



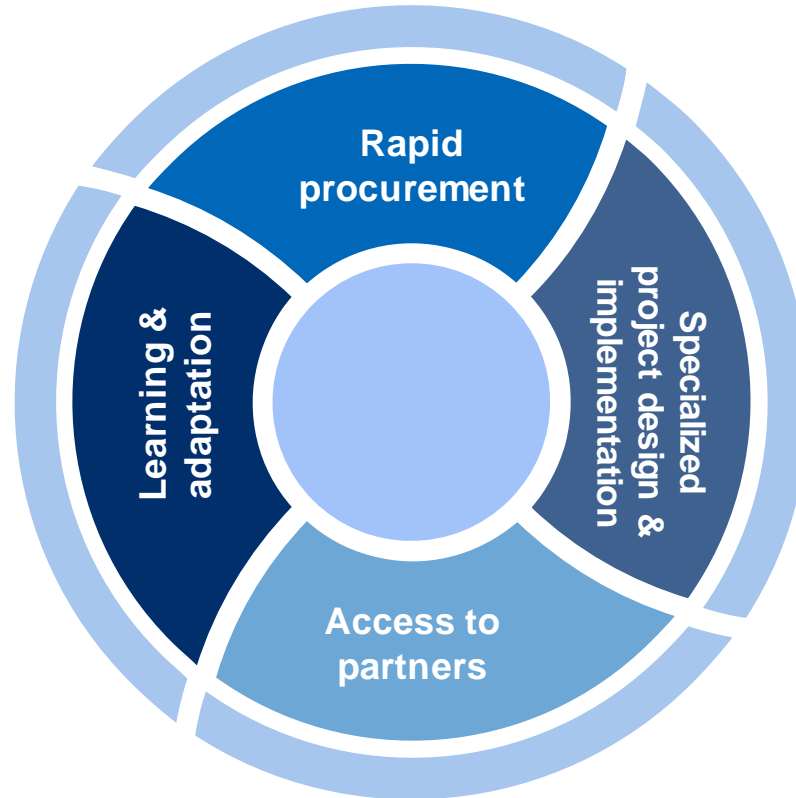
INVEST: Mobilizing Private Investment for Development

Quarterly Report

October 1 – December 31, 2018

INVEST Overview

INVEST is a flexible, efficient buy-in mechanism that helps USAID mobilize private capital. Through the INVEST partner network, USAID can access the expertise it needs. That includes support for assessments, structuring funds, and providing transaction advisory services. INVEST focuses on rapid procurement and continual learning for better results.



INVEST Partner Network

To mobilize private capital at scale, USAID needs new partners and new ways to collaborate with them. That's why INVEST is building a wide-ranging network of firms and development finance specialists so USAID can access the expertise it needs, on demand. INVEST has grown its partner network from 26 to 146 members since project inception.

