

USAID

**INVEST**

Mobilizing Investment  
for Development

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INVEST Year 3 Quarter I Report

October 1, 2019 – December 31, 2019



# INVEST: About Us

INVEST is a flexible buy-in mechanism that was designed to address the challenges that make it difficult for USAID to work alongside the investment community.



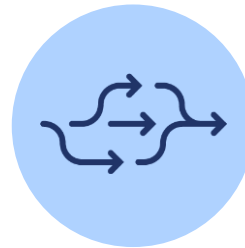
INVEST is the result of **co-creation** and is driven by a research and learning mandate.



INVEST works to **unlock private investment** – a key way that USAID can engage the private sector.



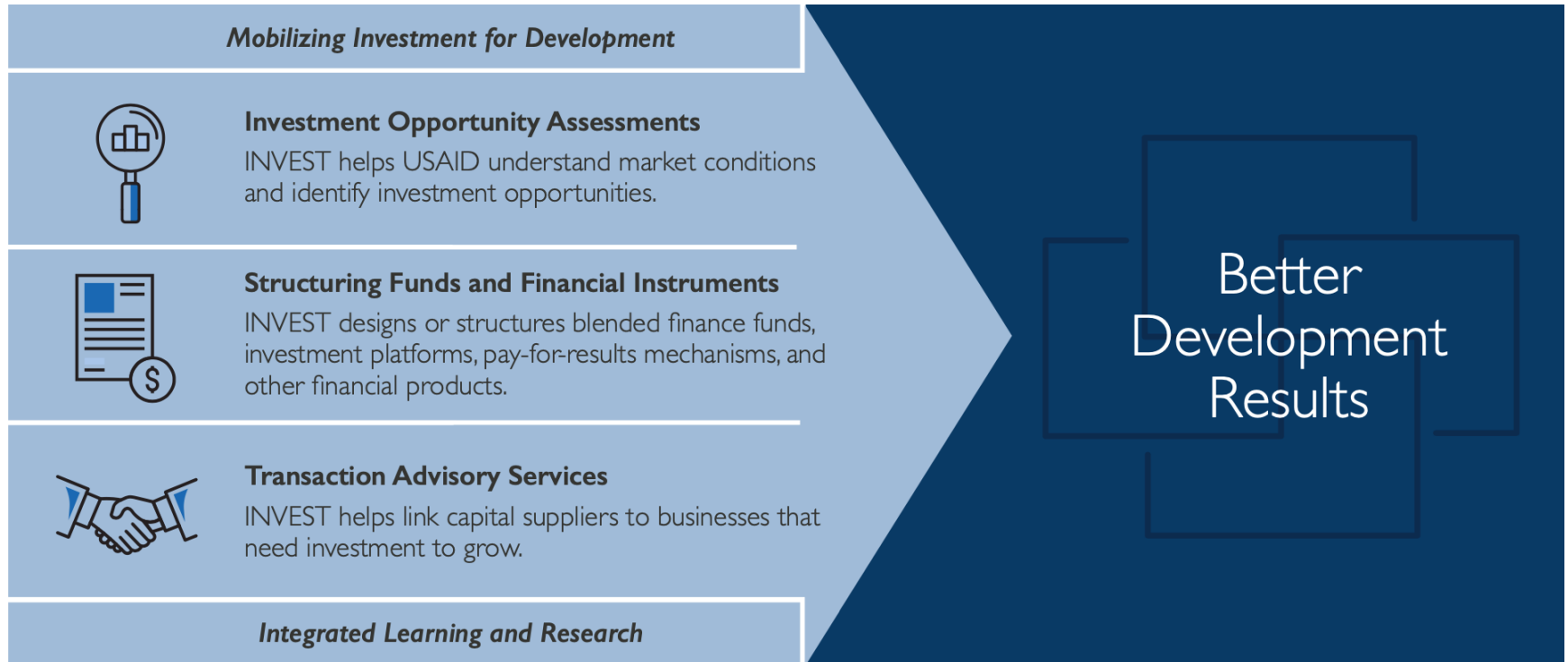
INVEST conducts **rapid and constant learning** that is applied to buy-in activities and informs USAID programs and strategies.



INVEST is **fast and flexible** and can respond with tailored approaches to USAID and market needs.

# INVEST: What We Do

INVEST works with the private sector to mobilize capital for better development outcomes.



# INVEST: What We Do

INVEST supports market-driven solutions to address development challenges in three main areas.



