

USAID INVEST

Mobilizing Investment
for Development

—
INVEST Year 3 Quarter 2 Report
January 1, 2020 – March 31, 2020



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.



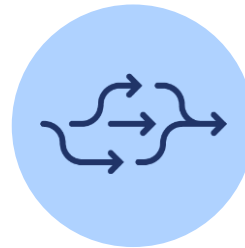
INVEST is the result of **co-creation** and is driven by a research and learning mandate.



INVEST works to **unlock private investment** and is a key mechanism that USAID can use to engage the private sector.



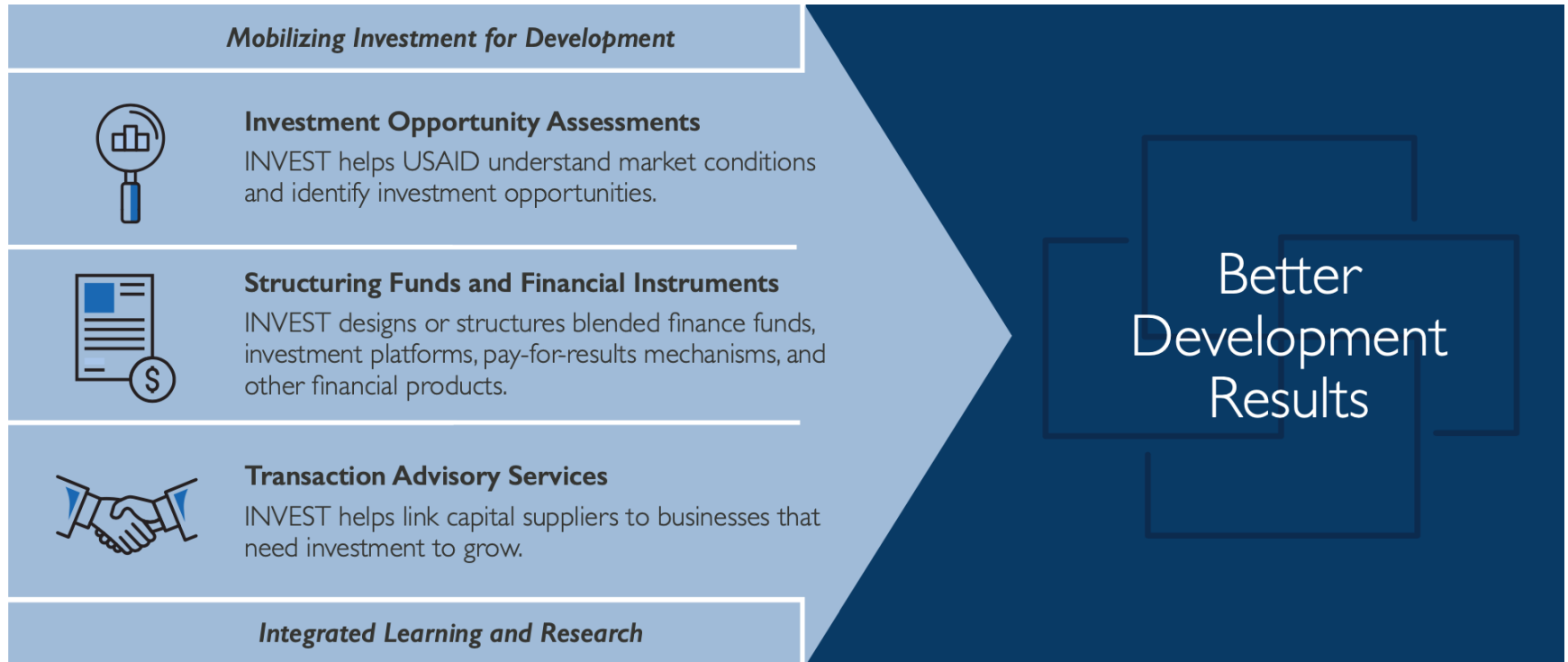
INVEST conducts **rapid and constant learning** that is applied to buy-in activities and informs USAID programs and strategies.



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 results.



