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2020 STRATEGIC REVIEW OF THE USAID PARTNERING TO ACCELERATE ENTREPRENEURSHIP (PACE) INITIATIVE

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2020 STRATEGIC REVIEW OF THE USAID PARTNERING TO ACCELERATE ENTREPRENEURSHIP (PACE) INITIATIVE

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Table of Contents

List of Tables

List of Boxes

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List of Acronyms and Abbreviations

AKF	-	Aga Khan Foundation (PACE intermediary)
ANDE	-	Aspen Network of Development Entrepreneurs (PACE intermediary)
ASISA	-	Association for Savings and Investment South Africa (PACE intermediary)
BAC	-	Banco de América Central
B-B	-	Business-to-business
BOAD	-	Banque Ouest Africaine de Développement (West African Development Bank)
CA-AP	-	Central-Asia Accelerate Prosperity Program (PACE intermediary)
CSAF	-	Council on Smallholder Agricultural Finance
DIV	-	Development Innovation Ventures (USAID-funded activity)
EG	-	Enterprise growth
EOI	-	Expression of interest
FY	-	Fiscal year
GA	-	GrowthAfrica (PACE intermediary)
GDA	-	Global Development Alliance (USAID)
ICT	-	Information and communications technology
IRP	-	Investment Readiness Program (OCA)
I&P	-	Investisseurs & Partenaires (PACE intermediary)
I3N	-	Impact Investment Network (Intellecap)
KII	-	Key informant interview
KPI	-	Key performance indicator
LEAP III	-	Learning, Evaluation, and Analysis Project (USAID-funded activity)
LMI	-	Last Mile Initiative (Root Capital)
LMIC	-	Low- and middle-income country
LOE	-	Level of effort
MFIs	-	Microfinance institutions
NFNV	-	New Faces New Voices (Not-for-profit organization)
OCA	-	Open Capital Advisors (PACE intermediary)
PACE	-	Partnering to Accelerate Entrepreneurship
MENA	-	Middle East and North Africa (USAID/Washington Bureau)

M&E	-	Monitoring and evaluation
MEL	-	Monitoring, evaluation, and learning
RFI	-	Request for information
RFP	-	Request for proposal
ROI	-	Return on investment
SF	-	Shell Foundation Incubator (PACE intermediary)
SGB	-	Small and Growing Business
SME	-	Small and medium enterprise
SWFF	-	Securing Water for Food (USAID-funded activity)
TA	-	Technical assistance
TRAIN	-	Talent to De-Risk and Accelerate Investment (OCA)
USAID	-	United States Agency for International Development
VK	-	Villgro Kenya (PACE intermediary)
VPO	-	Variable-based payment
WASH	-	Water, sanitation, and hygiene
WICS	-	Women's Investment Club Senegal (PACE intermediary)
YSBU	-	Yunus Social Business Uganda (PACE intermediary)

Executive Summary

In 2013, USAID launched the Partnering to Accelerate Entrepreneurship (PACE) Initiative to catalyze private-sector investment to enable the growth of small and growing businesses (SGBs) operating in emerging economies. PACE-funded activities bridge the pioneering gap by 1) investing in early-stage enterprises, 2) encouraging approaches that combine private capital and philanthropy, 3) researching and sharing lessons learned, 4) testing ways to incubate entrepreneurs and connecting them with investors, and 5) making lending to entrepreneurs less risky through guarantees. Once SGBs have secured initial financing, their potential to continue to grow, through financing from the private sector, is increased.

This strategic review assessed the progress of the PACE Initiative through 2020. The review relied on data from all 28 PACE-funded activities but focused primarily on 20 intermediary partners that supported SGBs and received funding between FY 2017 and FY 2020. These intermediaries managed a total of eleven closed and nine active PACE-funded activities. The findings of the 2020 review presented in this report build on the results and findings of the 2017 mid-term strategic review of the PACE Initiative (Dalberg 2017 USAID 2018).

KEY FINDINGS

PACE funding was catalytic in financing early-stage SGBs. Lack of financing in emerging markets is a major constraint to early-stage enterprise growth (IFC 2017). Early-stage enterprises in emerging markets are often perceived as particularly risky given their limited track record, high failure rates, low or no collateral, and high transaction costs (DGGF 2019). PACE funding provided intermediaries the ability to expand and innovate financing instruments that de-risk initial and follow-on private sector investments addressing a critical, yet underserved market segment in emerging economies. While the funding amounts were often modest, PACE funds were catalytic in allowing intermediaries to pilot approaches that they otherwise would have done, many of which are proving effective.

Donor capital filled the early-stage support gap. USAID's PACE Initiative played a vital role in increasing upstream support and financing to address the needs of underserved SGBs often overlooked by commercial lenders or investors. Early-stage SGBs in emerging markets typically are too small and risky even for not-for-profit impact investors, and too risky for mainstream banks. It is common for interventions addressing this market segment to be reliant on philanthropic capital or subsidies (DGGF 2019). Intermediaries identified a trend for social impact accelerator programs to target later-stage rather than early-stage SGBs. This tendency underscores the tension between investing in businesses that are the most in need of support (early stage SGBs) to ensuring project financial self-sufficiency which is more likely to be achieved by targeting later stage SGBs. The majority of intermediaries surveyed highlighted the critical role of PACE and similar donor programs in supporting early stage SGBs that are inherently less attractive to conventional accelerator programs.

Combining financing with business capacity development is essential to success. The PACE Initiative demonstrated supporting intermediaries that combine access to financing with technical assistance (TA), pre- and post-investment capacity development and acceleration increases the potential for SGBs to realize business development and growth. While unrestricted and low-interest, low- or no-collateral loans, blended finance vehicles, and seed grants were vital, both intermediaries and entrepreneurs maintained that financing alone—as is the approach of other social enterprise investment programs-- did not guarantee success. For early-stage SGBs, both hard and soft skill capacity-building were important. Hard skills refer to technical skills such as financial management, accounting, and human resources while soft skills refer to interpersonal skills such communication, leadership, networking, and presenting a business pitch. Intermediaries found that both types of skill make a difference in the success of SGBs.

Grant capital alleviated the financial strain for intermediaries assisting early-stage enterprises. Regardless of the financing instruments used, intermediaries incurred additional operating expenses. The smaller ticket sizes invested in smaller businesses are relatively inefficient leading to financial strain encountered by intermediaries. Grant capital provided by PACE enabled intermediaries to pilot, test, or replicate new financing instruments, and to identify the best suited options. Debt financing instruments, such as no- or low-collateral requirements, interest free and unrestricted loans, helped SGBs access needed financing but did not cover operating expenses for intermediaries. Similarly, equity investment funds that target early-stage, formal sector SGBs tended to be smaller funds with longer life cycles. Annual assets under management (AUM) fees at market rates were insufficient to cover fund management overhead costs. Grant funding therefore played a critical role in subsidizing additional costs associated with providing TA and appropriate financing models for early-stage SGBs in emerging economies. In the post-grant period, most PACE-funded activities needed additional funding to support the sustainability of their early-stage SGB focused models.

A nuanced approach to PACE funded activity success aligns with USAID's Journey to Self-Reliance. Restricting the assessment of sustainability to the potential to be financially self-sustaining directly following the post-grant period, was found to be incongruous with the realities of early-stage SGBs in emerging markets. Although the outcome of self-reliance leads to ending dependence on donor funding, donor funding may be needed in the short term Almost half of closed and active intermediaries pursued grants from donor and philanthropic sources, as a major income stream to fund operations during activity start-up, and as an important component of revenue. In the short term, the fees charged and interest accrued were insufficient for financial sustainability. Over the longer term, financial sustainability may be augmented through fees and interest income, but it is likely to be achieved through a cost-sharing strategy that covers the costs of financing early-stage SGBs by financing more profitable, later stage SGBs. In this way, the intermediary can subsidize financing that yields negative returns with revenue generated from larger financing amounts that yield positive returns.

Additional indicators for measuring the impact of PACE grant capital.

PACE intermediaries suggested additional indicators to measure impact beyond financial performance and job growth to include additional measure of impact on gender, improved SGB management skills and SGB beneficiaries.

RECOMMENDATIONS

Support longer runways for pre- and post-investment technical assistance. Early-stage SGBs in emerging economies often require longer runways for pre- and post-investment TA to achieve business scale. Intermediaries mentioned the importance of pre-investment TA for early-stage business development. TA at this critical point equips entrepreneurs with financial management and accounting skills to support business growth, and the communication, presentation, and pitching skills to secure external financing. Capacity-building and initial financing based on grant funding or interest-free loans play an important role in de-risking this process. Post-investment TA supports the ability of SGBs to effectively use and management of external financing. Intermediaries cited local entrepreneur and investor ecosystem characteristics as critical determinants of the length of PACE-funded activity support. For example, local private sector investment and business capacity levels of entrepreneur populations vary widely (e.g., Uganda vs India), and influence the approach and success of PACE-funded activities.

Gender inclusion should be strengthened at the activity design stage. This review found that 66 percent of PACE intermediaries were integrating gender-inclusive practices into their programs. One third of intermediaries piloted financing models that required soft or no-collateral and flexible repayment schedules that met the needs of female entrepreneurs. Additional gender-inclusive practices are by intermediaries to support the specific needs of women entrepreneurs and identify strategies to increase the pipeline of women entrepreneurs in existing PACE-funded activities. Intermediaries emphasized that it is easier to incorporate gender at activity design. Gender inclusion must be proactive from SGB recruitment through participation in support activities and in employment practices. At the intermediary level, innovations such as expanding conventional recruitment efforts to engage women's professional associations or leveraging social media, have shown early success in enrolling a more diverse range of entrepreneurs.

Streamline monitoring and evaluation (M&E) to increase the effectiveness of data collection. The majority of intermediaries and SGBs identified PACE M&E obligations as one of the major challenges they faced in fulfilling PACE requirements. Respondents often cited the large number of required indicators and frequency of reporting as forming a heavy administrative burden for the lean management teams that characterize PACE-funded activities, and for their early-stage SGB clients. Intermediaries mentioned that fewer metrics measuring progress towards PACE-funded activity effectiveness, efficiency and viable longevity are needed. The assessment team drafted an initial list of core metrics in Annex F.

Increase collaboration between PACE and other USAID programs supporting entrepreneurship development and innovation. This review examined the complementarity of PACE and other USAID entrepreneurship-focused programs: DIV, SWFF and INVEST. All four aim to mobilize market-based solutions and leverage private-sector expertise, innovation and resources to achieve more-sustainable outcomes at scale. However, PACE is unique in its focus on bridging the pioneer gap for small social enterprises through development partners. The four programs have similar objectives and general approaches, overlap in several sectors and often share the same partners. This requires meaningful coordination to avoid duplication or neglect of some areas.

Continue to develop local capabilities. PACE prioritizes models that attract more local capital and build local capacity to manage investments and partnerships that include private-sector partners who demonstrate long term commitment to a targeted region. Most PACE intermediaries have in-depth knowledge and expertise in the regions where they operate. PACE should continue to fund a variety of intermediaries with demonstrated experience in supporting local capacity, and local investor and entrepreneurship ecosystems. These include not-for-profit and private sector large multi-country intermediaries (Root Capital, VilCap); regional partner organizations (Intellecap, Villgro Kenya); independent regional organizations (New Ventures); and larger organizations supporting local investment funds in emerging economies (I&P).

1. Introduction

Millions of young people are not getting jobs or income generating opportunities. At the end of the day, the dangers associated with idle youth—we saw it play out in a bad way in Kenya in 2007 and 2008—is an indicator of conflict to come. We also want to give people dignity.

– Johnni Kjelsgaard, GrowthAfrica EverGrowth Program

This 2019 strategic review update (strategic review 2.0) of the USAID Partnering to Accelerate Entrepreneurship (PACE) Initiative was conducted by the USAID-funded Learning, Evaluation, and Analysis Project (LEAP III). This document is not a comprehensive evaluation of the PACE Initiative, but a cross-sectional update to the 2017 strategic review conducted by Dalberg Consulting under the USAID-funded Investment Support Program.

The PACE team designed this document to respond to twelve questions that assess four program aspects: effectiveness; PACE funding models; gender inclusion; and sustainability. This second review was commissioned to remedy specific aspects of the 2017 Strategic Review, by: 1) providing more recent, concrete examples from intermediaries and verifying achievements reported in 2017, 2) condensing and streamlining the 2017 report, 3) better categorizing PACE intermediaries, 4) making estimations and data tables easier to understand, and 5) drawing comparisons to the 2017 Strategic Review where updated data is available.

To fulfill this mandate, this review has adhered, as closely as possible, to the 2017 report structure and AAR outline. Initially, the LEAP III team planned to conduct the PACE Strategic Review in two distinct phases resulting in two separate deliverables: 1) literature review and data analysis, and 2) remote primary data collection. However, the LEAP III team encountered critical challenges in completing the report of phase one findings due to significant data gaps, as most data gaps identified in the 2017 report and the 2020 AAR remained unfilled. Phase two efforts were curtailed by the COVID-19 pandemic. As a result, the two phases were combined into a single deliverable (AAR Amendment of 15 July 2020).

The timing of this review also presented a challenge for data availability. Of the 22 activities selected for review, seven closed at various times in 2019, with some final reports and data still forthcoming. Of the remaining 13, seven had just begun field operations in 2019 and some did not begin data collection until 2020, making 2019 data availability unusually low.

Some of the analytical methodologies used to assess financial sustainability in the 2017 review were unduly limiting, skewing conclusions about the likely longevity of supported activities. This report, therefore, evolved into a hybrid of a 2017 Strategic Report update with a reframed analytical lens to more accurately and comprehensively capture the positive outcomes and valuable lessons learned from the PACE program.

1.1 OUTLINE OF THE STRATEGIC REVIEW

Section 1 provides a brief introduction to this strategic review as both updating the findings of the 2017 and 2018 strategic review reports and improving the overall assessment of PACE-funded activities (Dalberg, 2017; USAID, 2018).

Section 2 presents all 28 PACE funded activities since the Initiative's inception and focuses on describing the main characteristics of the 20 PACE intermediary partners that supported formal SGBs and received funding between FY 2017 and FY 2020. Definitions for key terms used in this review are also provided in this section.

Section 3 describes the methodology used for assessing 20 closed and open PACE funded activities. It presents the twelve research questions and data collection approach used to guide the assessment. This section ends with a discussion of data limitations.

Section 4 examines the effectiveness of PACE supported intermediaries and SGBs and presents qualitative results regarding the effectiveness of intermediary activities, challenges and adaptiveness, and the overlap between PACE and other identified USAID-funded programs.

Section 5 focuses on the sustainability of the PACE-funded activities, using the 2017 strategic review ratings to assess the short-term financial sustainability (2020-2022) of closed and open activities, and presenting three alternative approaches to measuring sustainability.

Section 6 assesses the integration of gender inclusive practices of intermediaries; measures the PACE Initiative's success in promoting gender equality in funding; and examines successful models for increasing funding to women entrepreneurs.

Section 7 examines the role of public funding as a catalyst for private sector financing in supporting early-stage SGB growth in emerging markets. It presents an analysis of the various blended finance models deployed by PACE intermediaries to increase access to private capital for early-stage and high-risk enterprises.

Section 8 summarizes actionable insights and recommendations for PACE to improve the availability of accurate and high-quality data for decision making. This section incorporates insights from intermediaries and suggestions for improving data collection by the assessment team.

Section 9 presents other general insights and recommendations to the PACE team and conclusions to this report.

Annex A presents a comprehensive and summary overview of the intermediaries included in the review. Annex B lists intermediaries and other stakeholders that participated in primary data collection. Annex C includes 18 individual vignettes for the subset of PACE-funded active and closed activities highlighted in this review. Each vignette presents an overview of the PACE-funded activity, an executive summary of key findings, and a summary on the activity's progress, impact (including gender), financial sustainability, and M&E activities. Data tables are presented to summarize various activity-level and SGB-level metrics.