## INVESTMENT OPPORTUNITY ASSESSMENTS

- Assessing opportunities for blended finance in DRC's coffee and mining sectors
- Identifying the next generation of corporate investment models and USAID partnerships
- Building a continent-wide investment pipeline for Prosper Africa



## STRUCTURING FUNDS AND FINANCIAL INSTRUMENTS

- Designing a blended financing vehicle for USAID/India to crowd in private capital
- De-risking a capital raise for Women's World Banking utilizing a fixed price subcontract
- Co-creating a diverse and global gender portfolio of catalytic capital and technical assistance



## TRANSACTION ADVISORY SERVICES

- Providing transaction advisory support to close deals for Kenyan off-grid energy companies
- Providing legal and finance expertise to the Government of Haiti on energy concession tenders
- Structuring investment deals in mining that respond to Afghan government tenders for cement, travertine, and marble

# INVEST: What We Do

INVEST fosters operational and technical innovation for better development outcomes and impact across USAID.



**31 BUY-INS**

From 25 USAID Missions,  
Bureaus, and Independent Offices



**\$68 MILLION**

Value of private capital directly  
mobilized for development



**48 PERCENT**

Value of funding obligated towards  
\$167 million contract ceiling



**230 PARTNERS**

In the Partner Network



**12 SECTORS**

Of activity focus - ranging from  
global health to economic growth



**21 COUNTRIES**

Of INVEST implementation

# INVEST: What We Do

At the core of INVEST is a partner network of new, underutilized and local firms with valuable experience in investment and deploying private capital for development.



## THE PARTNER NETWORK

**GOAL:** Engage new, underutilized, and local partners to implement the PSE policy and build their capacity for further work with USAID

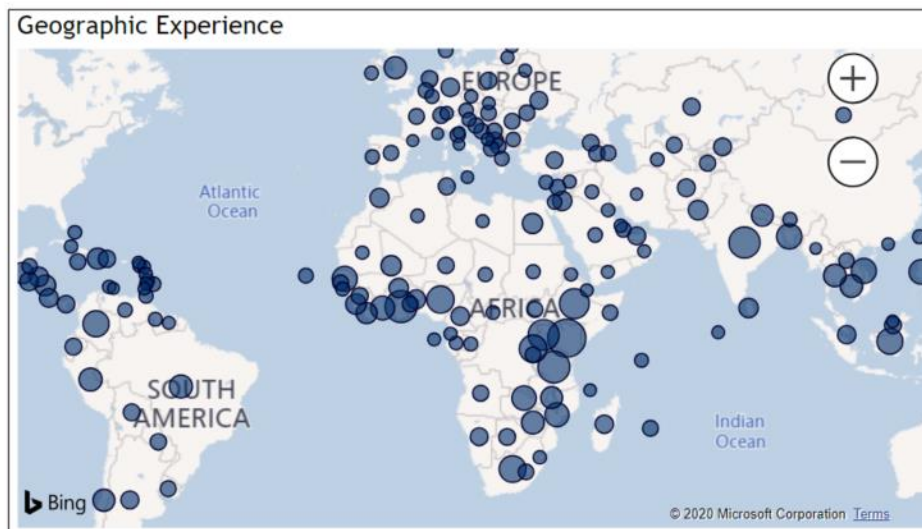
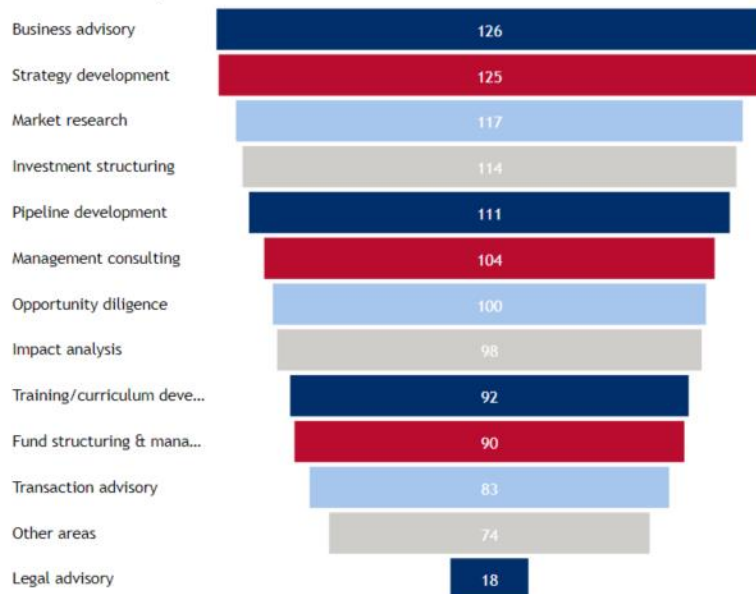
- Enables USAID to access the niche, technical experience it needs on demand to take advantage of investment opportunities that will lead to positive development results
- Leverages USAID funding in innovative ways and at scale