INVEST: What We Do

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



INVESTMENT OPPORTUNITY ASSESSMENTS

- Assessing innovations that impact the nexus of food, water and energy to develop a rich investment pipeline of enterprises for the Water and Energy for Food Grand Challenge
- Identifying the next generation of corporate investment models and USAID partnerships
- Building a continent-wide investment pipeline for the USG Prosper Africa Initiative
- Scoping PSE opportunities with USAID/Ukraine, utilizing a gender and COVID-19 lens



STRUCTURING FUNDS AND FINANCIAL INSTRUMENTS

- Creating the Caribbean Resilience Fund to channel diaspora capital to enterprises in Haiti, the Caribbean Basin, and Central America
- Providing catalytic capital and technical assistance to support six gender lens investment funds
- Structuring a COVID-19 responsive investment platform with USAID/Moldova



TRANSACTION ADVISORY SERVICES

- Facilitating transactions to increase trade and investment between the U.S. and Africa
- Providing transaction support to four off-grid energy companies in Kenya, mobilizing over \$105M
- Providing legal, technical, and financial expertise to the Government of Haiti on three long-term energy concessions to expand power generation capacity and electricity delivery in Haiti

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



\$160 MILLION
Value of private capital directly
mobilized for development



48 PERCENT
Value of funding obligated towards
\$167 million contract ceiling



255 PARTNERS
In the Partner Network



12 SECTORS
Of activity focus - ranging from
global health to economic growth



57 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

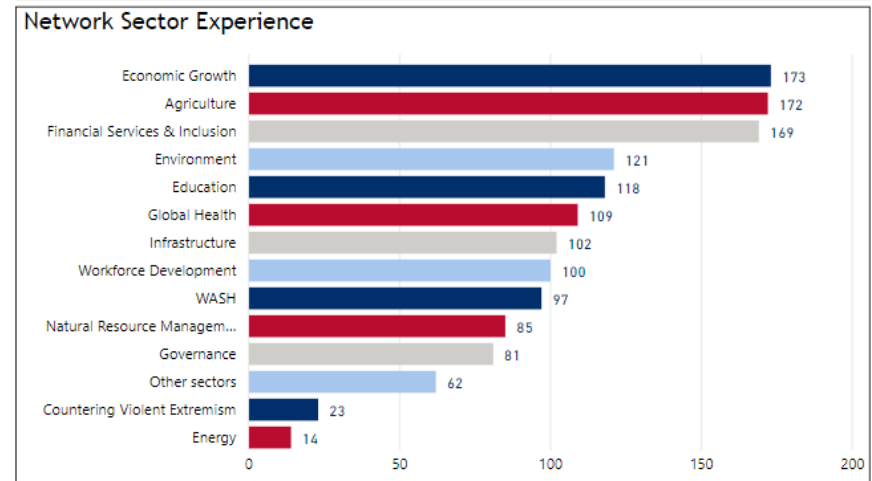
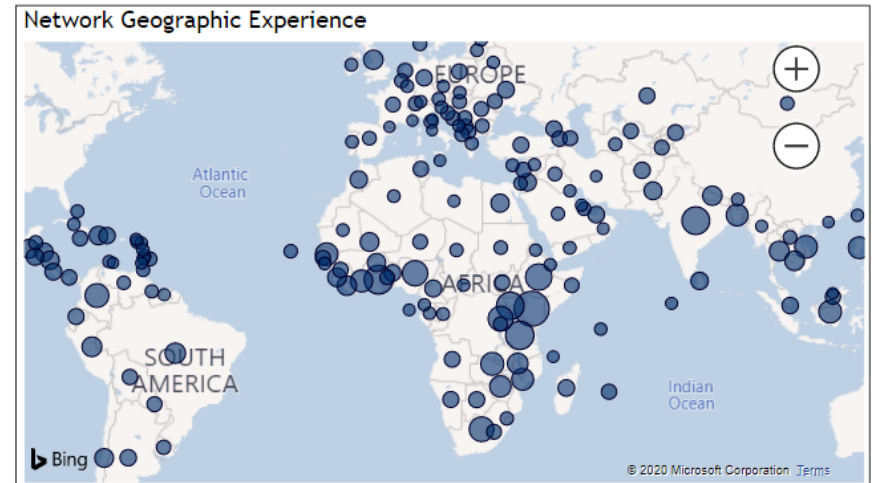
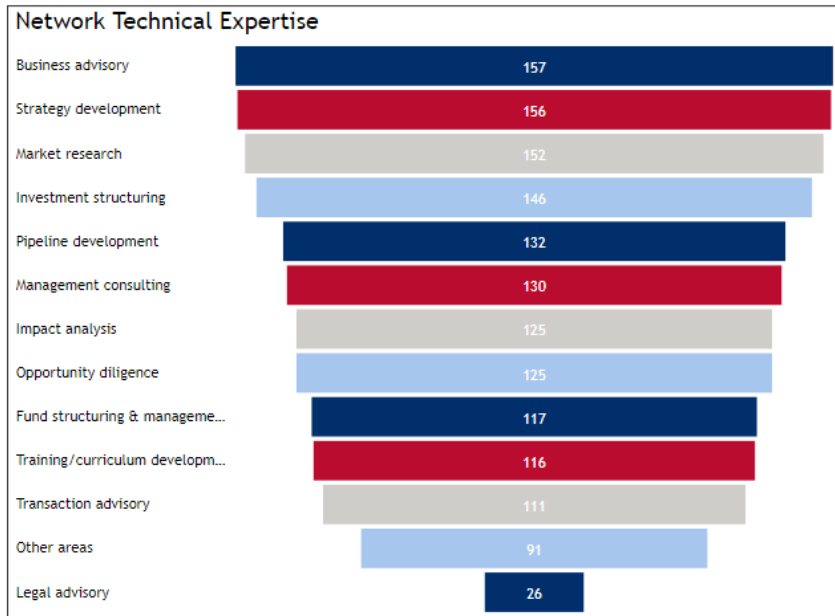
GOAL: Engage new, underutilized, and local partners to implement the PSE policy and build their capacity for further work with USAID. The partner network:

- 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
- Builds capacity of new private sector and local firms to navigate the USAID procurement and subcontracting process beyond the life of INVEST

The Partner Network: Data Spotlight

PARTNER NETWORK SURVEY DATA: Y3Q2

255 Network members	14 Areas of technical expertise	201 Countries and territories	15 Sectors of experience
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INVEST: What We Do

INVEST builds a knowledge base on PSE and blended finance approaches for development.

LEARNING DISSEMINATION



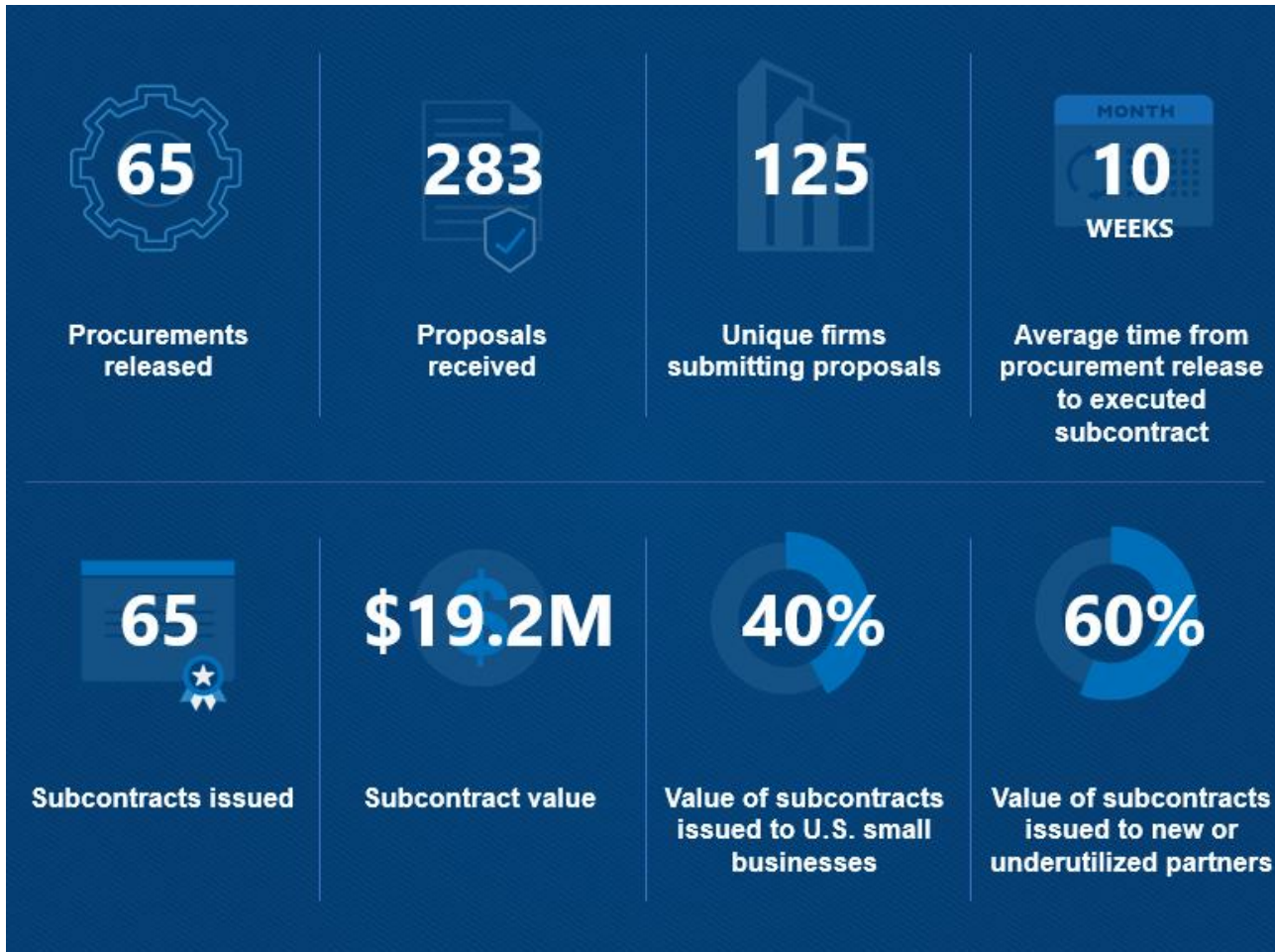
GOAL: Develop targeted learning and communications products that capture evidence and share INVEST learnings with USAID and partners.

