USAID INVEST CLOSE-UP:

THE INVEST INITIATIVE AND PARTNER NETWORK

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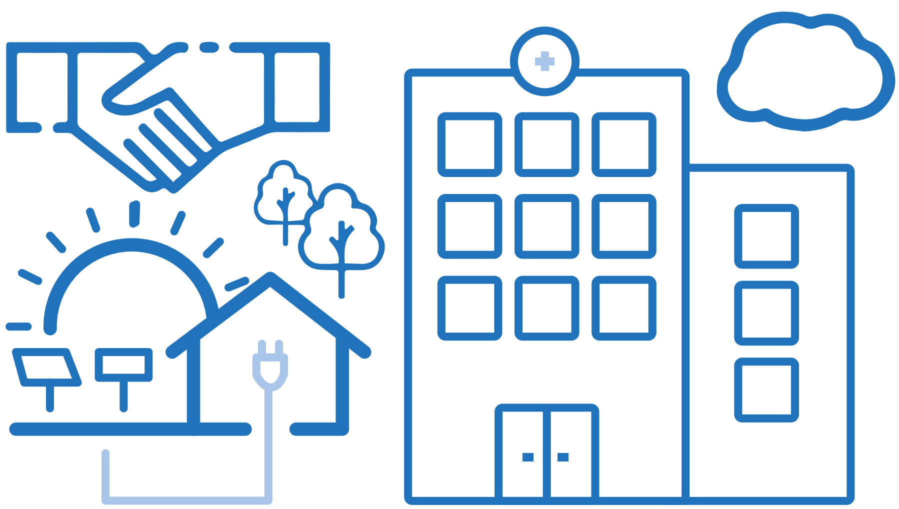

USAID FROM THE AMERICAN PEOPLE

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CLOSE-UP: THE INVEST INITIATIVE AND PARTNER NETWORK

EXECUTIVE SUMMARY

On their own, international development agencies cannot meet all of their goals for sustainable development. Despite the progress made, fulfilling the Journey to Self-Reliance and the goals of the 2030 Agenda for Sustainable Development will require both a better approach to financing and a more effective use of finance. Private sector engagement will increasingly become an essential component of effective development that sets countries on the path to self-sufficiency and creates positive, long-lasting impact on communities.

In 2018, USAID released both its Private Sector Engagement (PSE) Policy and its Acquisition and Assistance (A&A) Strategy. These policies create the framework for an institutional transformation whereby USAID will advance progress towards development goals through supporting and co-creating market-based solutions with the private sector, with an emphasis on working with new and underutilized partners.

In February 2017, USAID issued a Broad Agency Announcement (BAA) for catalyzing private investment. The BAA resulted in the co-creation of the USAID INVEST initiative, a mechanism designed to address the longstanding operational and technical challenges that USAID has faced in working with the investment community. As a laboratory for procurement reform and technical innovation, INVEST has streamlined the subcontracting process, developed a rapid procurement procedure that is more user-friendly for new firms, and built a growing body of knowledge on approaches to private sector engagement and blended finance (the strategic use of development funds to mobilize private capital to underdeveloped markets), which it shares with USAID and the rest of the development community.

At the core of INVEST's work is a large and growing partner network of firms that have experience in investment and deploying private capital for development. This partner network enables USAID to access, on demand, the niche, technical experience it needs to take advantage of investment opportunities that will lead to positive development results.

Between February 2017 and September 2019, INVEST has grown its partner network from 26 to 195 members. Working with 23 USAID Missions, Bureaus, and Independent Offices (MBIOs), it has implemented activities in 14 countries. INVEST has engaged 23 firms to perform this work, issuing 35 subcontracts for technical services valued at $8.5 million. Fifty percent of these subcontracts' total value was awarded to U.S.-based small businesses and 36 percent to local (non-U.S.) entities.

INVEST has supported 20 transactions to date. Closing four transactions so far, INVEST has mobilized $68 million of private capital for development. INVEST has identified or supported financial mobilization for an additional 12 transactions that have a total projected pipeline of $377 million in capital. It has also designed four transactions for USAID Missions that would mobilize additional private capital.

INTRODUCTION

International development agencies alone are incapable of fulfilling the aspirations of the 2030 Agenda for Sustainable Development because the investment required to advance progress towards these goals far exceeds the total public sector resources available.

As a result, the global community must change its thinking about development from a funding mentality to a financing one and look to address development challenges through private sector engagement.

USAID released its Private Sector Engagement (PSE) Policy in December 2018. The policy serves as a call to action for USAID and other development agencies, underscoring the need to identify market-based approaches and co-create solutions for development problems. The policy functions as an Agency-wide mandate for USAID staff to work in tandem with the private sector to design and implement programs across all sectors and countries.

