CASE STUDY

PACE INVESTMENT READINESS PROGRAM (IRP)

NOVEMBER 2018

EXECUTIVE SUMMARY

Building on an established expertise and local network, Open Capital Advisors (OCA) developed an innovative program to support early-stage, high growth potential enterprises raising <$500,000 in East Africa, with support from the United States Agency for International Development's (USAID) Partnering to Accelerate Entrepreneurship (PACE) Initiative. The PACE Investment Readiness Program (IRP) is a unique partnership that encourages investors to engage and financially support enterprises at the pre-investment stage through a subsidized cost-sharing structure, which blends development and commercial capital.

At conclusion in 2016, PACE IRP exceeded all of its established targets, identifying 222 enterprises, screening 63 high-potential enterprises, providing pre-investment support to 15 enterprises, and mobilizing $2.3 million in early-stage investment (between $50,000-500,000) from four partner investors and 14 non-partner investors into six enterprises. By increasing investment in enterprises, OCA generated financial returns, job creation, livelihood improvement, and economic growth in local communities.

The design and implementation experience of PACE IRP presents useful insights for others considering ways to encourage impact investment in early-stage enterprises in developing countries:

- The role of pre-investment capacity building in mobilizing early-stage investment
- Investor demand for standardized impact metrics
- The opportunities and limitations for scaling this model of pre-investment support to MSMEs

SYNOPSIS

Project lead	Open Capital Advisors (OCA)
Mandate	To demonstrate successful methods to catalyze private investment into early-stage enterprises to foster financially sustainable growth in East Africa
Program dates	2014-2017
Size	*PACE IRP:* <$800,000 *Resulting Investment:* >$2.3 million
Key stakeholders	United States Agency for International Development (USAID); Blue Haven Initiative; The Eleos Foundation; Montpellier Foundation UK; Fondazione Opes; and VanHoops Holdings
Cost-sharing features	1. USAID subsidy 2. Investor and enterprise cost-sharing 3. OCA deferred fees
Impact metrics	Number of pipeline opportunities shared; number of resulting investments; total capital committed to enterprises; growth rate for businesses that received pre-investment support; business revenue generated; jobs created.
Impact outcomes	• 222 enterprises identified • 63 enterprises screened • 15 enterprises received pre-investment support • 6 enterprises achieved resulting investment • $2.3 million capital committed from partner investors • 78 jobs created, ~50% women

INTRODUCTION

Micro, small and medium Enterprises (MSMEs)[1] are one of the strongest drivers of economic development, innovation, and employment, but access to capital is one of their most challenging constraints to growth. 65 million or 40% of formal MSMEs in developing countries have unmet financing needs, with the financing gap estimated at $5.2 trillion. At the same time, there is growing appetite among impact investors for MSME investing, given the potential for impressive financial and social returns. Investors face a particularly large challenge in identifying small and early-stage enterprises that are well-positioned to grow (i.e., attractive investments). Moreover, enterprises often lack internet presence and most forms of typical external marketing materials like pitch decks and business plans.

It is critical to reach and support these local enterprises to truly create broader change – investors cannot rely only on a handful of highly-visible, innovative start-ups to accomplish their ambitious impact objectives. To support the flow of impact and development dollars to MSMEs in developing countries, intermediaries have emerged. These intermediaries –financial and investment advisory firms – play a number of key roles including market assessments, opportunity sourcing, due diligence, and investment structuring for investors as well as strategic advisory, transaction services, and capital raising services for entrepreneurs. Open Capital Advisors (OCA) is one such intermediary that identifies and develops high-potential investment opportunities in MSMEs across Africa.

In 2013, OCA approached the United States Agency for International Development (USAID) Partnering to Accelerate Entrepreneurship (PACE) Initiative to establish the Investment Readiness Program (IRP), which would formalize and more effectively target OCA's current work connecting impact investors to small or early-stage MSMEs with high growth potential in East Africa. By partnering with USAID and five impact investors, OCA was able to mobilize small-scale investment in enterprises – extending services to earlier-stage, higher risk MSMEs. As part of the partnership, OCA sourced enterprises from across East Africa, performed due diligence on selected businesses, proposed a short-list to investors, and delivered tailored capacity building to 15 investor-selected MSMEs. PACE IRP had a unique cost-sharing structure, which blends development and commercial capital.