# The Partner Network: Data Spotlight

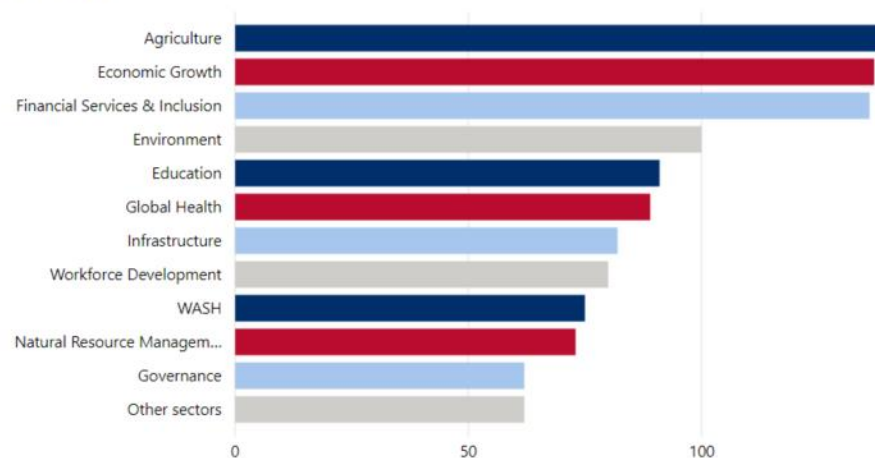
## PARTNER NETWORK SURVEY DATA

230	14	201	13
Network members	Areas of technical expertise	Countries and territories	Sectors of experience

### Technical Expertise



### Sector Experience



# INVEST: What We Do

INVEST builds on the BAA learning mandate to develop a knowledge base of what approaches to blended finance work best across different circumstances and to fill gaps in the evidence base on private capital mobilization for development.



## LEARNING DISSEMINATION

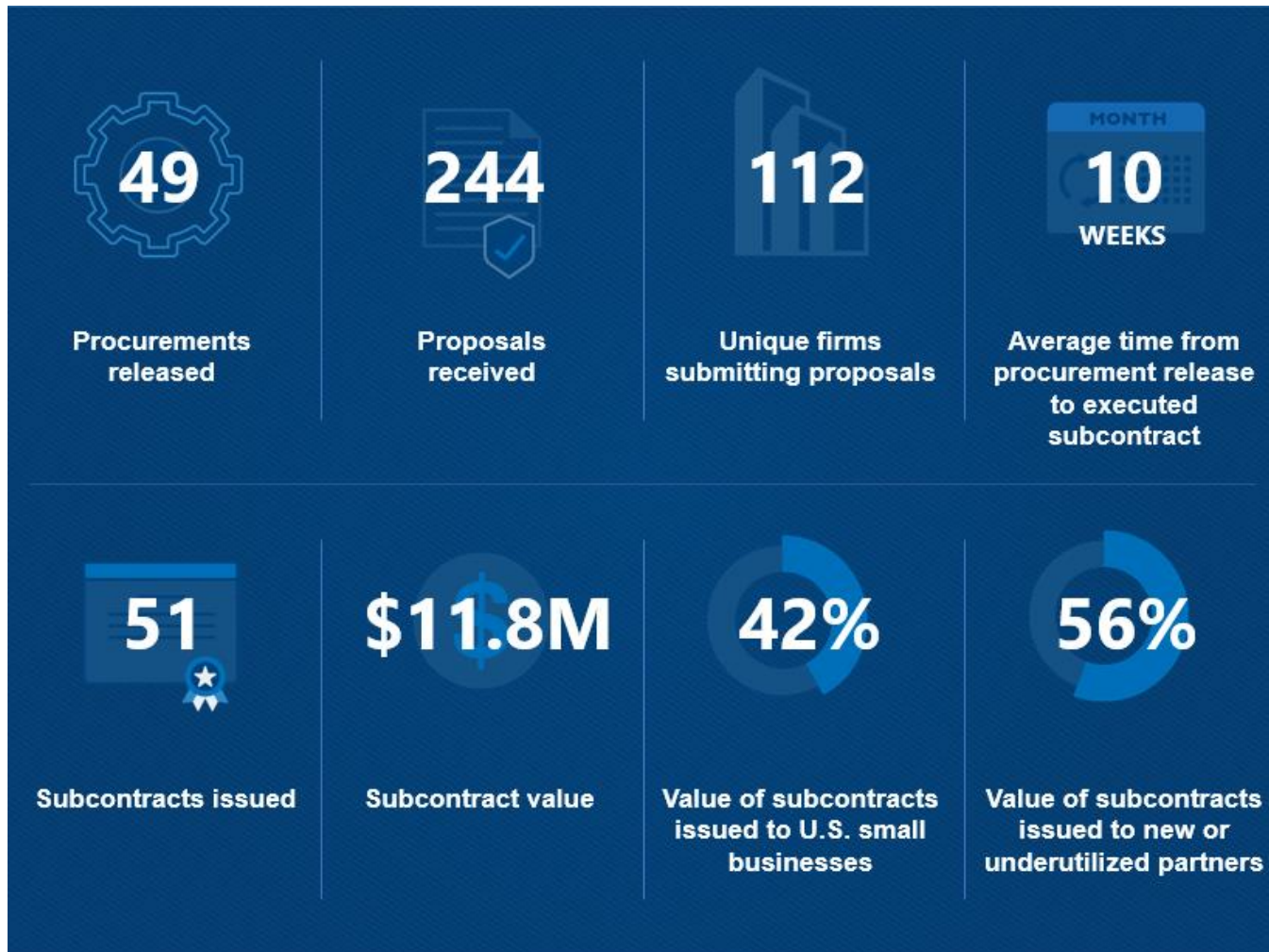
Developing targeted learning and communications products that document and share what INVEST is learning with USAID and partners is a key priority. Products include written content such as blog posts and hands-on activities such as brown bags.

