

USAID INVEST

Mobilizing Investment
for Development

INVEST Year 4 Quarter I Report
October 1, 2020 – December 31, 2020



INVEST: ABOUT US

OVERVIEW

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

- INVEST works with the private sector to **mobilize private capital** for development and is a key mechanism that USAID can use to engage the private sector.
- INVEST is **fast and flexible** and can respond with tailored approaches to USAID and market needs.
- INVEST fosters **operational and technical innovation** for better development outcomes and impact across USAID.
- INVEST is the result of **co-creation** and is driven by a research and learning mandate.



55
BUY-INS
From 38 USAID
MBIOs



\$175
MILLION
Value of capital mobilized
for development



87
PERCENT
Value of funding
obligated towards
contract ceiling



352
PARTNERS
In the USAID Finance and
Investment Network



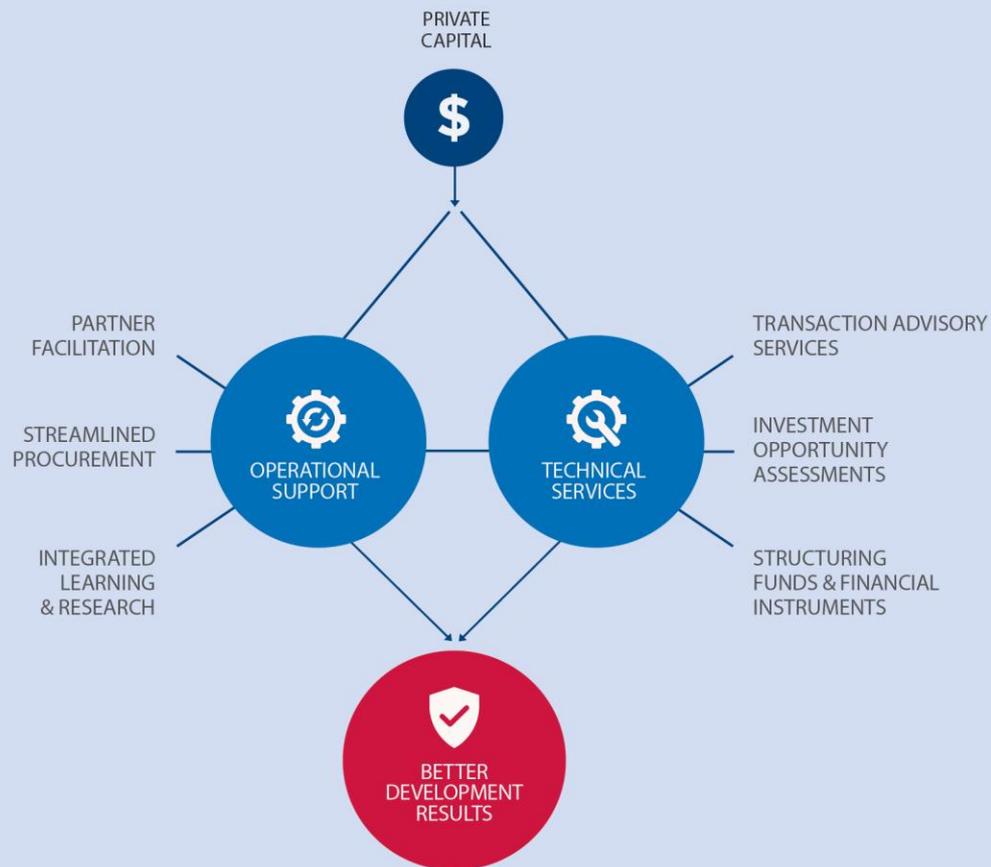
14
SECTORS
Of activity focus



64
COUNTRIES
Of INVEST implementation

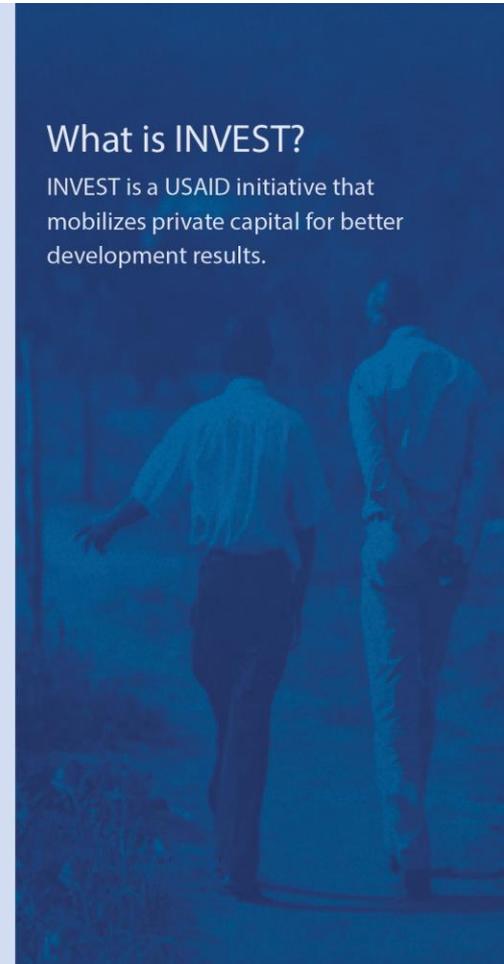
INVEST: ABOUT US

OUR APPROACH



What is INVEST?

INVEST is a USAID initiative that mobilizes private capital for better development results.



INVEST: OUR WORK

TECHNICAL SERVICES



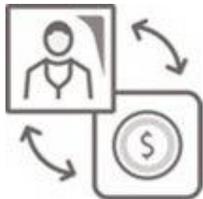
INVESTMENT OPPORTUNITY ASSESSMENTS

- Building the capacity of municipal governments in India and Vietnam to engage the private sector in education and clean energy initiatives
- Piloting new corporate investment models to provide safe and affordable water to underserved populations at scale
- Conducting research to build Mission capacity in the Eastern and Southern Caribbean, and El Salvador to implement PSE and blended finance approaches



STRUCTURING FUNDS AND FINANCIAL INSTRUMENTS

- Structuring financing mechanisms that utilize catalytic capital to raise and deploy funds to enterprises in Tunisia working on COVID-19 response
- Supporting the creation of 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



TRANSACTION ADVISORY

- Facilitating transaction closes that increase trade and investment between the U.S. and Africa and increase access to energy in Kenya and Haiti
- Providing transaction advisory and investment facilitation services to promote foreign direct investment in Georgia and Moldova
- Channeling institutional investment into USAID priority areas, such as a \$250M bond issuance for increased housing finance in West Africa