[1] The European Commission uses the following guidelines to define MSMEs:

Company category	Headcount	Revenue	Assets
Micro-enterprise	<10	≤ € 2M	≤ € 2M
Small enterprise	<50	≤ € 10M	≤ € 10M
Mediium enterprise	<250	≤ € 50M	≤ € 43M

DESIGN PROCESS

Open Capital Advisors (OCA) is a management consulting and financial advisory firm headquartered in Nairobi, with offices in Uganda and Zambia, that supports high-potential social entrepreneurs, impact investors, and innovative solutions in Sub-Saharan Africa. Specifically, OCA provides high-touch, operationally-focused support to help entrepreneurs plan clear growth strategies, build strong operational systems and processes, and determine realistic capital needs. OCA provides services to both entrepreneurs and investors:

- For entrepreneurs: OCA provides support to develop robust financial models, attract the right investors, and structure capital raises, focusing on social enterprises.
- For investors: OCA works to create innovative structures, manage existing portfolios, perform in-depth market assessments, and guide strategic questions.

Operational since 2010, OCA has established an impressive track record and reputation in Sub-Saharan Africa, with successful engagements and more than $400 million of investment capital facilitated. OCA maintains a wide network of both impact investors (e.g., private equity funds, family offices, angel investors, and institutions across Africa, Asia, Europe, and North America) and MSMEs, established through its in-country presence in Kenya, Uganda, and Zambia. Therefore, OCA identified an opportunity to scale its activities by establishing a formal partnership-building exercise to unlock additional investment capital for early-stage, high-potential MSMEs.

OCA proposed this concept to USAID in response to the Partnering to Accelerate Entrepreneurship (PACE) Initaitive's request for applications (RFA) seeking financially sustainable programs that support early-stage enterprises. PACE aims to catalyze private investment in early-stage, high growth potential MSMEs as well as to identify innovative models or approaches that help entrepreneurs bridge the pioneer gap. From USAID's perspective, the "investment readiness program" was compelling given the potential to have investors pay for pre-investment support. The partnership was through the Global Development Alliance (GDA), which is specific to private sector partnerships at USAID. Through PACE IRP, OCA sourced and screened over 60 high-potential enterprises and presented these opportunities to pre-identified investors. The partner investors selected 15 businesses for tailored pre-investment support – to reach "investment readiness" – with the aim of catalyzing five investments and $2.17 million, which reflects the desired leverage ratio of USAID grant capital (i.e., partial subsidy of the program costs) to commercial investment mobilized for this partnership (i.e., resulting investment). PACE IRP targeted enterprises across OCA's target geography of East Africa over a three-year period beginning in October 2014.

PACE IRP was intended to demonstrate successful methods to catalyze private investment into small and early-stage enterprises and foster financially sustainable growth. Subsidized by USAID's grant capital, the partner investors would share the remaining cost of this design-stage support in exchange for a right of first refusal to invest. From its existing network, OCA identified five impact investors willing to commit capital. These investors were identified based on i) willingness to consider a small ticket size (e.g., $50,000), ii) investment experience and track record, and iii) interest in participating in the program. The five partner investors were:

- Blue Haven Initiative: a U.S.-based family investment office dedicated to deploying capital to solve social problems
- The Eleos Foundation: an impact investor that strives to improve millions of lives by investing in pioneering business solutions to solve social problems
- Montpelier Foundation UK: a foundation that empowers disadvantaged people across the world using a mix of grants, investments, and debt capital
- Fondazione Opes: an Italian-based impact investor focused on businesses that can achieve significant and lasting social impact through economically viable business models
- VanHoops Holdings: the investment company of Rich Hoops, an American-based impact investor dedicated to assisting nonprofits and social enterprises build operational and organizational capacity

STRUCTURE AND GOVERNANCE

CAPITAL STRUCTURE

PACE IRP was a <$800,000 jointly funded program between OCA, USAID, and five impact investors to identify, develop, and invest in enterprises in East Africa. The program costs were based on the costs associated with OCA identifying, screening, and providing capacity building and financial services to enterprises. USAID approved the overall budget and investors approved their individual contributions. The program costs were financed through an innovative approach that distributes both risk and financial cost across all stakeholders, including USAID, the partner investors, and selected entrepreneurs.