- Main topics of focus for learning products this quarter included: Strategic Corporate Investment Partnerships, The INVEST Initiative and Partner Network, INVEST Power Africa Transaction Advisory, and the PIVOT Training Program.
- INVEST facilitated **15 hands-on learning events** this quarter. Key event audiences included EMPEA, USAID, the DFC, the partner network, and INVEST implementing partners.
- INVEST developed and published **15 written learning products** this quarter, including three Close-ups, six Snapshots, five blog posts, and the Corporate Investment Partnership report.



# INVEST: What We Do

INVEST works with USAID and the partner network to develop and implement innovative procurement and contracting processes for collaborative development solutions.



# INVEST Implementing Partners

Thirty-three firms have engaged in INVEST technical activities to date.



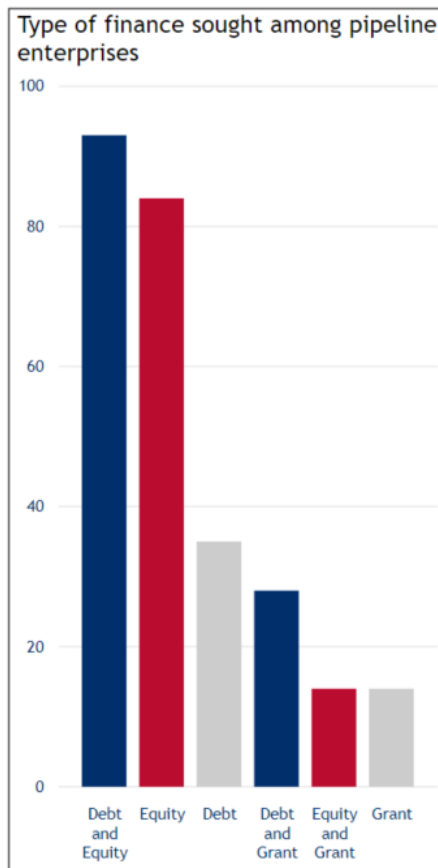
# INVEST Pipeline and Transaction Support



# INVEST Pipeline & Transactions: Data Spotlight

INVEST activities have generated a rich dataset on financial transactions and pipeline opportunities. Across 31 buy-ins, 436 transaction and pipeline opportunities valued at over \$1.6 billion have been supported or identified by INVEST.

## PIPELINE OPPORTUNITIES IDENTIFIED

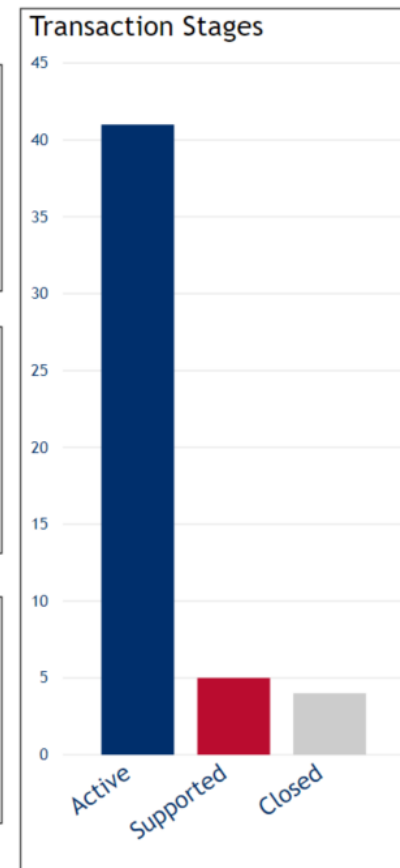


386  
Pipeline opportunities

932M  
Aggregate pipeline value

53  
Countries of pipeline opportunities

## TRANSACTIONS SUPPORTED



50  
Financial Transactions

751M  
Aggregate transaction value

10  
Countries of transaction investment

# INVEST Transaction & Pipeline Support

## **TRANSACTION HIGHLIGHT: POWER AFRICA UGANDA**

Under the Power Africa Uganda Off-Grid Market Accelerator activity, INVEST partner Open Capital Advisors (OCA) is working to improve access to finance among energy companies and accelerate off-grid energy access in Uganda. OCA developed a pipeline of 35 potential energy deals in Uganda with an aggregate demand of \$14M in financing. OCA is now supporting seven energy transactions for five solar and two other renewable energy companies in Uganda with an aggregate potential value of \$7.9M.