By reorienting around the private sector, international development agencies like USAID can promote sustainable and scalable methods for supporting communities, improving humanitarian outcomes, and reaching development goals. With a market-based focus, USAID MBIOs can implement investment solutions that grow local economies, thereby reducing the reliance on foreign aid while simultaneously producing positive development results.

In December of 2018, USAID also announced its Acquisition and Assistance (A&A) Strategy. Centered on streamlining the design and procurement process, this approach intends to diversify USAID's partner base and make it easier for the private sector to work with the Agency.

The New Partner Initiative, an integral piece of the A&A Strategy, aims to increase USAID's engagement with "new and underutilized" partners, especially local entities and private sector partners.

Through an emphasis on subawards, the New Partner Initiative encourages an umbrella approach in which traditional USAID partners guide new and underutilized partners through the complexities of working with the federal government, ultimately providing USAID with access to the skills, tools, and expertise that these niche market actors and local entities possess.

The A&A Strategy seeks to enable partner countries to plan, fund, and manage their own development by building local ability, with the goal of eventually ending their need for foreign assistance. Together, these policies create a blueprint for USAID's strategic shift towards making private sector engagement a key pillar of the Agency's operating model.

THE FOUR PRINCIPALS OF USAID'S PSE POLICY

1. Engage the private sector early and often.

2. Incentivize and value private sector engagement.

3. Expand the use of USAID's approaches and tools that unlock the potential of the private sector.

4. Build and act on the evidence of what works and what does not.

DEVELOPMENT CHALLENGE

Investments are complex, and transaction costs can be high, especially for investors entering new markets with high levels of informality and information gaps. The legal, policy, and regulatory frameworks in these markets are often unpredictable. They can change rapidly, complicating an investor's ability to identify potential transactions and assess the risk of different investment opportunities.

USAID and other international development agencies can help raise awareness of investment opportunities, lower transaction costs, and lessen the risk, both real and perceived, of investments that generate positive development impacts. Through this work, they can strengthen local investment capacities and catalyze local market actors. In underdeveloped markets like Haiti's, international development agencies can use their technical expertise to not only connect enterprises

NEW PARTNER INITIATIVE KEY TERMS

- **NEW PARTNER:** an individual or organization that has not received any funding from USAID as a prime partner over the last five years.

- **UNDERUTILIZED PARTNER:** an individual or organization that has received less than $25 million over the past five years from USAID and delivered more total funding in private development assistance than it has received from USAID in financial awards over the past five years.

- **LOCAL ENTITIES:** an individual or organization that is legally organized under the laws of a country receiving USAID assistance; has a principal place of business in the assistance-receiving country; is majority-owned by citizens or lawful permanent residents of the assistance-receiving country; and is managed by a governing body composed of a majority who are citizens or lawful permanent residents of the assistance-receiving country.

with sources of funding but also build the capacity of local transaction advisors to eventually carry on this work without USAID support.

With this guidance, transaction advisors not only gain insight into the best strategies for connecting local enterprises with investors, but they also strengthen their advisory services capabilities, providing enterprises with consultancy services —such as creating business plans, developing financial models, polishing presentations and pitches, and setting up accounting and other operations systems—often needed to prepare for investment. By building a community of local transaction advisors and setting up a platform for future transactions, development agencies can help deepen local markets and establish an ecosystem for potential investment, building the local economy and ultimately reducing the need for foreign assistance.

Unfortunately, while USAID and its peers have many assets which are valuable to investors and financial intermediaries, such as grants, guarantees, in-country relationships, and a deep understanding of local contexts, they have limited expertise in structuring blended finance transactions as well as sourcing deals with a diverse range of investors across sectors, geographic regions, and investment stages.

Without a mechanism in place for the development, testing, and dissemination of blended finance solutions, articulating and acting on an Agency-wide theory of change built upon private sector engagement becomes difficult.

While USAID recognizes the potential of private sector engagement, it has limited access to knowledge that combines both investment and development, which can make the transition from conception to implementation a difficult one.

OBSTACLES TO PRIVATE SECTOR ENGAGEMENT

Private enterprises often find it difficult to work with USAID. Complex federal regulations are a barrier for many firms, and USAID's long timelines for project development, implementation, and completion are not compatible with the needs of the private sector in which agreements are executed, and opportunities acted upon, quickly.

Many companies, especially small firms or those new to working with USAID, do not have the bandwidth or resources needed to write the lengthy proposals that the Agency usually requires. Most businesses also don't know how to follow USAID compliance requirements or complete its Monitoring, Evaluation, and Learning work. If potential partners feel bogged down in compliance and paperwork, they will pass on opportunities to work with USAID, and USAID will miss out on their niche expertise.

As the world's development challenges become increasingly complex, some can only be solved through market solutions. Development agencies must locate and work with the appropriate private sector partners to address these challenges.