146

Firms in partner network

13

RFPs released

17

Total INVEST buy-ins

54

Different partners responded to RFPs

41%

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

94%

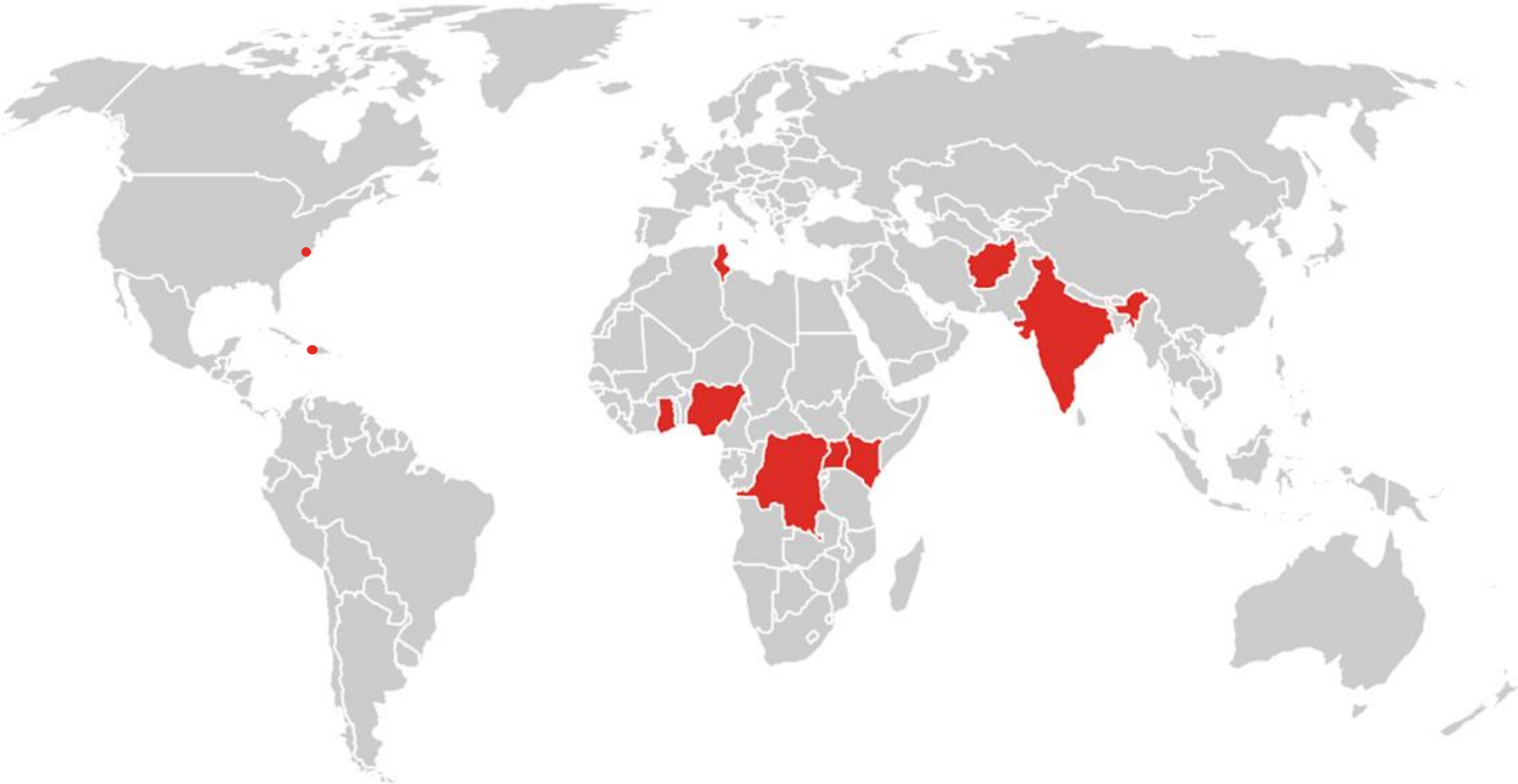
% of total \$ value procured and currently procuring from niche actors, small businesses, and/or non-traditional partners