## **TRANSACTION HIGHLIGHT: HAITI INVEST**

Haiti INVEST uses a pay-for-performance model to incentivize and support transaction advisors to work with small and medium sized enterprises (SMEs) in need of financing. Through a Request for Proposal (RFP) issued in 2019, Haiti INVEST engaged four transaction advisory service providers, three of which are based in Haiti. These transaction advisors are currently working with 16 local SMEs that are well-positioned for growth to help them access capital markets. Together, these firms are seeking a total of \$11 million in financing over the next 6-18 months.



# INVEST Transaction & Pipeline Support

## **TRANSACTION HIGHLIGHT: PROSPER AFRICA TRACK I**

The Prosper Africa Track I activity aims to facilitate increased private sector investment across Africa by providing transaction advisory services to investment-ready enterprises. INVEST partner CrossBoundary is supporting five transactions with a projected value of \$52.5M. Three transactions are expected to close by the end of INVEST Y3Q2, and two are expected to close by INVEST Y3Q3. As one transaction example, a US-led integrated agricultural holding company—the largest agricultural investor in Uganda—is continuing its equity raise with CrossBoundary support this quarter. Founded in 2013, the company’s American co-founders developed various agricultural services to support farmers in developing more productive and sustainable practices. Now, the company is preparing to build an investment platform to bring larger, more sustainable harvests for staple foods across East Africa, with transformational impact on smallholder farmers and local populations.



# INVEST Spotlights



# Spotlight: Water and Energy for Food Investment Opportunity and Landscape Assessments

*Supporting WE4F Regional Innovation Hubs in East Africa, West Africa, South/Southeast Asia, the Middle East, and North Africa through investment opportunity and market analysis*



## **PROBLEM**

The Water and Energy for Food (WE4F) Grand Challenge for Development (GCD) aims to scale innovations that impact the nexus of food, water and energy. It works through private sector enterprises to increase the sustainability of agricultural food value chains, improving energy and water efficiency as well as the climate resilience of agriculture in developing countries and emerging markets. Building on the work and lessons of two previous GDCs, WE4F is establishing Regional Innovation Hubs that provide financial and non-financial support in the form of financial brokering and technical assistance. To accelerate the rapid operationalization of Regional Innovation Hubs, WE4F needed assistance to identify and assess innovative enterprises, investors, and service providers working across the nexus.



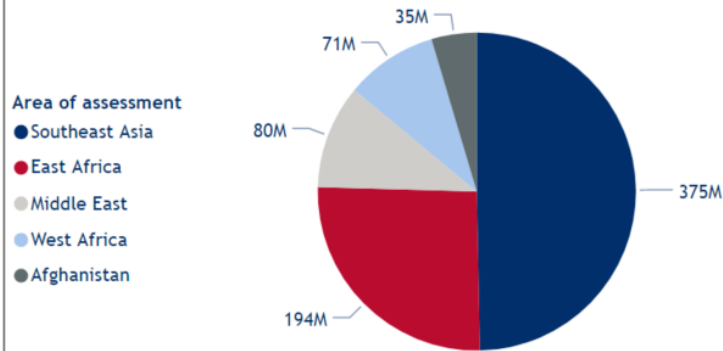
## **INVEST SOLUTION**

Three INVEST partners conducted five investment opportunity and landscape assessments in support of WE4F Regional Innovation Hubs in East Africa, West Africa, South/Southeast Asia, and the Middle East and North Africa. The assessments focused on identifying innovative enterprises with high potential for scale, the technical and financial services needed to grow and scale these enterprises, and the market actors best positioned to provide these services in each region.



# Water and Energy for Food: Data Spotlight

Value of finance needs among nexus enterprises (USD)



