



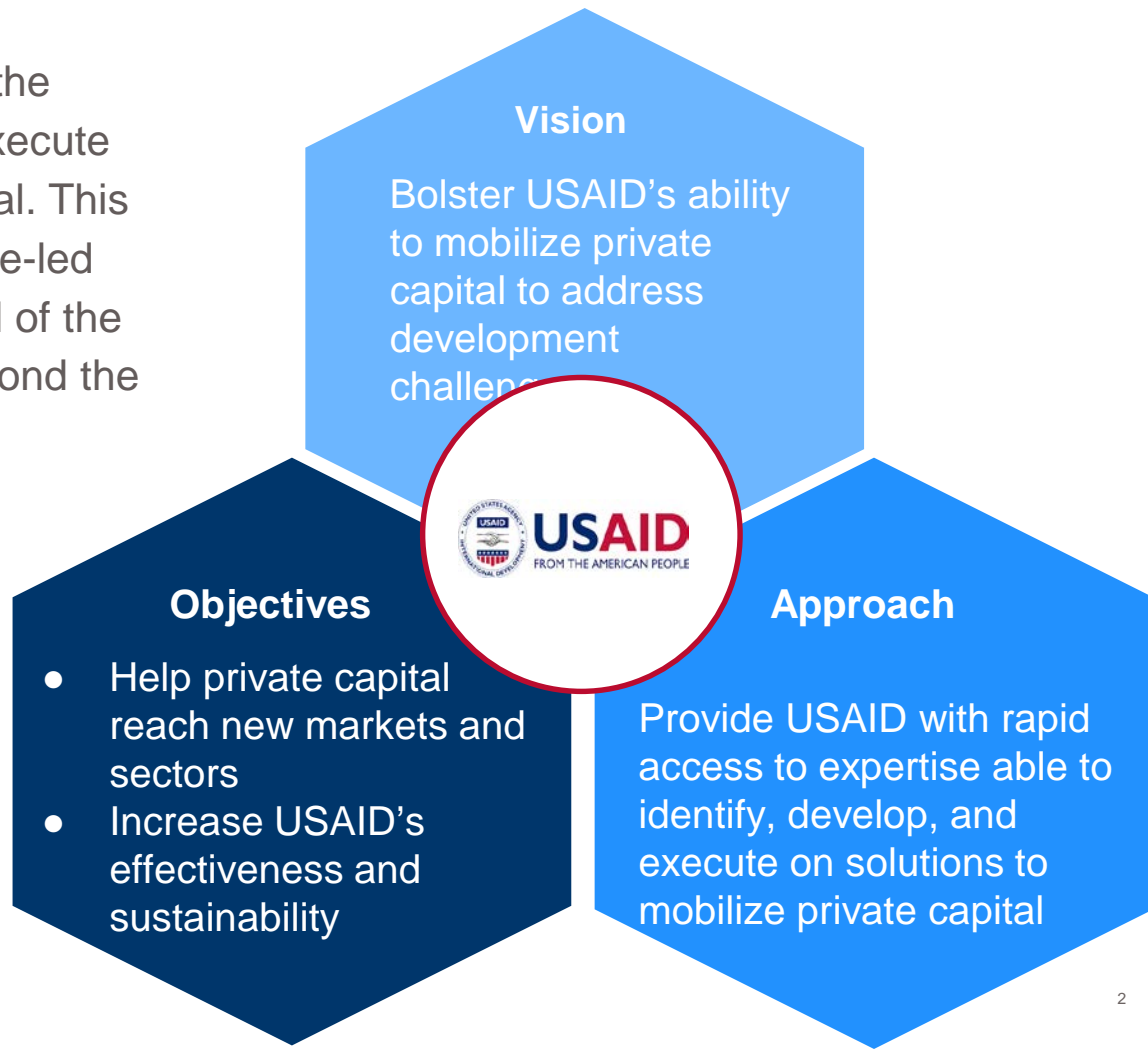
INVEST Project: Mobilizing Private Investment for Development