OBJECTIVES

In February 2017, understanding the barriers to private sector engagement, USAID issued a Broad Agency Announcement that sought to develop, by way of a co-creation process, a prototype for catalyzing private investment throughout the sectors and regions in which USAID operates.

USAID solicited partners to design and evaluate structures for efficiently connecting the development community with the range of expertise needed to effectively mobilize private capital for development. The resulting structure had to enhance investment opportunities to drive economic growth, increase the efficiency of U.S. Government resources, and improve sustainability. However, its design also needed to allow for flexibility and innovation so that it could function with the speed and nimbleness that the private sector requires.

Looking for a meaningful co-creation process, USAID encouraged applications from organizations, firms, groups, or consortia with financial and investment expertise as well as those with expertise in evaluating the impact of private investment on poverty or development outcomes. It openly discouraged applications that offered a specific blended finance solution, advocated for a one-size-fits-all approach to blended finance, or claimed their organization alone had the skillset to create the prototype.

The co-creation session brought together 33 organizations with experience in investment and financing for development. Collaboratively, they designed INVEST, an initiative that uses USAID funding to mobilize private capital for development and overcomes barriers to private sector engagement.

INVEST is a mechanism for procurement reform and technical innovation. It focuses on rapid procurement, acclimating new partners, and using flexible, iterative project design. Built into the initiative is a strong research and learning agenda, so that lessons learned from the INVEST portfolio can be shared across USAID and with others in the field.

HOW INVEST WORKS:

INVEST is a New Partner Facilitation Model, in which the INVEST mechanism, implemented by DAI, is the Facilitating Partner. New Partner Facilitation Models follow the umbrella approach to partnering, as outlined in the A&A Strategy, in which a traditional partner works to build up the capacity of new partners and underutilized partners through subawards. DAI, as the implementer of INVEST, enables new and underutilized partners to join its network by streamlining procurement, simplifying the subcontracting process, and helping new firms navigate USAID requirements.

Many new or underutilized firms cannot support large teams focused on accounting, compliance, and proposal-writing. New Partner Facilitation Models centralize much of this expertise with the Facilitating Partner, in this case INVEST, for a more efficient allocation of resources.

The INVEST mechanism ultimately provides USAID with access to a nimble pool of specialized partners, on demand. INVEST operates as a hub, connecting its buy-in clients—USAID MBIOs—with members of a robust partner network—organizations that possess specialized expertise and resources across multiple sectors and regions. Using their detailed knowledge and experience, these partners work to evaluate, design,

WHAT IS USAID INVEST?

WHAT IS THE ROLE OF THE FACILITATING PARTNER?

- **STREAMLINE** the procurement process to make it accessible for new partners.
- **GUIDE** new partners as they learn to navigate USAID requirements.
- **MENTOR** new partners to ensure their success.
- **BUILD** a partner network, serve as a hub and connect USAID MBIOs with the network's resources and expertise, and provide USAID with access to a pool of specialized partners, on demand.
- **AGGREGATE** knowledge and learning across a portfolio and implement fast feedback loops to integrate lessons learned into ongoing and future work.

or implement programs and activities that mobilize private investment for development. As the Facilitating Partner, INVEST mentors new partners to ensure that they successfully meet the benchmarks and objectives of USAID MBIOs.

In a sense, INVEST serves as a pilot program, building a body of research and learning on using a New Partner Facilitation Model to enhance the capacity of new and underutilized partners and carry out USAID's Private Sector Engagement Policy.

OUTCOMES

INVEST has shown that the New Partner Facilitation Model is an effective framework for overcoming obstacles for private sector engagement. INVEST's outcomes are replicable throughout USAID and beyond. These outcomes include:

STREAMLINED SUBCONTRACTING PROCESS:

Making the subcontracting process as streamlined as possible levels the playing field for new or small partners who have not worked with USAID before. When INVEST issues a request for proposal (RFP), it asks for exactly what it wants in the request. For instance, if a project necessitates specific technical knowledge or a footprint in the country of implementation, the RFP will specify this requirement. INVEST's RFPs typically include a template and explicit evaluation criteria, as well as clear guidance on length, style, and content. This level of detail helps partners assess their chances of making a successful bid so that they can manage their proposal pipeline.

When INVEST issues a scope of work (SOW) for a project, its procurement and technical teams certify the SOW's precision and quality, guaranteeing that the benchmarks, deliverables, and incentives outlined will result in the USAID buy-in client's anticipated results. This specificity safeguards against misunderstandings between the MBIO and the partner and ensures that the work results in meaningful development outcomes.

INVEST often asks for technical proposals in the form of a 10-slide presentation, which keeps small firms from being overburdened by long proposal writing and forces applicants to get to the point. It also speeds up the Technical Evaluation Committee (TEC) review process.