Y2Q3 HIGHLIGHTS

- INVEST and Marketlinks facilitated a webinar on [USAID's Use of Blended Finance to Grow Investment in Developing and Frontier Markets](#). Over 200 participants heard speakers from USAID, INVEST, and INVEST transaction advisory partners provide an overview of blended finance, off-grid energy market development efforts, and the role of transaction advisory in raising capital in developing markets.
- INVEST published the [Blended Finance Starter Kit: 10 Questions about Mobilizing Private Capital for Better Development Results](#), based on resources produced by INVEST partner Convergence.
- INVEST participated in the March 2020 USAID/PCM Reflections Session, presenting on engagement with new and underutilized partners and emerging trends from INVEST's W-GDP and Mexico co-creations.
- INVEST published [eight Medium blog posts](#), highlighting INVEST activities in Haiti, Indonesia and elsewhere.
- Forty-three USAID staff joined a learning webinar on Power Africa. Speakers from USAID, INVEST, and INVEST transaction advisory partners presented updates and learnings on efforts to mobilize capital and scale off-grid energy in Kenya and Uganda.

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

Forty-eight firms have engaged in INVEST technical activities to date.



INVEST Implementing Partners (cont.)



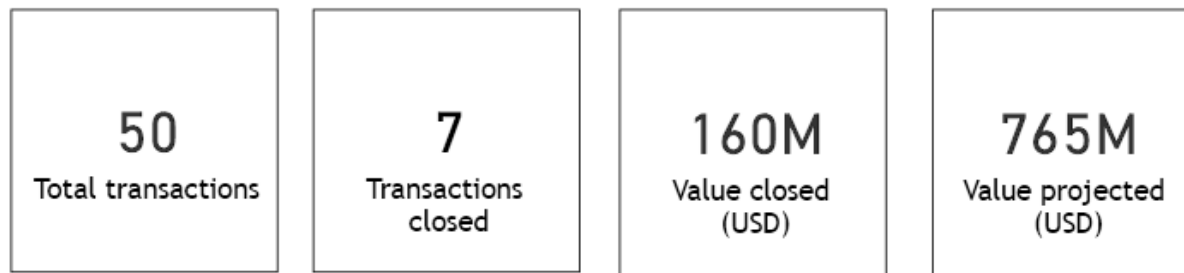
INVEST Pipeline and Transaction Support



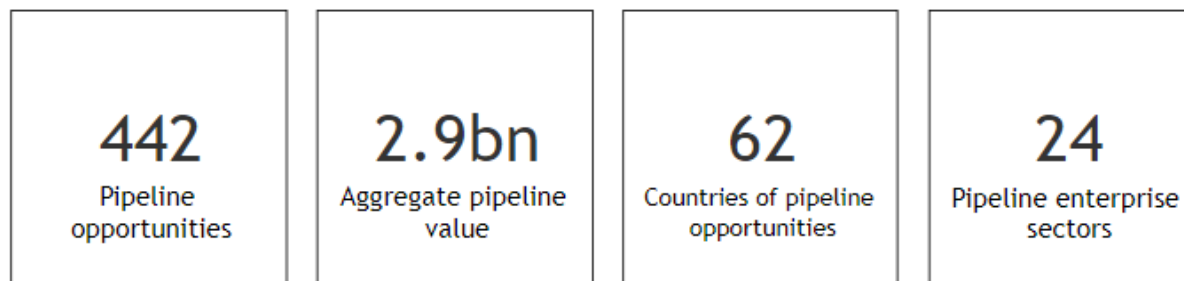
INVEST Pipeline & Transaction Support

Nearly 500 transactions and pipeline opportunities, valued at over \$3.8 billion, have been identified or supported by INVEST.