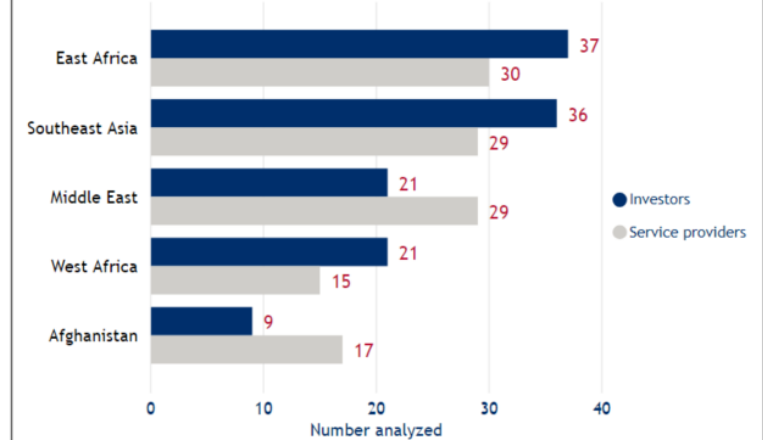
5

Assessments  
conducted

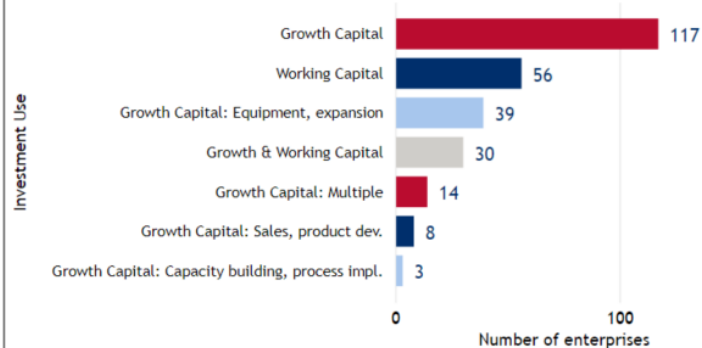
271

Nexus enterprises  
identified

Investors and service providers



Intended uses of finance among nexus enterprises



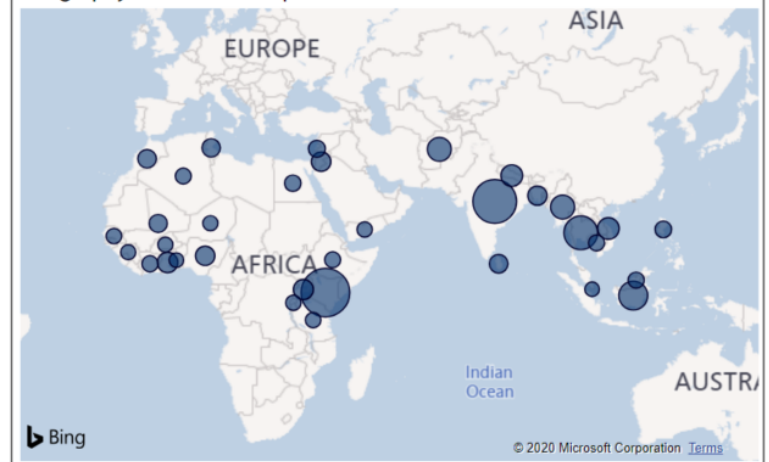
124

Investors  
interviewed

120

Service providers  
analyzed

Geography of nexus enterprises



# Spotlight: Water and Energy for Food Investment Opportunity and Landscape Assessments



## OUTCOMES

The assessments identify 271 enterprises meeting WE4F nexus and scalability criteria for potential Regional Innovation Hub engagement. Data compiled on each enterprise provide WE4F and USAID with a rich pipeline of enterprise opportunities. The assessments also analyze data collected from 124 investors and 120 service providers and include regionally-specific findings based on this analysis. The assessments support rapid and efficient WE4F Hub operationalization, inform ongoing and future donor support, and provide information that may be used to help mitigate market risk.



## LESSONS

While many assessment findings—such as the widespread lack of access to appropriate finance among nexus enterprises—confirm assumptions related to the regional markets and actors, other findings directly challenge them. Taking the time to understand markets before designing support is therefore an important step. Assessment findings also elevate the need for a responsible, objective advisor to align enterprise support programs with service provider and investor needs. The Regional Innovation Hubs are well-positioned to play this role and to build the capacity of ecosystem players to support WE4F entrepreneurs. Key roles for the Hubs may include disseminating market information to inform decision-making, supporting innovative service delivery, and assisting in developing blended finance mechanisms that reduce investment risk and help address sustainability challenges.

# Spotlight: Vietnam INVEST

*Providing field support to co-design effective approaches to private sector engagement in Vietnam*



## **PROBLEM**

Vietnam's shift from a centrally-planned to a market-based economy has transformed the country from one of the poorest in the world into a lower middle-income country. Robust domestic demand and export-oriented manufacturing provide a strong foundation for the economy. Yet current investment in energy, infrastructure, and health is insufficient to meet the country's growth and development objectives. To help facilitate increased investment, USAID/Vietnam needed assistance to assess, prioritize, and define PSE interventions.



## **INVEST SOLUTION**

Vietnam INVEST aims to improve governance systems and catalyze investment by supporting market-based and public-private solutions in energy, infrastructure, and health. INVEST conducted a scoping mission this quarter to assess the market viability of nine priority activities identified by USAID/Vietnam for potential support. INVEST considered the interest and insight from private sector companies and investors, enabling conditions, and the likelihood of impact within the timeframe of INVEST. The 10-day scoping mission included 26 meetings in Hanoi and Ho Chi Minh City with the USAID/Vietnam Mission Director, USAID/Vietnam staff, banking and investment executives, and representatives from energy, health, and education companies.