In many cases, the shortlisted firms are contacted for a teleconference interview so that the TEC panel, which typically includes representatives from the USAID buy-in client as well as INVEST staff, can ask further clarifying questions to better understand each candidate's technical approach, institutional capacity, and proposed staff qualifications. Oftentimes, these teleconference interviews reveal further strengths and weaknesses of the firms, increasing the TEC panel's confidence in which firm's expertise best fits the needs of the MBIO and provides the most value to USAID. These interviews can greatly benefit new and underutilized partners because they provide an opportunity for firms to speak about their qualifications and approaches, giving the members of the TEC panel a distinct perspective of each firm beyond its ability to write a polished USAID proposal.

"We are a small firm," explains Serena Guarnaschelli, a partner at KOIS Invest, which is part of INVEST's partner network and a subcontractor on two of INVEST's activities. "We might not be able to respond to as many tenders if we needed to submit a typical 50-page proposal, which is a project on its own. Shortening the number of pages has forced us to submit more precise proposals. The first proposal we won, we realized that the depth of insights we provided and the precision of our methodologies stood out because we were asked to do something brief and concise."

INVEST does not want great firms to miss out on winning proposals because they lack experience working with USAID. Prioritizing a firm's experience working with USAID to the point that other firms fail to win bids conflicts with INVEST's goal of establishing a partner network of firms that can bring new expertise to USAID.

Therefore, after INVEST awards a subcontract to a firm, it offers the other firms that applied the opportunity to receive substantive, concrete feedback on their written proposal and, if applicable, their teleconference interview. By providing this feedback, INVEST aims to ensure that potential partners feel as though the proposal process was time well spent. Also, this feedback has led to an increase in the quality of proposals submitted over time. One firm with strong technical abilities bid on six RFPs, receiving feedback on each submission, before winning its seventh bid.

RAPID AND OUTSOURCED PROCUREMENT:

In addition to the streamlined subcontracting process, INVEST has a specialized procurement team whose one priority is turning around procurements quickly. As a result, USAID MBIOs can usually begin work with a firm between two to three months after the RFP is issued. This rapid procurement timeline aligns with the needs and expectations of the private sector, and it also appeals to USAID buy-in clients.

"The first project we did with INVEST had a very quick turnaround time—about six weeks," says Priya Sharma of the Center for Innovation and Impact within USAID's Global Health Bureau. "It was great to see how quickly we could get an RFP out and hear from partners, and also see the diversity of firms that submitted proposals."

The subcontracts awarded under INVEST are often for very focused services which also speeds up procurement.

"The more discrete an activity, the easier it is to do a procurement," says Matt Farrell, INVEST's Operations Director. "We still have all the same rules and processes we need to follow for USAID procurement, but the subcontracts that we award are very focused, discrete, and in bite-sized chunks. This means we can make awards and start the work faster than if we had to negotiate a complex, multipronged program."

Traditionally, USAID staff have had to spend a tremendous amount of their time on procurement paperwork when they'd rather be using their technical expertise. INVEST has taken on as many administrative aspects of procurement as possible so that USAID staff can reserve their time and effort for the valuable technical work that matches their expertise, passion, and career goals.

"New Partner Facilitation Models take as much of the operational burden off of our staff as possible, refocusing them on the technical work that they value and that matches their skills" says Alexis Bonnell, USAID's Chief Innovation Officer. "And, working closely with new, niche local actors that come in through these approaches helps USAID staff build up their technical skills even further, increasing their job satisfaction and USAID's impact."

USAID staff members who have participated in INVEST TEC panels agree: the efficiency of INVEST's procurement process, especially the streamlined proposal scoring and TEC discussion processes, allows them to use their technical expertise and make meaningful contributions to the review process without adding time-consuming administrative burdens.

SPECIALIZED PARTNER NETWORK:

Between September 2017 and August 2019 INVEST's partner network grew from 26 to 195 members from the development and investment communities. The network has grown by word of mouth, USAID and INVEST staff networking, and market research performed by INVEST's procurement team when the needs of a USAID buy-in client call for specific expertise not yet represented among the network partners. USAID MBIOs have also organically added appropriate firms from their sectors and local country environments. The members of INVEST's partner network have expertise in 12 regions and 13 sectors and work in 195 countries.

"USAID's technical experts benefit from having access to a variety of knowledge. Having the specialized expertise of INVEST's partner network as a resource is a major asset for them," says Karl Fickenscher, USAID Deputy Assistant Administrator in the Bureau for Economic Growth, Education, and Environment.

The diverse expertise represented by the partner network is critical to identifying investment opportunities as well as designing, deploying, and evaluating investment structures across the range of regions and sectors in which USAID works.

Being a member of the INVEST partner network has been especially beneficial to partners who have never worked, or do not regularly work, with

INVEST'S RAPID PROCUREMENT PROCEDURE

STEP 1: SOLICITATION

A USAID MBIO approaches INVEST's procurement team, seeking services. INVEST's technical staff create a Scope of Work for/with the client, and INVEST's procurement team issues it along with a Request for Proposal (RFP) to the partner network.

