



PARTNERING TO ACCELERATE ENTREPRENEURSHIP (PACE) INITIATIVE STRATEGIC REVIEW 2.0

Overview

USAID launched the Partnering to Accelerate Entrepreneurship (PACE) Initiative in late 2013 to catalyze private-sector investment into early-stage enterprises and 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, seed-stage investment funds and organizations that foster entrepreneur-friendly infrastructure and country-level policy. 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.

LEAP III conducted a comprehensive review of the PACE Initiative, including closed and ongoing activities, to (i) understand the results across the portfolio by assessing the relevance, effectiveness, efficiency, impact, and sustainability of PACE-supported intermediaries; (ii) enhance current PACE activities in the remaining life of the project; and (iii) identify data-driven trends valuable for all stakeholders that support early-stage businesses. The work built off an earlier strategic review in 2017, providing more recent, concrete examples from intermediaries; verifying achievements reported in 2017; improving categorization of PACE intermediaries; making estimations and data tables easier to understand; and drawing comparisons to the 2017 Strategic Review where updated data is available.

Methodology

The PACE Initiative strategic review answered 13 key questions related to efficiency, sustainability, gender equity and equality, and future recommendations for financing models. It included a desk review of USAID-collected portfolio data and materials, a brainstorming session, and remote primary data collection, including key informant interviews and an online survey. Given the number of intermediaries and vast amount of information included in the assessment, as well as the significant gaps in data reported by intermediaries, the strategic review was conducted in phases and with frequent collaboration with USAID. This included a synthesis document, initial assessment findings brief, strategic review report, and vignettes of 18 intermediaries. Each vignette included intermediary highlights and an executive summary, lessons learned, opportunities for improvement, an impact summary, M&E summary, and review of financial sustainability.

Key Findings

The strategic review concluded that PACE funding was catalytic in financing early-stage small and growing businesses (SGBs). It 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. Second, donor capital filled the early-stage support gap. The 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. Third, combining financing with business capacity development is essential to success. The PACE Initiative demonstrated supporting intermediaries that combine access to financing with technical assistance, pre- and post-investment capacity development and acceleration increases the potential for SGBs to realize business development and growth.

Additionally, grant capital alleviated the financial strain for intermediaries assisting early-stage enterprises. Grant capital provided by PACE enabled intermediaries to pilot, test, or replicate new financing instruments, and to identify the best suited options. Fifth, 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. Lastly, 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

The strategic review provided a number of key recommendations to the USAID Global Development Lab. First, USAID should consider supporting longer runways for pre- and post-investment technical assistance. Second, gender inclusion should be strengthened at the activity design stage. Third, monitoring and evaluation should be streamlined to increase the effectiveness of data collection. Fourth, there is a need to increase collaboration between PACE and other USAID programs supporting entrepreneurship development and innovation. Lastly, USAID should continue to develop local capabilities. These include not-for-profit and private sector large multi-country intermediaries; regional partner organizations; independent regional organizations; and larger organizations supporting local investment funds in emerging economies.