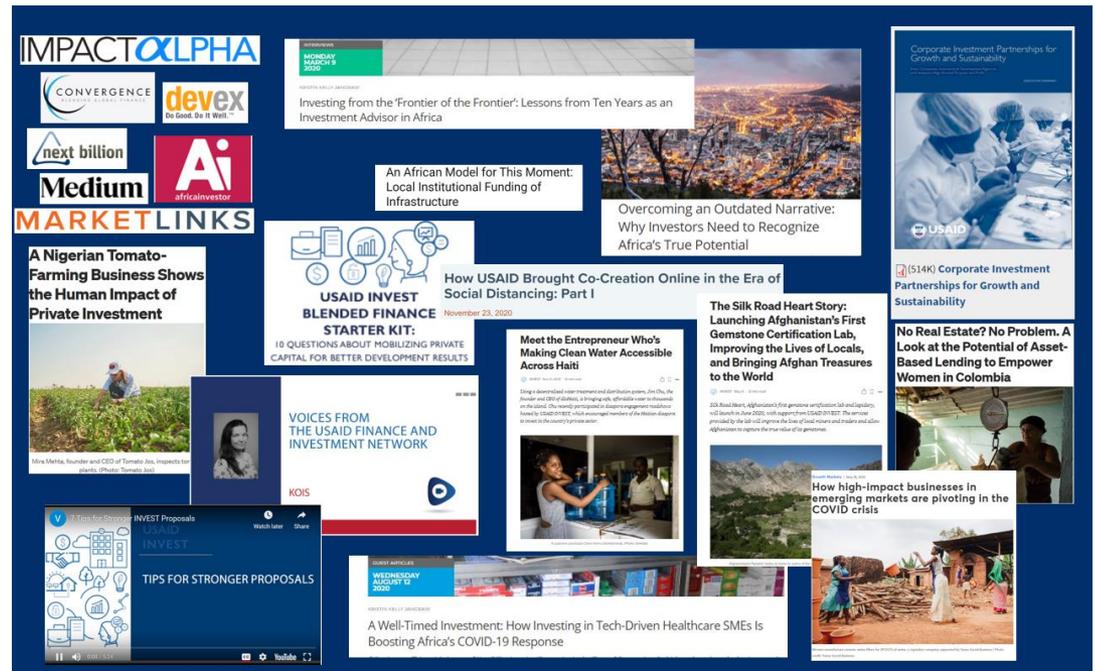
INVEST: OUR WORK

LEARNING AND STRATEGIC COMMUNICATIONS

INVEST generates evidence that builds the knowledge base on PSE and blended finance approaches for development. Widely distributed and targeted learning and communications products share this evidence with USAID and partners to build USAID capacity and improve future applications.

PUBLICATION HIGHLIGHTS

In Y4Q1 INVEST published twelve learning blogs and five "Voices from the USAID Finance and Investment Network" video interviews. Learning blogs shared lessons learned in asset-based lending, clean energy financing, COVID response, and an in-depth series on co-creation.



INVEST: OUR PARTNERSHIPS

USAID FINANCE AND INVESTMENT NETWORK