# Spotlight: Vietnam INVEST



## OUTCOMES

The field insights that INVEST gathered helped with narrowing the original list of potential activities and identifying one new activity. INVEST then worked collaboratively with USAID/Vietnam to focus the Vietnam INVEST Buy-in Statement of Work (SOW) on: 1) supporting the National Power Transmission Company in issuing a bond to raise capital for power transmission and smart grid capability; 2) helping de-risk private investments in renewable energy projects; 3) building the capacity of municipal governments to engage the private sector in clean energy projects under the Government of Vietnam's new Public Private Partnership (PPP) framework; and 4) working with community-based health enterprises to achieve financial sustainability by diversifying their income sources and business models.



## LESSONS

Three key aspects contributed to INVEST's effectiveness in prioritizing opportunities and defining Vietnam INVEST interventions. First, operational and technical knowledge drawn from across the INVEST portfolio helped hone and inform the SOW. For example, lessons from INVEST PPP work in Haiti informed the Municipal Clean Energy Development Facility approach, and INVEST's experience structuring catalytic capital served to ideate the approach for de-risking private investment in renewable energy. Second, helping USAID/Vietnam put its PSE strategy into action required working collaboratively across technical areas - including economic growth and governance, health, and education. Third, validating proposed development approaches with an eye toward mobilizing private capital required dialogue with investors, bankers, and project implementers to ground-truth ideas. USAID can leverage INVEST to play an intermediary and networking role with the private sector to facilitate these partnerships and identify the best tools and approaches to meet development objectives.

# Spotlight: Empowering Women Economically and Promoting Integrated Fisheries Management

*Integrating financial tools into traceability systems for women's economic empowerment and the sustainability of small-scale fisheries in Indonesia*



## PROBLEM

Throughout the Indonesian archipelago, women fish traders play a vital part in the fisheries ecosystem. Still, women often are not a part of fisheries management governance structures, and many women lack adequate financial services to grow their businesses. While some women traders in Indonesia are suppliers who act as wholesalers selling large amounts of higher-value fish to national and export markets, most are *tibo-tibo*, who buy and sell lower-value species on a smaller scale in retail local markets. Unlike suppliers, the *tibo-tibo* typically do not have access to traditional banks or government-subsidized credits: they only have access to local credit providers with high interest rates. This limitation hinders the *tibo-tibo* from growing their businesses and exacerbates economic disparities.



## INVEST SOLUTION

Aiming to support the economic empowerment of the *tibo-tibo* in North Sulawesi, Indonesia, INVEST launched the *Access to Finance: Integrating Financial Tools into Traceability Systems for Small-Scale Fisheries* project, a series of activities designed to help women overcome barriers to financial inclusion. Working with Indonesian-based organizations MDPI, Marine Change, and AlterMyth, INVEST is implementing a financial technology (fintech) approach to help the *tibo-tibo* gain access to the financial services they want and need.

# Spotlight: Empowering Women Economically and Promoting Integrated Fisheries Management



## OUTCOMES

INVEST partners MDPI and Marine Change interviewed women and men from the Indonesian fisheries and financial industries to assess barriers to finance faced by women in North Sulawesi. INVEST used the insights gained to develop and pilot a fintech solution embedded in the Trafiz mobile application, which was created by the USAID Oceans Project to promote ecosystem management through electronic catch documentation and traceability. INVEST further drew on the interviews to inform the design of ongoing women's empowerment activities and trainings on topics such as financial literacy, Trafiz application uptake, and greater engagement in an ecosystem approach to fisheries management.



## LESSONS

The INVEST *Access to Finance: Integrating Financial Tools into Traceability Systems for Small-Scale Fisheries* project was able to build off of and partner with the existing USAID Oceans Project to quickly adapt and mobilize the Trafiz application fintech solution. INVEST activities highlight the importance of human-centered and field-tested design approaches to developing effective financial technology that meets the needs of end users and providers. INVEST will continue to apply a holistic approach to women's economic empowerment and improved ecosystem management throughout the remainder of this activity.

# What's coming next?



# Looking Forward

## PROMOTING STRONGER TRADE AND COMMERCIAL TIES BETWEEN THE UNITED STATES, TUNISIA, AND ALL OF AFRICA

The Prosper Africa U.S. Government initiative focuses on bolstering two-way trade and investment between the U.S. and Africa. At the same time, USAID/Tunisia seeks to mobilize private capital to grow Tunisia's economy and create sustainable jobs by accelerating development of the Tunisian investment ecosystem and creating linkages to U.S. corporates and investors. To assist both of these efforts next quarter, INVEST will support the pan-African Prosper Africa Conference in Tunisia in partnership with the Tunisian American Chamber of Commerce, the Tunisia-Africa Business Council, the Government of Tunisia, and the U.S. Embassy of Tunisia. The overarching goal of the event is to promote private sector-led economic growth. The conference aims to increase two-way trade and investment between the U.S. and African nations by bringing together investors, corporate executives, and other private sector representatives from American and African businesses.