- USAID subsidy: USAID provided grant capital to subsidize the program (covering approximately half of the capacity building costs), catalyzing private sector participation. A portion of the grant was deployed to fund pipeline development and screening, which allowed OCA to experiment with supporting a deeper pipeline of enterprises than otherwise possible. The rest of the funding was used to subsidize the cost of assistance provided to the selected enterprises, with partner investors and the enterprises contributing the remainder.

- Investor pay-in: One of the unique aspects of the program was the upfront commitment required from investors. The partner investors shared the cost of the pre-investment support in exchange for a right of first refusal to invest in enterprises upon completion of the scheduled capacity building. Further, investors needed to demonstrate an ability and willingness to invest up to $750,000 in enterprises that met their diligence criteria at the end of the pre-investment support phase.

- Business fees: Each enterprise contributed to the cost of support, which ensured their buy-in to implement capacity building support. The enterprises only paid a portion of the fees upfront and deferred the majority untill they received investment.

- OCA deferred fees: Finally, OCA deferred a portion of its fees to the successful completion of a capital raise with each business, sharing risk with the business. This allowed the enterprises to delay payment until the completion of the program and, ideally, resulting investment.

LEGAL STRUCTURE AND GOVERNANCE

PACE IRP is essentially a series of bilateral agreements. The first bilateral agreement – a grant agreement – was between USAID and OCA. Next, OCA contracted separately with each of five partner investors. Under these agreements, partner investors committed to provide their share of the capacity building fees as well as acknowledge and accept the other requirements of the program. OCA did not offer investor due diligence services or manage any investible assets as part of this engagement. The explicit purpose was for OCA to identify and pre-screen high-potential, small and early-stage investment opportunities for impact investors. Finally, OCA contracted with each enterprise selected for pre-investment support. These contracts were established as traditional fee-for-service contracts for the delivery of pre-investment advisory and capacity building, with the pricing adjusted for the USAID subsidy and investor cost-sharing, as well as OCA's deferred fees.

PACE IRP was managed by OCA, working in close collaboration with USAID and the investors. OCA worked together with investors to identify and screen pipeline, and then OCA and investors collaborated to determine the progress and success of capacity building efforts. OCA ultimately had sole responsibility and discretion in executing its services as laid out in the series of bilateral contractual agreements. Investors informally signed off on the scopes of work, and USAID established clear milestones that were tied to payment on its end.

OPERATIONS

PACE IRP operated in three phases, whereby: i) OCA screened and evaluated high-potential, small and early-stage enterprises for partner investors to review, ii) OCA provided extensive capacity building for selected businesses, and iii) investors then exercised the right of first refusal for enterprises in which they "opted-in" (i.e., contributed pre-investment support dollars).

PHASE 1: SCREENING AND EVALUATING

First, OCA identified and screened small and early-stage enterprises across East Africa that broadly: i) were not yet investment-ready and ii) could not access paid technical assistance without significant support (i.e., without PACE IRP). OCA cast a wide net to demonstrate to partner investors the depth of potential in these markets. OCA sourced the businesses from referrals from USAID-funded programs, OCA's deep regional networks, industry associations and bodies, as well as partner investor pipelines and networks. Ultimately, OCA identified 222 enterprises – more than double the initial target of 100 – across four countries and seven sectors. This increase was prompted by investors who were interested to explore as many business opportunities as possible.