At the core of INVEST is a network of over 350 partner firms from the investment and development community with specialized technical and financial expertise.

The Network:

- Engages new and underutilized partners to leverage USAID resources and solve development challenges with market-driven solutions and innovations.
- Gives USAID on-demand access to the niche expertise necessary for solving the world's toughest development challenges.
- Builds the capacity of private sector firms and small organizations to navigate USAID procurement and subcontracting process, making it easier for them to successfully work with USAID.

NETWORK OVERVIEW

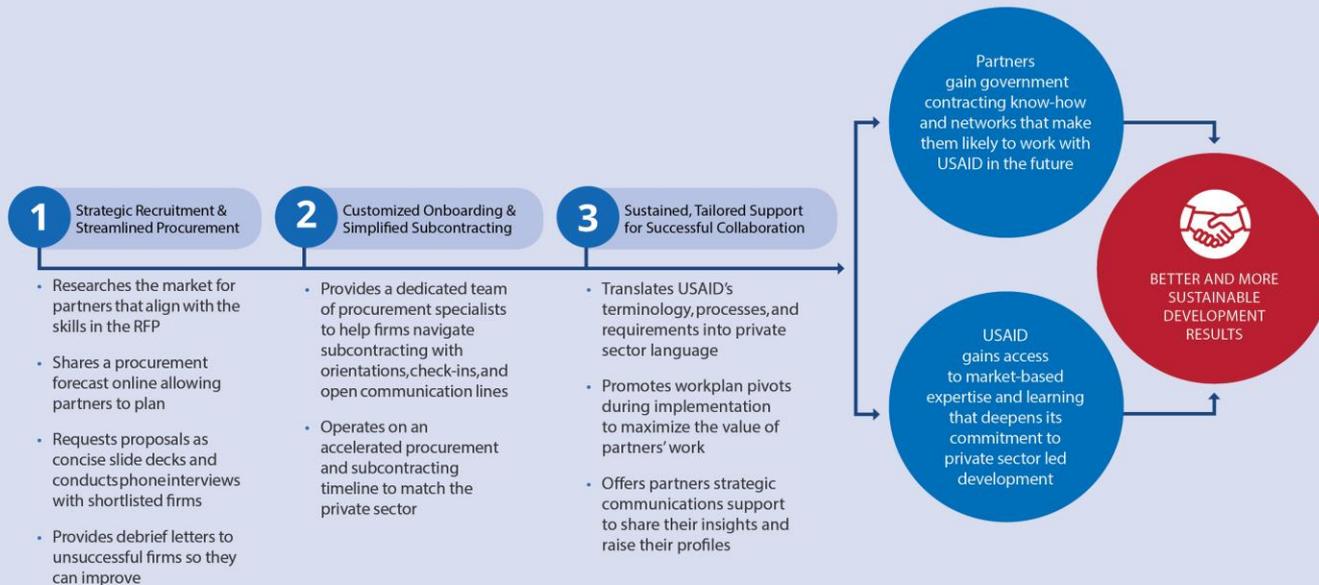
- 352 network members
- Expertise in 14 technical areas
- Expertise in 16 sectors
- Experience working in 200 countries