2018 Annual Report

INVEST Overview

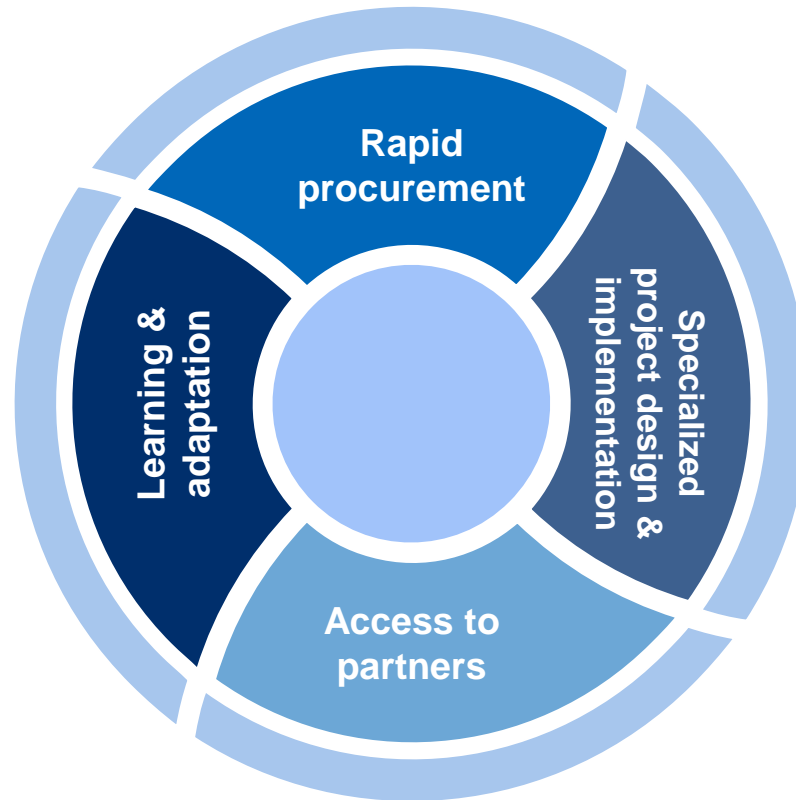
INVEST is a flexible, efficient buy-in mechanism that helps USAID operating units mobilize private capital to achieve their goals. Based in Washington, D.C., the INVEST project includes DAI subcontractors CrossBoundary, Tideline, and Convergence, as well as a growing network of 140 partners.

Through INVEST, USAID accesses the expertise it needs to evaluate and execute approaches to mobilize private capital. This supports USAID's focus on enterprise-led development, unlocking the potential of the private sector to move countries beyond the need for assistance.



INVEST Overview

INVEST was designed to directly address operational challenges that usually inhibit USAID from working alongside the investment community. It ensures rapid procurement—within four to six weeks—so USAID can act within investors' short timelines. It enables flexible, specialized project design and implementation. It provides access to partners with localized expertise in investment and development. And, it focuses on learning and adaptation to drive innovation in mobilizing private capital.



INVEST Activities

Assessments



Designing and
Structuring
Products and
Funds



Transaction
Advisory
Services

Through INVEST, USAID can access the solutions it needs to mobilize private capital and reach its development objectives.

Note: MBIOs can mix and match from within and across these three buckets to customize buy-in support to meet their needs.

INVEST Activities

Assessments enable USAID to understand market conditions. Includes:

- Determining the range of potential opportunities, market dynamics, and key actors needed to mobilize private capital; and
- Determining/evaluating the feasibility of one or more particular interventions to mobilize private capital.

Designing and structure a new fund, risk mitigation instrument, or other financing solution. Includes:

- Designing varying structures, platforms or financial instruments; and
- Fleshing out a specific financial structure, mechanism, or approach to determine its suitability.

Transaction advisory services involve hands-on support to move transactions towards financial close. Includes:

- Developing a viable pipeline of transactions suited for USAID support;
- Identifying external financing or risk mitigation support;
- Conducting due diligence;
- Preparing transaction documents; and
- Linking supply and demand of capital.

INVEST Partner Network

To mobilize private capital at scale, USAID needs new partners and new ways to collaborate with them. That's why INVEST built a wide-ranging network of firms and development finance specialists so that USAID can access the expertise it needs, on demand. In its first year of implementation, INVEST has grown its partner network from 26 to 140 members.