2. Overview of the PACE Initiative

USAID launched the PACE initiative in late 2013, under an addendum to its Global Development Alliance Annual Program Statement, to catalyze private-sector investment in early-stage enterprises, and to identify innovative approaches to unlock the potential of thousands of promising enterprises around the world. The PACE approach strengthens entrepreneurial ecosystems by supporting the organizations that are critical to helping entrepreneurs grow their businesses, such as accelerators, incubators, and seed-stage investment funds. These technical service providers identify entrepreneurs with strong business models and help them to develop their capacity, find appropriate investors, raise the capital they need, and use that capital to grow.

Working to blend public and private capital, PACE builds emerging market ecosystems in high-risk and early-stage market segments. In addition, PACE partners with organizations like the Global Impact Investing Network (GIIN) and the Aspen Network of Development Entrepreneurs (ANDE) to foster critical SGB infrastructure and country-level policy.

A list of key terms and their definitions are provided below.

2.1 DEFINITION OF KEY TERMS

Definitions for key terms have been adapted for this review.

Accelerator: An accelerator is a support program designed to provide early-stage, growth-driven enterprise education, mentorship, and financing in a fixed-period, cohort-based setting. Four common elements make accelerators distinct from other supporting institutions: they are fixed-term; cohort-based; mentor-driven; and culminate in a graduation or business pitch event.

Active PACE-funded activity: An active PACE-funded activity is one that is currently receiving PACE funding to execute agreed deliverables per contract or other funding mechanism agreement.

Additionality: Additionality is used to identify financing instruments such as loans that were provided to enterprises that no other social lender or commercial lender would make (Root Capital 2019).

Bridging the 'pioneering gap': Bridging the pioneering gap refers to: 1) investing in early-stage enterprises, 2) encouraging approaches that combine investing and philanthropy, 3) researching and sharing lessons learned,4) testing ways to incubate entrepreneurs and connecting them with investors, and 5) making lending to entrepreneurs less risky through guarantees.

Brokered investment: A brokered investment is made using an intermediary that can be an organization (such as PACE intermediary) or individual.

Closed PACE-funded activity: An activity that is no longer receiving PACE funding, and that has ended its contractual agreement and completed any no-cost extensions.

Convertible loan (also called convertible debt): A loan that will be repaid or, in most cases, convert into equity at a future date. These loans represent a form of financing that ordinarily takes less time than an equity funding round (which can be both costly and time-consuming).

Early-Stage enterprise: Typically, early-stage enterprises are less than three years old and have a product or service that they are developing and testing, or which is generating limited revenue. However, in emerging markets, early-stage is primarily a reference to the degree of maturity of a business and the degree to which a business has adequate financial and human resources to realize its potential (DGGF 2019).

Entrepreneurial ecosystem: The entrepreneurial ecosystem refers to the collective endowment of economic development activities in a country including financing, support, market, human capital, policy and enterprise support. The depth and breadth of local institutions affect the maturity of an entrepreneurial ecosystem. In more sophisticated cases, ecosystem participants provide an array of services that encourage enterprise sustainability and scalability. In less robust ecosystems, participants offer fewer service options (DGGF 2019).

External financing: External financing refers to financing that businesses obtain from outside of the business, in contrast to internal financing that consists mainly of profits retained by the business for internal investment.

Follow-on financing: Follow-on financing refers to the ability of the SGB client to secure additional financing rounds beyond the first financing round facilitated by the PACE-funded activity. This first instance of financing (grant, loan, equity) may have been provided directly by the intermediary or brokered from an impact investor or external institution. Follow-on financing differs from external financing and can be used as a proxy for sustainable business growth.

Impact investment: An investment made with the intention of generating positive, measurable social and environmental impact alongside a financial return.

Intermediary: A not-for-profit or private sector organization directly contracted and funded by PACE to implement the entrepreneur support activities for SGBs.

Late-Stage Enterprise: A late-stage enterprise typically has a well-known product with a strong market presence, has reached a point of positive cash flow generation, and has begun to explore expansion into tangential markets.

Life of project (LOP): The period during which an intermediary is funded by PACE, reflecting the full contract duration and including time under any no-cost extensions.

Pre-investment TA: This TA is provided by intermediaries to increase the capacity of early-stage SGBs to secure external financing.

Post-investment TA: This TA is provided by intermediaries to increase the capability of early-stage SGBs to effectively manage external financing.

Private sector engagement: Private sector engagement refers to approaches that enable USAID and partner countries to collaborate with the private sector to co-create and co-design market-based and enterprise-led development approaches. Such approaches leverage markets, investments, firm behavior, and technical expertise to drive valuable business and development results in a sustainable manner over the short, medium and long term. Given the growing and vital role the private sector has in solving global development problems, private sector engagement is essential to building resilient and lasting self-reliance.

Revenue-based financing (also called royalty-based financing): In contrast to traditional loans, revenue-based financing considers other aspects of the business, such as age and monthly revenue, to assess the ability to repay the loan. Revenue-based loans do not require a fixed monthly repayment but are repaid as a portion of revenue, so that when sales are slow, repayment scales to suit this lower level of business capital.

Revenue-share financing: This type of financing involves a capital investment of private equity that is later repaid from a share in the revenue of a growing business. It has historically been used to invest in businesses with potential for predictable cash flow and high profit margins. If the business fails to generate revenue, positive cash flow, or profit (depending on the structure), the investor(s) may lose all their invested capital.

Small and growing business (SGB): Unlike microenterprises, which typically start small and stay that way, SGBs are designed to grow. They may launch with only a few employees, but with the right support they can scale to employ hundreds and deliver critical goods and services to communities in need (Why SGBs 2016). PACE supports traditional and social SGBs with potential to grow, but which do not have access to financing for business growth.

Variable payment obligation (VPO): This type of loan has soft collateral requirements and a repayment schedule adapted to a business's cash flow, in contrast to a standard loan that often requires upfront collateral and is based on a fixed monthly repayment schedule. VPO programs especially benefit businesses with seasonal income, because the payment amount can be variable. Typically, PACE-funded VPO models are implemented as partnerships between intermediaries that provide TA to develop the entrepreneur pipeline, and commercial banks that provide VPO loans.

USAID Journey to Self-Reliance: USAID is working with host country governments and partners to achieve locally-sustained results, help countries mobilize public and private revenues, strengthen local capacities, and accelerate enterprise-driven development. This approach fosters stable, resilient, and prosperous countries that are more self-reliant, and prioritize enduring partnerships.

2.2 PACE-FUNDED PARTNERS AND INTERMEDIARIES

The impetus for the PACE Initiative was to bridge the pioneering gap, and the purpose was to identify innovative approaches to catalyze private sector investment in early-stage SGBs in emerging economies. The initiative focused on enterprises with social impact (such as innovations targeting underserved populations) and potential to become self-sustaining.

PACE has funded partners and intermediaries that target specific aspects of bridging the pioneering gap. PACE strengthened entrepreneur and investor ecosystems in emerging markets and supported research and sharing of lessons learned with partners such as GIIN and ANDE. PACE engaged intermediary organizations to test and pilot financing instruments and support programs for SBGs (such as TA, accelerators and incubators) to de-risk financing and build capacity to secure follow-on financing from commercial banks, impact investors and financing institutions. Table 1 presents the complete list of 22 intermediaries that have received PACE funding.

The 2020 PACE portfolio assessed in this strategic review included only those intermediaries that received PACE funding between 2017 and 2019. The characteristics of these intermediaries are described in detail in the following section. Four PACE-funded intermediaries shown in Table 1 but not assessed in this strategic review are Jibu, OCA 1.0, The 11X Foundation, and the Unitus Seed Fund.

Table 1: PACE-Funded Intermediaries

Intermediaries	Start Year of PACE Funding	End Year of PACE Funding
Aga Khan Foundation	2018	2021
Edge Growth/Association for Savings and Investment South Africa (ASISA) Fund	2016	2019
Enclude	2015	2020
FINCA	2018	2021
GrowthAfrica	2018	2021
Intellecap	2015	2018
Investisseurs & Partenaires (I&P)	2016	2020
Jibu*	2015	2017
MCE Social Capital	2016	2019
New Ventures	2018	2020
Open Capital Advisors (OCA) 1.0*	2014	2017
Open Capital Advisors (OCA) 2.0	2017	2019
Palladium Impact Capital	2019	2021
Root Capital	2016	2019

Shell Foundation (Shell's own incubator as well Factor(e) and Sangam)	2014	2018
Stage Six	2018	2021
The 11X Foundation[1]*	2014	2017
Unitus Seed Fund*	2014	2017
Village Capital	2014	2019
VillGro Kenya	2016	2019
Women's Investment Club Senegal (WICS)	2018	2021
Yunus Social Business Uganda (YSBU)	2015	2019

Key: * = Intermediaries that closed in 2017 and were excluded from the 2020 portfolio assessment presented in this review.

2.3 CHARACTERISTICS OF CLOSED PACE-FUNDED ACTIVITIES

The 2020 PACE portfolio consisted of 11 PACE intermediaries with closed activities. Annex A presents a comprehensive overview of the characteristics of closed and active PACE-funded activities covered in this review. This section describes the 11 closed intermediaries, and the following section describes the nine active PACE-funded activities.

PACE intermediaries operate across 27 countries and include: globally established organizations, such as Village Capital that operates across six continents; regionally-focused organizations, such as Open Capital Advisors (OCA); and country-focused organizations, such as The Shell Foundation's Sangam that only operates in India.[2] Nine closed intermediaries focused their PACE-funded activities in sub-Saharan Africa; four of these focused on additional regions (Root Capital, Village Capital, The Shell Foundation's Factor(e) and MCE Social Capital), while six focused only on sub-Saharan Africa (Edge Growth/ASISA, Intellecap, OCA, Villgro Kenya, and YSBU).

Most closed activities received three to five years of PACE funding. Eight of these intermediaries focused on multiple sectors, while the other three had a single-sector focus. The most common sectors were renewable energy (73 percent of activities), agriculture (64 percent), and financial inclusion (36 percent), followed by healthcare, the environment, and water, sanitation and hygiene (WASH) (27

[1] The 11X Foundation formerly operated under the name Shujog. It was not reviewed in depth as its PACE funding ended in 2017. See page 57 of the 2017 strategic review vignettes for more information.

[2] Village Capital provided financing to SGBs based in the United States. USAID provided a grant to VilCap to cover management fees of an investment fund. That fund invested in 69 SGBs, 46 of which held main operations in North America (41 in the United States and five in Mexico).

percent each). One activity focused on information communication and technology (ICT) and one activity focused on education.

The vast majority of closed activities targeted early-stage SGBs. Three activities targeted both early and growth-stage SGBs and Intellecap targeted growth-stage SGBs. Two-thirds of closed PACE activities provided pre-financing and post-financing TA. Nine of these offered clients training program support that lasted more than 12 months. Fewer than half of closed PACE activities provided more than one type of financing. Intellecap provided client SGBs with equity, debt, and grants. Debt was the most common type of financing (73 percent), followed by equity (45 percent), and grants (27 percent). The financing per assisted client SGB ranged from a $40,000 grant (Villgro Kenya) to $1.5 million in equity financing (Shell Foundation/Sangam).

2.4 CHARACTERISTICS OF ACTIVE PACE-FUNDED ACTIVITIES

Of the 20 intermediaries included in this strategic review, nine were considered to be active. Two of the active activities operated on more than one continent. The remaining seven activities were evenly divided between Africa and South America, with the exception of the Aga Khan Foundation (AKF) in Tajikistan. These activities received PACE funding for three to five years. Several activities focused on more than one sector, such as Stage Six that focused on affordable housing, health, and WASH. The most common sectors were agriculture (33 percent), followed by education, fashion/beauty, energy, health, and ICT (22 percent each). The Women's Investment Club Senegal (WICS) focused on the industry and apparel sectors.

Approximately 55 percent of activities with active PACE funding targeted clients in more than one growth stage. About 77 percent provided both pre-financing and post-financing TA. About 22 percent offered clients financing for more than one year, while 44 percent provided financing for six to 12 months. AKF offered clients three to six months of assistance. New Ventures offered clients assistance for between one to three years. Stage Six provided training and advisory support for the life of its franchise agreements with clients that continued to pay royalties. About 89 percent of the activities with active PACE funding provided clients with debt financing and 22 percent provided equity or hybrid debt and equity financing. Investisseurs & Partenaires (I&P) was the only active activity that provided grant funding.

3. Methods

This report includes data on all 28 PACE-funded activities since inception in 2013 but focused on 20 intermediaries that received PACE funding from 2017 to 2020. Eleven of these stopped receiving PACE funding between 2017 and 2020. Of nine with active PACE funding, two received their first PACE funding in 2019 and one is still awaiting disbursement.[3] The strategic review collected data from four sources: 1) a desk review of PACE documents, 2) analysis of the PACE Initiative library and dashboard, 3) an electronic survey, and 4) key informant interviews (KIIs) conducted by phone. In total, the assessment team conducted 32 KIIs with intermediary contacts and individuals representing other stakeholder groups. The assessment team used data and information to answer four key assessment questions related to effectiveness, financial sustainability, gender equity, and financing models.

Section 3.1 outlines the key assessment questions; section 3.2 presents data collection approaches; and section 3.3 describes data limitations. Annex C presents a vignette of each intermediary that received PACE funding in FY 2018-2019. Each vignette covers key activity characteristics, successes and challenges, and summarizes the activity's financial and model sustainability potential, impact, gender inclusion, data availability, and M&E efforts.

3.1 KEY ASSESSMENT QUESTIONS

The key assessment questions are presented in Table 2.

Table 2: Key Assessment Questions
EFFECTIVENESS
• To what extent have PACE-funded intermediary models been successful in cost-effective approaches to enable SGBs to grow, create jobs, and connect with investment capital? • Which activities/combinations of activities have been more successful in achieving their objectives? • What were the primary factors responsible for their relative success? • What approaches/elements/components have not been as successful? • Development Innovation Ventures (DIV), Securing Water for Food (SWFF), INVEST: To what degree are PACE activities complementary to other USAID entrepreneurship focused programs? • DIV, SWFF, INVEST: Are there instances where these programs are overlapping or working at cross-purposes? What could be done to avoid this in the future?
SUSTAINABILITY
• What combinations of activities or interventions have more factors in place to create sustainability, and are more likely to sustain or create impacts over the long run? • What were the primary synergies that contributed to that success? • Which PACE models are likely to become financially self-sustaining after their grant funding is concluded, and why? What can we learn from this that could apply to other SGB incubators/

[3] PACE funded the Shell Foundation as a prime grantee that operated its own business incubator and also channeled USAID funding to two independent business incubators, Factor(e) and Sangam. Today, they continue separate from Shell and each other.

accelerators?
GENDER INCLUSION
• To what extent have PACE-funded intermediary models been successful in promoting gender equality in funding? (How has this changed since the 2017 strategic review?) • Which activities/combinations of activities have been more successful in increasing access to funding for women entrepreneurs? • What steps need to be taken to support pace intermediaries in providing products and services designed to meet women's needs?
PACE FUNDING MODELS
• How can public funding be deployed most strategically to crowd in private capital into earlier-stage investments in SGBs? • Which blended investment models are most successful in allowing private capital to reach earlier-stage and higher-risk enterprises? Please describe components of donor subsidy (grant vs guarantee vs loan/equity).

3.2 DATA COLLECTION APPROACHES

The assessment team used a three-step approach to collect information from PACE-funded intermediaries. First, the assessment team gathered and reviewed available documents and data provided by intermediaries. Second, the assessment team deployed an online survey to intermediary points of contact prior to conducting KIIs with these contacts. Third, the assessment team conducted additional KIIs with other relevant stakeholders.