INVEST Partner Network

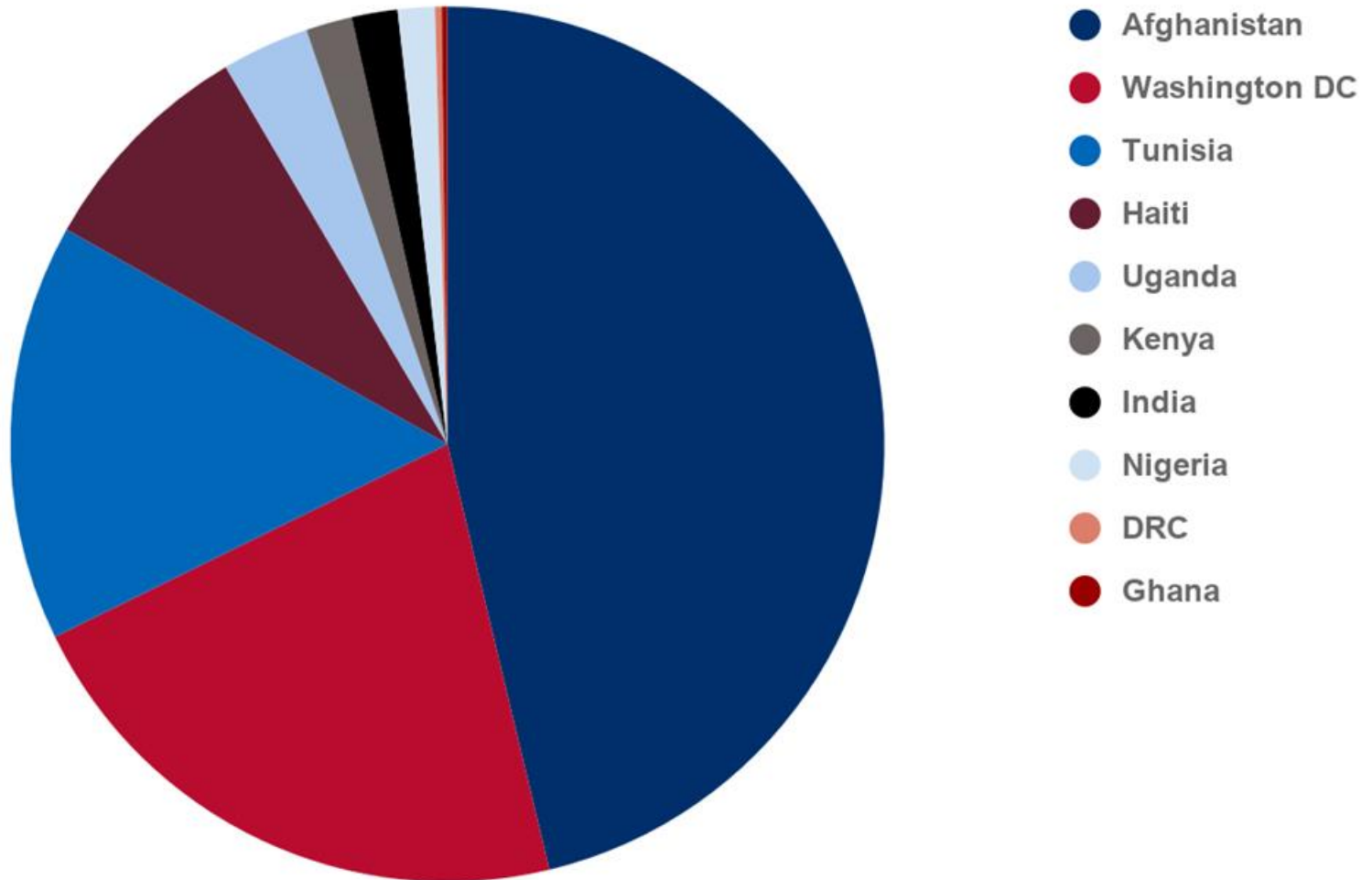
16 firms are engaged in buy-in and core activities – up from three initial core partners.

<p>Ghana FinGap Legacy</p> 	<p>DRC Opportunity Assessment</p> 	<p>Global Health CII Blended Finance Roadmap</p> 	<p>Corporate CSR/CIF</p> 	<p>Private Sector Engagement Learning Strategy</p> 
<p>Power Africa Kenya Transaction Advisory</p> 	<p>Gender Lens Investing</p> 	<p>India 3.0 Innovative Fund</p> 	<p>Corporate Venturing</p> 	<p>Thought Leadership</p> 
<p>Power Africa Uganda Off Grid Accelerator</p> 	<p>Haiti Cholera Innovative Finance</p> 	<p>Haiti Caracol Legal Financial Support</p> 	<p>Corporate Supply Chains</p> 	<p>Afghanistan Trade & Investment</p> 

Where INVEST Works – Buy-In Origin



Where INVEST Works - Relative Buy-In Amounts



Where INVEST Works

10 Buy-In Activities In Implementation

- Power Africa/USAID Uganda - Off Grid Accelerator
- USAID Global Health Bureau/CII - Haiti Cholera Innovative Finance
- USAID Haiti - INVEST Platform
- USAID Afghanistan - Trade and Investment
- USAID Haiti - Caracol PPP Legal and Financial Support
- PSE Team- PSE Learning Strategy
- Africa Bureau/EGEA – Training - PIVOT
- PCM, BFS, USAID Tunisia - Strategic Corporate Engagement (2 buy-ins, 5 contracts)
- Power Africa/USAID Kenya - Transaction Support