140

Firms in partner network

11

RFPs released

17

Total INVEST buy-ins

46

Different partners responded to RFPs

52%

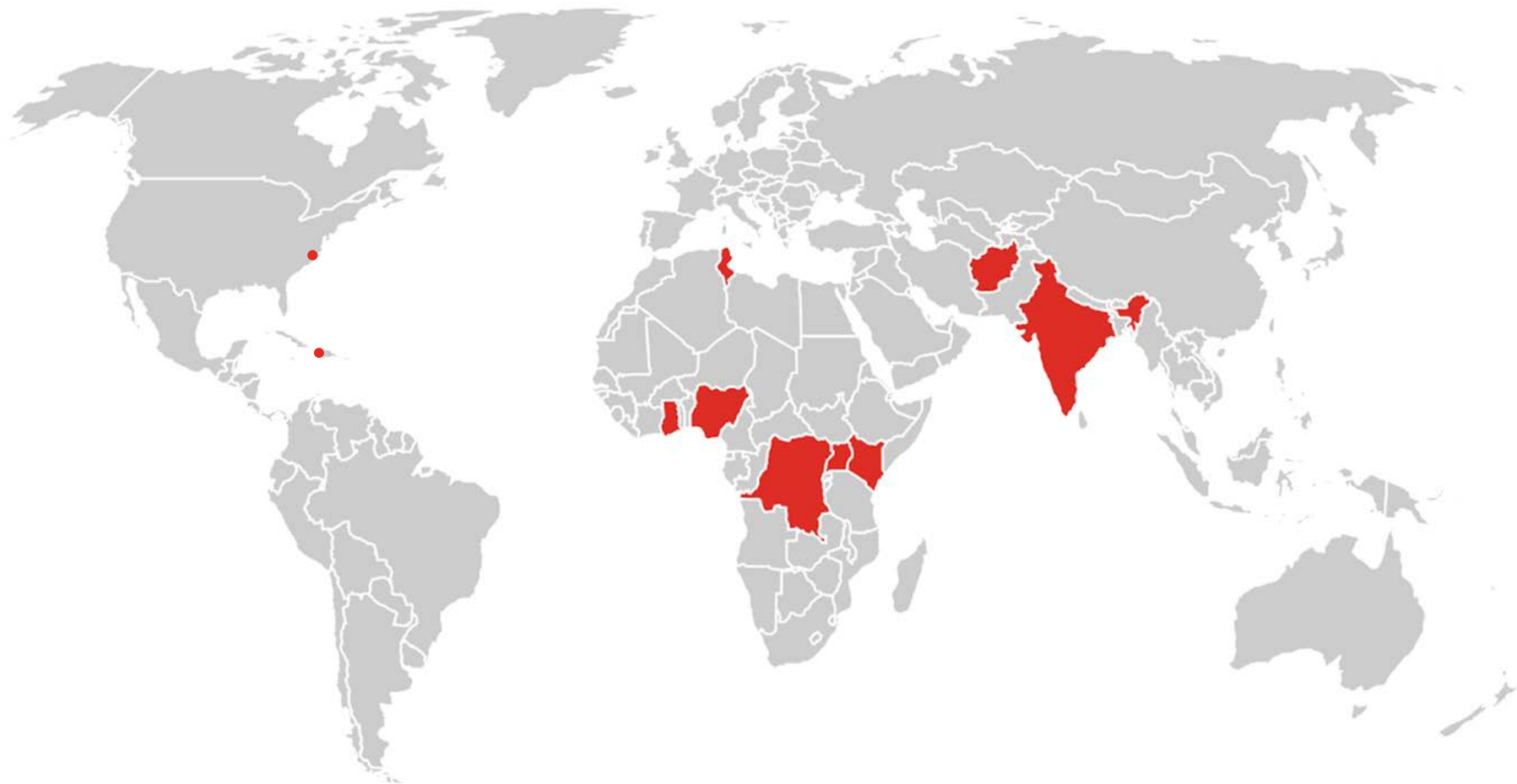
% of total \$ value procured and currently procuring from US-based small businesses