The evaluation criteria for the screening phase were established jointly by OCA and USAID, and included:

- Operation in Kenya, Tanzania, Uganda, or Rwanda
- Focused on agribusiness, healthcare, renewable energy, financial inclusion, education, water, or affordable housing
- Small or early-stage, defined as having less than $500,000 annual revenue
- Reputable entrepreneur and/or management team committed to growth
- Demonstrated clear and measurable social impact with potential for growth and scale
- Investment between $50,000-500,000 required to achieve growth
- Not already in the investment portfolios of any of the five partner investors
- Lacking internal capability or partners to provide technical support needed to reach investment

From the 222 early-stage enterprises identified and screened against the two high-level criteria, OCA evaluated just under a third of those – 63 against an initial target of 60 – with the highest potential to meet partner investor preferences and requirements. Enterprises were evaluated through several meetings with management, including site visits, and review of existing information. The evaluation criteria for the evaluation phase were established jointly by OCA and the partner investors, and primarily focused on the creditworthiness, business potential, and impact mandate of the enterprise.

Following the evaluation process, OCA prepared detailed screening memos on the shortlisted enterprises. The screening memos included a summary of the business, market and competitor analysis, team, performance, growth plans, capital need, and a scope of work for the pre-investment support. Based on the screening memo(s), partner investors would either i) opt in (to a right of first refusal to invest) or ii) opt out. Investors that opted out had to submit reasoning for opting out. Investors also had the opportunity to submit questions that OCA and the enterprise would address before determining whether they would opt in or out. Enterprises were ultimately selected for pre-investment support by one or more partner investors "opting in" to the right of first refusal, based on the screening and evaluation completed by OCA.

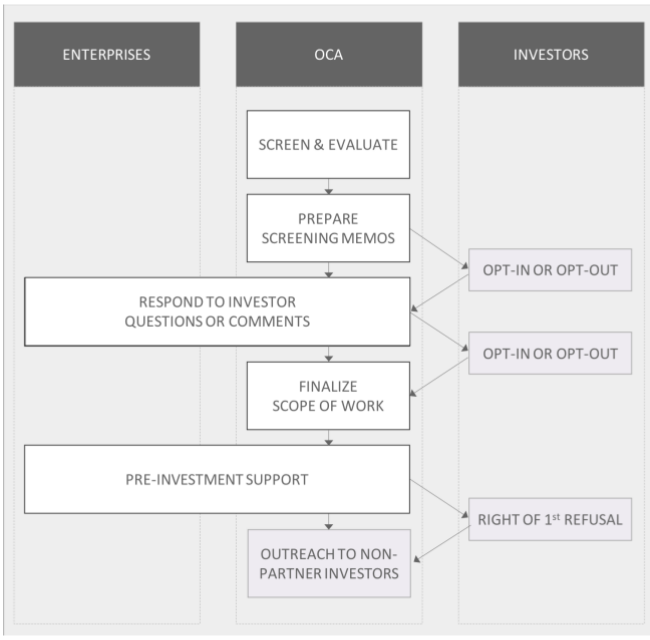

Figure 1: Overview of PACE IRP

PHASE 2: PRE-INVESTMENT SUPPORT

Microenterprises must be backed by a minimum of one partner investor to receive pre-investment support from OCA. The scope, milestones, and budget of pre-investment support were tailored to each selected enterprise and laid out in the final detailed screening memo. Pre-investment support typically included the following activities, with the ultimate purpose of addressing key gaps to investment readiness:

- Financial modeling: Nearly 80% of businesses reviewed did not have financial models of the quality required by investors
- Market identification: Approximately 30% of screened businesses required assistance to define their markets and identify target customers.
- Growth strategy: Only 25% of screened businesses had a detailed business plan, while the remainder had either plans without sufficient detail, or no plans at all.

Together, the partner investors selected 15 enterprises for pre-investment support – some of which were already known to them. Pre-investment support lasted two to six months, varying with business need. OCA provided more than 7,000 cumulative hours of pre-investment support to the 15 selected enterprises. In addition, OCA worked closely with the partner investors, providing monthly updates to investor(s) that had opted into each, and ensuring progress towards growth and investment.