Desk review: The assessment team gathered documents provided by the intermediaries, including applications; contracts; quarterly and annual reports; final reports for closed activities; and summary one-pagers. The assessment team reviewed other relevant documents, such as final reports from similar USAID programs (i.e., SWFF, DIV, and INVEST).

PACE dashboard: The assessment team accessed data reported to PACE by each intermediary, including intermediary-level metrics and SGB-level metrics. The intermediary-level metrics included annual costs; annual revenue; sources of revenue; and expected and realized grant and investment leverages. The SGB-level metrics included demographic information about the SGB-owners; time of entry to the activity; capital raised (disaggregated by type of capital); revenue; costs; and disaggregated employment figures by sex and type of employment. The dashboard combined available data in one Excel sheet. In many cases, the most current data had yet to be integrated into the dashboard or were not available. In some cases, the PACE team uploaded data updates for certain intermediaries in a separate Excel sheet in the PACE folder, although this was not systematic. The assessment team used data available from the PACE dashboard to conduct a series of analyses. Please see section 3.4 for data limitations.

Online survey: An online survey was sent to 20 intermediaries to collect quantitative baseline information. The assessment team received 19 survey responses. Palladium Impact Capital had acquired Enclude, and the same contact person responded with a single survey covering both activities.

While the survey was useful in identifying topics for further discussion in the KIIs, data generated were of limited use. This is likely due to both the design and format of the e-survey. Confusion in the understanding of terms (e.g., "private sector investments" versus "capital raised,"), units (e.g., operating costs for the intermediary versus the SGBs) and timeframes (last fiscal year versus last calendar year versus last 12 months of operations), language issues, and the digital interface necessitated multiple clarifications.[4] The lesson is to keep e-surveys as clear and simple as possible, with a mechanism for open text feedback or questions to avoid invalid data entry.

KIIs: The assessment team completed 25 KIIs by phone with every intermediary except the Shell Foundation, which did not respond to requests for an interview. KIIs were also held with representatives of seven other stakeholder groups, including other USAID-funded entrepreneurship-focused projects, impact investment specialists, impact investors, and social entrepreneurs who received financing from a PACE-supported program. Annex B presents the list of all 32 key informants.

The KIIs generally provided insightful information. The majority of intermediaries were willing to support this review, although there were some challenges in locating respondents for closed activities. Respondents gave detailed and candid testimonies of their experience with the PACE Initiative, which largely were positive. Responses often focused on model design and effectiveness; impacts of context on program approach; management challenges; funding strategies; major assets and gaps in PACE support; and big picture insights on the role and impact of accelerator programs on developing economies and their theories of change.

3.3 DATA LIMITATIONS

The data used to answer the four key assessment questions were obtained from electronic surveys and phone interviews with key stakeholders, and secondary data from program documents and the PACE dashboard. This section details the systematic data issues found across the PACE dashboard and library and discusses their impact on the review and broader implications for the PACE Initiative's administration within USAID.

Data availability, consistency, and verifiability found across data sources posed considerable challenges. Missing data points, lack of reports, varied terminology, and contradictory figures hindered the calculation of basic intermediary-level and portfolio-level metrics such as total annual and LOP averages for revenues generated, annual operational costs, capital raised, and jobs attributed to PACE funding. This prohibited an evidence-based response to the review questions and, in particular, the assessment of model effectiveness and program sustainability. While the KII and e-survey instruments requested updates of some key data fields, these data collection tools had limited ability to fill these gaps for three reasons. First, the primary survey instruments were designed to address key issues related to all 12 review questions and not to duplicate the complete data fields presented in the dashboard. Second, active activities often reported that data collection was premature. Third, closed activities were

[4] In retrospect, it would have been useful for the e-survey questions to require months and years to be specified by the respondent rather than asking for USAID FY.

unresponsive or unable to provide accurate data. The assessment team also found that while PACE contracts with active intermediaries are all milestone-based, requiring reporting on metrics such as cost-effectiveness, half of the contracts with closed intermediaries were not milestone-based and did not require this type of reporting. Moreover, milestone-based contracts with active or closed intermediaries did not require reporting on cost effectiveness until the activity's final report.

Missing data also affected the assessment team's ability to conduct data driven analysis of activity effectiveness. This was the case for activity data on operational costs and program revenues. Efforts to verify data points such as intermediary revenue sources, budget proportions, and PACE-only operational costs proved challenging. As a result, the team was unable to conduct a consistent quantitative assessment of operational efficiency, effectiveness of program models vis-à-vis SGB performance, and likelihood of program sustainability based on cost: income ratios.

Inconsistencies across time frames for data reporting within the same indicator category severely limited the comparative analysis of the PACE portfolio. This was especially the case for calculating totals and averages for indicators such as total investment leveraged or average SGB revenue generated. Even for closed activities, data points and time frames of key data points varied widely. For example, some intermediaries reported financial year data, some reported calendar year data. Others reported only one or two quarters of data and some provided figures for only the LOP level. This variation interfered with effective aggregation and comparative analyses of annual data across the PACE portfolio.

3.5 RECOMMENDATIONS

The recommendations in this section highlight the need for better and consistent data collection. Consistent use of indicators, terms, and units across reporting mechanisms is critical, as are clear data collection procedures. The assessment team and reviewers of this report noted that data for revenue, income, and costs were often incorrectly collected. This may be due to a number of factors. It would be beneficial for PACE to identify and address the underlying causes of inaccurate data collected by its intermediaries.

The following are specific recommendations for the PACE dashboard:

- Streamline and simplify data fields to remove duplication or lack of clarity due to the use of inconsistent or ill-defined terminology;
- Delete or clearly separate non-PACE intermediary-level data;
- Integrate consistent data quality and management control measures to ensure data are accurately and regularly entered, and follow up with intermediaries that are not reporting consistent and complete data; and,
- Revisit existing indicators that have potential utility but are not currently being collected, such as enterprises still operating one year after graduation as a proportion of total enterprises that have graduated from PACE. If the effort exceeds the benefit of these indicators, they should be removed from the dashboard.

4. Effectiveness of the Intermediary Models

This section reviews the effectiveness of the PACE Initiative. Section 4.1 provides an analysis of the cost effectiveness of intermediary models and replicates the approach used in the 2017 strategic review. Section 4.2 presents and assesses PACE-funded activities that were relatively successful in achieving their objectives. Section 4.3 presents less successful activities and explores the challenges that led to shortcomings. Section 4.4 compares PACE to three other USAID entrepreneurship programs (DIV, INVEST, and the SWFF) in terms of complementarities and potential overlap. Section 4.5 presents recommendations.

4.1 COST EFFECTIVENESS

The assessment team used intermediary-supported SGB client revenues, job growth, and amounts and types of capital raised to examine the effectiveness of PACE intermediary models. PACE intermediaries are required to collect SGB-level indicators for each financial year, although in practice, only a fraction do this (see section 3.4 for a detailed description of data limitations). To overcome data limitations, the assessment team adopted a LOP data approach for closed PACE intermediaries. The LOP data captures the outcomes at the end of the funding period, which is more useful for comparative purposes than single fiscal year results for different years, or for intermediaries at different stages of their funded program cycle. Table 3 below provides a summary of the aggregated findings of closed PACE intermediaries.

SGB clients of closed PACE activities increased their revenues by more than the value of the PACE funding.[5] The PACE intermediaries reported a total of 23,149 jobs. A job can be lost after it has been added, but data for annual job losses were not available. Excluding possible job losses, an average of 3,858 additional jobs reported per year across six years. Additional metrics were collected by intermediaries measuring social and environmental benefits of PACE-funded activities shown in Box 1 and Box 2.

Table 3: PACE Intermediary Overall Results - Closed Programs	
Total PACE Commitment	$11,980,000
Total SGBs	222
Total SGB Revenue	$324,482,000
Total Jobs Reported	23,149

Key: Complete data were available for 55 percent of closed intermediaries between 2017–2019. The six closed PACE intermediaries included: MCE Social Capital, OCA, Root Capital, Village Capital, Villgro Kenya, and Yunus

[5] Note that the share of PACE funding for each intermediary's total fund varies by intermediary. PACE funding covered 100 percent of Village Capital's fund, but ranged from 25 percent for Villgro, 62 percent for YSBU and 71 percent for OCA. Data were not available or could not be verified for MCE Social Capital and Root Capital.

Social Business Uganda (YSBU). Available revenue and employment figures were aggregated from the 222 SGBs included in this calculation. Source: Calculations based on data from the PACE Dashboard.

PACE intermediaries provide a combination of TA and financing for early-stage SGBs (see Annex A). Growing businesses often require several rounds of financing. Follow-on financing refers to the ability of the SGB client to secure additional financing rounds beyond the first financing round facilitated by the PACE-funded activity. This first instance of financing (grant, loan, equity) is provided directly by the intermediary or brokered loans or equity from external individual or institutional sources. Follow-on financing is a proxy for sustainable business growth since it shows that the SGB was successful in securing a second instance of external financing. Table 4 presents the participation rates and external financing for SGB clients for five closed intermediaries. These results indicate that approximately 85 percent of PACE-funded SGBs were able to raise follow-on financing.

Table 4: Participation Rates and External Financing Obtained by Clients of Intermediaries with Closed PACE-Funded Activities

PACE Intermediary	Number of SGB Clients	Number of SGB Clients Indicated in the PACE Dashboard	Number of SGB Clients Indicated in the PACE Dashboard that Received Follow-on Financing	Percent of SGB Clients Indicated in the PACE Dashboard that Received Follow-on Financing
Village Capital	69	48	41	85
Villgro Kenya	12	8	5	63
Yunus Social Business Uganda (YSBU)	40	12	10	83
Factor(e)	16	14	13	93
Sangam	8	6	6	100
Totals	145	88	75	85

Key: Data were available for five closed PACE intermediaries, which constitute 45 percent of closed PACE intermediaries between 2017–2019. Of the total number of SGBs supported by each intermediary (listed in column 2), data for follow on funding was either not reported to PACE or not possible to assess as several SGBs were first supported by the intermediary in the final year of the intermediary's PACE funding. SGBs were credited for securing follow-on financing if they were funded by the intermediary for more than one year and only if follow-on funding data were available for the second year of funding. Source: calculated using data from the PACE dashboard.

Data limitations may have affected the calculation of follow-on financing results. SGB-level data reported by intermediaries to the PACE dashboard were often inconsistent, affecting the reliability of the findings. For example, one intermediary did not indicate the year in which an SGB client first received PACE financing. The assessment team assumed that all SGBs began participating in the first year of their reporting and follow-on financing is identified for each subsequent year. Some intermediaries reported that SGB clients obtained external financing in the year before the official start of their PACE-funded activity. In these cases, the assessment team assumed that this external financing was obtained in the first year of the PACE-funded activity.[6]

The assessment team calculated the total amounts of capital leveraged (disaggregated between grants and equity) as reported by closed PACE intermediaries and compared these to the capital leverage expectations listed in their PACE contracts. Leveraging represents all of the non-USAID resources that are expected to be applied to an activity. It may include cost sharing but may also include resources that third-parties bring to the activity without necessarily providing them to the recipient.[7] These parties may include private foundations, businesses, or individuals.[8] Table 5 shows that grant and investment capital leveraged exceeded expected PACE intermediary leverage goals by over $4.3 million.

Table 5: Grant and Investment Capital Leveraged for Seven Intermediaries with Closed PACE-funded Activities

Grants Leveraged Expected	Grants Leveraged Realized	Grants Leveraged: Exceeded Expected Amount	Equity Leveraged Expected	Equity Leveraged Realized	Equity Leveraged: Exceeded Expected Amount	Total Exceeded Leveraged Amount: Grants and Equity
$7,180,000	$8,484,511	$1,304,511	$32,250,000	$35,291,245	$3,041,245	$4,345,756

Key: Complete data was available for 64 percent of closed intermediaries between 2017–2019. The seven closed PACE intermediaries were: IntelleCap, MCE Social Capital, Open Capital Advisors (OCA), Root Capital, Village Capital, Villgro Kenya, and YSBU. Columns 1 and 4 report the aggregated total expected amount of grants and equity to be leveraged by intermediaries over the PACE funding period. Columns 2 and 5 report the aggregated total actual amount of grants and equity capital leveraged by intermediaries. Columns 3 and 6 report the difference between expected and realized, and Column 7 aggregates the total amount of capital leveraged that exceeded targets. Source: Calculated with data from PACE dashboard or reported in intermediary final reports.

Large data gaps impede a detailed assessment of performance across the PACE-funded intermediaries. Tables 6 and 7 provide illustrative performance-level details for four closed PACE intermediaries. Table 6 shows the average SGB revenue raised, jobs created, and capital raised for Villgro Kenya and YSBU over the LOP, which refers here to the LOP off the PACE-funded activity. The results are too limited

[6] The assessment team decided to include the external financing that was obtained by SGB clients in the year prior to the official start of their PACE-funded activity due to the fact that other donors supported the activity concurrently and their funding was available at an earlier stage to initiate the start of the activity. It should be noted that reviewers of draft versions of this strategic review disagreed with this approach.

[7] This description of leveraging is included in PACE intermediary contracts.

[8] Ibid.

to be conclusive but provide an indication of variations for cost effectiveness indicators that characterize intermediary activities.

Table 6: PACE Cost Effectiveness Indicators Life of Project: Villgro Kenya (2016-2019) and YSBU (2015-2019)

Intermediary	Financial Assistance Provided to SGBs	Total Funding from USAID for PACE Activity *	Proportion of PACE Funding**	Average SGB Revenue Raised per $1 of Donor Funding ***	Average Cost for Each Additional Job	Average External Financing Raised by An SGB client Per $1 of Donor Funding ****
Villgro Kenya	Grants	$550,000	25 percent	$0.30	$5,790	$0.60
Yunus Social Business Uganda (YSBU)	Loans	$1,000,000	62 percent	$2.40	$2,684	$1.70

Key: *Total Funding from USAID for PACE Activity refers to the total commitment of PACE funding to the intermediary. ** Proportion of PACE Funding refers to the share of PACE funding to the intermediary's total operating budget for the activity over the LOP. Both Villgro Kenya and YSBU had additional sources of donor funding in addition to PACE funding. *** Average SGB revenue raised per $1 of donor funding refers to the average amount of revenue raised by PACE-funded SGBs per $1 of total donor funding. Average external financing raised by an SGB client Per $1 of donor funding refers to the average amount of capital raised per SGBs per one dollar of donor funding. Calculations: Total yearly revenue, employment, and yearly raised external financing were aggregated for SGBs reported in the dashboard for each year of PACE funding. Villgro Kenya reported figures for 12 SGBs and YSBU reported figures for 40 SGBs. Average SGB revenue raised per $1 of donor funding was calculated by dividing total aggregated revenue by the total weighted amount of donor funding. Average cost for each additional job was calculated by dividing the total weighted amount of donor funding by the total number of jobs over the LOP. Average external financing raised by SGB per $1 of PACE funding was calculated by dividing total aggregated external financing raised by the total weighted amount of donor funding. Source: calculated with data from the PACE dashboard.

Table 7 compares funding performance for two PACE intermediaries (OCA and Village Capital) in FY 2018.[9] This single year snapshot presents the funding performance of these two intermediaries in the later stages of their PACE activities. The intermediary results shown in both tables illustrate the difficulties inherent in assessing average performance indicators for PACE's portfolio. Even if full data were available, the critical differences between the types of client SGBs, the services provided, contexts, geographies, sectors, and other factors would limit the practical insights derived from the comparative analysis.

[9] Data from FY 2018 were used since complete FY 2019 data were not available.