92%

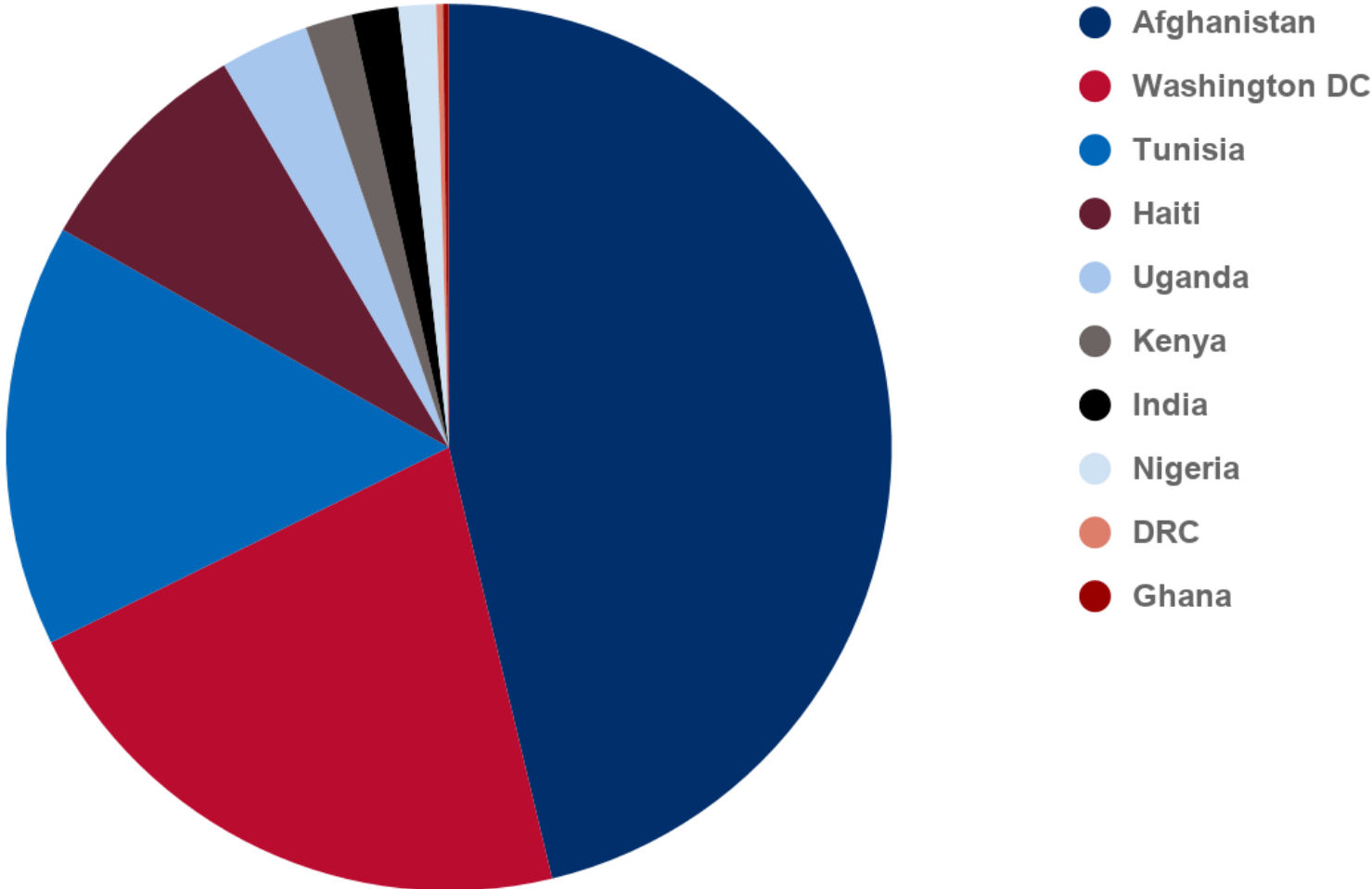
% of total \$ value procured and currently procuring from niche actors, small businesses, and/or non-traditional partners



Where INVEST Works



Where INVEST Works - Relative Buy-In Amount



Where INVEST Works

11 Buy-In Implementations

- USAID DRC - Coffee and Mining Assessment
- Power Africa/USAID Uganda Off Grid Accelerator
- USAID Global Health Bureau/CII - Haiti Cholera
- USAID Haiti - INVEST Platform
- USAID Afghanistan - Trade and Investment
- USAID Haiti Caracol PPP
- USAID Global Health Bureau CII - Blended Finance Roadmap
- Power Africa/USAID Kenya Transaction Support
- USAID India - India 3.0 Innovative Fund Platform
- GenDev - Sub-Saharan Africa Assessments (*completed*)
- USAID Ghana - FinGap Legacy Vehicle (*completed*)