TRANSACTIONS SUPPORTED



PIPELINE OPPORTUNITIES IDENTIFIED



INVEST Transaction & Pipeline Support

TRANSACTION HIGHLIGHT: PROSPER AFRICA

In support of the USG Prosper Africa Initiative, INVEST partner CrossBoundary provided transaction advisory services to Field Intelligence, a healthcare technology company operating across Africa. As a result, Field Intelligence completed a \$3.6M investment round led by three U.S. investors and one non-U.S. investor. This is the company's first large capital raise and will fund the scale up of Shelf Life, a technology-enabled supply chain finance platform, throughout Nigeria and Kenya. Shelf Life helps pharmacies subscribe to quality-assured and price-stabilized drugs. This allows pharmacies to lower risk and costs while improving access to an expanded selection of higher-quality medicines.

TRANSACTION HIGHLIGHT: WOMEN'S WORLD BANKING ASSET MANAGEMENT

Women's World Banking Asset Management announced a \$50.2M first close for the gender-lens WWB Capital Partners II Fund from over ten investor commitments. Through INVEST, USAID provided the fund with \$500K in catalytic capital and \$100K in technical assistance to help mitigate risk for investors, incentivizing them to commit funding. The fund will invest in emerging market financial service providers that prioritize financial inclusion for low-income women in Africa, the Middle East, and the Indo-Pacific.



INVEST Transaction & Pipeline Support

TRANSACTION HIGHLIGHT: POWER AFRICA KENYA

INVEST partners, CrossBoundary and Open Capital Advisors, confirmed a fourth transaction close under the Power Africa Kenya Buy-in. The \$5M loan to M-Kopa Holdings Limited is projected to enable 30,000 solar home system connections in Kenya. INVEST partners also finalized a second round close for the solar home system company, Green Light Planet. The \$32.3M syndicated loan brings the total capital raised for Green Light Planet to \$69.5M. At the time of Buy-in close-out (March 2020), the aggregate value of transactions closed was \$105.3M, with 1.2M new and upgraded resulting electricity connections projected.

TRANSACTION HIGHLIGHT: HAITI INVEST

Together with partner GECA, INVEST closed the first transaction under the Haiti INVEST Buy-in this quarter—a \$200,000 loan to the Haitian manufacturing company, La Perle. The loan will be used to improve manufacturing processes and purchase equipment to increase production of cleaning supplies and meet consumer demand. INVEST also issued a subcontract to Delphin Investments, a U.S. asset management firm, to support the creation of the Caribbean Resilience Fund. The fund aims to raise \$40M in capital from diaspora investors to channel investment in small and medium-sized enterprises working in the Caribbean Basin and Central America. Initially, the fund will primarily focus on Haiti.



INVEST Spotlights



Spotlight: PIVOT: Practical, Innovative, On-the-Job Training

Providing USAID with immersive, cohort-based training focused on the leadership and collaborative skills required for effective PSE across the Agency.



PROBLEM

The USAID PSE Policy underscores the need to work collaboratively with the private sector to identify and implement market-based development solutions. While many USAID Missions are interested in expanding PSE activities, they often lack the investment experience needed to do so effectively. PIVOT is a year-long behavior change program focused on PSE Policy implementation at the Mission level. It was developed by USAID's Africa Bureau to offer immersive, cohort-based training that builds leadership and collaborative learning and adapting (CLA) skills. The program is supported by three implementing mechanisms—LEARN, PEPSE, and INVEST—and utilizes a change management approach to promote Mission-wide PSE.



INVEST SOLUTION

Staff cohorts, referred to as Change Teams, from six Missions have engaged in PIVOT activities designed to hone Mission-level readiness for successful PSE. To build Change Teams' capacity to engage with the private sector and identify new opportunities for collaboration, INVEST facilitated webinars and in-person trainings on blended finance. INVEST also arranged meetings between Change Teams and private sector actors. The meetings served as authentic, hands-on learning experiences through which INVEST could provide Mission staff with feedback and coaching on their interactions in real-time. INVEST also provided extended training and field support to USAID/Mozambique staff, building upon the work that began with the Mission's Change Team.