Table 7: PACE Funding Performance, FY 2018 for Closed Programs						
Intermediary	**Financial Assistance Provided to SGBs**	**Total Funding from USAID for PACE Activity ***	**Proportion of PACE Funding****	**Average SGB Revenue Raised per $1 of Donor Funding *****	**Average Cost for Each Additional Job**	**Average External Financing Raised by an SGB client Per $1 of Donor Funding *******
Open Capital Advisors	Convertible loans	$1,200,000	71	$5	$6,177	$6
Village Capital	Equity	$2,600,000	100	$85	$58	$100

Key: One outlier for Village Capital was removed. An SGB that raised $111,000,000 in FY 2018. This outlier, MPOWER Financing, is a U.S.-based company that raised $100,000,000 in loans and $11,000,000 in equity investments in FY 2018. In Village Capital's final PACE report, while noting this SGB's success in securing follow-on funding, they acknowledged this SGB as an outlier in their overall portfolio. See footnote for Table 5 for a brief table explanation.

Calculations: Totals were calculated by aggregating total revenue, jobs created, and external financing raised by each SGB reported in the PACE dashboard in FY 2018. Village Capital reported figures for 58 SGBs and OCA reported figures for six SGBs. Average SGB revenue raised per $1 of donor funding was calculated by dividing total aggregated revenue by the total weighted amount of donor funding for FY 2018, assuming an even disbursement of funding for each year funded by PACE. Average cost for each additional job was calculated by dividing the total weighted amount of donor funding by the total number of jobs created in FY 2018. Average external financing raised by SGB per $1 of donor funding was calculated by dividing total aggregated external financing raised by the total weighted amount of donor funding. Note that PACE contributed 100 percent of Village Capital's funding but only 71 percent of OCA's activity funding. Figures reported can be attributed to PACE funding directly. Source: Calculated using data from the PACE dashboard; Village Capital, 2020.

BOX 1: The Broader Impact of Village Capital's PACE-funded Activity

Village Capital implemented the PACE-funded activity through its advisory firm, VilCap Advisory. VilCap collected additional impact data to capture a greater level of detail of the economic, social, and environmental benefits attributed to its PACE-funded activity. This included:

- Directing sourcing access to and evaluation of 5,245 enterprises (against goal of 7,500 during the award timeframe)
- Providing technical support to 795 early-stage impact enterprises (against goal of 650)
- Completing 69 catalytic seed investments (against goal of 65)
- Providing follow-on financing to 20 companies (against goal of 10-20)
- Catalyzing outside follow-on financing with a 52:1 leverage ratio to date, $516.3 million in investment following VilCap Investments' $9.9 million invested to date (against goal of 15:1 leverage ratio)

- Financing 69 SGBs further supported 15,000 smallholder farmers, 1.7 million low-income health patients, 30.9 million low-income students, 1.6 million individuals with increased access to affordable financial services and offset 149 million pounds of CO_2 emissions (Village Capital 2020).

BOX 2: The Environmental Impact of the Shell Foundation's PACE-funded Activity
The Shell Foundation (including Sangam and Factor(e)) collected environmental benefits of its funded SGB, reporting that they exceeded their goal of offsetting 378,868 tons of CO_2 by realizing an offset of 392,919 tons of CO_2. Additionally, they reported impacting 297,355 lives through their PACE-funded activities (Shell Foundation 2020).

4.2 EFFECTIVENESS OF PACE INTERMEDIARY ACTIVITIES

"Of all the support I received from Aga Khan Foundation, acceleration was most helpful. I learned the basics of accounting as well as financial modeling and analysis. Now I know how to ensure the financial well-being of my business. The only thing that I would recommend is to add more modules on financial accounting and taxation in the incubation training."

- Azam Ahrulloev, a 26-year-old entrepreneur in Tajikistan who started his shoe business in 2016 and entered the CA-AP Program in 2018.[10]

A commonly held viewpoint was the importance of adapting pre- and post-investment TA with blended-finance vehicles to address the specific needs and capacities of early-stage SGBs. Intermediaries tailored their approaches to meet the needs of the local entrepreneurial ecosystem, specific type of TA needed, and geographic context. Specific examples of activity adaptations are presented below.

1. **PACE intermediary OCA tested the TRAIN approach, which extended the typical TA model to embed experts to provide tailored, onsite support to SGBs in East and Southern Africa.** OCA adapted the TRAIN model to different levels of investor and entrepreneur ecosystems. In Tanzania, for example, OCA actively engaged in "ecosystem building" by creating forums for entrepreneurs to meet up and interact. In contrast, this type of pipeline development activity was unnecessary in Kenya, where the investor and entrepreneur ecosystems are well-developed and opportunities and events for entrepreneurs to meet up and network are plentiful.

2. **Root Capital focuses on providing TA, combined with debt financing, to SGBs engaged in rural agriculture.** Recognizing that SGBs needed both TA and financing instruments that would formalize their business systems and operations, Root Capital focused on loans that generate the greatest impact to early-stage SGBs. Since it primarily provides loans to first-time borrowers, Root Capital needed to reduce and manage defaults on loans, and not rely on SGB loan fees or interest payments for revenue. However, it also wanted to provide first-time

[10] USAID, Tajikistan. Helping Small Businesses Grow. https://www.usaid.gov/tajikistan/program-updates/feb-2020-helping-small-businesses-grow?fbclid=IwAR2ldrOxvezOusIvkl8C54GnclUueHM8YGdSnc36nXILbedqfOtJ_lgOCkM

loans at competitive market rates to build SGB capabilities and discipline to successfully obtain follow-on funding from commercial lenders.

BOX 3: Root Capital Enables SGBs to Access Follow-on Financing

Superfine Africa Nuts (SANL) in Kenya procures, processes, and ships macadamia nuts to Europe, Asia, and America. SANL received its first loan of $160,000 with full additionality from Root Capital in 2018. Root Capital conducted two on-site visits and provided leadership development training. SANL has applied for a renewal loan of $500,000, which will graduate SANL from the PACE-funded segment.

Source: (Root Capital 2019)

3. **PACE intermediary, Aga Khan Foundation (AKF), operating in Tajikistan, is adapting existing financing models to fit local conditions in Central Asian countries.** AKF's PACE-funded initiative, Central Asia - Accelerate Prosperity (CA-AP), planned to replicate the VPO model originally piloted by PACE intermediary, Enclude, in Nicaragua. As the VPO model was not legally permitted in Tajikistan, AKF adapted its approach and introduced a VPO-style lending program. These customized loans charge no interest and allow flexible repayments with a six-month grace period. As with the VPO model in Nicaragua, CA-AP's approach targets women entrepreneurs. Some adjustments to this program may be needed. In Tajikistan, SGBs may hide revenue, which complicates the ability of AKF to charge loan repayments based solely on reported cash flow. Programs such as these are important for increasing the ability for SGBs to secure follow-on financing from commercial sources. Although the loans are interest-free, successful loan repayment demonstrates financial discipline which can facilitate the ability to secure additional financing. CA-AP also developed high-touch outreach efforts to women entrepreneurs and their families to improve the retention of female-led businesses in more traditional geographies in Tajikistan.

4. **Edge Growth/Association for Savings and Investment South Africa (ASISA's) identified the need to invest heavily in pre-investment TA for SGBs in South Africa.** This intermediary observed that entrepreneurs who received pre-investment TA for financial management skills, were more successful with long-term development and growth. ASISA partnered with the South African Institute of Chartered Accountants to provide SGBs with pre-investment assistance in building their businesses and financial management practices, to reduce the need to troubleshoot issues at the post-investment stage. This type of pre-investment TA is costly since it is provided to a larger group of pre-investment SGBs, and not at the post-investment stage to a smaller group of SGBs that were able to secure financing. Edge Growth recognized it was worth the additional expense since it led to better long-term business performance for the SGBs that secured external financing. Similarly, the Shell Foundation's Factor(e), an incubator and venture fund operating in East Africa, underscored the need for extensive personalized "high-touch" pre-investment support, as well as continued post-investment business technical support (such as product design or marketing) to increase the SGB client's abilities to successfully scale.

5. **PACE intermediary I&P received funding to provide TA and small loans to SGBs operating in Burkina Faso, Niger and Senegal.** Lending regulations in all three countries did not permit I&P to disburse loans. Commercial banks are the only entities legally

permitted to provide small- and medium-sized enterprise (SME) loans, but they were not lending to "seed-stage" SGBs. Using internal resources, I&P created a not-for-profit entity to disburse interest-free loans to these companies. This resulted in a one-and-a-half-year delay in the launch of the loan facility. Two of the investment funds it supported were also the only impact investment funds operating at the local level that provided small, zero-interest loans to local SGBs. Text box 4 describes the experience of Emilie Kyedrebeogo, founder of Palobde, a social and eco-friendly enterprise in Burkina Faso, and recipient of a loan by I&P through its local partner, Sinergi Burkina.

6. **PACE intermediaries adopted lean management models to reduce operating costs.** The Shell Foundation's Factor(e) incubator and venture fund kept its small team focused on activities directly related to its SGB portfolio and refrained from marketing efforts. New Venture's VIWALA invested heavily in fintech solutions to automate routine business management and monitoring activities.

7. **Intermediaries frequently cited the due diligence process as the most expensive aspect of program management.** Due diligence proved to be a long and costly process for intermediaries engaged in early-stage SGBs financing in emerging markets. OCA's Talent to De-Risk and Accelerate Investment (TRAIN) model significantly shortened its own due diligence process to 53 days. Compared to other SGB-focused investors in South Africa, OCA was able to reduce the length of the average due diligence period by more than half.[11]

[11] Estimated industry average data based on Open Capital's consultations with 22 SGB-focused investors not involved in the TRAIN partnership who attended the Sankalp investor gathering in February 2019, along with previous Open Capital experience. Though they realize many external factors drive and influence this data. (OCA, 2020,p. 35)

BOX 4: I&P and Sinergi Burkina Finance the growth of Palodbe in Burkina Faso

Emilie Kyedrebeogo is the founder of Palobde, a social and eco-friendly enterprise in Burkina Faso. Her business produces and sells washable and reusable menstrual pads made from local cotton.

Palobde started production in 2017 and made its first sales in 2018 but faced challenges in accessing the financing needed to grow. Emilie was introduced to I&P at an event hosted by AgroServe Industrie, which had received financing from Sinergi Burkina in 2017. AgroServe Industrie referred Emilie to the local investment fund Sinergi Burkina, the only impact investment fund operating in Burkina Faso. With PACE funding, Sinergi was able to provide loans of up to $50,000, and in 2018, Emilie secured a seed grant of $27,000. Although no interest is paid on the seed grant, Palobde is required to repay the total grant amount. This seed capital, combined with business support services offered by Sinergi Burkina and consultants funded by L'Occitane Foundation, was instrumental in Palobde's growth.

In addition to the business loan, Emilie benefitted from the leadership and business skills she developed through the PACE-funded activity. As Emilie noted, small businesses need capital and business skills to grow. In 2020, Emilie employed 27 workers (37 percent women). Palobde's sales have grown four-fold in the third quarter of 2020. Palobde is exporting its products to Niger and Mali and is consulting with a trade expert to facilitate exports to additional countries in Africa and beyond. Emilie aspires to be leading in sales on all continents, employing more women, and helping keep girls in school so they "can be independent like me."

Source: Interview with Emilie Kyedrebeogo 9/16/20

4.3 CHALLENGES ENCOUNTERED BY INTERMEDIARIES AND HOW THEY ADAPTED

PACE funding supported intermediaries in testing and piloting new approaches or replicating existing models in different country contexts, to bridge the pioneering gap in emerging markets. Unforeseen challenges or difficulties with implementation and execution are likely to occur, and some funded models will be less successful in achieving their objectives. This section presents several examples of activities that were less successful, highlighting the lessons learned by the intermediaries.

Lack of sufficient demand. The OCA TRAIN model's novel approach embedded advisors in SGBs to provide post-investment support typically for a three to six-month period. This approach presumed that impact investors financing SGBs would be willing to cover the cost, and that SGBs would be interested in working with embedded advisors immediately following the disbursement of financing. This gap was identified during the PACE-funded OCA 1.0 Investment Readiness Program (IRP). In practice, there was less interest by investors to continue to pay for the TRAIN model (after PACE funding ended), and the model became financially unsustainable. Most of the client SGBs that received investor financing had not previously worked with an embedded advisor and did not know how to use this assistance effectively. OCA concluded that the embedded expert model was not the right fit for all SGB clients that received financing or impact investors.

Adapting existing programs to the local context. Intellecap and Villgro Kenya replicated models originally developed in India and recreated in Africa. Both programs needed to make significant adjustments to fit the African context. Intellecap had to adjust the original model to accommodate the lower capacity of most SGBs in East Africa and the less robust entrepreneurial ecosystem. Similarly, Villgro Kenya had to provide more extensive training for SGBs. In addition, the market conditions and fewer bankable businesses reduced Villgro Kenya's expected revenues and potential financial sustainability.

The original Villgro model included using diagnostic panels to help SGBs troubleshoot their business plans. In India, each diagnostic panel was made up of health and science industry experts and was tailored to meet the specific business focus for each SGB. This approach was less successful in East Africa where the health and science sectors are much less developed than in India, and experts were hard to find and expensive to engage. This led Villgro Kenya to introduce Master Classes, conducted by invited experts, for groups of entrepreneurs. This approach maximized the engagement of the limited pool of local experts while also achieving lower program costs.

Identifying and managing default loan risk. Root Capital provides debt financing to early-stage SGBs working in the agriculture sector. It learned from experience that some SGBs are more likely to default on loans than others. Root Capital found that enterprises in a "tight value chain" (i.e., businesses working with crops with longer shelf life and involved in exporting) were less likely to default on loans than enterprises in "a loose value chain" (i.e., enterprises working with food crops that are perishable and tend to work with a range of buyers).[12] By identifying this key difference between borrowers, Root Capital was able to better manage its loan default rate by balancing lending to these two groups.

4.4 COMPLEMENTARITY AND OVERLAP BETWEEN PACE AND OTHER USAID-FUNDED PROGRAMS

A range of USAID programs provides funding to growing enterprises in developing countries. Some of these programs, like PACE and Development Innovation Ventures (DIV), currently operate within the

[12] There is no standard definition for a tight or loose value chain. For CGAPs specifications, see: https://www.cgap.org/blog/digitizing-smallholder-finance-93-percent

USAID's Global Development Laboratory.[13] Others, like INVEST and Securing Water for Food: A Grand Challenge for Development (SWFF), are managed by other USAID Operating Units. Table 8 provides brief descriptions for all four USAID-funded programs.

Table 8: Comparison of PACE and Other USAID-Funded Programs and Activities
PACE
The PACE Initiative acts as a facilitator of market intermediaries that are supporting early-stage social entrepreneurs in bridging the 'pioneer gap' by providing technical assistance, capacity-building, and financing tools to enable their businesses to grow. Few donors or private investors are active at this high-risk stage of enterprise development. PACE intends grants to range in value from $500,000 to $5 million (USAID 2016). The 2020 PACE portfolio received grants that range from $200,000 to $2.6 million.
Development Innovation Ventures (DIV)
The DIV program provides flexible, tiered grant funding in three funding stages to test new ideas, take strategic risks, build evidence of what works, and advance the best solutions. Grants range in value from up to $200,000 in the first stage, from $200,000 to $1.5 million in the second stage, and $1.5 million to $5 million in the final stage.
INVEST
INVEST is a mechanism that addresses the long-standing 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 into underdeveloped markets) (USAID, n.d.). The INVEST program also works closely with USAID Missions.
Securing Water for Food: A Grand Challenge for Development (SWFF)
SWFF is a hybrid incubator-acceleration program that provides financial and technical support to innovators working at the nexus of water and agriculture, to improve their market-driven business development and growth. SWFF began in 2012 and in 2020, merged with Power Energy to create a Water Energy for Food (WE4F) (SWFF, n.d.)