8 Buy-In Activities In Procurement or Design

- GenDev/RDMA – Fisheries Fintech
- Afghanistan – Energy and Extractives
- GenDev – Gender Lens Investing
- Haiti INVEST – Advisory RFI, Ag Value Chain and Diaspora Engagement (3)
- GenDev/Philippines – Fintech/Regtech
- Lab - Digital Inclusion, America Connects

5 Buy-In Activities Completed

- USAID Global Health Bureau CII - Blended Finance Roadmap
- USAID DRC – Blended Finance Opportunity Assessment
- USAID India - India 3.0 Innovative Fund Platform
- USAID GenDev - Sub-Saharan Africa Gender-Lens Investing Assessments
- USAID Ghana - FinGap Legacy

Transactions Supported

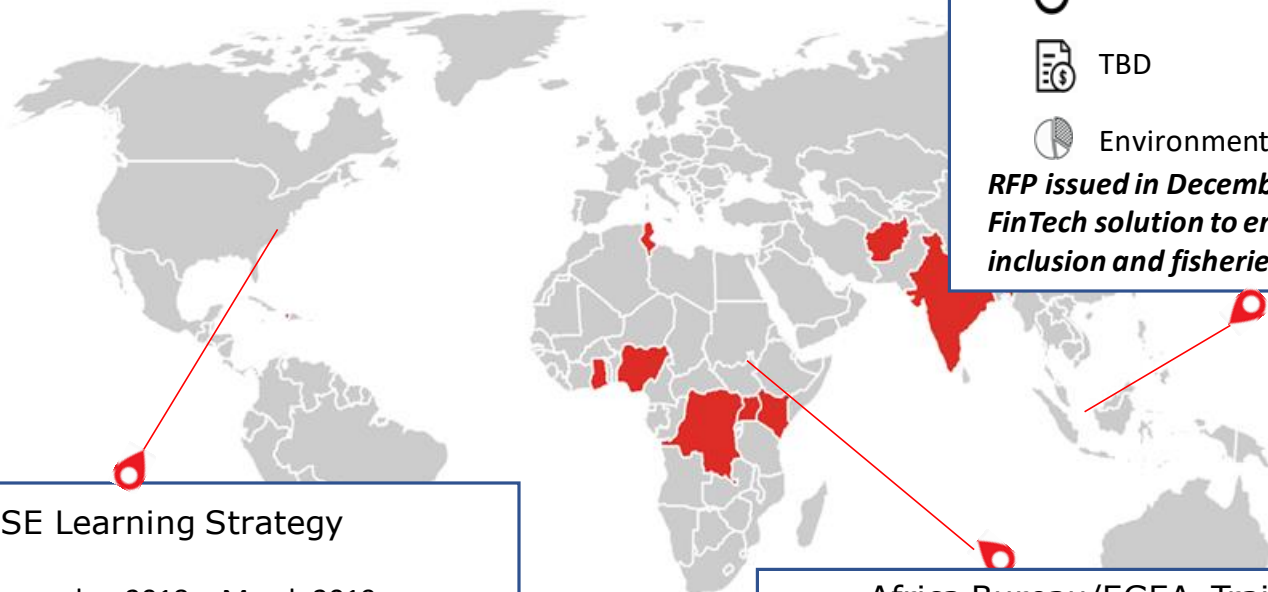
INVEST is supporting 19 transactions - including 12 companies, 3 infrastructure deals, and 5 financing instruments or funds.