**Why it matters:** The timing and anticipated outcomes of the Prosper Africa Conference in Tunisia, coupled with market and growth trends in Africa, represent a watershed opportunity to accelerate market entry of large pools of U.S. institutional capital and expertise into not only Tunisia but all of Africa. Such large-scale investment opportunities will position U.S. businesses—particularly the competitive and world-renowned U.S. financial services sector—to play a significant role as more transparent, market-centric African economies emerge.





# Looking Forward

## LAST MILE CONNECTIVITY

The USAID Global Development Lab, Center for Digital Development Digital Inclusion team works to increase free, open, and interoperable internet access and mobile connectivity in developing countries. The Digital Inclusion Last-Mile Connectivity Initiative has researched opportunities for new, innovative, enterprise-driven solutions to connectivity in developing countries. INVEST partner Connectivity Capital is engaging stakeholders, particularly investors, to research the current investment climate for last-mile connectivity and assess where investments are not happening or do not close and why. The firm will analyze failed transactions to determine where deals stalled, analyze whether barriers include information gaps or other hurdles, and provide recommendations as to where USAID might intervene to facilitate transactions or create an enabling environment.

**Why it matters:** A self-reliant country requires a robust, secure, and competitive internet and mobile infrastructure and an enterprise-driven ICT sector. In 2017, an estimated 1.6 billion people lived outside the footprint of a 3G mobile network. In Africa, 3G networks cover only half of the population, with mobile broadband service out of reach for 600 million people. In emerging markets, coverage is around 80 percent with investments going towards upgrading existing networks instead of into the roughly 20 percent last-mile gap. USAID will use the findings of the Connectivity Capital report to identify opportunities to support and incentivize increased investment in last-mile connectivity, such as regulatory guidelines or blended finance structures that might be suitable to mobilize private capital.

# Looking Forward

## ENGAGING NEW AND UNDERUTILIZED PARTNERS

The **INVEST Procurement Forecast website** is live. INVEST heard from the Partner Network that advance knowledge of upcoming procurements would help them be more competitive and organize resources to prepare for opportunities. The forecast is designed to provide the network with information on upcoming procurements and be a helpful resource to respond to INVEST requests for proposals.

**Why it matters:** INVEST procurement focuses on new and underutilized partners as a critical part of USAID's Private Sector Engagement policy. It is geared to bring the insights, networks and resources of the private sector to bear on development problems. The INVEST Procurement Forecast will help network members organize limited resources to respond to USAID requests for proposals and support new opportunities. Coupled with INVEST's streamlined proposal process and targeted partner network engagement, the forecast will help increase the efficiency of INVEST procurement and the quality of proposals received from firms across a wider range of sector and countries. Efficient procurement appeals to the private sector, builds capacity of partners through quick feedback, and supports USAID's goals through rapid awards. This simultaneously fosters technical and operational innovation, expands USAID's access to technical and financial expertise, and promotes productive relationships among USAID and the private sector for better development results and greater impact.



# Looking Forward

## LEAN CO-CREATION TO BUILD A WOMEN'S EMPOWERMENT PORTFOLIO

USAID engaged INVEST for support in applying blended finance to advance the goals of Women's Global Development and Prosperity initiative (W-GDP). INVEST utilized a lean co-creation approach to build a portfolio of organizations using blended finance for women's economic empowerment. In response to its call for expressions of interest, INVEST received 59 responses and selected 16 participants for a two-day workshop facilitated by INVEST and partner Design Thinkers Group. The workshop was designed to help participants refine, and combine early concepts and, where appropriate, collaboratively develop new ones. USAID and INVEST also held rapid design spotlights with the individual participants to provide feedback on and strengthen the concepts during the design process. In addition, all participants collaborated to build an ecosystem map, identify barriers, and share “bright spots” from their points of view. Co-creation strengthens the voices of underutilized partners and builds their capacity through face-to-face interactions with USAID. It is also a valuable tool for collaborating with the private sector, and these exercises gave USAID and INVEST insights and intelligence from firms on the ground—all critical to market-led development.

**Why it matters:** Around the world, widespread gender gaps in financial inclusion and economic empowerment hold back women and slow economic growth. Addressing this challenge is a priority for USAID and the U.S. Government. This lean co-creation approach allows USAID and INVEST to make awards rapidly, driving early results for W-GDP and building momentum. It also proved to be a cost-effective way to identify a large number of fundable projects quickly, as compared to the traditional, time-intensive RFP processes that would have been required to get to the same result. The co-creation approach provides valuable flexibility. Not only could USAID and INVEST help participants shape proposals, USAID also has the flexibility to provide additional funding to awardees depending on future budget availability. Early next quarter, INVEST plans to greenlight a portfolio of projects, providing immediate funding for some and sharing the other viable greenlit proposals with other mechanisms and parts of the Agency for their consideration.

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