PACE's activities are complementary to the other three USAID-funded programs in that all of these programs are pathways for countries to accelerate their Journey to Self-Reliance through private sector engagement. They all focus on mobilizing market-based solutions for more-sustainable outcomes, leveraging private-sector expertise, innovation, and resources that build private sector capacities to achieve more-sustainable outcomes at scale. Each program works with a group of implementing partners or intermediaries from the private sector and in some cases, concurrently fund the same partners. Four PACE intermediaries (Factor (e), OCA, WICS, and YSBU) are also funded by DIV,

[13] In USAID's approved reorganization, the Global Development Lab will become part of the Bureau for Development, Democracy, and Innovation (DDI).

INVEST, and SWFF.[14]

The PACE and INVEST programs also share a similar focus of working with market facilitators and investors to bridge the 'pioneering gap.' However, while PACE is solely focused on this gap, INVEST's activities are more comprehensive because it works with private sector implementing partners to undertake market assessments, design and structure funds and financial instruments, and provide transaction advisory services. INVEST works directly with investors and USAID Missions while PACE works primarily with intermediaries. INVEST directly invests in private sector partners using a streamlined procurement process while PACE provides grants that require a lengthy approval process.

The four programs are similar but without collaboration, staff from each program may be unaware that SGB implementing partners are also financed by another USAID-funded program. For example, one SGB that was a DIV grantee was, at the same time, supported by a PACE intermediary. DIV staff did not consider this SGB to be successful in the DIV program. In hindsight, PACE would have benefited from knowing about funding overlaps.

4.5 RECOMMENDATIONS

More complete data are needed for in-depth understanding of effectiveness. Aggregation of cost effectiveness metrics across the PACE portfolio does not reflect the specific characteristics of intermediaries and their PACE-funded activities. A number of additional contributing factors affect performance and cost effectiveness, such as the newness of many activities, the size of intermediaries, the types of financing provided, additional donor partners, and the characteristics of the local entrepreneurial ecosystem. Data gaps limited the ability to evaluate each intermediary's performance on its own merits. Standardized annual data to track follow-on financing, job growth (annual job gains and losses), and proportion of PACE and other donor funding, would provide a more realistic understanding of activity performance.

Annual overviews of PACE-funding activity outcomes could help PACE identify specific achievements and challenges of its portfolio. A vignette format for each active activity in annual reports, could support the integration of important lessons learned through both success and failures across the PACE Initiative.

Continue to develop local capabilities. PACE prioritizes models that attract more local capital and build local capacity to manage investments, and partnerships that include private sector partners who demonstrate long term commitment to a targeted region. Most PACE intermediaries have in-depth knowledge and expertise in the regions where they operate. PACE should continue to fund a variety of intermediaries with demonstrated experience in supporting local capacity; local investor and entrepreneurship ecosystems including not-for-profit and private sector large multi-country intermediaries (Root Capital, VilCap); regional partner organizations (Intellecap, Villgro Kenya); independent regional organizations (New Ventures); and larger organizations supporting local

[14] PACE intermediaries YSBU and Factor(e) are also DIV implementing partners; PACE intermediaries OCA and WICS are INVEST implementing partners; and, Intellecap and OCA were implementing partners for the SWFF program.

investment funds in emerging economies (I&P).

Increase collaboration with other USAID entrepreneurship focused programs to share experiences and learn from each other to maximize efficiencies, diversity of programming, and effectiveness. As many USAID partners are funded through multiple programs, it would be useful to develop an easy way to track USAID funding across the four programs. It may be possible to do so by using the USAID DIV database (Salesforce), which compiles extensive background information on all of DIV's partners. Increasing transparency about overlapping funding for implementing partners and intermediaries could provide the basis for the further development of effective collaboration and improved program outcomes.

5. Analysis of PACE-funded Activity Sustainability

This section focuses on the sustainability of the SGB support activities conducted by intermediaries.[15] Section 5.1 presents the updated short-term financial sustainability ratings for PACE activities based on the format introduced in the 2017 PACE Strategic Report. The assessment team found these short-term ratings, focused on financial sustainability at such an early stage, to be overly restrictive given that activities likely require more time to achieve sustainability. In section 5.2, three additional approaches to measuring activity sustainability are presented: model sustainability; targeting of upmarket SGBs; and integrating successful components of PACE-funded activities into existing intermediary activities. Recommendations are presented in section 5.3

5.1 UPDATE OF SUSTAINABILITY RATINGS

This review was tasked to update the 2017 strategic review with 2019 data. The 2017 review included a table rating PACE-funded activity sustainability in the short term along three aspects: 1) financial sustainability trajectory 2) the potential to increase non-grant revenue, and 3) the potential to reduce costs over the next three years (2020- 2022). A summary of results and ratings for short term sustainability are provided in the activity vignettes in Annex C. Overall, most closed and active activities were rated low or medium for short term financial sustainability, with only two activities receiving high ratings (AKF and YBSU). The results for each rating category for financial sustainability are summarized below.

RATING 1: FINANCIAL SUSTAINABILITY TRAJECTORY

PACE-funded activities with a mix of revenue sources (e.g., grants and fees) had more instances, and higher dollar amounts, of private follow-on capital secured or under negotiation. The exception is WICS and EdgeGrowth/ASISA. WICS has been very successful in fundraising largely from bilateral and public sources. EdgeGrowth/ASISA activity generated over a third of its income from interest on loans to SGBs made in 2016 and has secured significant public and private funding since its PACE funding ended in 2019.[16] Activity resilience was actively supported by intermediaries. While start-up phases are notoriously risky and expensive, most intermediaries linked to larger global institutions, established companies or networks were able to weather income gaps while the activity was being established. Key factors were the ability to lean on their own or parent organizations' "deep pockets" for gap funding, short-term technical expertise, and administrative support.[17] VillGro Kenya is one such activity for which the parent corporation covered operational costs.[18] Investisseurs & Partenaires (I&P), an impact investment group, provided extensive and unexpected support to its PACE funded activity in order to overcome the existing legal barriers to providing loans to SBGs in Burkina Faso, Niger and Senegal. In Tajikistan, financial institutions such as investment banking are still in development and innovative

[15] This section focuses on the sustainability of PACE-funded activities, but it does not address the sustainability of the SGBs.

[16] Based Edge Growth/ASISA reports from the PACE folder

[17] Based on KIIs.

[18] Based on KIIs.

financing instruments such as the variable payment obligation model (VPOs) have no legal standing. The Aga Khan Foundation needed to use its internal resources to pivot quickly in adapting the financing instruments provided through its PACE funded CA-AP program.

RATING 2: POTENTIAL TO INCREASE NON-GRANT REVENUES

While income generation levels varied, even PACE-funded activities that grew large portfolios or developed innovative income generation schemes could not cover their operational expenses from fees and interest alone. All PACE-funded activities - closed or active - remain dependent on grant or donor funding to cover most of the higher-level operational costs of supporting and financing early-stage SGBs. Some closed activity models, like I&P and Villgro Kenya, remain 100 percent reliant on grants or parent organization injections of capital to cover operational expenses. The WICS-supported activity has been uniquely successful in fundraising to support its operations; so much so that it has halted income generation efforts altogether for the time being to focus on investments. It remains to be seen if this single-source income strategy works over the long term. The VIWALA program, supported by New Ventures and Stage Six both have developed detailed sustainability plans and anticipate to reach income self-sufficiency post-grant funding, but most other intermediaries will require donor funding to sustain their PACE activities.

RATING 3: POTENTIAL TO REDUCE COSTS

The third rating category measured the potential for intermediaries to reduce the overall costs of the PACE-funded activity which would contribute to its financial sustainability. Most intermediaries were proactive in developing lean operation structures that were cost efficient and there was little potential for further reduce costs. Larger intermediary organizations also seconded staff to their PACE activity to cover staffing needs costs until sufficient grant funds or revenues were available to fill PACE-focused positions. The low overall ratings for intermediaries based on this measure reflect that fact that they have already focused on operating cost-efficiently and there are few opportunities to further reduce the costs of their operations.

5.2 ASSESSING LONG-TERM SUSTAINABILITY FOR PACE-FUNDED ACTIVITIES

The ratings approach presented in the previous section provided a short-term perspective of financial sustainability for PACE-funded activities. USAID's Journey to Self-Reliance stresses the importance of sustaining outcomes over the long term, a strong local private sector is an important pillar of countries' self-reliance. The ratings approach proved limited because it did not consider 'enduring results.' These include the continuity of activities and outcomes initiated during USAID active funding and support and sustained after USAID assistance has formally ended (LASER PULSE 2020). It is likely that intermediaries will need to incorporate broader strategies to achieve sustainability of their PACE-funded activities. These strategies include securing additional donor funding, expanding the types of SGBs they support or incorporating components of the piloted activities into existing operations and programs. These strategies allow for further adaptation of the PACE-funded activity that will ultimately lead to replication and the scaling of these activities in a sustainable way.

Almost half of closed and active intermediaries pursued grants from donor and philanthropic sources, as a major income stream to fund operations during activity start-up, and to support activity development in the post-grant period. Fees and interest provide additional but not sustainable income. Under this lens, the majority of PACE-funded activities were assessed as being sustainable.

Grant funding proved a critical component of program revenue for accelerator programs targeting early-stage social enterprises in emerging markets. Even if income from fees was increasing, as with I&P, innovative income generation models like GrowthAfrica's revolving fund were employed, or cost-efficient management tools integrated, expenses still outpaced income. For example, Factor(e) and Sangam built investment funds diversified revenue sources and economized TA activities across programs, but also fell substantially short of revenue requirements. Even MCE Social Capital, with 100 percent debt financing (and all TA is outsourced) and a loan portfolio of over $9 million,[19] still requires grants to supplement income. The need for grant funding to cover the additional expenses of providing financing to SGBs was not limited to PACE-funded activities. Not-for-profit impact investors investing in PACE-funded activities also required philanthropic capital support in order to offset the additional costs incurred for financing early-stage SGBs.

This review has revealed a need for a more nuanced assessment approach that incorporates sustainability measures that reflect the likelihood that longer periods of donor funding and longer activity runways are needed for financial sustainability. It should take into account the instrumental role of donor funding in enabling access to financing in emerging markets (such as Root Capital) as well as in developed economies, through governmental subsidies, guarantor small business loans or donor support for highly successful startup accelerators such as YCombinator in the United States.

Commitment to support small social enterprises in low- and middle-income countries (LMICs) comes at the price of modest income proportionate to small loan size and ability to pay fees. Even a high number of small loans requires a corresponding increase in management costs, which may negate income increases. Recognizing this, all intermediaries reported donor funding as the major income source for PACE-funded activities to continue to provide TA and financing to high risk, early-stage SGBs in emerging markets. Most activities, both closed and active, have been successful in securing several million dollars in post-PACE funding from not-for-profit or philanthropic donors in short time frames (see vignettes in Annex C for details). Active programs reported revising their target grant revenue from 60 to 100 percent. While Villgro maintains a target of 95 percent grant revenue for all its programs (Kenya and India) because "*a client fee target of more than five percent distracts you from your mission*". A diverse portfolio of revenue streams is recommended, as neither donor funds nor private investment can be guaranteed.

Another strategy for post-grant sustainability requires expanding the target SGBs to include both smaller and larger financing amounts. This would necessitate PACE-funded activities to move upmarket to support either later-stage SGBs or more rapidly growing SGBs that can successfully attract and absorb larger financing amounts. All closed PACE intermediaries indicated that their operations would be financially sustainable if they increased the financing amounts.

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[19] As of August 2020.

Sustainability could also be achieved based on integrating successful model components into existing intermediary operations or programs. Several closed intermediaries had already incorporated or were exploring strategies to retain and scale components of PACE-funded activities that could be financially sustainable if implemented in conjunction with other existing programming, such as for Root Capital and OCA.

5.3 RECOMMENDATIONS

Adopt a nuanced measure of success aligned with USAID's Journey to Self-Reliance. USAID's Journey to Self-Reliance stresses the importance of sustaining outcomes over the long term, a strong local private sector is an important pillar of countries' self-reliance. Revenue sources for PACE-funded activities varied from 100 percent donor funds to a mix of fees, interest and grants. Intermediaries of both closed and active programs often cited the critical role of donor funds to finance their operations because of the higher inherent costs and long timelines for most SGBs to become market ready and even then, produce lower returns than larger commercial enterprises. These factors, along with high risk and low capacity of many early-stage SGBs in emerging economies, makes them unattractive to mainstream investors. Over the longer term, adopting a cost-sharing strategy to cover the costs of financing early-stage SGBs by financing more profitable later-stage SGBs, can lead to financial sustainability. In this way, the intermediary can subsidize financing that yields negative returns with revenue generated from larger financing amounts that yield positive returns.

Longer runways for pre- and post- investment TA should be supported. Early-stage SGBs in emerging economies often require longer runways for pre-investment and post-investment TA and to achieve business scale. Intermediaries recognize pre-investment TA as critical for early-stage business development, to equip entrepreneurs with financial management and accounting skills for business growth, in addition to the communication and business presentation skills needed to secure external financing. Capacity-building and initial financing, based on grant funding or interest-free loans, play an important role in de-risking this process. Post-investment TA supports the ability of SGBs to effectively use and manage the influx of external financing. This approach lengthens the process for the SGB growth trajectory and ability to raise subsequent mainstream financing. Intermediaries cited entrepreneur and investor ecosystem characteristics as critical factors affecting the length of PACE-funded activity support.

6. Gender Inclusion under PACE

This section takes a closer look at gender inclusion practices and outcomes for PACE intermediaries. Section 6.1 explores two different aspects of gender inclusion in PACE-funded activities: capital raised by women-led and men-led businesses, and the adoption of gender inclusion practices by intermediaries. Section 6.2 presents examples of intermediary activities that have successfully increased access to funding for women entrepreneurs. Section 6.3 highlights steps that can be taken to support intermediaries in providing products and services designed to meet the specific needs of women entrepreneurs. Recommendations are presented in section 6.4.

6.1 MEASURING PACE SUCCESS IN PROMOTING GENDER EQUALITY IN FUNDING

The assessment team compared the total amount of capital raised over time by women- and men-led SGBs. Some SGBs received a mix of financing -- often initially a grant, followed by loan or equity financing. As shown in Table 9, women-led SGBs received less financing, on average, for all three forms of capital. The greatest difference is in financing for debt capital, where loan amounts for men-led SGBs are, on average five times more than for women-owned SGBs. This is a significant difference, especially as most women-owned SGBs received debt financing and are less likely to have received equity investments. It is unclear if these differences are due to SGB size, which would lead to larger ticket sizes, and how SGB size falls out along gender lines. This may be worth tracking in the future. These findings are not surprising: women-owned enterprises are generally smaller than men-owned enterprises, with a total finance gap for women SME owners estimated at $1.5 trillion (IFC 2017).

Table 9: Capital Allocation for Men-led and Women-led SGBs (2017–2019)

SGBs (n= 285*)	Capital Type	Average Amount (USD)	Maximum Amount (USD)
Men-led (n=190)	Equity	$411,504	$11,000,000
	Grant	$96,763	$3,000,000
	Loan	$328,707*	$7,500,000*
Women-led (n=95)	Equity	$336,752	$4,350,000
	Grant	$81,028	$2,250,000
	Loan	$59,586	$1,200,000

Note: Twelve SGBs did not have sex-disaggregated data available and are not included. *One men-led SGB loan amount was removed from analysis as it was an outlier, having secured over $100,000,000 in FY 18.