Spotlight: PIVOT: Practical, Innovative, On-the-Job Training



OUTCOMES

According to an annual PIVOT Learning Review, program participants reported a significant increase in CLA and leadership skills over the course of the year. Cohort members also reported a dramatic increase in their understanding of USAID policies, PSE approaches and best practices, and the importance of PSE to achieving USAID development goals. Cohort members further reported feeling their respective Missions were better supported by USAID. Mission Directors interviewed as part of the PIVOT Learning Review noted Mission-level changes have occurred since the beginning of the program, including improved communication and collaboration across Mission offices, new Mission PSE activities, and an increased interest and awareness of PSE among Mission staff.



LESSONS

The INVEST PIVOT experience reveals that working directly with Missions to build PSE capacity is an integral component of effective USAID PSE Policy implementation. Varied knowledge of blended finance and PSE across Mission staff and offices highlights the need for customized training at all Mission levels. Lessons learned from INVEST field work in Madagascar reveal the need for adaptive and targeted training and capacity building activities to help Mission's identify PSE solutions to development challenges and integrate these solutions into their work. Facilitating direct interactions with Mission staff and private sector actors can help Missions better gain and apply skills to implement future PSE activities. Agency-wide engagement with implementing partners and networks with finance and investment experience are also critical for effective USAID PSE, since implementing partners commonly lack PSE expertise.

Spotlight: Mobilizing American Investment and Financial Service Exports in Africa at Scale

Facilitating investor road shows, peer-to-peer convenings, and transaction facilitation to build market relationships between U.S. and African institutional investors and their respective financial sectors.

PROBLEM



The launch of Prosper Africa—a USG initiative focused on bolstering two-way trade and investment between Africa and the U.S.—coupled with market trends and growth demands on U.S. pension funds, represents a watershed opportunity to accelerate the mobilization of large pools of U.S. institutional capital and expertise into Africa. Such investments have the potential to contribute greatly to USAID’s development objectives, yet U.S. investors often encounter obstacles that prevent them from acting on these opportunities.

INVEST SOLUTION



Building on work completed by the USAID/PCM MiDA initiative, INVEST is introducing U.S. institutional investors to investment opportunities in Africa and helping them navigate the African investment landscape. INVEST partner MiDA Advisors carefully selected U.S. participants for a February 2020 investor roadshow based on their interest and ability to pursue African investment opportunities over the next 1-2 years. INVEST organized meetings with U.S. Investors and private equity and venture capital firms in Johannesburg. The investors then attended the Southern African Venture Capital and Private Equity Association Conference in Cape Town, where they spoke on panels, met with representatives of South African pension plans, and participated in eight formal pitch meetings with private equity and venture capital fund managers.

Spotlight: Mobilizing American Investment and Financial Service Exports in Africa at Scale



OUTCOMES

By facilitating investor roadshows, delegations, and peer-to-peer convenings, INVEST is building enduring relationships between U.S. and African investors. By meeting one-on-one with African fund managers, U.S. investors are gaining exposure to a pipeline of deals and co-investment opportunities with the potential to meet their investment objectives, while fostering development impacts. Already, the City of Philadelphia Retirement System, the New York Board of Education Retirement System, and FIS, a \$10B women-owned fund based in Philadelphia, are exploring investments with African fund managers. INVEST is creating these opportunities for collaboration to accelerate U.S. service exports and help build the capacity of African financial intermediaries, increasing their ability to finance Africa's journey to self-reliance.



LESSONS

Building relationships between U.S. and African institutional investors and asset managers through on-the-ground experiences is an integral aspect of facilitating investment on the continent. However, once back in the U.S., follow-up outreach and support to institutional investors is an equally important next step in the investment process. Committee members, trustees, and consultants need education about African investment opportunities that align with their plans' objectives.

Spotlight: Women's Global Development and Prosperity (W-GDP)

Utilizing a lean co-creation approach to build a women's economic empowerment portfolio.

PROBLEM



Women's economic empowerment is crucial for breaking cycles of poverty and promoting economic growth. However, pervasive gender gaps and a lack of financial services often prevent women from accessing the tools and resources they need for their businesses and families to thrive. In February 2019, the White House launched The Women's Global Development and Prosperity (W-GDP) Initiative, the first whole-of-government effort to advance global women's economic empowerment. W-GDP and USAID's Office of Gender Equity and Women's Empowerment engaged INVEST to support W-GDP through a range of innovative blended finance approaches, the promotion of gender lens investing, and the expansion of financial services to women.