STEP 2: PROCUREMENT ISSUED

Once the RFP is issued, firms in the partner network have a week to ask the INVEST team questions about it. Then, they have from two to five weeks, depending on the activity, to submit their proposals. The procurement team puts together a Technical Evaluation Committee (TEC), which includes voting members with different expertise areas from USAID and INVEST. The TEC members have a week to review proposals, using a rubric. They then meet and discuss each proposal. They evaluate proposals on merit, as opposed to cost, using specific criteria outlined in the rubric and RFP. Specific criteria can include: local expertise, transaction expertise, personnel, management plan, and more. At the end of the meeting, the TEC creates a shortlist of firms with whom they will conduct phone interviews. After the interviews, the TEC votes on the firms.

STEP 3: NEGOTIATION WITH THE WINNING FIRM

INVEST's procurement team informs a firm that they have been chosen for the activity. The team verifies the firm's documents and agrees on its proposed budget. The team then creates a selection memo that includes a narration of the entire procurement process. Finally, they create a subcontract which must be approved by INVEST, USAID, and DAI. Both DAI and the chosen firm sign the subcontract.

USAID. These firms do not constantly monitor the channels where the U.S. Government posts contracting opportunities. By alerting these firms to the contracting opportunities that are related to their work, INVEST saves them from having to monitor and sift through those outlets, while making sure that they stay in the know about relevant opportunities.

Moreover, INVEST's outreach and guidance has a long-term effect on those firms looking to break into U.S. Government contracting, with USAID and beyond. By winning and implementing an INVEST scope of work, firms build their institutional capabilities, their client network, their reputation, and their understanding of how USAID and U.S. Government contracting operates.

"By utilizing less common procurement strategies, INVEST reaches new and underutilized firms and shows them that working with USAID is not as difficult as they might think," says Matthew Courtad, branch chief in USAID's Office of Acquisition and Assistance. "The mechanism demystifies the procurement process, both affirming the importance of compliance and showing potential partners that it doesn't have to feel like a burden."

INVEST has become aware of new partners because members of the partner network have invited new firms to join, and INVEST encourages firms to partner on a proposal if the partnership adds technical value. The work that INVEST asks partners to perform is often niche and complex and therefore suited to collaboration between firms with different, specialized sector knowledge. For instance, an INVEST project for USAID's Bureau for Global Health focused on exploring blended finance strategies for addressing the cholera epidemic in Haiti. This task required a team that had expertise in heath, local knowledge, an understanding of the country's legal frameworks, and a background in fund structuring. Dalberg, a member of INVEST's partner network, brought in Third Sector, a firm that had not yet worked with INVEST, as a partner on their proposal. Because of the firms' combined expertise, INVEST awarded Dalberg the subcontract.

MENTORING FOR CONSISTENT RESULTS:

USAID seeks to build the capacity of local and underutilized partners and support implementation at the country level. INVEST supports this goal and, as a Facilitating Partner, ensures a mutual alignment of expectations and consistent, high-quality service delivery across a wide range of partners.

While INVEST's Strategic Investment Advisors (SIAs) may play a larger role with new and underutilized partners, they engage closely with all partners and stakeholders. SIAs work with USAID MBIOs to develop effective scopes of work and collaborate with network partners to develop and deliver on work plans. When needed, the INVEST team serves as an intermediary between partners and USAID buy-in clients.

Across all activities, SIAs ensure that INVEST is efficient and meets its technical targets. They take a lean, agile approach, tailoring their work to the needs of a specific activity. For example, for activities focused on transaction advisory services, SIAs investigate the selection criteria for transactions to confirm that it incorporates the appropriate balance of development objectives, financial innovation, and additionality while maintaining feasibility and timeliness. With other activities, such as INVEST's investment facilitation work in Afghanistan and Haiti, INVEST's SIAs play a substantive role in defining and implementing the technical work. In such cases, they guarantee that the work across all partners is technically aligned and coordinated with USAID's objectives.

With all partners, the INVEST team works to build a trusting relationship by ensuring that partners understand, from the outset of the subcontract negotiation process through the subcontractor closeout, that their success is INVEST's success and vice versa. INVEST's role is not to create barriers to their work but to be a resource and guiding hand that sometimes translates and sometimes intermediates between USAID and private sector firms.

INVEST also plays a critical role in establishing metrics for the Monitoring, Evaluation, and Learning (MEL) plan of all buy-in client activities. INVEST's team members define performance indicators for each activity and then oversee the reporting and verification process. To help partners with the MEL process, INVEST has developed pipeline management tools and investment closeout reporting templates.