INVEST: OUR PARTNERSHIPS

SUPPORTING NEW AND UNDERUTILIZED PARTNERS

Through customized onboarding and coaching services, INVEST helps recruit partner organizations that have seldom or never worked with USAID.

Building Better Partnerships for Better Development: How INVEST Supports New and Underutilized Partners



INVEST: OUR PARTNERSHIPS

SUBCONTRACT AWARDEES

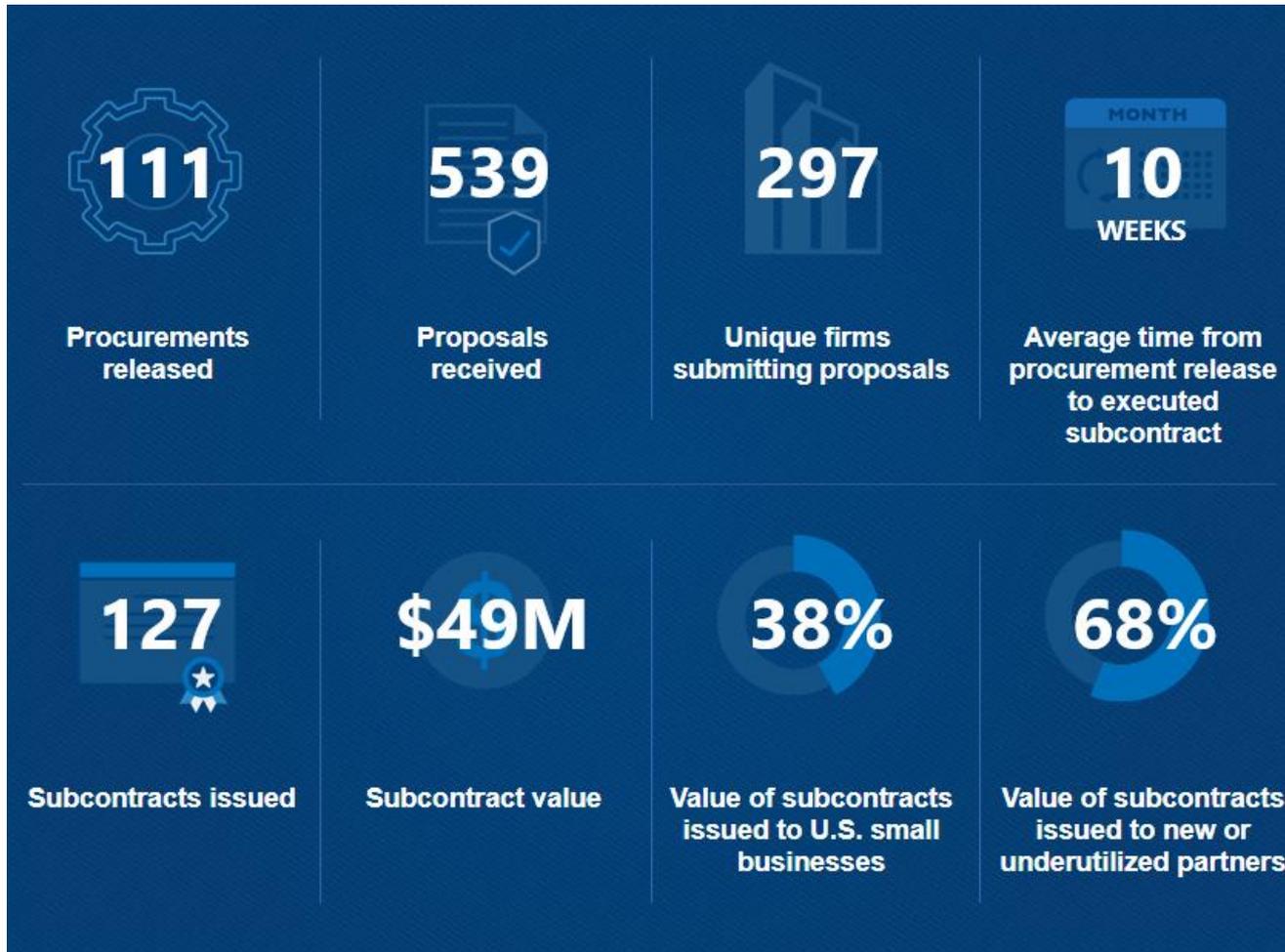
INVEST has engaged over 80 partner firms to develop and implement technical activities.