The team assessed the 2020 closed and active PACE intermediaries using the three categories of gender approaches from the 2017 Strategic Review. As Table 10 shows, 66 percent of active and closed PACE activities are gender inclusive. Forty-four percent of active PACE intermediaries specifically target the financing needs of women-owned enterprises, while 22 percent deliberately sought women entrepreneurs to support or expend disproportionate resources to support women. In contrast, in PACE's 2017 portfolio, the majority of programs were gender neutral.

Table 10: Comparison of the Gender Approach of PACE-Funded Activities in 2017 and 2020

Gender Approach	2020 PACE Portfolio Active Intermediary Activities (n=9)	2020 PACE Portfolio Closed Intermediary Activities (n=9)	2017 PACE Portfolio Programs (n = 17) *
Gender Inclusive (gender transformative and Gender sensitive categories combined)	66 percent	73 percent	40 percent
Gender Transformative (focus entirely on women entrepreneurs and provide products or services that are tailored to women's needs)	44 percent	0 percent	10 percent
Gender Sensitive (deliberately seek to assist women entrepreneurs or expend "disproportionate resources" to support women)	22 percent	73 percent	30 percent
Gender Neutral (intermediaries that are not focused entirely on women entrepreneurs, do not deliberately seek out women entrepreneurs, or do not expend disproportionate resources to support women)	34 percent	23 percent	60 percent

Notes: Data from 2020 based on self-reporting by intermediaries

6.2 SUCCESSFUL MODELS OF INCREASING FUNDING TO WOMEN ENTREPRENEURS

PACE intermediaries are integrating a gender lens into their activities and providing targeted support to boost access to funding for women entrepreneurs. As already mentioned, PACE intermediaries engage in both women-exclusive and gender-mixed activities. It is important that successful examples of increasing access to funding for women entrepreneurs are highlighted for both types of programs. Three examples of intermediary approaches to increasing financing for women entrepreneurs are described below.

- **The Enclude VPO model was initially gender neutral but shifted first to a gender sensitive- and then, to a gender-transformative model focused exclusively on women entrepreneurs.** It provides no-collateral, flexible repayment options for relatively small loan amounts that commercial banks generally will not provide due to relatively high transaction costs. Enclude collaborated with Agora Partnerships for marketing the VPO loan product to women entrepreneurs and partnered with Banco de América Central (BAC) for larger loans. Women entrepreneurs were more likely to trust Agora than a commercial bank, due to limited or negative experience with bank loans. PACE intermediary Palladium Impact Capital was replicating the VPO model in Colombia.

- **New Ventures did not initially incorporate a gender lens in its VIWALA program although its 2019 report emphasized a commitment to funding women-owned companies and companies that positively impact the lives of women.** New Ventures collaborated with Pro Mujer, one of the largest women's organizations in South America. ProMujer developed a comprehensive gender inclusion checklist for SGBs and led the development of a gender strategy for VIWALA's lending with a focus on women-owned enterprises. VIWALA launched a flexible, revenue-based loan repayment product, similar to the Enclude VPO. Its current SGB portfolio is made up of only four companies, of which one is women-led, one mixed gender-led, and two men-led.[20]

- **Village Capital provided 42 percent of its initial financing to female founders.** To further improve its selection process, Village Capital developed a new screening process: the Start Up Team Aptitude and Readiness (STAR) tool to consider indicators of founder success over time, providing a way to evaluate founder potential that is less subject to background or experience bias, and shows promise in increasing participation of women. Increasingly, research indicates that gender-blind criteria improve the likelihood of women being funded.

- **PACE intermediaries categorized as gender neutral have succeeded in lending to women-owned enterprises by offering small, no-collateral loans.** For example, 30 percent of the clients of I&P's PACE-funded activity are women-owned businesses. I&P attributes the relatively high percentage of clients who are women entrepreneurs to the ability of its small, interest-free, no-collateral loans to meet the funding needs of local women entrepreneurs.

6.3 LESSONS LEARNED ON PROVIDING PRODUCTS AND SERVICES THAT MEET THE NEEDS OF WOMEN ENTREPRENEURS

PACE intermediaries are actively providing products and services designed to meet women-owned SGB needs. As the Enclude and New Venture examples indicate, loan products can be tailored to increase credit access for small-scale women entrepreneurs, the target audience for PACE. The Village Capital example illustrated the importance of objective screening processes that reduce the impact of bias as a strategy to increase the participation of women entrepreneurs. Four factors critical for reaching this target group were:

- **Product:** Soft or no collateral requirements, flexible repayment schedules, and small loan

[20] Data sourced from PACE dashboard.

amounts;

- **Legitimacy:** Partnerships with well-known and respected women-focused organizations (such as Agora Partnerships and ProMujer) have helped to build trust;
- **Pipeline:** Women-focused organizations were also instrumental in outreach to targeted women entrepreneurs through networks, events, and direct marketing; and
- **Reducing Selection Bias:** Incorporating screening procedures to evaluate founder potential that is less subject to background or experience bias can increase the participation of women.

PACE's current portfolio includes the WICS, which is piloting a women-exclusive model that provides equity, as well as debt financing to women-owned businesses. It is still too early to assess the success, impact, and uptake of equity financing on women-owned SGBs in Senegal. WICS and other new approaches to tailoring financing instruments to the needs of women entrepreneurs may provide useful insights for developing successful models for addressing the needs for growth-oriented women entrepreneurs in emerging economies.

It is critical that gender inclusion efforts begin at the onset of program design and implementation. This can happen by ensuring balanced participation of women-owned SGBs at the very start of the program, by incorporating clear pipeline development strategies for both women- and men-led SGBs. In general, activities default to typical recruitment efforts that are based on conventional industry and even development routes, places, and events to identify candidates. Broadening outreach to women's professional associations, local social networks and cultural events, digital media and communication tools, and universities and training centers, can be effective in recruiting women and youth into development programs. For example, VilCap Advisory targeted recruitment strategies to attract applications from women-owned SGBs, ensuring women have increased access to opportunity and capital to get started. Stage Six noted that the easiest way to incorporate gender inclusion in its franchises was in the screening of new franchises. If, from the onset, the franchise was not open to gender inclusion, it was not selected for the program. Similarly, if it was not open to a gender inclusive policy, then it would not be considered a good fit. Sangam implemented gender and socially inclusive recruitment strategies within the organization, as well as its client base. After implementing these strategies, it increased the participation of women-owned enterprises in its accelerator to 25 percent. Sangam also helped clients adopt a gender lens to understand their consumers and improve product development and marketing services to women consumers. SGBs reported positive results for workplace culture and growth when they employed this perspective and included one or two women on their teams.

Some PACE intermediaries have shifted from a gender- neutral to a gender-sensitive approach. For example, OCA's previous PACE-funded activity (OCA 1.0) did not incorporate a gender lens and the overwhelming majority of SGBs that received capital were owned by men. Subsequently, the PACE-funded OCA 2.0 program examined why women-owned businesses received less investment compared to businesses led by men. The program reviewed ten women-owned SGBs that had been screened and considered high potential but not selected by investors, teamed each of these with a local woman staff person who spoke the same language. An OCA representative noted that this approach contributed to a closer working relationship with women clients. The OCA representative also emphasized that women entrepreneurs benefited from tailored training.

6.4 RECOMMENDATIONS

Gender inclusion should be strengthened at the activity design stage. While the majority of active and closed PACE activities adopted gender inclusive practices, integration of gender inclusive practices remains challenging for PACE-funded SGBs. Gender inclusion is difficult to retro-fit and must be proactive through SGB recruitment, participation in intermediary activities, and employment practices. For SGB pipeline development, expanding conventional recruitment efforts to engage new contacts and networks such as women's professional associations; local social networks and cultural events; digital media and communication tools; universities and training centers is needed.

Using new networks can be an effective approach for enrolling a greater diversity of entrepreneurs into PACE-funded activities. PACE should also support intermediaries to collect data sex-disaggregated, properly record data for SGB-level indicators, and ensure that SGBs understand the importance and benefit of collecting this data. Only after basic sex-disaggregated data are successfully collected, should PACE expand data collection to women's access to leadership and participation across value chains. This incremental approach to sex-disaggregated data collection is likely to ensure high quality data that integrated increasingly more comprehensive and fine-tuned measures of progress in women's economic empowerment by PACE-funded activities.

Accurately differentiate between women-led and mixed gender-led enterprises. The gender categories for SGB ownership used by the PACE Initiative only identify two types of enterprises: women-led and men-led. The women-led category includes enterprises that have at least one woman in the founding team. In instances where equal numbers of men and women are founders of an enterprise, it is inaccurate to define this as women-led. PACE should identify three distinct groups of enterprises based on the gender makeup of their founding teams: teams with all women funders (referred to as 'all-women teams' or 'women-led enterprises'); teams with all men founders (referred to as 'all-men teams' or 'men-led' enterprises); and teams with both men and women founders (referred to as 'mixed-gender teams' or 'enterprises led by mixed-gender teams') (GALI 2020).

7. Analysis of PACE Funding Models

This section examines the role of public funding as a catalyst for private sector financing and SGB growth. Section 7.1 discusses how public funding can be deployed most strategically to crowd in private capital into earlier-stage investments in SGBs. Section 7.2 presents a variety of blended finance models, used by PACE intermediaries, to increase access to private capital for early-stage and high-risk enterprises.

7.1 THE STRATEGIC ROLE OF PUBLIC FUNDING

PACE funding played an instrumental role in de-risking early-stage enterprises. As the PACE Initiative has demonstrated, grant capital can help catalyze private sector financing. Additional donor funding is often needed and more easily secured by intermediaries in the post-grant period to maintain a focus on underserved SGBS in emerging economies. PACE-funded intermediary models have successfully resulted in replicable and sustainable models for improving SGB capacity and initial financing that leads to follow on capital. Fifty percent of closed PACE intermediaries were private sector entities, and the share increased to over 70 percent for active PACE intermediaries. PACE grants have enabled intermediaries to reach below their current level of profitable investments and test the feasibility of addressing the financing needs of high-risk, early-stage entrepreneurs. Impact investors want positive financial returns that may be low or moderate but are combined with substantial environmental or social impacts. Fiduciary responsibilities of impact investors include delivering impact and not just financial returns. They may accept moderate risks, but the high risks associated with early-stage often do not align with their risk and return expectations. Venture capital firms will accept higher levels of risk but have high expectations for financial returns from their overall portfolio, even if these only come from 10 to 20 percent of their investments. The small equity amounts typically needed by SGBs are not able to cover annual private equity management fees charged at the market rate. PACE plays a critical role in motivating private sector stakeholders to apply their business acumen to developing successful TA and financing models to address the needs of a severely underserved segment of entrepreneurs.

PACE funded many types of intermediaries with different goals, approaches, and capacity. The needs and capacity of early-stage SGBs also varied. PACE's flexibility to fund the specific needs of a diverse portfolio of intermediaries in testing TA interventions and blended financing models is one of its core strengths.

Donors and partner governments need to continue to provide appropriate assistance and facilitate private sector investment in small firms. Stakeholders interviewed cautioned against the deployment of public funds in larger scale investments to improve portfolio performance. Early-stage social entrepreneurs in emerging markets are inherently higher risk and less attractive to private sector investment, and there is a greater need for funding and support for lower investment sizes. All closed intermediaries emphasized that their PACE model could have achieved financial sustainability if they moved up market, targeting larger, less risky SGBs that could absorb larger amounts of financing with relatively lower transaction costs.

PACE intermediaries are largely successfully in blending public and private capital to support early-stage SGB interventions. The process is slow and may lack financial sustainability in the early and mid-stages of development. The nature of early-stage investing means that results take time to materialize as companies navigate a path to generating liquidity and returns for investors. This is less likely to be a reflection of the inadequacies of the approach itself, but rather the inherent high-cost and high-risk characteristics of supporting early-stage, high-risk SGBs. For instance, I&P, a private impact investment group, piloted a TA and debt financing model in three investment funds operating in underdeveloped entrepreneur and investor ecosystems in Niger, Burkina Faso, and Senegal. This intermediary benefited from PACE funding in piloting this model, and USAID funding in leveraging additional funding from the European Union.

7.2 SUCCESSFUL BLENDED FINANCE MODELS

PACE funding continues to provide intermediaries added financial flexibility to adopt blended finance models tailored to meet the needs of early-stage SGBs participating in their programs. In developing countries, the financing gap is largest with early-stage investments and the vast majority of PACE-funded activities target early-stage SGBs. Table 11 summarizes the main financing models used by PACE intermediaries.

Table 11: Intermediary Financing Models and Revenue Streams for Closed and Active PACE-funded Activities

PACE Intermediary	Target Type of SGB	SGB Financing Model	Revenue Streams*
CLOSED PACE INTERMEDIARIES			
Edge Growth/Association for Savings and Investment South Africa (ASISA) Fund	Early-stage and growth stage	Loans (60 percent) Equity (40 percent)	Investor fees
IntelleCap	Growth stage	Equity	SGB fees
MCE Social Capital	Early-stage; Growth stage	Loans (100 percent)	SGB fees
Open Capital Advisors	Early-stage	Convertible loan (90 percent) Grants (10 percent)	Investor fees
Root Capital	Early-stage	Loans (100 percent)	Loan fees and interest income
Shell Foundation	Early-stage and growth stage	Grants (100 percent)	Grants

Shell Foundation/Factor(e)	Early-stage	Equity (100 percent)	Equity returns
Shell Foundation/Sangam	Early-stage	Equity (95 percent) Grants (five percent)	Investor fees; equity returns
Village Capital	Early-stage	Equity (93 percent) Loans (three percent) Revenue sharing (four percent)	Investor fees
Villgro Kenya	Early-stage	Grants (100 percent)	Grants; SGB fees
Yunus Social Business	Early-stage	Loans (100 percent)	SGB fees
ACTIVE PACE INTERMEDIARIES			
Aga Khan Foundation CA-AP	Early-stage, growth stage, and late stage	Loans (50 percent) Private Investors Loan and Equity (40 percent) Brokered Investments (10 percent)	SGB fees
Enclude	Growth stage	Variable Payment Obligation (VPO) through partner bank (100 percent)	Partner bank: Loan fees and interest income
FINCA Forward	Early-stage	Loans (90 percent) Brokered Investments (10 percent)	Grant
GrowthAfrica/ EverGrowth	Early-stage and growth stage	Model under development**	SGB fees
Investisseurs & Partenaires Partners: Sinergi Burkina, Sinergi Niger and Teranga Capital	Early-stage and growth stage	Seed funding as recoverable grants, zero-interest collateral free loans (100 percent)	SGB fees

New Ventures/ VIWALA	Early-stage and missing middle companies	Revenue-Based Financing (100 percent)	Loan fees and interest income
Palladium Impact Capital	Growth stage	Variable Payment Obligation (VPO) through partner bank (100 percent)	N/A
Stage Six	Growth stage and late stage	Brokered investments (100 percent)	Advisory fees Franchise royalty fees Franchise license fees
Women's Investment Club Senegal	Early-stage	Equity (50 percent) Loans (50 percent)	Investor fees

Key: * = SGB fees refers to fees charged for TA, pre- and post-investment support, incubator and accelerator services, loan fees, participation fees for events, etc. ** = GrowthAfrica/EverGreen's SGB financing model is still unknown and under development. Source: The information and data presented in this table were sourced from the documents contained in the PACE folder (such as the data dashboard, quarterly and annual performance reports, PACE team notes), e-survey responses, and KIIs.