A PORTFOLIO FOR RESEARCH, LEARNING, AND ADAPTING:

INVEST aggregates lessons from across its portfolio, including those learned from working with both partners and MBIOs, and shares these lessons with USAID. These lessons provide insights into the success of blended finance as a development strategy as well as the most effective methods for private sector engagement. For instance, these lessons help differentiate between areas where USAID can add value through private sector engagement and those where market solutions would prevail without the assistance of a development agency.

"Managing a wide portfolio for different Missions and operating units at USAID gives INVEST a sense of what works to mobilize private capital in different contexts," explains Cameron Khosrowshahi, the USAID investment officer who manages INVEST. "INVEST continually integrates what it learns into its new activities, using a lean, agile approach to build on those lessons learned. It also shares what it's learning with USAID and the field more broadly to fill out the evidence base."

Having this record of success and failure strengthens the future work of INVEST as well as other USAID activities. Moreover, this portfolio contributes to USAID's reputation as a leader in implementing blended finance and private sector engagement, for the lessons learned are pertinent throughout the development community.

DEVELOPMENT RESULTS

As of September 2019, INVEST has 25 buy-ins from 23 USAID MBIOs and has implemented activities in 14 countries. It has engaged 23 firms to perform this work, issuing 35 subcontracts valued at $8.5 million. Fifty percent of subcontracts' total value was awarded to U.S.-based small businesses, and 36 percent to local entities.

INVEST has supported 20 transactions to date. Closing four transactions so far, INVEST has mobilized $68 million of private capital for development. INVEST has identified or supported financial mobilization for an additional 12 transactions that have a total projected pipeline of $377 million in capital, and it has designed four transactions for USAID Missions to support that would mobilize additional private capital.

Through all this work, INVEST is positively contributing to the lives of people throughout the world. Examples of impactful work include:

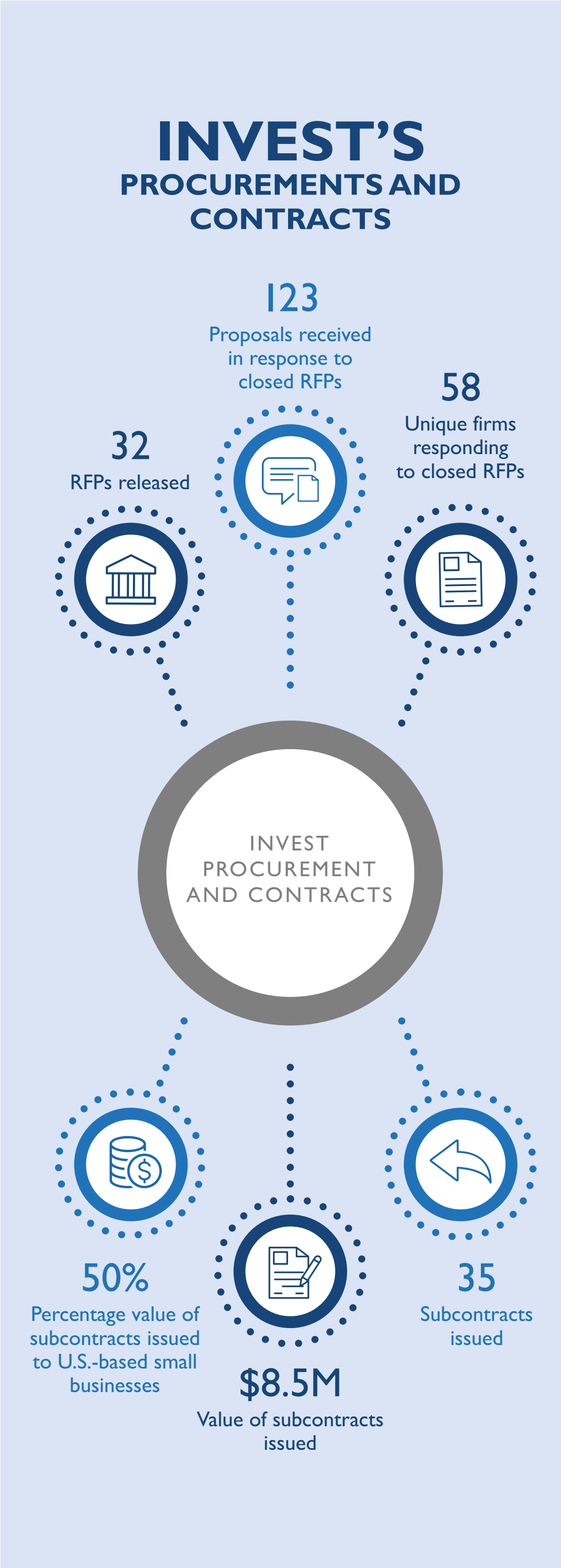
BLENDED FINANCE FOR WOMEN'S ECONOMIC EMPOWERMENT

Women's economic empowerment is crucial for breaking cycles of poverty and promoting economic growth. Dedicated to supporting economic empowerment for women, USAID's Office of Gender Equality and Women's Empowerment approached INVEST eager to leverage its resources and catalyze commercial investment to improve financial inclusion for low-income women.