INVEST SOLUTION



In November 2019, in collaboration with partner Design Thinkers Group, INVEST facilitated a co-creation workshop to build a portfolio of fundable activities that incorporate gender lens investing (GLI) and blended finance strategies as a means of advancing women's economic empowerment. After receiving 60 expressions of interest, INVEST selected 17 organizations to participate in the two-day workshop. The co-creation allowed participants to work collaboratively with each other, INVEST staff, and USAID representatives to refine the concepts in their expression of interest or develop new concepts together.

Spotlight: Women's Global Development and Prosperity (W-GDP)

OUTCOMES



The co-creation approach proved to be a cost-effective way for USAID and INVEST to rapidly identify promising, fundable activities and make multiple awards to drive early results for W-GDP. As a result of the workshop, INVEST has finalized subcontracts with two new partners. INVEST is also in the process of finalizing an additional three subcontracts, expected to launch next quarter.

EXAMPLE SUBCONTRACTS

- **Patamar Capital's Beacon Fund** will provide fit-for-purpose financing to moderate-growth, women-led and women-focused businesses in Southeast Asia. Patamar Capital is a California-based investment firm that invests in companies serving the “mass market” in South and Southeast Asia. Through INVEST, W-GDP will contribute \$1M in first-loss capital to the \$50M fund, helping to catalyze additional investment. Over the next two years, the Beacon Fund aims to make investments into approximately 20 businesses, with ticket sizes ranging from \$0.5M to \$2M.
- **MEDA** will generate and share practical evidence for overcoming barriers that prevent women from accessing finance in Rwanda and Kenya. With Criterion Institute, MEDA will frame its research and learning agenda to identify implicit and explicit barriers faced by women-owned small and growing businesses that do not apply for funding from Business Partners International East Africa (BPI). Select businesses will receive technical assistance tailored by Volta Capital and will be eligible to receive investment from the BPI and MEDA's Second Chance Success.

Spotlight: Women's Global Development and Prosperity (W-GDP)



LESSONS

W-GDP, through INVEST, has immediately funded five of the ten proposals received after the co-creation. INVEST and W-GDP have “greenlit” the other five, identifying them as strong, fundable solutions. These remaining activities can be refined or activated when future funding allows, and can be shared more broadly with other parts of the Agency, widening their pool of funding sources. The co-creation also helped strengthen the voices of new and underutilized organizations that participated in the workshop, building the capacity of USAID and these partners for engaging with one another. The workshop offered a chance for collaboration between development and private sector actors, thereby building an understanding between the sectors of how to work together to achieve both parties’ intended objectives. This collaboration provided USAID and INVEST with insights from partners working “on the ground” to advance economic empowerment and financial inclusion for women throughout the world. From these insights, USAID can better understand where in this ecosystem its participation can add value, which is critical information when designing market-led development solutions.

What's coming next?



Looking Forward

MOBILIZING INVESTMENT FOR TIBETAN FINANCE IN INDIA

Gang-jong Development Finance (GDF) is a registered Non-Bank Financial Institution (NBFI) in India with a mission to provide affordable capital, financial services, and financial literacy to Tibetan entrepreneurs and to promote Tibetan micro, small, and medium-sized enterprises. In the past, GDF has financed businesses offerings for uniquely Tibetan products, such as winter sweaters, tourist caravans, and cultural trinkets, among others. GDF is now seeking to expand its services and impact. Under a Buy-in from USAID/India, INVEST will conduct an organizational capacity assessment (OCA) to identify GDF's capacity gaps, as well as other challenges that need to be addressed so that GDF can attract investors and grow. INVEST will also provide transaction advisory services to raise an anticipated \$10 million in debt, equity, and grants for GDF.

Why it matters: GDF provides inclusive financial services for Tibetans in exile whose businesses and enterprises would otherwise suffer from financial exclusion. Through its services, GDF offers these businesses a pathway for developing productive assets that pave the way for a self-reliant future. The INVEST OCA and \$10 million capital raise will strengthen GDF as a financial institution in India, allowing it to increase its support to micro, small, and medium-sized businesses that lack collateral, and are therefore unable to approach traditional banks and financial institutions. This effort will build on the success of GDF, which, in just three years, has developed a loan portfolio of \$5.5 million and has disbursed loans to thousands of small Tibetan businesses. Ultimately, this work aims to increase income, reduce poverty, and enhance self-reliance for Tibetans in exile.