DEBT FINANCING

Most SGBs need working capital to cover the costs of purchasing raw materials until the anticipated revenues are made from the sale of the final product. Debt financing or credit, which can come from financial institutions, suppliers or buyers, provides the solution for this type of short-term financing need (i.e., less than a year). Enterprises in the early stages of development and operating in riskier sectors, such as agriculture, benefit from debt financing models. This is why Root Capital and MCE, which both focus exclusively on SGBs in the agriculture sector, only provide loans. PACE intermediaries tailor their debt instruments to address the specific needs of the SGBs they serve in terms of loan amounts, no or low collateral requirements, interest free loans, and unrestricted loans. Managing a large number of small loans increases the administrative costs to intermediaries, and loans with below market rates reduce their ability to generate profits and access commercial bank loans to expand lending. The majority of PACE intermediaries, such as Root Capital, I&P and EdgeGrowth/ASISA, which provided debt financing, were either engaged in or intended to recycle capital into new loans. Other intermediaries use PACE funding to cover loan defaults (see MCE Social Capital example below). PACE funding plays an instrumental role in covering the higher administrative costs of small loans.

- MCE Social Capital provided catalytic low-cost debt capital to SGBs to support them while seeking private investment. All the PACE funding received by MCE was used as first loss capital for loans to SGBs working in the agriculture sector (MCE was founded as a 'first loss' provider). The MCE program was unique in its support model in that it provided financing only and sought strong partners to provide TA. Time will tell if this focus solely on financing instruments proves more effective or efficient in spurring SGBs along growth stages.

- Debt financing is easy to structure and is considered a conservative approach for risk averse capital providers engaged in early-stage investing. OCA TRAIN program staff noticed that even when OCA offered a full range of financing options, impact investors opted for debt financing. OCA's most common financing product was convertible debt, loans that can be converted into equity shares at a later time.

BOX 5: Convertible Notes for Flare, an Emergency Response Provider in Kenya
In Africa, injuries are responsible for nearly 10 percent of all deaths. An effective emergency response system could avert some of these and other deaths by reducing the time to receive proper medical attention. Flare, in Kenya, developed a cloud-based system that integrates emergency response providers into one network to reduce response times or address the absence of an adequate local response system in the East African region. After conducting due diligence, two OCA TRAIN investors invested in the company through convertible notes.

- Convertible notes are similar to equity but do not require a valuation of the company at such an early-stage before the model can be proven.
- Convertible notes provide a fixed return through interest payments and offer more downside protection than an equity investment.
- Convertible notes are an easy, fast, and uncomplicated structure that gives investors early entry to the company, increasing the likelihood that investors will be included in the next round if the company does scale as planned.

With the capital invested, the company developed and launched its product. The company has since raised a larger, $2.5 million investment round that included strategic and larger investors.

Source: OCA, 2020

EQUITY FINANCING

Early-stage SGBs also require equity financing. Equity financing is common in other sectors, such as Fintech, where greater levels of initial investment are needed. For growing SGBs investing in new technology, equity financing offers capital without the need for immediate repayment. Equity investments take longer to realize returns in developing countries. The lifecycle of venture funds tends to be longer for SGBs in developing countries (usually around eight to twelve years). Two recently closed PACE activities illustrate the usefulness of blended finance in equity investments for early-stage SGBs.

- The Shell Foundation's Factor(e), reported its first exit and is still involved in its first venture cycle, waiting to see which type of clients were successful. However, the sustainability of the Shell Foundation's Factor(e) investment fund is in question. Without grant funding, venture funds such as Factor(e) are not able to cover administrative costs.

- The VilCap Fund completed the fifth year of its ten-year duration. PACE's five-year grant subsidized the fund's operating costs. Without PACE's funding, VilCap would have had to charge higher fund management fees to cover its operating costs. It is difficult for a fund to attract investors who typically do not pay higher fund management fees. The VilCap Fund is expected to generate at least $500,000 annually for five years, in fees and expenses from investors. VilCap was successful in demonstrating the viability of blended finance for equity investments exclusively for early-stage SGBs. However, the fund's small size ($15,117,500) does not provide sufficient revenue generated from investor fees to cover operating costs. The fund would need to be larger to sufficiently cover its operating expenses.

Private equity investment funds targeting early stage SGBs are still pre-exit and in the early- to mid-stages of their fund cycles. These funds face challenges similar to those experienced by PACE-funded activities that are testing the effectiveness and sustainability of equity investments for early-stage SGBs in the less robust entrepreneurial ecosystems of emerging economies.

7.3 RECOMMENDATIONS

Share comprehensive learnings from former PACE intermediaries with prospective partners. PACE should provide prospective partners with comprehensive learning on blended finance instruments and successful models that combine TA and financing instruments.

Debt financing is an easy-to-structure, successful approach for risk averse capital providers engaged in early-stage investing. Managing a large number of small loans increases the administrative costs to intermediaries, and loans with below market rates reduce their ability to generate profits and access commercial bank loans to expand lending. PACE should engage with intermediaries to support the integration of strategies to increase cost efficiency and impact, such as recycling capital into new loans and providing a combination of low and high amounts of debt financing to reduce management costs.

Private equity investment funds are still in the early to mid-stages of their fund cycles. PACE should actively track intermediary progress against emerging evidence on equity capital for early-stage SGBs in emerging economies in less robust entrepreneurial ecosystems.

Commitment to local capital and local capacity building is a key component of the PACE Initiative. It would be useful for the PACE team to substantiate this finding with tangible references. PACE should continue to follow its current strategy of funding different types of intermediaries actively supporting local capacity and local investor and entrepreneurship ecosystem development such as not-for-profit and private sector large multi-country intermediaries (Root Capital, VilCap), local partner organizations (Intellecap, Villgro Kenya), smaller regional organizations (New Ventures) and larger organizations supporting local investment funds in emerging economies (I&P).

8. Actionable Insights on PACE Monitoring and Evaluation

This section presents the experiences of PACE intermediaries with data collection and reporting requirements and their effect on implementation. First, M&E was examined as a work plan component—collecting data from SGBs on their business performance and generating reports—and the capacities and resources required to meet these obligations. Second, feedback was gathered on the value of PACE indicators as a management tool for the intermediaries. Last, recommendations formulated reflect both Integra team suggestions and direct intermediary feedback for the PACE team to consider.

8.1 Meeting PACE Initiative M&E Requirements

Some intermediaries responded positively to PACE M&E requirements. For example, Villgro Kenya reported that monthly portfolio reviews required by PACE spurred an internal assessment process that led to useful program design changes. OCA reported that PACE monitoring indicators resulted in reducing their due diligence process. By counting the number of staff days spent on due diligence for PACE, OCA staff realized the process needed to be streamlined. All partners confirmed the critical nature of SGB financial performance data to secure investors.

Evidence-Based Decision Capacity: A key aspect of support provided to entrepreneurs under PACE is building the skills to collect and analyze data on their business in an organized way, to make informed decisions rather than steering their businesses based on instinct.

Three main challenges in collecting M&E data and reporting included: low SGB capacity to provide correct and timely data; the relatively high resource drain on both intermediaries and SGBs to fulfill PACE data obligations; and the lack of utility of some indicators for program management for intermediaries. Delayed activity start dates and, in some cases, late disbursements, also adversely impacted data collection among the seven intermediaries whose activities began in 2019.

Low SGB capacity. In addition to low financial literacy, several partners noted that smaller and newer SGBs generally lack the skills, financial databases, reporting systems, and staff time to comply with PACE's financial data requirements. While this is to be expected among new business owners (and hence is a major component of most TA programs), it hinders timely and correct data collection on SGB business performance for the first year or two, making measurement of progress difficult. Intermediaries also noted that many of the measures are new to most entrepreneurs who do not fully understand their utility or value, exacerbating what many already see as a burden.

Specifically, the jobs and incomes data points were characterized as complicated to accurately collect from SGBs. Many small businesses are family owned and operated, and often do not separate business and household finances, often rendering cost and revenue data inaccurate or invalid. It was also noted that the number of jobs during early stages can be misleading, as these are often family and friends who usually fill several roles, work temporarily or intermittently, and often are not drawing a documented paycheck, if paid at all. In these cases, the jobs measure changes quickly and is not a valid measure of income generation.

Confidentiality concerns. In addition to capacity issues, a majority of intermediaries reported reluctance of SGBs to share their business information. Most noted revenues and assets as a major M&E challenge in the online survey. The two most common reasons for this reluctance were SGBs' limited ability to correctly calculate required numbers and hesitation to report incorrect data, and deep concerns over the security and confidentiality of their business data. SBGs are uneasy about their data falling into the hands of competitors. This is a particular concern for new enterprises whose owners have often staked their life savings or family funds in the venture and is compounded by insecurity around sharing data over the internet (e.g., via email attachments). Beyond global concerns about internet privacy, several program countries were reported as having weak (slow and old) ICT infrastructure. Moreover, many LMICs have state-run internet providers, making more acute concerns over business data falling into the hands of a tax collector. These risks to data validity led to some IPs to collect data in person.

8.2 PACE INDICATORS AS A MANAGEMENT TOOL

The resources required to collect, enter, analyze, and report data is a significant part of any program budget, particularly when it must be done for multiple partners. Lack of dedicated M&E staff shifts this burden to managers, translating to high level of effort (LOE) spent on M&E among already-stretched managers. The quarterly reporting frequency is too high, as early-stage enterprises often take over a year to begin generating basic financial data like revenue change and do not experience such frequent changes in these measures. Approximately one-quarter of intermediaries also noted that several required indicators were not useful internally. Coupled with low SGB capacity and willingness to report, these difficulties rendered M&E as one of the more significant overall challenges in administering the PACE Initiative.

Approximately one-third of intermediaries reported challenges capturing impact indicators. These fall along two lines: first, tracking program effects on SGB businesses is difficult because longer time frames are needed for most new businesses to take off. Second, quantifying development impacts--specifically quantifying indirect beneficiaries--requires tracking who buys a product or uses a service after initial purchase, and attribution of outcomes like changes in household income to any one job, service, or program is tenuous. Third, while many partners found local investment ecosystems to be critical to the success of any support program, few knew how to measure changes in aspects such as policy or national availability of microfinance institutions (MFIs). A few partners also noted they did not know how to assess whether they had proved their theory of change or their hypothesis.

8.3 M&E IMPROVEMENTS

This section is informed by interviews with intermediaries and the assessment team's analysis of PACE internal data issues. PACE intermediaries suggested additional indicators to measure impact on gender, SGB management skills, and beneficiaries. The assessment team developed a set of core metrics and a vignette template to track activity progress annually.

Gender: Some respondents from both active and closed activities cited the importance—and the need to help capture—effects on gender. They noted that tracking only women-led SGBs or women in jobs did not capture their full impact on women's empowerment and proposed capturing women's participation across enterprise value chains as a more comprehensive approach. This would entail collecting more detailed data and may need to be adopted in an incremental manner beginning with intermediaries that express the willingness or already collect this level of data. Intermediary suggestions on data points to collect are detailed under Gender Section 6.

Management capacity: Some respondents requested more or better ways to capture entrepreneur soft skills and other capacity building goals considered to be critical to success. While these are recognized to be harder to measure than accounting skills, specific recommendations included: improved SGB management practices; making a great business pitch; and tracking SGB progress towards their social impact objectives. Even if SGBs do not achieve growth milestones in terms of revenue and job creation, the development of solid management practices provides the essential foundation for further business growth. Investisseurs & Partenaires (I&P) recently developed a grading system and checklist that tracks improvements in the management practices of their portfolio SGBs.[21]

Beneficiaries: While PACE is already collecting beneficiary data in various forms, a few partners noted that they were looking to measure the impact of SGB products and services on customers. One partner suggested measuring breadth and depth of impact, defined as impacts on incomes or quality of life; and reach, defined as number of full-time and informal jobs created and clients reached. Village Capital is an example of an intermediary that incorporates detailed measures of the outcomes of its activities including its PACE-supported social enterprises.

Proposed core metrics: Both the PACE dashboard and partner reports contain a wide array of measures that sometimes overlap and are not always consistent across the program, making program-level assessments difficult. For consistency and to ease the data burden, this review suggests a streamlined core of standard metrics. Table 12 below lists core measures that combine current PACE indicators with a few new additions and are proposed as a minimum requirement for all activities. Additional measures are an option for higher-capacity partners, or only after consistently demonstrated capacity to deliver on this core set of indicators.

Table 12: Streamlined Core of Standard Metrics

SGB Level	Intermediary Level
1) Jobs: Number of paid jobs created attributable to PACE-funded support (women/men)	1) Number and type of SGBs in PACE-funded activity

[21] Practique de Gestion (Management Practice Rating Checklist), Investisseurs & Partenaires (I&P).

2) Revenue and cost: (semi-annual)	2) Number and percent of donor funding from other sources used for PACE-funded activity
3) Financing: Amounts, types (loans vs equity inv vs grants) and sources of investment secured (private sector; donor/philanthropic funding; angel/individual investor etc.)	3) Annual PACE-funded activity costs (percent of main cost categories: operating/admin costs, TA costs, financing management costs, other)
4) Follow-on financing: Financing rounds attributable to PACE-funded support by numbering financing rounds: 1st, 2nd, 3rd, and so on.	4) Costs (types and percent) subsidized by parent or partner organization
5) Gender ownership: Women-owned, mixed-gender owned, men-owned (revise current PACE definition to the standard definitions for business ownership)	5) Annual PACE-funded activity revenue amount; sources; mix (grants/income/other)
	6) Total and average investments raised/leveraged across SGB portfolio

Vignette template: Vignettes can provide useful snapshots of progress, pending data availability. In updating and populating vignettes for this review, the assessment team devised an updated vignette template and streamlined format focused on the most useful data points (shown in Box 6). The team further suggests that vignettes are compiled annually as a management and communication tool for the PACE team.

BOX 6: Proposed annual PACE vignette template

- Executive summary
  - Highlights what is working well
  - Identifies issues to watch and areas for improvement over the next year
- Progress towards targets
  - Table with targets, any baseline figures, and updated achievements to date, followed by brief discussion on why some doing better than others
- SGB support model update
- Financing instruments - effectiveness and insights
- Technical assistance (TA) – effectiveness and insights
  - Support program operations
  - Efficacy in implementing the program
- Financial stability (current)/indications of post-PACE continuation
  - Current sources of funding and future sources of funding (identified or secured)
- M&E
  - Indicator utility – feedback from intermediaries and SGBs
  - Data quality issues overview

This assessment revised the impact summary section of the vignettes to better assess the effectiveness of the support models in terms of accelerating SGBs towards market readiness. The section on financial sustainability in the current vignette template has been replaced with a section on support program operations to assess financial stability in terms of reliable revenue streams sufficient to cover operations and operational efficiencies. The proposed vignette approach also reduces the M&E section to focus solely on data quality and indicator utility.

8.4 Recommendations

Recommendations on specific types of support to intermediaries include:

- High-touch support during MEL framework development to ensure partners fully understand and have capacity to report as required;

- Ensure partner MEL frameworks align with dashboard units, terms, and frequency. This would ideally be done in person (e.g., launch workshops) and with staff responsible for gender;

- Provide intermediaries with complete and updated Performance Indicator Reference Sheets (PIRS) on program dashboard indicators, to ensure clarity on units and definitions;

- The high variability of program reports in the PACE library and quality of the data dashboard point to the need for more frequent check-ins by USAID/PACE MEL staff to catch and remedy issues early;

- Increase training and guidance for partners on dashboard management and data upload; and

- Help partners identify and access tools to improve partner data collection. New or innovative tools should be assessed and recommended to PACE partners to ease data collection, as long as data quality and sources can be assured. Ready examples from the PACE portfolio include: GrowthAfrica's PRISM Impact Measurement tool; I&P's SGB Status Grading System rolled out in June 2020; and an online Growth Tracker system used by ASISA Edge Growth to streamline data collection from SGBs.

BOX 7: Suggestions for Incentivizing Data Collection for Intermediaries

- Provide a simple standardized form for the SGBs to complete.
- Create an online data dashboard that is simple to access and use for SGBs to directly input their data.
- Periodically provide SGBs with tables graphs and other visualizations (created with the use of sophisticated software such as "Tableau") so that SGBs receive the value-added benefit of using these for their business communications, promotion, and marketing activities.