INVEST: INNOVATIVE PROCUREMENT

PROCUREMENT AND SUBCONTRACTING

Innovative procurement and rapid subcontracting processes have led to faster implementation.



INVEST: MOBILIZING CAPITAL FOR DEVELOPMENT

TRANSACTION OVERVIEW

INVEST provides technical assistance and transaction advisory services targeted at closing investment deals and supporting funds to leverage USAID funding and mobilize capital for development.

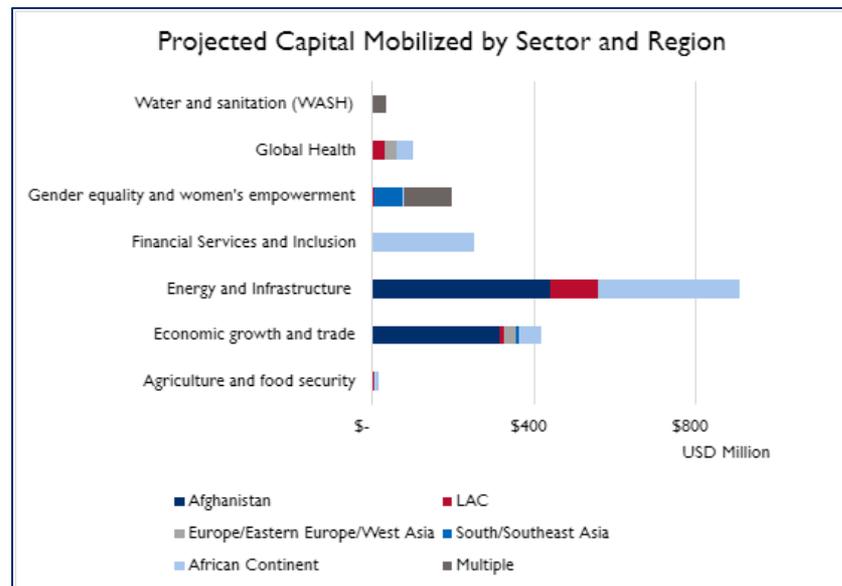
123
TRANSACTIONS
SUPPORTED

19
TRANSACTIONS
CLOSED

\$175M
VALUE
CLOSED

\$1.9b
PROJECTED
VALUE

Y4Q1 HIGHLIGHT: PROJECTED CAPITAL MOBILIZATION



INVEST: MOBILIZING CAPITAL FOR DEVELOPMENT

Y4Q1 HIGHLIGHT: HAITI INVESTMENT PLATFORM

THE CARIBBEAN RESILIENCE FUND

The Caribbean Resilience Fund, created and managed by Delphin Investments under Haiti INVEST, raised \$100,000 from a Haitian financial institution, the first capital allocation for the pan-Caribbean investment vehicle. With a target allocation to Haiti, the CRF aims to support SMEs in the region and channel diaspora capital into Haitian and Caribbean businesses.

TRANSACTION ADVISORY

Haiti INVEST's Transaction Advisor partner GECA supported ESG Group S.A. in accessing \$500,000 in capital as part of an overall effort to raise \$1.5M to be used to purchase additional supplies of solar panels and solar products. GECA provided Transaction Advisory services by defining the firm's needs and investment opportunities, conducting feasibility assessments, and expanding upon the business case, plan, and financial models. Because of the investment, ESG Group S.A. will employ up to eight new staff; two of whom have been hired in sales and marketing to increase brand recognition in the provinces.

HAITI INVESTMENT PLATFORM

Transactions supported	45
Transactions closed	4
Closed value	\$710,596
Projected value	\$31,209,496

Y4Q1 SPOTLIGHT: PROCUREMENT FORECAST WEBPAGE

Providing resources for network members and increasing transparency into INVEST subawards



PROBLEM

USAID needs access to a new kind of implementing partner to engage the finance and investment community and mobilize private capital that is aligned with USAID's goals. Many of the finance and investment firms that have the potential to create the greatest impact have not worked extensively with governments or donors. They may not have experience finding or responding to government RFPs nor an understanding of the procurement processes required by the complex Federal Acquisition Regulation.

INVEST SOLUTION



To facilitate engagement with USAID, INVEST added new features to its [procurement forecast webpage](#). The site includes:

- A procurement forecast with information on RFPs INVEST anticipates releasing within three months;
- A list of all competitive procurements, the winning organizations, and links to solicitation documents;
- An INVEST procurement process map;
- A link to a list of all members of the USAID Finance and Investment Network to raise awareness of network membership and facilitate partnering opportunities;
- Tips for stronger proposals, including a video explainer by members of the procurement team; and
- INVEST's data protection policy, covering how INVEST protects proprietary data ranging from company information to data included in proposals and technical deliverables.

Y4Q1 SPOTLIGHT: PROCUREMENT FORECAST WEBPAGE



OUTCOMES

The webpage provides partners with a single location to access resources, templates, and information. These resources help partners plan for upcoming RFPs and put forward the strongest proposal they can. This allows INVEST to regularly make subawards to a lead firm partnered with a niche or local actor to fill a critical development gap. Because all subawards listed on the webpage include the lead firm along with any partners, offerors can gain insight into winning combinations in different geographies and sectors and use this information to improve their future proposals.



LESSONS

A rigorous, compliant process is INVEST's top priority, but the team has learned that high levels of communication and transparency around this process are also important. INVEST is continually looking for ways to level the playing field and reduce barriers to entry for firms to submit proposals. These resources will strengthen the proposals USAID receives through INVEST, ease the proposal-writing burden for offerors, and, through greater transparency, increase trust in a fair process. These improvements are important for the growth and continued engagement of the USAID Finance and Investment Network.