- INVEST supports 10 commercial deals for USAID/Afghanistan. The first closed are: a **joint venture between Kam Air and two Indian logistics companies, another with Hercules Aviation** for multi-modal distribution services for Afghan traders; a sales agreement establishing **Airglow-Afghanistan as the freight forwarding agent** using **Air Arabia** to connect Afghan exports to 136 destinations.
- In Kenya, INVEST signed letters of engagement with **two solar home system companies** and **one mini grid firm** and is supporting their capital raise. INVEST is negotiating with a DFI to support on-lending with local banks for energy access.
- INVEST supports the Government of Haiti's procurement to implement a **public-private partnership** for the **Caracol Power Utility** North-East Region Grid. The RFP for the 30-year concession is scheduled to be issued in February 2019.
- INVEST supports USAID/Global Health and the United National Special Envoy to design an **innovative finance mechanism** to close the estimated \$37 million funding gap for the **elimination of the transmission of cholera in Haiti**.




— New Buy-in Snapshots


New INVEST Buy-in Activities



Ocean's FinTech for GenDev /RDMA


 RFP Dec 2018


 TBD


 Environment, Fisheries, Gender

RFP issued in December to design and pilot FinTech solution to enhance women's financial inclusion and fisheries data collection tool.

PSE Learning Strategy


 November 2018 – March 2019

 \$175,000


 Cross-cutting

Inception kicked off in November to devise a new learning strategy framework and skills matrix to support PSE Policy implementation.

Africa Bureau/EGEA Training - PIVOT

 Feb 2019 – Feb 2020

 \$250,000

 Cross-cutting

INVEST is working with LEARN and PEPSE to develop a cohort learning curriculum to engage the private sector, build partnerships, mobilize private capital and help close transactions.

— Learning and Research Spotlight

Spotlight: INVEST's Learning & Research Agenda

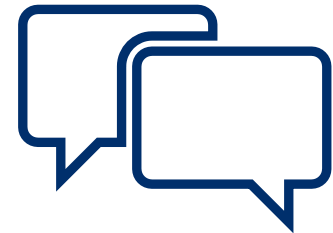
Sharing lessons from the INVEST portfolio to build a community of practice

Problem:

INVEST has a mandate to share lessons from its activities with USAID and other donors working to mobilize private capital. As the project moved from the start-up phase to implementation, technical and operational lessons began to emerge, without established channels for sharing them.

INVEST solution:

INVEST developed a lean approach to sharing lessons with the INVEST partner network and other donors, through partners, USAID channels, and external publications. To build the operational and technical capacity of partner network members, connect them with each other, and share internal lessons and tips, INVEST also launched a members-only LinkedIn group.



Spotlight: INVEST's Learning & Research Agenda

Outcomes:

With the help of Tideline, a core INVEST partner, INVEST is writing and placing substantive pieces in external publications that reach key audiences. INVEST is also convening a practitioner workshop in partnership with Global Affairs Canada, the Ford Foundation, and the Shell Foundation to identify and share concrete solutions to challenges in mobilizing private capital. Additional INVEST research on cross-cutting objectives includes mapping blended finance instruments that donors are using, and developing market learnings from across the portfolio to support the USAID PSE team.

Lessons:

To extract and share the most important lessons from a given piece of work, INVEST needs the help of the subcontractor who implemented it. This can be a time-consuming process. That's why most INVEST scopes of work now include two days set aside for learning capture at a project's completion. This might include a learning debrief with USAID, DAI, and the subcontractor, or authorship of a written piece sharing lessons learned. INVEST will continue to iterate on this process to capture and share valuable lessons.

— Buy-In Spotlights

Spotlight: USAID Haiti

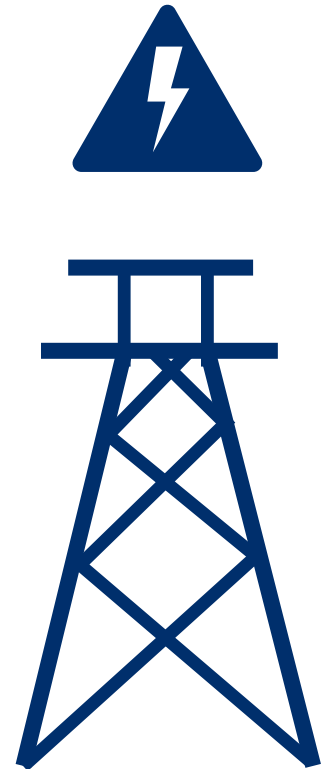
Mobilizing private investment to electrify North-East Haiti

Problem:

USAID Haiti constructed a power utility to electrify an industrial park in North-East Haiti. Unable to find a private sector entity to operate it, USAID financed the management of the plant and grid – an unsustainable arrangement it wanted to resolve.

