WHITE PAPER:

UNITED KINGDOM DEPARTMENT FOR INTERNATIONAL DEVELOPMENT AND AUSTRALIAN DEPARTMENT OF FOREIGN AFFAIRS AND TRADE PROCUREMENT AND ASSISTANCE APPLICATIONS FOR USAID

BRIEFING ON FINDINGS OF WHITE PAPER
SEPTEMBER 3, 2020 | OCTOBER 20, 2020
INTRODUCTIONS

• Ashlee Tuck, Professional Development and Training Division (PDT), Contracting Officer’s Representative Innovative Finance Task Order

• Dany Khy, implementing partner working with the Professional Development and Training Division
1. Present findings from the White Paper: United Kingdom Department for International Development and Australian Department of Foreign Affairs and Trade Procurement and Assistance Applications for USAID;

2. Outline DFID and DFAT approaches to innovative finance, with a focus on pay-for-results;

3. Provide examples supported by DFID and DFAT;

4. Inform USAID’s Acquisition and Assistance workforce & help them develop a foundational understanding of pay-for-results approaches
AGENDA

- Setting the stage
  - Development context for innovative finance
  - How is innovative finance defined?
- DFAT
  - Overview
  - Case Study #1: Investing in Women (IW)
  - Case Study #2: Emerging Markets Impact Investing Fund (EMIIF)
- DFID
  - Overview
  - Case Study #3: Impact Programme I
- Recommendations
- Q & A
- Closing
BACKGROUND

- Interviews with DFID, CDC, and DFAT
- Interviews with Investing in Women and the Impact Programme
- Useful resources
  - Donor Committee for Enterprise Development
  - Dalberg report on Innovative Finance for Development
  - Convergence reports
  - Investing in Women case studies
  - Impact Programme evaluation
SETTING THE STAGE
DEVELOPMENT CONTEXT FOR INNOVATIVE FINANCE

- Increased alignment between the public and private sectors
- Evolving role of donors
- USAID Private Sector Engagement Policy
“Innovative finance deploys proven approaches to new markets (new customers and segments), introduces novel approaches to established problems (new asset types), or attracts new participants to the market (such as commercially-oriented investors).”

— USAID PSE Policy
2017 Foreign Policy White Paper

• Links Australia’s national interest to a prosperous Indo-Pacific region and affirms the government’s commitment to Southeast Asia.

• Entails making a shift from the traditional donor-beneficiary dynamic to a more mature economic relationship and people-to-people links.

• Emphasizes that a fundamental barrier to this prosperity is gender inequality.

• Recognizes the need to crowd-in private financing to contribute toward development efforts in the region.
DFAT – CASE STUDY #1
INVESTING IN WOMEN

• $107 million, 7-year, multi-country initiative for Southeast Asia.

• The program seeks to improve women’s economic participation through three strategic areas: (1) workplace gender equality, (2) impact investing to support women-owned and operated SMEs, and (3) influencing gender norms.

• IW operates in 2 phases:
  – Phase 1: April 2016 to June 2019
  – Phase 2: July 2019 to July 2023

• Under the second objective, IW partners with impact investors to strengthen access to finance for women-owned and -operated SMEs in Indonesia, the Philippines, and Vietnam, and to build a business case for a more inclusive investing environment globally.
DFAT – CASE STUDY #1
INVESTING IN WOMEN

Impact investing partners:
• Capital for Development (C4D)
• Patamar Capital
• Root Capital
• Small Enterprise Assistance Fund (SEAF)

Partnership highlights:
• Performance-based grant agreements
• Leverage targets
• 10-year agreement(s) to mirror the typical lifespan of a private equity fund, which exceeds the life of the project
• Allows partners to front-load management fees for staff
• Requirement to focus on women-owned and -operated SMEs
• Technical assistance to the SMEs
• Gender lens investing (GLI) action plan for partners
DFAT – CASE STUDY #2
EMERGING MARKETS IMPACT INVESTMENT FUND (EMIIF)

• AUD $40 million, multi-country and multi-sectoral initiative for Southeast Asia

• DFAT’s first non-grant financing facility aimed at building its bilateral investment capability

• Allows for more direct engagement with private investors

• Provides greater control over the deployment and impact of investments made in line with DFAT’s strategic and development priorities

• Invest in funds that target early- and growth-stage SMEs using a range of non-grant financial instruments such as loans, equity and guarantees to encourage additional investment into investee funds from private investors.
DFAT – CASE STUDY #2
EMERGING MARKETS IMPACT INVESTMENT FUND (EMIIF)

Partners:
• Sarona Capital
• MEDA
• Volta Capital
• Whitelum Group

Partnership highlights:
• Innovative governance structure
• Supports alignment with DFAT’s strategy
• Knowledge transfer embedded into agreement
• Incorporates lessons learned from Investing in Women, Dutch Good Growth Fund and DFID’s Impact Programme
2017 Economic Development Strategy

- DFID’s approach to private sector engagement is to act as a catalyst and facilitator and work in partnerships with a range of actors, including the private sector.

- Prioritizes innovative finance mechanisms including DIBs

Streamlined procurement process by operating mainly on framework agreements, which offer multiyear contracts to select suppliers of services within a consortium

- DFID currently has 6 framework agreements across multiple sectors

DFID is the only shareholder for its development finance institution, the CDC, which allows it to set the investment policy and priorities
DFID – CASE STUDY #3
IMPACT PROGRAMME I AND II

• Operates in 2 phases:
  – Phase I: 2012 to 2018
  – Phase II: 2019 to 2023

• The program seeks to improve main components: a market-building grant facility aimed at addressing the barriers to impact investments in Africa and South Asia; two investment vehicles, the Impact Fund and Impact Accelerator; and a technical assistance facility to support investee companies.

• By the end of 2017, the Impact Programme provided £130 million in investments to catalyze the market for impact investment in Sub-Saharan Africa and South Asia.
Priorities include:
• Provide new sources of finance for impact investing
• Improve impact measurement
• Build fund manager capacity
• Bridge information gaps
• Support deal flow

Partnership highlights:
• Established grant facilities (funding windows)
• Incorporates elements of co-creation
• Pay-for-results grant agreements
• Supports innovators in the ecosystem
• Narrow focus in Phase II
RECOMMENDATIONS

• Recognized the most appropriate role for donors

• Results focused and flexibility

• Provide catalytic capital to encourage the private sector to enter riskier markets.

• Support new actors with localized knowledge and expertise.

• Provide technical assistance.

• Support organizations and social enterprises that may not be profitable but still provide a valuable public good.

• Timeline that more closely aligned with the private sector

• Support the business enabling environment and broader entrepreneurship ecosystem.
PROFESSIONAL DEVELOPMENT AND TRAINING (PDT), OFFICE OF ACQUISITION & ASSISTANCE

ASHLEE TUCK, CONTRACTING OFFICER’S REPRESENTATIVE
INNOVATIVE FINANCE TASK ORDER

ATUCK@USAID.GOV
PDTandMe@usaid.gov

https://pages.usaid.gov/M/OAA/professional-development-and-training