Y4QI SPOTLIGHT: MOLDOVA INVESTMENT PLATFORM

Connecting enterprises with capital to mitigate the impacts of COVID-19 and facilitate external investment

PROBLEM



Moldovan businesses face challenges in attracting private investors because of the country's small market size and political risks. Local debt financing is constrained by a tight monetary policy and high loan collateral requirements. These conditions make it difficult for Micro, Small & Medium Enterprises (MSMEs) to access financing to grow their businesses, yet MSMEs contribute to 31.8 percent of GDP and 61.2 percent of employment, making them a crucial part of the economy. Covid-19 has further exposed the vulnerability of these MSMEs, which witnessed a 57 percent decline in annual sales compared to last year, while also demonstrating the important role access to finance plays in helping them withstand economic shocks and allowing them to contribute to the larger economic recovery.



INVEST SOLUTION

After performing an initial investment landscape assessment, INVEST with CrossBoundary and local partner Civitta conducted a follow-up Covid-19 rapid assessment, interviewing 100 Moldovan companies about their debt and equity needs. From the rapid assessment, they identified 11 enterprises in the healthcare, ICT, light industry and wine sectors, seeking an aggregate demand of \$40 million in debt and equity. INVEST shortlisted these firms for its newly created Moldovan Investment Platform, which aims to connect capital seekers with capital providers and close \$20 million in investment deals over the next 18 months. The platform is designed to provide Moldovan businesses with much-needed capital, help them weather the economic impacts of COVID-19, and encourage further external investment into the country.

Y4Q1 SPOTLIGHT: MOLDOVA INVESTMENT PLATFORM

OUTCOMES



The investment platform will provide targeted, firm-level technical assistance that will improve the ability of local companies to grow their operating capacity and raise critical growth capital. For investors, the platform acts as a neutral intermediary and addresses barriers such as information asymmetries and high transaction costs by improving investors' understanding of the market and decreasing the cost of due diligence. INVEST is currently providing transaction advisory services for three transactions worth \$20 million and will provide at least eight businesses with support to mobilize debt and equity investments by July 2022.

LESSONS



INVEST recognized that the needs of Moldovan businesses identified during the initial landscape assessment would likely change in response to the economic disruption caused by COVID-19. Being adaptive, INVEST was able to create an additional component to the subcontract, a rapid assessment that reached out to companies originally surveyed as well as new companies. By taking stock of the evolving business and investor needs, the rapid assessment could inform the final structure of the investment platform. This activity underscored the importance of working with local partners as Civitta's local presence enabled them to keep the work moving despite travel restrictions. Likewise, the balance of CrossBoundary's international networks and deep emerging market expertise combined with Civitta's local context knowledge contributes to the success of the work.

Y4Q I SPOTLIGHT: UGANDA OFF-GRID ENERGY MARKET ACCELERATOR

Improving access to finance to accelerate the growth of off-grid energy access in Uganda

PROBLEM



Despite sustained efforts to expand access to electricity in Uganda, more than 75 percent of Ugandans still lack an electricity connection. While efforts to expand the national grid have improved urban electrification, the infrastructure required to connect rural communities to the grid has been cost-prohibitive. Solar home systems provide an off-grid solution for the many people in these areas. However, solar home system production companies require an estimated \$800 million in financing to scale and distribute the products needed to electrify Uganda's off-grid population. Unfortunately, off-grid companies struggle to access the financing they need because of underdeveloped financial and business models and because capital providers are unlikely to make loans to these companies because they have a lack of familiarity and expertise in structuring loans tailored to the off-grid energy business model.

INVEST SOLUTION



In response to these challenges, the USAID Mission in Uganda engaged INVEST to support the Uganda Off-Grid Energy Market Accelerator (UOMA) to increase the growth of off-grid energy access in Uganda. UOMA identified that local financing is crucial to enable off-grid energy companies to provide affordable solar energy in rural Uganda. In partnership with Open Capital Advisors, INVEST implemented a two-pronged approach to address information gaps between companies and capital providers. This approach improves access to local financing by helping off-grid energy companies become investment ready and by helping local financial institutions to better understand the off-grid energy business model and opportunities.