INVEST solution:

INVEST supports the public procurement process launched to find a private investor to operate and expand the power utility. It identified and brought on board financial and legal advisors who are working directly with the Government of Haiti to award a concession to a private sector entity.



Spotlight: USAID Haiti

Outcomes:

Six months into the activity, INVEST has defined and structured the transaction to award a concession to operate and expand the power plant and grid. It developed all of the documents required for the Government of Haiti to launch the tender. During this work, the Government expressed its intention to award additional power-grid concessions across the country. INVEST's process and tender documents will inform the work to unlock private investment across multiple regions of the country.

Lessons:

Public-private partnerships like this require transaction advisors who are aware of the political climate. By quickly adapting to policy priorities and constraints, the team supports the original tender and the government's broader objective of electrifying different regions of the country. Investors are averse to long-term capital commitments given market volatility and the lack of hedging and other de-risking instruments in frontier markets. Risks include currency and fuel cost fluctuations, as well as inability to secure financing when structuring the transaction, among others. Transaction advisors must employ alternatives such as dollar pricing, indexation, and fuel pass-throughs.

Spotlight: USAID Ghana

Recommending an appropriate investment vehicle for USAID Ghana to launch

Problem:

USAID Ghana's FinGAP project, which focused on improving financing in agribusinesses, was nearing its end date. The Mission wanted to launch an investment vehicle to build on FinGAP's work. To make the best choice, it wanted an expert assessment of the investment vehicle options that had been suggested.

INVEST solution:

Within weeks, INVEST designed a scope for the assessment and mobilized CrossBoundary to perform it. CrossBoundary conducted research and interviews on FinGAP's work and how USAID could expand upon it. It also evaluated the four proposed vehicle structures against a rigorous set of criteria.



Spotlight: USAID Ghana

Outcomes:

CrossBoundary's assessment recommended a vehicle that could finance Ghanaian agribusinesses directly as well as through co-financing with financial institutions. It also highlighted the value of an enhanced role for USAID Ghana in launching and capitalizing the vehicle for better alignment with USAID objectives. The Mission subsequently launched a co-creative process with key private-sector partners to identify ways through which to launch a vehicle. If successful, USAID Ghana will play a key role in increasing the level of commercial financing for agriculture in Ghana through a blended finance vehicle.

Lessons:

Agricultural loans in Ghana are prohibitively expensive—32.6% per year according to CrossBoundary. Blended finance vehicles can lend at better rates, but doing so increases the risk of crowding out other financial institutions. For this reason, CrossBoundary recommended that any blended finance vehicle cap the amount they lend directly to businesses and to lend only to those businesses that have been refused a loan by a financial institution. FinGAP provided valuable technical assistance to financial institutions, and CrossBoundary also recommended a technical assistance component to maximize the development impact of the investment vehicle.

Spotlight: USAID GenDev Office

Advancing gender equality through Gender Lens Investing

Problem:

Gender-Lens Investing (GLI) is a promising approach to funnel greater investment into under-financed women-owned businesses, promote better gender balance at other companies, and invest in products and services that improve the lives of women. While investing in and for women is gaining traction globally, GLI remains nascent in sub-Saharan Africa (SSA).

INVEST solution:

INVEST partner CrossBoundary conducted a market assessment of investment funds, initiatives, and transactions that could promote women's economic standing in Ghana, Kenya, Nigeria, Senegal, and South Africa. It identified common barriers to GLI and made recommendations on how USAID can promote it.



Spotlight: USAID GenDev Office

Outcomes:

The five-country assessment synthesized common barriers to GLI in SSA and identified 25 funds or entrepreneurs that would benefit from USAID support. It recommended that GenDev programming should: fund women's networks to improve access to information and representation; build evidence on the benefits of female or mixed teams to increase interest from investors in GLI in SSA; develop best-practice guidance on investing in women-led businesses; and provide funding and support to GLI funds and impact investors shifting toward GLI.

