expected Next Steps

In 2016-2017, SOBA is expected to move solar home system business Pre-Investment activity into Investment Phase 1 activity. Our partners are finalizing their strategies and internal business improvements and positioning to receive inventory. SOBA will play a strong partnership and co-investment role in trialing new marketing and distribution strategies.

In addition, SOBA will also continue our focus on the investment and finance climate for solar distributors. Investment is a major barrier for our partners and program. To date, while we've explored a large number of financing options, nothing has emerged as timely or viable. SOBA's capacity to stimulate market performance hinges on the availability of financing. Without this, no businesses will be able to bring in inventory and without inventory, marketing and distribution challenges are moot. SOBA is working with DFID to explore alternative options that may be more direct in the short-term. Additionally, SOBA is also continuing to explore creative alternatives – from energy project/contract models, to alternative trade financing, to profit-sharing investment approaches.

SOBA will also continue to focus on operationalization of policy reforms and in close partnership with REASL, Task Force and Power for All. Our aim is to support REASL to step into a bigger and bigger role and as a leading, sustainable private sector voice for change in the energy sector.