9. Other General Insights and Recommendations

An important value-added aspect of PACE funding was the 'leverage power' and increased credibility afforded to PACE intermediaries and their programs focused on early-stage SGBs. While USAID funding was a small percentage of financing for most programs, the USAID brand was credited with securing large external partners and investors. The USAID funds were also utilized to experiment even with larger partners, such as I&P and Aga Khan Foundation. PACE funds allowed larger institutions to pilot more innovative approaches beyond their standard programming.

Collaborating with USAID Missions. PACE is a centrally funded mechanism but leveraging nonfinancial support from USAID Missions has made, and can continue to make, the difference in success and especially, sustainability of program impacts. Countries and economies are legally, economically and culturally different. Applying this understanding to program design for support to both intermediaries and entrepreneurs is important. One example is the CA-AP Program in Tajikistan. As a post-Soviet economy, its investment structures are nascent to nonexistent. Having a largely traditional culture (both geographically isolated and Muslim), and engaging small businesses, especially women, has distinctive challenges. Mission staff posted in these locations are well-positioned to provide support to both USAID/Washington and implementing partners to help translate the PACE Initiative to these multiple and particular contexts, as well as help national partners. Growth Africa also credits the USAID Mission staff in South Africa with making Edge Growth aware of the PACE Initiative and encouraging them to apply.

Tie milestones to actual event timelines. Most partners were concerned over reporting delays due to late start dates and disbursements for the majority of programs surveyed. Contract time frames could be triggered by receipt of initial disbursements that start activity and data collection, as opposed to earlier contract signature dates. Events such as COVID-19, local elections, and severe weather can also impact data collection abilities, and it may be worth reminding implementing n of USAID mechanisms for contract amendments for such events. Finally, one partner noted that some sectors such as health and agriculture require longer time frames due to natural cycles and higher levels of regulation and suggested more closely aligning PACE Initiative timelines and financial support instruments to these factors.

Conduct ex-post evaluations. Several partners noted the challenge of impact reporting in such short project timeframes. Ex-post evaluations (in a two-to-five-year time frame) would assess long term outcomes such as business viability, financial sustainability, ecosystem change, and impacts on beneficiaries. This suggestion is neither new nor unique to PACE and would require additional funding and planning to achieve. It should be feasible, especially if considered for a wide array of USAID programs where efficiencies may be gained.

Improve ratios of financing for early-stage SGBs founded by local and expatriate teams. In some of the more developed entrepreneur and investor ecosystems where PACE is funding activities, greater numbers of foreign-owned startups enterprises grew faster and attracted more external financing than locally-owned ones. For example, only 11 percent of the 18 companies that received investments through the TRAIN program had at least one African co-owner, despite 47 percent of screened businesses matching this description. Beyond business ownership, feedback suggests that expatriate-owned or managed businesses also tend to hire more expatriates and send profits and assets overseas, which may run counter to the objective of PACE and USAID's focus on building self-reliance. More exploration is needed to better understand how to address the investment gap between local-owned and expatriate businesses, to achieve locally-sustained results for local populations and businesses.

Annex A: Intermediaries Included in the Review

Table 13: Overview of Intermediaries included in the Strategic Review

Intermediary Name	Years of PACE funding	Overview	Intermediary Organizational Structure	Intermediary Revenue Sources	Region/ Country of PACE activity	SGB-level Focus	Sector(s) Focus	Types of Support Provided to SGBs	Types of Financing Provided to SGBs	Duration of Financing to SGBs
Aga Khan Foundation	2018-2021	The Central Asia-Accelerator Program is the only entrepreneur accelerator program active in Tajikistan to provide capital and assistance.	Not-for-profit organization established in 1967.	• Endowment funds • Donations • Endowment funds • Grants • User fees	Central Asia (Tajikistan)	Early-stage Growth stage Late stage	Hospitality; Clothing	• Pre-financing TA • Post-financing TA • Facilitating external financing • Direct loans	Loans	Three to six months
Edge Growth and Association for Savings and Investment South Africa (ASISA) Fund	2016-2019	This program provides investment and technical assistance to largely black-owned businesses.	Edge Growth (fund manager and advisory firm) and ASISA (insurance and asset management not-for-profit association)	Edge Growth • Grants • Management fees ASISA Fund • Interest on loans • Equity returns	Sub-Saharan Africa (South Africa)	Early-stage Growth stage	Finance (Financial Inclusion) Healthcare Information Communic	• Post-financing TA • Facilitating access to external financing • Equity financing • Direct loans	Loans Equity	Over one year

							ation and Technology			
Enclude	2015-2020	The program replicates the VPO model piloted by Enclude to increase variable payment option loans to women-owned SGBs.	Multi-stakeholder partnership led by Enclude (private consultancy firm) and a commercial bank, advisory firm, business development provider, and a university. Enclude was acquired by Palladium Impact Capital in 2018 (private sector).	Bank Partner ● Loan interest Enclude ● Grants ● BDS provider ● Fees	Central America (Nicaragua)	Growth stage	Agroindustry Education Fashion Textiles	● Pre-financing TA ● Post-financing TA ● Facilitating access to VPO loans from partner bank	Loans	Six months to one year
FINCA	2018-2021	This program employs a problem-based, business-to-business revenue-based finance model to support FinTech start-ups and MFIs in a mutually beneficial arrangement	FINCA UCO is a subsidiary of FINCA microfinance holding company, owned and managed by FINCA international (not-for-profit)	● Grants	Global	Early-stage	Finance (Financial Inclusion) Information Communication and Technology	● Pre-financing TA ● Post-financing TA ● Facilitating access to external financing ● Grant funding	Loans	Six months to one year
Growth Africa/EverGrowth	2018-2021	This program tests a new financing vehicle owned by investors who are	GrowthAfrica (accelerator and growth partner) EverGrowth (pilot variation of GrowthAfrica model) (private sector)	● Grants	East Africa	Early-stage	Agriculture Information Communic	● Pre-financing TA ● Post-financing TA ● Facilitating access to	Loans	Six months to one year

		directly involved in the selection of ventures for the Scaleup Accelerator				Growth stage	ation and Technology Renewable Energy	external financing ● Managing a matching grant facility		
IntelleCap	2015-2018	This program accelerates SGBs through consulting, corporate partnerships, and access to angel networks (private sector)	For-profit with a social impact focus	● Grants ● SGB fees ● Corporate partner fees	East Africa	Growth stage	Agriculture Finance (Financial Inclusion) Renewable Energy	● Pre-financing TA ● Post-financing TA ● Facilitating access to external financing ● Networking ● Facilitating linkages	Equity Loans Grants	Six months to one year
Investisseurs & Partenaires	2016-2020	This program partners with impact investment funds to invest in early-stage enterprises.	Impact investment group working with local impact investment funds.	● Grants ● Principal reimbursements	West Africa (Burkina Faso, Niger, Senegal)	Early-stage Growth stage	Agriculture Education Health	● Pre-financing TA ● Post-financing TA ● Facilitating access to external financing ● Equity financing ● Grant funding	Convertible Loans Grants	More than one year
MCE Social Capital	2016-2019	This program uses a loan guarantee model to lend to	Not-for-profit impact investing	● Grants ● Loan interest	South America, sub-Saharan Africa,	Early-stage	Agriculture	● Direct loans ● Loan guarantee	Loans	More than one year

		microfinance institutions and SGBs, with a strong focus on women-owned enterprises (not-for-profit)			Eastern Europe	Growth stage	Renewable Energy Water, Sanitation, and Hygiene			
New Ventures/VIWALA	2018-2020	This program provides revenue-based financing to women-owned SGBs in Mexico.	VIWALA is a separate private impact investing entity created by New Ventures (private sector).	• Grants • Loan interest	North America (Mexico)	Early-stage Missing middle companies	Beauty Renewable Energy Technology	• Direct loans • Revenue based lending	Loans	One to three years
Open Capital Advisors	2017-2019	The Talent to De-Risk and Accelerate Investment (TRAIN) model addressed talent and skills gap at the post-investment stage.	For-profit financial services and consulting firm.	• Grants • Investor fees • SGB fees	East Africa	Early-stage	Agriculture Energy Environment Finance	• Pre-financing TA • Post-financing TA • Facilitating access to external financing	Convertible Loans	Three to six months
Palladium Impact Capital	2019-2021	The program replicates the VPO model piloted by Enclude to increase	A partnership led by Palladium Impact Capital and a partner bank (private sector).		South America (Colombia)	Growth stage		• Pre-financing TA • Post-financing TA	Loans	Six months to one year

		variable payment option loans to women-owned SGBs.						• Facilitating access to external financing		
Root Capital	2016-2019	The Last Mile Initiative (LMI) provided loan financing to early-stage SGBs to support sustainable livelihoods for small farmers.	Rural development fund (not-for-profit)	• Grants	Africa, South America, Southeast Asia	Early-stage	Agriculture	• Direct loans	Loans	More than one year
Shell Foundation*	2014-2018	This program trains and invests in SGBs that increase access to modern clean energy services.	Independent charity (not-for-profit)	• Grants	South Asia (India)	Early-stage Growth stage	Renewable Energy	• Pre-financing TA • Post-financing TA • Facilitating access to external financing	Grants	More than one year
Shell Foundation/Factor(e)	2014-2018	This program focuses specifically on early-stage SGBs with technology risk.	Venture fund and incubator (private sector)	• Grants • Advisory fees • Investment returns	East Africa, South Asia (India)	Early-stage	Agriculture Renewable Energy Water, Sanitation,	• Post-financing TA • Facilitating access to external financing • Equity financing	Equity	More than one year

							and Hygiene	• Venture building support		
Shell Foundation/Sangam	2014-2018	This program focuses specifically on early-stage SGBs to scale.	Investment firm (private sector)	• Grants • Investment returns	South Asia (India)	Early-stage	Agriculture Environment Renewable Energy	• Pre-financing TA • Post-financing TA • Facilitating access to external financing • Equity financing • Grant funding	Equity Grants	More than one year
Stage Six	2018-2021	This program supports successful local social franchises to scale into global franchise models using a six-stage growth process.	Start-up company (private sector)	• Franchise royalty or equity • Support and advisory fees • Franchise license fees	Global	Growth stage Late stage	Affordable Housing Health Water, Sanitation, and Hygiene	• Franchising • Life-of-franchise support • Facilitating access to external financing	Loans	Entire life of the business
Village Capital	2014-2019	This program identifies, trains, and invests in SGBs, using a peer-selection model.	Venture capital investment fund (private sector)	• Grants • Fund management fees • Investment returns	Global	Early-stage	Education Finance (Financial Inclusion) Renewable Energy	• Pre-financing TA • Post-financing TA • Facilitating access to external financing	Equity Loans	More than one year

								• Equity financing • Direct loans		
Villgro Kenya	2016-2019	This program bridges the gap in incubation services to SGBs developing scalable pro-poor health solutions.	Social enterprise incubator (not-for-profit)	• Grants • Consulting fees	East Africa (Kenya, Uganda)	Early-stage	Healthcare	• Pre-financing TA • Post-financing TA • Facilitating access to external financing • Equity financing • Grant funding	Grants	More than one year
Women's Investment Club Senegal (WICS)	2018-2021	The program is based on WIC capital syndicate model designed to ensure return on investments via flexible and tailored financial instruments, exclusively for women entrepreneurs	Start-up investment firm (private sector)	• Grants • In-kind contributions • Investor fees	West Africa (Senegal)	Early-stage	Apparel Industry	• Pre-financing TA • Post-financing TA • Facilitating access to external financing • Equity financing	Equity Loans	More than one year

Yunus Social Business Uganda (YSBU)	2015-2019	This program lends to SGBs and provides pre- and post-investment training.	Social venture fund Subsidiary (not-for profit)	• Grants • Investment interest fees	East Africa (Uganda)	Early-stage	Agriculture Environment Healthcare Renewable Energy Water, Sanitation, and Hygiene	• Pre-financing TA • Post-financing TA • Facilitating access to external financing • Direct loans	Loans	More than one year
*PACE funded Shell Foundation, who then used PACE funding to support two additional accelerators, Sangam and Factor(e).										
*In 2018, Enclude was acquired by Palladium, but functions as a separate legal entity in order to complete the PACE-funded VPO program in Nicaragua.										

Annex B: List of Respondents

Table 14: List of KIIs Conducted
Organization
Closed Intermediary
Edge Growth and ASISA Fund
IntelleCap
MCE Social Capital
Open Capital Advisors
Root Capital
Shell Foundation/Factor(e)
Shell Foundation/Sangam
Village Capital
Villgro Kenya
Yunus Social Business
New/Active Intermediary
AKF CA-AP
FINCA
GrowthAfrica/EverGrowth
I&P
New Ventures/VIWALA
Palladium/Enclude
Stage Six
WICS
USAID-funded Programs
USAID DIV
USAID INVEST

USAID SWFF
Other stakeholders
Aspen Network for Development Entrepreneurs (ANDE)
Global Partnerships
Entrepreneur
Palobde Services

Table 15: List of Survey Respondents	
Closed Intermediary	**New/Active Intermediary**
Edge Growth and ASISA Fund	AKF CA-AP
IntelleCap	FINCA
MCE Social Capital	GrowthAfrica/EverGrowth
Open Capital Advisors	I&P
Root Capital	New Ventures/VIWALA
Shell Foundation	Palladium/Enclude
Shell Foundation/Factor(e)	Stage Six
Shell Foundation/Sangam	WICS
Village Capital	
Villgro Kenya	
Yunus Social Business	

Annex C: Vignettes

Annex D: References

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Annex E: Frequency of Data Availability per Dashboard Indicator for Active and Closed Intermediaries

Table 16: Frequency of Data Availability per Dashboard Indicator for Active and Closed intermediaries (Total Number of Intermediary Records Available, n = 19)				
Issue	**Measure**			
PACE awardees are able to operate sustainably post-subsidy	Total annual expenses ($) = 3	Annual revenue generated ($) = 3	Capital received to invest in a fund = 1	Value of capital received to cover operating costs of PACE-funded aspects = 0
PACE identifies cost-effective models that generate successful enterprises	The percent of enterprises still operating one year after graduation = 0	Total revenues of supported enterprises ($) = 10	Jobs maintained at directly supported/financed enterprises = 13	Value of direct award-related capital invested in enterprises = 5
	Number of enterprises received direct award-related capital investments = 8	Value of follow-on private capital invested in enterprises = 7	Number of clients/customers served = 6	Total private capital catalyzed = 17

Source: PACE dashboard

Annex F: Streamlined Core of Standard Metrics

Table 17: Streamlined Core of Standard Metrics	
SGB Level	**Intermediary Level**
1) Jobs: Number of paid jobs created attributable to PACE-funded support (women/men)	1) Number and type of SGBs in PACE-funded activity
2) Revenue and cost: (semi-annual)	2) Number and percent of donor funding from other sources used for PACE-funded activity
3) Financing: Amounts, types (loans vs equity inv vs grants) and sources of investment secured (private sector; donor/philanthropic funding; angel/individual investor etc.)	3) Annual PACE-funded activity costs (percent of main cost categories: operating/admin costs, TA costs, financing management costs, other)
4) Follow-on financing: Financing rounds attributable to PACE-funded support by numbering financing rounds: 1st, 2nd, 3rd, and so on.	4) Costs (types and percent) subsidized by parent or partner organization
5) Gender ownership: Women-owned, mixed-gender owned, men-owned (revise current PACE definition to the standard definitions for business ownership)	5) Annual PACE-funded activity revenue amount; sources; mix (grants/income/other)
	6) Total and average investments raised/leveraged across SGB portfolio