Lessons:

GLI can be attractive to investors because it has the potential to increase returns, diversify portfolios, and generate social impact. However, it does not yet have a strong track record in SSA, and the data generated in other markets and contexts will not be enough to convince investors in SSA of the benefits to GLI. In addition, women-owned businesses in SSA face unique challenges requiring flexible instruments, and ticket sizes can be small, both of which contribute to high transaction costs. Supporting the GLI ecosystem in SSA will likely require a multi-pronged approach by USAID.

Spotlight: USAID Democratic Republic of Congo

Exploring blended finance approaches to grow the agricultural sector in Eastern Congo

Problem:

Access to finance severely constrains growth in the Eastern Congo, despite its vast natural resources and population size. High collateral loan requirements and interest rates of up to 40% reflect the perceived security risks, limited infrastructure, and lack of intermediaries to conduct due diligence on investment opportunities.

INVEST solution:

INVEST partner CrossBoundary engaged financial institutions and investors to understand the key financing challenges in target sectors, such as coffee and artisanal mining. CrossBoundary then designed four approaches to attract commercial capital by reducing investment costs and risks through a mix of technical assistance, guarantees, and grant capital.



Spotlight: USAID Democratic Republic of Congo

Outcomes:

INVEST presented pros and cons of the four approaches and how they would help deepen the impact of current USAID programming through DCAs and support to agriculture value chains. INVEST was also able to share lessons from similar work happening in other regions, such as Haiti where USAID is also establishing an investment facilitation platform. USAID DRC is weighing these pros and cons as it integrates the learnings and approaches into its strategy and programming.

Lessons:

INVEST can and should provide USAID clients with multiple options and ways to move forward on recommendations, especially for establishing an investment facilitation platform. Recommendations depend on the state of the market. For example, if intermediaries exist within a market, INVEST can advise on how to work with them, and if not, on how to build the market. Sharing insights and lessons from the experiences of other countries with similar contexts and challenges in access to finance has also been valuable for USAID clients.

— What's coming next

Looking forward...

USAID engaged four firms on **Strategic Corporate Engagement**. The activities kicked off Dec 2019 will identify and assess innovative and promising corporate models, then design specific opportunities and partnerships that align with USAID development objectives, crowd-in additional investment, and benefit from USAID's capabilities/support. The combined activities will inform a new strategy for catalyzing investment by corporates.

Why it matters: Engaging corporates on their core business interests directly aligns with and supports the new PSE policy and its mandates.

INVEST partners continued stakeholder engagement and drafted term sheets for a Development Impact Bond and Time Phased Pay for Success Grant to finance the funding gap for the **elimination of the transmission of cholera in Haiti**. Investors and outcome payers expressed interest and the business case is on track to be prepared in 2019.

Why it matters: This solution demonstrates an innovative financing mechanism that, if realized, will leverage public and private capital to respond to a health crisis.

INVEST Afghanistan hosted two panels at the Geneva InterMinisterial Conference on Afghanistan in November, attended by USAID, U.S. Department of Commerce, Afghan private sector and European investors. The next phase of programming, agreed with USAID/Afghanistan, the Afghanistan Civil Aviation Authority and the Ministry of Mines, focuses on transaction advisory services for civil aviation and airports, carpets, solar energy, mining and extractives.

Why it matters: INVEST facilitates commercial transactions and trade finance for Afghan business to access new international markets by engaging buyers and investors in target markets, and Afghan banks and the International Finance Corporation.

Haiti INVEST organized an investor roundtable with the National Alliance for Advancement of Haitian Professionals in Miami Oct 2018 that confirmed diaspora interest to invest in Haiti. INVEST mobilized a Platform Lead, conducted a landscape analysis and issued an RFI to engage financial intermediaries and advisors. Diaspora engagement and identification of value chain finance opportunities planned.

Why it matters: Engagement with Haitian domestic and diaspora investors and professionals helps identify and design effective levers and incentives INVEST can use to mobilize private investment.

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