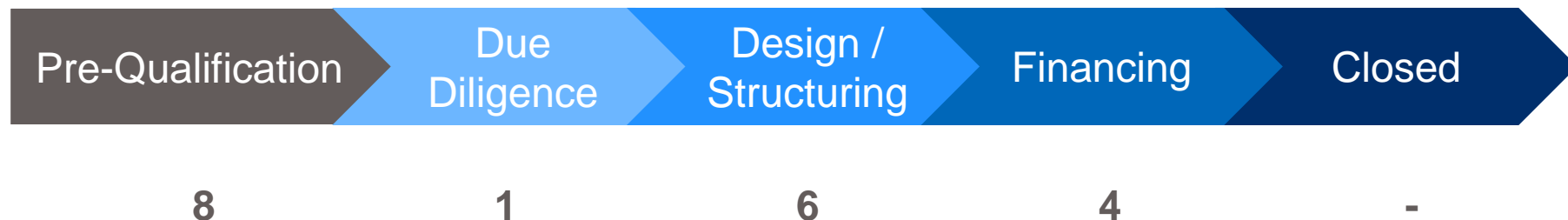
4 Active Procurements

- USAID Lab - Digital Inclusion, Americas Connect
- PCM, CTP - PSE Learning Strategy
- USAID Haiti Caracol Power Utility - Legal Services
- PCM, BFS, USAID Tunisia - Strategic Corporate Engagement

Transactions Supported

INVEST is actively supporting 19 transactions - including 11 companies, 3 infrastructure deals, and 5 financing instruments or funds.

- In Kenya, INVEST signed letters of engagement with **two solar home system firms** to support their capital raise. INVEST is currently in negotiations with an additional mini grid firm.
- INVEST is supporting **10 commercial deals for USAID/Afghanistan**, including a \$40M infrastructure project.
- INVEST designed a new **\$63 million blended finance investment fund for USAID/India** to support TB, WASH and linkages between energy, the environment, and health.
- In Haiti, INVEST is supporting the implementation of a **public-private partnership contract for the Caracol Power Utility**, which will privatize operations, maintenance, and management.



— Buy-In Spotlights

Spotlight: USAID/India

Conduct a market and legal assessment and design a platform to leverage private capital

Problem:

USAID/India needed to leverage private capital in a new way to reach its goals in TB, WASH, and linkages between health, energy, and the environment. The instruments, staffing, and governance structures available were insufficient to leverage the capital and crowd in the other sources of funding it needed for its journey to self-reliance.

INVEST solution:

INVEST subcontractors Dalberg and Trilegal conducted market and legal assessments for the new platform. The proposed \$63 million fund would have its own legal entity with USAID majority control. It would be able to make loans, grants, and equity investments, to crowd in other capital for investment in India.



Spotlight: USAID/India

Outcomes:

Dalberg's market assessment validated the need for this type of vehicle and, combined with Trilegal's legal options assessment, laid out a design for the fund. While the Mission previously was able only to make grants and provide DCA guarantees, it now will be able to make investments and loans, on which it can earn a return. This will give the Mission new ways to engage with the Indian private sector and civil society groups, and provide stronger tools to crowd in private funding for USAID priorities.

Lessons:

This project demonstrated how quickly the INVEST mechanism can work when a Mission has a clear idea of what is needed and its goals are aligned with INVEST's mandate. After USAID/India reached out to INVEST, the project issued an RFP in less than a week. INVEST gained insight into the issues USAID must examine when setting up a new funding vehicle, including: legal structures to mobilize and deploy different types of capital, the investment thesis and portfolio mix to achieve return objectives, and governance structures and fund management to ensure an appropriate mix of skills and incentives.

Spotlight: USAID Global Health Bureau

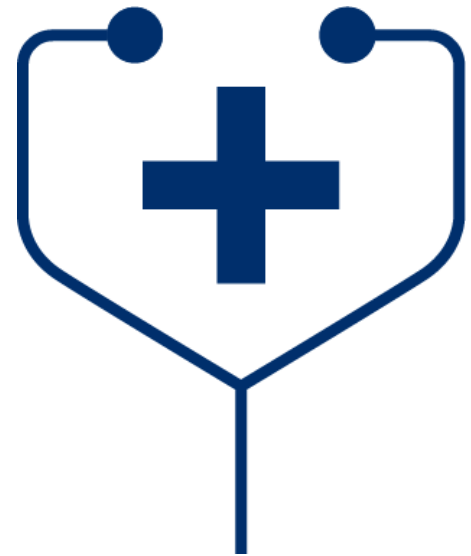
Enabling USAID Missions to leverage blended finance for better results in global health

Problem:

USAID's Global Health Bureau wanted to help Missions get better results. It identified blended finance as a powerful tool for greater scale, efficiency of resources, and sustainability, but needed additional expertise and capacity, as well as practical examples of how blended finance could be used in the field.