PHASE 3: RESULTING INVESTMENT

After the pre-investment support phase, OCA approached each "opted-in" partner investor to exercise its right of first refusal. It is important to note that this phase was monitored but not actively structured. At this point, each investor conducted an independent due diligence process. Opted-in partner investors interacted directly with the entrepreneur or enterprises, conducting due diligence and reviewing progress achieved during the pre-investment support period. OCA provided support by organizing communication, planning diligence responses and site visits, supporting negotiations, and preparing documentation. OCA did not advise investors or influence investment decisions.

During this stage, opted-in investors who had decided to exercise their rights of first refusal could seek additional co-investors. If opted-in investor(s) decided not to go ahead with an investment, OCA presented the opportunity to the other partner investors and then to outside (i.e., non-partner) investors in its network. Developing a capital structure for each investment presented a constant challenge throughout the duration of PACE IRP. Given the early-stage nature of the PACE IRP–supported businesses, finding consensus on equity valuations was difficult and debt was rarely feasible. OCA worked closely with investors to develop alternate structures, such as profit-sharing, convertible debt, demand dividends, and preferred equity, that allowed investors and enterprises to compromise to mutual benefit.

Ultimately, PACE IRP catalyzed investment in six out of the 15 enterprises (against a target of five) that received pre-investment support. Four of the five partner investors, and 14 non-partner investors, placed investments worth a total of $2.3 million (against a target of $2.17 million). Of the nine enterprises that did not receive resulting investment, three businesses were in ongoing discussions with investors; three businesses re-invested profits to achieve short-term growth; and three businesses sought to implement OCA-developed growth plans before seeking investment. OCA's deferred fees were due from the enterprises regardless of the source of eventual capital.

KADAFRICA

Background: KadAfrica uses passion fruit farming as a vehicle for girls to build their own supply systems to become independent and empowered decision makers. KadAfrica grants out-of-school girls a small plot of land and provides them with agricultural inputs, entrepreneurship and financial literacy training, and a marketplace to sell the fruit.

PACE IRP Intervention: KadAfrica was among the first enterprises to receive pre-investment support through the PACE IRP. KadAfrica was actively seeking to raise capital. OCA provided valuable support in building a detailed financial model which enabled investors to understand and value the underlying business economics. KadAfrica benefited from extensive hands-on engagement from OCA and the partner investor, although it was also imperative to engage the founders and board to ensure the original vision was maintained as best as possible. Participation in the program lasted approximately 16 months from initial identification to closing investment.

Growth To Date: Through PACE IRP, KadAfrica secured financing from private and philanthropic investors. To date KadAfrica has supported:

- >1,600 out-of-school girls
- 66,000 quality grafted seedlings planted
- 26,000 kg of passion fruit produced
- 20% average increase in savings per farmer
- 6x average increase in farmer income

Figure 2: Example beneficiary of PACE IRP

IMPACT METRICS

Beyond funding and referrals, USAID played a critical role in supporting and driving the impact agenda for PACE IRP. USAID was instrumental in designing the monitoring and evaluation (M&E) plan, identifying the best impact metrics to monitor, and structuring the learning objectives. The support of USAID enabled OCA to monitor, report, and share learnings with the broader ecosystem, including participation in the Global Accelerator Learning Initiative (GALI) and PACE's impact monitoring work with Dalberg. The result was a set of four impact objectives and twelve impact metrics, measured at the beginning and end of the initiative.

Impact Objective	Metric(S)
Demonstrated value to investors	- Pipeline opportunities shared (#) - Resulting investments (#) - Capital committed ($)
Businesses supported	- Businesses supported (#) - Businesses raised capital (#) - Capital raised ($)
Revenue growth	- Growth (%), support but not investment - Growth (%), support and investment
Community	- Business revenue generated ($) - Revenue to community ($) - Individuals employed (#) - Women employed (#)