INVEST identified Women's World Banking (WWB) Capital Partners Fund II, managed by WWB Asset Management (WAM), as an ideal opportunity for this investment. Building on the success of WAM's first fund, this fund will lead to increased financial inclusion for low-income women in Africa, the Middle East, and the Indo-Pacific region, enabling more women to access loans, develop credit, build savings, and purchase insurance.

However, because USAID can't act as a traditional investor—it can't hold equity or deploy debt—INVEST identified a new way for USAID to support blended finance vehicles, designing the Agency's first subcontract-based first-loss investment approach.

Through INVEST, USAID provided a $500,000 catalytic contribution to the WWB Capital Partners Fund II, a $100 million blended finance fund. To make this approach work, INVEST structured a deliverables-based contract in which the deliverable is the fund's successful capital raise. By supporting the fund, USAID mitigated risk for



commercial investors, incentivizing them to invest. Additionally, establishing the contract allowed WAM to inform potential investors of USAID's commitment, thereby enhancing the appeal of the investment by way of the USAID stamp of approval.

Because USAID's Office of Gender Equality and Women's Empowerment sought to prioritize digital financial inclusion as a key criterion of the investment, INVEST combined $100,000 in technical assistance with the catalytic contribution, strengthening the fund's due diligence capabilities around digital financial services. With this technical assistance, WAM will assess the digital potential of its portfolio companies and provide guidance to those in need of assistance.

Digital strategies are essential for expanding the reach of financial products and services to low-income women in developing countries. There are one billion unbanked women throughout the world. However, two-thirds of unbanked adults have access to a mobile phone, which means that mobile saving accounts can create tremendous opportunity for women in developing countries where self-employment is the norm. When these self-employed women keep money in their home, the men in their family may take control of it, or social pressures may dictate that the women share it with their relatives. As a result, these female microentrepreneurs cannot invest the money in their ventures or their long-term savings. For women who do not have the ability to open a bank account locally, mobile savings accounts provide them with an alternative to keeping cash in the home.

Studies have also shown that self-employed women in possession of a mobile savings account report having greater household decision-making power than those without one. Mobile savings accounts therefore not only empower women economically but also have the potential to alter the societal norms that keep millions of women in subordinate positions in their families.

POWER AFRICA: HELPING SOLAR ENERGY AND MINI-GRID FIRMS RAISE CAPITAL IN KENYA

In sub-Saharan Africa, an estimated 600 million people live and work without regular access to electricity. Power Africa, a U.S. Government initiative coordinated by USAID, aims to enable energy sector transactions between public and private investors to increase access to electricity across the continent.

In Kenya, off-grid energy businesses have the potential to scale rapidly and reduce the energy gap for households and businesses in underserved areas. However, because these energy businesses do not have access to the expertise and support necessary to confront the complicated financial and operational realities that accompany growth, they often fail to reach this potential.

INVEST, in collaboration with Power Africa and USAID Kenya, employed its rapid procurement process to solicit proposals for targeted support from its specialized partner network, ultimately awarding a subcontract to CrossBoundary LLC and Open Capital Advisors. They identified four high-potential off-grid energy businesses with the intention of providing them with transaction advisory services required to raise capital to finance enterprise growth. They also identified a development finance institution (DFI) looking to set up an energy-focused debt facility.

With INVEST's assistance, the selected organizations have determined appropriate capital providers. INVEST has also assisted the DFI in sizing the market and defining the appropriate structure and partners for the debt facility.

For these transactions, Power Africa has exceeded targets for both capital raised and for electric connections. The INVEST transaction advisors helped the firms raise equity transactions totaling $60.5 million with $114 million in capital projected to be raised by the close of the activity. As a result, four off-grid energy companies are on a path to faster growth, a new debt facility is ready to be launched, and INVEST is enabling these companies to provide 444,000 projected new connections as well as 6,000 upgraded connections.

Access to electricity transforms lives and communities. The expansion of access to solar power throughout Kenya positively impacts the health, education, and livelihoods of people across the country. In April 2019, Power Africa commissioned a qualitative data survey of 200 new electricity consumers in several countries, including Kenya, asking respondents about how the access to power had changed their lives: All those surveyed indicated an improvement in their quality of life. Many reported increased business incomes resulting from energy access; for instance, refrigeration has allowed restaurant owners and food distributors to preserve food longer and serve more customers. Refrigeration has also enabled people to store medicines for diseases like diabetes and tetanus. Nearly all respondents indicated that electricity had led to some combination of increased educational attainment, higher household income, and improved health.

KEY INSIGHTS

THE EARLY STAGES MATTER

- **Co-creation is critical** to ensure that the initiative meets the needs of USAID and its partners. INVEST's co-creation brought together USAID's Office of Acquisition and Assistance, General Counsel, and technical staff, alongside representatives from the investment community and implementing partners. Having a mix of people who understand USAID deeply plus some outside thinkers led to a pragmatic and innovative mechanism.