INVEST solution:

KOIS Invest developed a six-step, structured approach for USAID staff considering blended finance instruments to address health challenges. It will help USAID Missions identify appropriate blended finance opportunities and partners, and the support they need to deploy these solutions. KOIS also completed illustrative deep dives for Liberia, Tanzania, and India.



Spotlight: USAID Global Health Bureau

Outcomes:

These resources provide concrete illustrations of how blended finance can be used effectively in different country contexts and for different health challenges. In developing them, KOIS worked closely with Global Health's Center for Innovation and Impact and conducted two workshops with a steering committee comprised of staff from INVEST, KOIS, and Global Health. KOIS also engaged intensively with three USAID Missions on the deep dives. The Missions plan to advance with the opportunities identified and these efforts are strengthening the community of practice for blended finance within USAID.

Lessons:

This activity showed the value of INVEST's "apex partner" model. It enabled USAID to bring in a new actor with practical, technical expertise structuring blended finance investments in global health. Because that firm had never worked with USAID before, INVEST played an important facilitating role to help them navigate USAID's processes and meet USAID's needs. This activity also defined and validated USAID's advantages in deploying blended finance solutions and established a process to implement them in different contexts. It also established design principles for blended finance activities in global health.

Spotlight: Power Africa

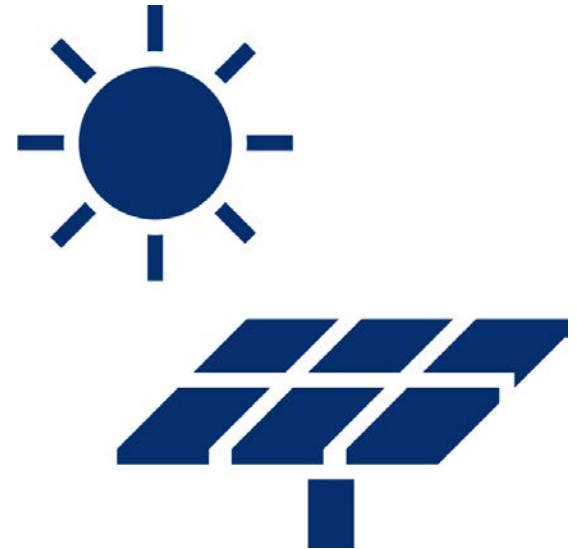
Adding new electricity connections in Africa by helping solar energy and mini-grid firms raise capital

Problem:

Power Africa has an ambitious goal of adding 60 million new electricity connections in sub-Saharan Africa by 2030. To succeed, it needs to catalyze investment into the sector and accelerate off-grid energy businesses to become investment ready, identify interested investors, structure and close transactions.

INVEST solution:

INVEST subcontractors Open Capital Group and CrossBoundary are working together to identify the most promising solar home system and mini-grid energy firms working with Power Africa and USAID/Kenya. They are helping them conduct market assessments, prepare financial documentation, and engage with investors to raise the capital they need to grow and reach more customers.



Spotlight: Power Africa

Outcomes:

This is INVEST's first subcontract that has a performance success fee built into it. More than half of the contract's value is dependent upon the subcontractors advancing on the capital raises and closing transactions. Open Capital Group and CrossBoundary first identified, prioritized, and selected energy firms to receive support. INVEST then determined appropriate pay-for-success metrics in a collaborative, iterative process with USAID and the subcontractors. The subcontractor consortium must conduct at least four engagements and close at least two transactions with a combined total of at least \$12 million.

Lessons:

Through this activity, INVEST gained insight into prioritizing transactions to support. First, the team created a scorecard with key factors for selection and coordinated with USAID and Power Africa on a shortlist for support. Outreach to shortlisted companies narrowed the field from 14 to three priority engagements. This activity balanced Power Africa's objective to maximize electricity connections with INVEST's mandate to facilitate private investment for development using new approaches. Additional lessons -- on the type of capital raised, engaging local banks and supporting mini-grid companies in Kenya -- are anticipated as these engagements advance.