Looking Forward

DEVELOPING AFGHANISTAN'S ECONOMY: FROM MINE TO MARKET

For thousands of years, Afghanistan has been mining and trading gemstones. Its emeralds, rubies, sapphires, and lapis lazuli feature prominently in some of the world's most renowned jewelry collections. However, these stones currently leave Afghanistan as rough, uncertified gems, and most of their value leaves with them. The rough stones are sold at low prices to foreign gem dealers and then sent abroad where they are certified, cut, and polished. Without trusted certification services in-country and technology to differentiate between real and imitation gemstones, Afghanistan will continue to sell gemstones at a discount to foreign dealers, and Afghan businesses will continue to miss out on capitalizing on the stones' true world-market value. USAID is working to change that. Through INVEST, USAID is providing technical and financial assistance to facilitate the formation of the Silk Road Heart Gemological Laboratory and Lapidary in Kabul. This new partnership between four independent shareholders from the U.S. and Afghanistan. INVEST has mobilized \$150,000 of initial capital from the shareholders and will procure equipment, sponsor gemologists, and market the lab domestically and internationally. Lab services are set to launch in June 2020.

Why it matters: Rather than export rough and uncertified gemstones at low prices, Silk Road Heart will have the ability to produce identification and origin reports in-country for its gemstones. Silk Road Heart will sort, certify, cut, process, and polish precious and semi-precious gemstones according to international standards so that they can be sold on the world market at a competitive price. In addition, Silk Road Heart will provide vocational training in cutting and polishing to local Afghans, in particular women. The launch of the lab and lapidary will not only offer a promising and much needed solution for the problems in the Afghanistan gemstone supply chain, but it will also signify the launch of a new and promising export sector with the potential to create employment opportunities for generations of Afghans to come.



Looking Forward

CO-CREATION FOR SUSTAINABLE LANDSCAPES IN MEXICO

USAID/Mexico engaged INVEST for support in finding partners to research, develop, test, and evaluate innovative approaches to increase access to finance and to catalyze investments to reduce deforestation and forest degradation in Mexico by improving land management practices and reducing the drivers of land-use change. INVEST rapidly mobilized support to USAID/Mexico by drafting and promoting an addendum released under the BAA-MEX-PCM-2020, Catalyzing Private Investment. The INVEST team will support USAID in the selection of expressions of interest (EOIs) and in designing and co-facilitating a virtual co-creation workshop through which participants will collaboratively develop concepts that use blended finance strategies to support sustainable landscapes in Mexico. USAID/Mexico may then make an award to one of the resulting concepts. Throughout the co-creation process, INVEST will provide technical support to USAID and those organizations invited to submit concept papers. Contingent upon an award resulting from the co-creation, USAID/Mexico will assess the awardee's need for additional support or capacity building to implement the proposed solution.

Why it matters: The requirement to quickly design and facilitate a virtual co-creation provides an important opportunity to test and refine online methods for facilitating networking and creativity in a real-world situation. It also provides an opportunity to assess which approaches to facilitating a virtual co-creation can best contribute to strengthening the voices of underutilized partners. Highlighting the important value of INVEST's involvement in procurement efforts, 68 EOIs were submitted to USAID/Mexico this quarter, including 16 EOIs from members of the partner network. Eight of the 25 EOIs later selected and invited to the virtual co-creation workshop were from partner network members. The partner network brings an important mix of financing and investment-oriented approaches and organizations critical for meeting the BAA challenge of mobilizing finance and engaging with the private sector to promote a healthy environment and sustainable landscapes in Mexico.



Looking Forward

OPTIONS FOR RESPONDING TO COVID-19

This quarter, INVEST worked to develop a list of the ways USAID can utilize INVEST and the partner network for effective COVID-19 response and recovery. The team analyzed which assets INVEST could quickly mobilize based on a rapid stocktaking of current activity implementation and conversations with MBO buy-in clients. INVEST also canvassed the partner network for their ideas on immediate responses to COVID-19, and received nearly 40 responses related to needs/challenges, solutions and roles that INVEST and its partners can play.

Why it matters: While the long-term effects of the pandemic on the world economy remain unknown, in the short and medium-term, developing countries will need a surplus of capital to cope with the economic and social stresses it has created. Overtaxed health care systems, disrupted supply chains, resource scarcity, social services shortages, and rising unemployment have the potential to negatively impact the lives of people throughout the world. At the same time, new and growing businesses with promising models that have not yet reached financial stability, are now at increased risk of failure, which has the potential to exacerbate the economic crisis across the globe. Through blended finance interventions—such as catalytic capital for infrastructure investments and bridge capital for businesses—INVEST is in the unique position to provide “triage” financing for activities, funds, social enterprises, and projects that help curb the negative effects of the pandemic, thereby increasing the likelihood of better humanitarian outcomes in the immediate future, while decreasing the likelihood of it offsetting development progress made in recent years.



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Shaping a more livable world.