Y4Q1 SPOTLIGHT: UGANDA OFF-GRID ENERGY MARKET ACCELERATOR

OUTCOMES



INVEST and Open Capital have supported 13 off-grid energy companies. They have conducted market assessments and pilots to inform growth strategies, provided transaction advisory support to prepare companies for investment and engaged investors to raise capital. Following the COVID-19 outbreak, INVEST worked with Open Capital to support three off-grid energy companies to raise \$1.5M in new financing to sustain their businesses and improve access to energy. Open Capital is providing on-going technical assistance to five Ugandan banks to identify a pipeline of investable off-grid energy opportunities and provide tailored transaction advisory support to build banks' capacity to identify, structure, and manage loans to off-grid energy companies. In total, these efforts are projected to add more than 100,000 new electrical connections, demonstrating to capital providers and companies alike that sustainable financing can create commercial value while electrifying Uganda's off-grid communities.

LESSONS



Mission involvement has been critical for ensuring that INVEST's work aligns with USAID and Power Africa efforts to support the nation's off-grid energy market. USAID/ Uganda also facilitated introductions in government ministries and financial institutions that enabled Open Capital to identify the most effective avenues of support. In the face of COVID-19, off-grid energy companies have had to adapt new business strategies in response to lockdowns and shifts in consumer demand. INVEST extended the timeline of support and provided flexible technical assistance to help firms pivot to the new operating environment. Open Capital's presence solved coordination challenges and enabled work to progress despite travel restrictions, underscoring the importance of working with local partners.

INVEST: LOOKING FORWARD

Unlocking private-sector resources to improve education in India

ACTIVITY: USAID has engaged INVEST to explore and promote financial instruments and technical approaches to unlock private-sector resources and address systemic education issues in India. INVEST issued a subcontract to Boston Consulting Group (BCG) to assess the market landscape in the education sector through a PSE lens. BCG will recommend two or three Indian states for USAID to work in, meet with a broad range of stakeholders, and identify potential activities, partnerships, and co-investment opportunities. It will assess these for feasibility, risk, and alignment with USAID strategic priorities, identifying approaches that can incentivize growth and improve development outcomes.

WHY IT MATTERS: This activity will engage the private sector for better development results in education. It will also build the capacity of two or three Indian states to implement and manage high-performing systems and partnerships in the sector. The assessment will help USAID identify opportunities where private-sector partners may offer a comparative advantage and can complement the public education sector, ensuring USAID activities will be sustainable. Following the assessment, a co-creation process will build upon the findings from the assessment, helping USAID select and design activities to improve education outcomes.



INVEST: LOOKING FORWARD

Helping Missions use blended finance approaches to reduce hunger, poverty, and malnutrition

ACTIVITY: USAID/RFS has engaged INVEST to help USAID Missions build resilient communities and improve food and water security. INVEST issued a Request for Expressions of Interest this quarter to identify potential partners and innovative approaches that leverage USAID resources to catalyze commercial investment in line with USAID/RFS objectives, priority sectors, and countries. Given the economic disruption caused by Covid-19, USAID and INVEST are also interested in identifying opportunities to align with the private sector to provide recovery support to affected businesses in RFS priority countries and sectors.

WHY IT MATTERS: This activity will help mobilize private capital to reduce hunger, poverty, and malnutrition. Mobilizing finance through partnerships with multilateral development institutions, investors, banks, and other private-sector actors will improve the reach, effectiveness, and sustainability of USAID's food and water security efforts. In identifying and employing a blended finance approach for solutions in priority sectors and countries, USAID aims to create avenues to mobilize private capital investment into commercial opportunities that advance development outcomes in the agriculture, nutrition, and water and sanitation sectors.



Submission Date: January 29, 2021

Contract Number: AID-OAA-C-17-00090

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

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