Figure 3: Impact objectives and metrics for PACE IRP

IMPACT-TO-DATE

At close in 2016, PACE IRP exceeded all targets, ultimately identifying 222 enterprises, screening 63 high-potential enterprises, providing heavy-touch pre-investment support to 15 enterprises, and ultimately mobilizing $2.3 million in early-stage investment from four partner investors and 14 non-partner investors into six enterprises. By increasing the number of successful investments in enterprises, OCA generated financial returns, job creation, livelihood improvement, and economic growth in local communities. Early-stage enterprises were the primary focus of PACE IRP, with the overarching objective of growing and scaling high-potential MSMEs in East Africa. Businesses that participated in various phases of PACE IRP benefitted to different degrees as outlined below:

- Investment recipients: Businesses that received pre-investment support and resulting investment from the partner or non-partner investors increased revenues by 82% on average over the duration of PACE IRP (measured as the difference between the baseline and endline). All of the enterprises that received investment received extensive support – on average 530 hours – prior to raising capital, involving close work with management to define a clear growth plan and support operations, then translate this to a bankable plan to finance growth. It should be noted that, at the time of the final evaluation, these enterprises have not yet had sufficient time and opportunity to realize their full growth potential as a direct result of PACE IRP (i.e., both capacity building and resulting investment).

- Pre-investment support recipients: Businesses that received pre-investment support but not resulting investment, at the time of project completion, still increased revenues by 37% on average during the initiative. Of the nine enterprises that received pre-investment support but have not yet raised capital, three are in ongoing discussions with investors; three have chosen to organically grow through re-invested profits; and three are implementing OCA-developed growth plans prior to seeking capital. In some cases, OCA found that pre-investment support led to immediate increased profits, meaning some businesses did not face as urgent a need to raise capital. For example, one small Ugandan recycler yielded more profits than expected after implementing OCA's strategic support, enabling capital investment without external funding.

- Screened and evaluated businesses: All businesses screened by OCA had struggled to raise investment funding to date and were looking for support to become "investment-ready". Prior to PACE IRP, these early-stage enterprises relied on a mix of re-invested profits, small grants, and savings to fund their ventures, limiting growth. For many businesses in the PACE IRP pipeline, OCA's screening process provided their first external-facing documentation. Further, OCA provided feedback and advice to all screened businesses, particularly to those that were evaluated. This may lead to great results in the long-term, though it is not reflected in the data collected only one year after the program concluded.

In addition to enterprises, PACE IRP also sought to provide significant benefits and long-term impact to impact investors. Partner investors benefited substantially from pipeline development, citing the pipeline of 222 new early-stage enterprises as one of the most notable benefits of participation in PACE IRP. Each of the five partner investors was based outside the target geography (i.e., East Africa) and even those with deeper networks struggled to access enterprises. In addition to pipeline, partner investors also gained an improved understanding of the broader MSME landscape in East Africa, which informed subsequent strategic decision-making and fundraising. OCA anticipates additional future investments to originate from this program over time.

	BASELINE	ENDLINE	GROWTH
Revenue generated	1,117,997	1,723,527	54%
Revenue to community	332,494	515,863	55%
Individuals employed	161	239	48%
Women employed	78	116	49%

Figure 5: Development outcomes at the community-level

Finally, PACE IRP had a measurable impact on the broader communities in which these enterprises operated. Across all 15 PACE IRP-supported enterprises, the following key metrics were measured at both the baseline and endline to measure growth, based on annual revenues and employment figures.

FOLLOW-ON STRUCTURE

Building on the success of PACE IRP, OCA and USAID PACE have partnered to develop a second iteration of the program. The recently launched 'Talent to De-risk and Accelerate Investment' (TRAIN) will aim to catalyze more investment into high-impact small and growth-stage enterprises in East Africa and also Southern Africa. TRAIN will seek to prove a new model of streamlined due diligence as well as a new talent-enabled model of post-investment oversight designed to reduce investor risk.

KEY INSIGHTS

The PACE IRP initiative presents several useful insights for others looking to create or invest in programs targeting support to small and early-stage enterprises. Additional insights can be found in the learning document published by OCA and USAID.