Spotlight: Afghanistan

USAID/Afghanistan seeks to unlock the potential of private capital to drive inclusive growth in Afghanistan.

Problem:

USAID/Afghanistan is working to strengthen Afghanistan's economy, weave it into international markets, and make it less reliant on foreign aid. To do so, it needs to promote Afghan exports and increase international private investment in Afghanistan.

INVEST solution:

Through a multi-phased, five-year buy-in, INVEST is building business-to-business linkages between Afghanistan and foreign investors and partners. Sector-specific transaction advisors and firms are matchmaking and closing deals in energy, civil aviation, health, finance, education, carpets, and more.



Spotlight: Afghanistan

Outcomes:

In phase 1, INVEST dealmakers traveled to Mumbai for the Passage to Prosperity: India–Afghanistan International Trade and Investment Show. The event aimed to advance trade integration by strengthening economic ties between Afghanistan and India, including business-to-business meetings and consumer sales. The INVEST team provided hands-on transaction support, facilitating relationships between businesses and investors and negotiating 44 agreements across all sectors.

Lessons:

INVEST is structured to adapt quickly to evolving Mission priorities and changing conditions on the ground. In phase 1, INVEST learned that not all sectors are equally ready for investment; some face significant operational and policy challenges. Therefore, in Phase 2, INVEST will use its strengths in transaction support to focus on closing deals in the most promising sectors. A new emphasis is being placed on catalyzing investment in the energy and extractives sector to generate scaled impact, and work with USAID/India on Afghan investment promotion with Indian multinationals.

— Procurement Innovations

Using the INVEST Mechanism Strategically

INVEST is a learning and adapting organization, continually honing its approach. Here are some of the things INVEST learned in year one:

- INVEST must assess new buy-ins with a critical eye, ensuring that they add strategically valuable research and learning to the portfolio of activities INVEST is testing.
- Buy-ins with multiple clients can be challenging as it takes time to coordinate across multiple parties and address differing needs. But they represent an important opportunity because involving multiple stakeholders leads to replicability and scale. It helps to bring all the stakeholders on board before the SOW is finalized and to establish steering committees and regular communications.
- INVEST must balance speedy procurement with fast, high-quality implementation. Frequent communication helps avoid delays and ensure good decisions are made. Some buy-ins require a “pause” for USAID to review and make decisions, and this should be built into the workplan.
- INVEST’s mandate is to test innovative solutions to mobilize private capital, and experimentation is always accompanied by risk. However, INVEST must simultaneously ensure that buy-in clients meet their development objectives. To succeed in both requires a careful balance and a thoughtful weighing of risks and rewards.

Procurement Innovations

- **Better, faster TEC panels**
 - Many INVEST activities have tight timelines for implementation, and subcontractors must hit the ground running. In those cases, INVEST ensures there is explicit language in the RFP detailing any specific country or sector experience that will be required. This clarifies requirements for both offerors and TEC panel members, leading to a stronger slate of proposals and better decision-making.
 - INVEST has tested teleconference interviews as an efficient way to distinguish between top-rated proposals. In these interviews, INVEST asks pre-determined clarification questions that have arisen through the TEC process. The responses have proven telling. This approach provides rapid insight into the true depth of an offeror's experience, especially when specific geographic or technical knowledge is needed.
 - INVEST has experimented with shorter RFP and proposal formats. It now issues RFPs and Statements of Objectives that are no more than 3-5 pages in length. And, it often asks offerors to submit their proposals in the form of a 5-10 slide deck. This forces all parties to use short, clear language and cuts down on the time needed to prepare and review proposals.

Procurement Innovations

- **Strengthening the partner network through iterative feedback**
 - INVEST is working to build firms' capacity and help new and non-traditional USAID partners navigate the procurement process successfully. The INVEST team provides detailed technical feedback on each written proposal and teleconference interview. It also provides high-level recommendations intended to strengthen future proposals.
- **Coming soon: testing co-creation**
 - Reflecting on past procurements, the INVEST team believes that a co-creation process could have produced a better end result in some cases. When appropriate, the INVEST team will suggest this method to buy-in clients in early conversations, leaving enough time for the co-creation process to unfold.

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Activity Start and End Date: 09/28/2017 - 09/27/2022

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