  INVEST also intends to deploy co-creation on future procurements where creative collaboration would add value. For instance, for its work on the Women's Global Development and Prosperity Initiative, INVEST plans to invite fund managers, technical assistance providers, think tanks, financial intermediaries, and other potential partners to a co-creation session. INVEST and USAID aim to bring together stakeholders from different parts of the gender-lens investing ecosystem to discuss obstacles to gender-smart investments and to design innovative solutions that leverage USAID resources, overcome these barriers, and catalyze commercial investment in women's economic empowerment.

- **Launch with a few key partners with broad capabilities**, then expand. Starting with a few, proven partners helps to build successful relationships with clients because implementation can begin quickly while the Facilitating Partner simultaneously expands the partner network and builds the capacity of new subcontractors.

- **Building demand early on** is an important facet of the Facilitating Partner's role. INVEST spent its first six months on outreach to USAID MBIOs, showcasing examples from its partner network of how private capital could benefit a given sector or country and building USAID MBIOs' understanding of blended finance. This strategy led to a robust appetite for service, which allowed INVEST to proactively manage a portfolio of activities and programs that tests the ways that USAID can mobilize private capital and builds an evidence base for blended finance best practices.

THE MECHANISM MUST WORK FOR THE FACILITATING PARTNER, THE DEVELOPMENT AGENCY, AND THE PARTNER NETWORK

- **The facilitating partner must collaborate closely** with both network partners and buy-in clients during the design and implementation process. The Facilitating Partner should provide as much or as little support to USAID staff and new or underutilized partners as needed. Both the Facilitating Partner and its network members must keep the needs of the USAID MBIOs and the people impacted by USAID's work at the forefront of the entire design process, from conception to implementation to evaluation. INVEST and its network partners must attempt to thoroughly understand the needs of a USAID MBIO and its beneficiaries before crafting development solutions. Where appropriate, USAID MBIOs should play a role in TEC panels and subcontractor selection.

- **Build a strong network of vendors and subcontractors** to meet the diverse needs of clients. INVEST's partner network has grown from 26 to 195 members in its first two years. Each member of the network brings its own geographical, technical, and sector expertise. For instance, some of INVEST's partner network members have expertise in sub-Saharan Africa. Others have sector expertise, such as in-depth experience working in agriculture or financial services. Others bring technical expertise in business advisory services, pipeline development, and fund structuring. Members of the partner network also bring in new firms that possess niche technical expertise. Activities under INVEST are often complex, and partnerships between firms with different, specialized knowledge can result in better blended finance and development solutions.

- **Engage the partner network regularly** through a variety of means. INVEST has a private LinkedIn group for partner network members where it shares learnings and opportunities and highlights the work of partners. It also hosts semi-annual webinars and sends out regular newsletters through which INVEST distributes the latest news on USAID's Private Sector Engagement Policy implementation, spotlights a partner with whom INVEST is currently working, and shares upcoming insights on procurements and partner network engagement opportunities. INVEST, USAID, and members of the partner network co-write and co-publish articles and blog posts sharing lessons learned through their work. INVEST regularly solicits and encourages questions and comments from network partners, viewing their feedback as an opportunity to improve both the mechanism and the Facilitating Partner's role.

- **Streamline the procurement and subcontracting processes** to better fit the needs of private sector partners. Be succinct in RFPs and lay out specific evaluation criteria so that firms have a clear understanding of how they will be evaluated. Provide the opportunity for partners to receive concrete feedback and recommendations for future bid efforts after the selection process has been completed.

- **Build the capacity of new partner members** by hiring Facilitating Partner staff who have the skills and temperament to help new and underutilized partners improve their applications to a place where they can win an award.

SUCCESS HINGES ON THE EXCELLENCE OF THE TEAM

- **There's no place for a weak link** in the chain. Whether through a mandate or adopting a theory of change, the staff of the Facilitating Partner, development agency, and network members must be committed to finding innovative solutions, implementing them quickly, and making them work. If not, the mechanism will fall apart. At every level, the Facilitating Partner's staff must deeply understand the rules and regulations of the international development agency so that the team can solve problems creatively within those constraints and while maintaining compliance. A flat organizational structure also matters: all INVEST staff work as an integrated team with no ego and with a dedication to creating opportunities and ensuring success for all of its many partners.

- **Dedicated procurement staff are a necessity** for handling fast turnarounds and as many of the administrative aspects of the procurement process as possible. They must be decisive facilitators, especially on TEC panels, keeping the process on schedule and moving the evaluators to timely decisions. The procurement team needs to establish positive relationships with both USAID's contracting team and the contracting team at their home office. Procurements and partnership management should be their top priority.

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