- Pre-investment support is crucial and is an area where blending approaches can play an important role: The successful outcomes of PACE IRP – namely, the resulting investment in six small and early-stage enterprises across East Africa – demonstrates the potential of tailored pre-investment support to increase the pool of investible businesses in developing countries. The lack of investment readiness is often cited as a key factor limiting deal flow. Based on the 200+ enterprises identified by PACE IRP, common skill gaps for entrepreneurs include: i) financial modeling to the quality investors expect, ii) accurate segmentation of customers and markets, and iii) prioritization of an actionable growth strategy. While PACE IRP focused on providing pre-investment support only, it was clear that capacity-building support was beneficial – if not critical – both pre- and post-investment. Here, blended finance can be catalytic: *blending* pre- or post-investment grant-based support (e.g., design funding, technical assistance) to mobilize commercial investments.

- Sourcing enterprises ripe – or nearly ripe – for commercial investment continues to be a challenge: Only six of the 15 enterprises supported by PACE IRP received investment from the partner investors, and the businesses that did receive investment were often well-known to – if not specifically identified by – the investor(s). The majority of the 63 enterprises showcased to partner investors did not stimulate interest. While pre-investment support may be one piece of the puzzle, this suggests that there are additional considerations for streamlining matchmaking efforts to mobilize commercial investment in enterprises in developing countries. Catalytic capital providers must take into consideration that, particularly for early-stage investments, investors rely on personal interaction and a few key variables to make their decision. Intermediated blended approaches may de-risk investment opportunities, but may also create too much 'distance' between investors and target MSMEs.

- Investors care about identifying and measuring impact too—and they need support: A clear impact story is important to partner investors. "Limited impact" was the most frequently cited justification by partner investors when declining to opt in to, or exercise, their rights of first refusal during PACE IRP. Yet, fragmentation in the definition and measurement of impact presents considerable challenges for both investors and businesses. "Limited impact" is not necessarily actionable feedback for an entrepreneur if 'impact' cannot more clearly be defined (e.g. Number of units? Income increase? What type of impact is limited?). One important feature of blended finance transactions is that the provider of concessional finance may have rigorous frameworks and standards (e.g., USAID's learning agenda) that it can share with investors and businesses seeking investment.

- Opportunities and limitations of this model for scaling financial and development additionality: Overall, PACE IRP outperformed all of the measures of success: identifying, evaluating, supporting, and closing investment in more small and early-stage enterprises across East Africa than targeted. The initiative achieved measurable impact outcomes, including increased revenue generation and jobs creation. On the other hand, PACE IRP is a capital- and time-intensive program that ultimately mobilized a limited amount of investment capital, which was aligned to the relative deal size (<$500,000) but from a set of investors that were already active, to varying degrees, in the target geography. Key considerations for replicating and/or scaling this model include:

- Simplifying the program structure: The complex legal structure and hands-on approach to pre-investment support created a reliance on a large number of trained implementers. This feature would present challenges at a larger scale. OCA and USAID have rightfully identified the reduction of upfront costs as a goal for the second iteration (TRAIN).
- Identifying the right partner investors: To achieve financial additionality, a program of this type should engage investors that truly need support to identify pipeline in new markets and can also commit to investing in supported MSMEs.
- Fostering ties between the investor and business: This model relies on the service provider as an intermediary—but the success of the resulting investment relies on building transparency, trust, and a common vision between investors and businesses.
- Strengthening the decision-making frameworks: To encourage a greater volume of resulting investment, the screening criteria and pre-investment support milestones must be better aligned to partner investor preferences and requirements, as opposed to industry or enterprise needs.
- Supporting a deep and rigorous impact agenda: There is potential to provide greater support to investors in standardizing the development and measurement of their impact agendas.

SOURCES

Interviews with Open Capital Advisors, United States Agency for International Development, KadAfrica, Sunfunder, Paygo Energy, and a private investor.

Program documentation provided by Open Capital Advisors.

Open Capital Advisors. (2018). Supporting Early-Stage Entrepreneurs in East Africa: Learnings from the USAID PACE Investment Readiness Program. Available here.

ABOUT CONVERGENCE