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TECHNICAL ASSISTANCE

OPENING UP NEW HORIZONS

CAPACITY BUILDING | IMPACTS | INNOVATION

PERFORMANCE | CSR ISSUES | FINANCIAL INCLUSION

PS&D

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SUMMARY

Camille Severac

Head of the technical assistance and blending unit, Proparco

Technical assistance (TA) is an accelerator of performance, responsible practices and impacts. It is a way for Development Finance Institutions (DFIs) to promote the integration and dissemination of strategic issues for their partners and beneficiaries, by building their skills through the provision of external expertise.

Ten years ago, the *Private Sector & Development* magazine devoted a special edition to technical assistance, whereas it was still a relatively new tool in projects to support the private sector. It has now become a development instrument commonly used by all the players (international organizations, donors, impact investors, etc.). This latest issue devoted to TA provides an opportunity to look at the many facets of this instrument and its achievements, with the aim of enhancing its effectiveness and impacts. It also presents and imagines its new forms and uses in response to the issues of tomorrow's world: climate, resilience to crises, social justice, reduction of gender inequality, capacity to adapt to major transitions.

The financial volumes devoted to technical assistance by European Development Finance Institutions (EDFIs) demonstrate the ramp-up of these services: the amount has doubled in the last six years. Donors such as the European Union (EU) have also stepped up their cooperation with EDFIs by delegating TA financing and grants to them. This has allowed European institutions to scale up their support for private sector development.

The TA services offered by DFIs initially focused on capacity building for their clients and has gradually, and quite naturally, been positioned towards more extensive assistance. A range of players operating in the business environment of the private sector can benefit from them and, by extension, local and regional ecosystems. More generally, improving business practices has a knock-on effect on the sector or industry as a whole and, in the longer term, contributes to structuring them.

While TA support was already offered to companies for business development in new markets (market research, feasibility studies, adaptation of business models), it is now a question of taking this instrument further by positioning it ahead of demand. The objective is to show the market potential or operating conditions to players and make it conducive to the emergence of new players. TA can then allow new markets to be explored in riskier and less mature environments. In short, it opens up new horizons.

Stephen Berson
Monitoring & evaluation lead, Essor Programme

Stephen Berson is a monitoring and evaluation specialist with over ten years of experience in international development cooperation. He has worked on the ground in Asia, the Middle East and Africa. He is currently based in the DRC, where he works as the Essor Programme's Monitoring & Evaluation lead.

Amance Bustreau
Project officer, Expertise France

Amance Bustreau holds a Master's Degree in Development Economics (CERDI) and worked for two years in the field of microfinance in France. She joined Expertise France in November 2020 as a project officer in the private sector in Libya, before taking over the monitoring and evaluation of the Innov'i-EU4 Innovation project in Tunisia.

Teddy Deroy
Director for Europe, East and North Africa, IBIS Consulting

Teddy Deroy trained as a chemical engineer (ESPCI Paris) and holds an MSc in Environmental Science (Imperial College London). He is now an expert in international standards and global issues (social, societal, land and ethical) in the African context. He is one of the founding directors of IBIS Consulting and manages the IBIS offices in East Africa (Kenya), North Africa (Morocco) and Europe (France).

Guillaume Estager
Partner, Philae Advisory

Guillaume Estager is a partner at Philae Advisory and has worked for the past 25 years in PE and project finance in the power, infrastructure and O&G sectors on the African continent, including as head of M&A at Shell downstream. Guillaume graduated from HEC (Grandes Ecoles).

Dahlia Hawili
Project manager for entrepreneurship and the inclusive economy, AFD

Dahlia Hawili is project manager for entrepreneurship and the inclusive economy in the Economic and Financial Transition Department at Agence Française de Développement (AFD). She is specialized in supporting MSMEs and social enterprises and participates in financing public programs to support entrepreneurship which develop inclusive entrepreneurial ecosystems, mainly in Africa.

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Tori Hellrung is an executive at CDC Group, specialised in impact measurement and portfolio management for impact investors. Prior to CDC, Tori was a consultant at Universalia, where she evaluated the performance of clients, including the World Bank, the UN and foundations. She holds an MBA from the University of Oxford and a BA from McGill University.

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Peter has a background in private equity, banking, retail, corporate finance and accounting. He teaches on the Oxford Impact Investment Programme and the Oxford Social Finance Programme at Saïd Business School and is Senior affordable education advisor to CapitalPlus Exchange (CapPlus). He also contributed to the first issue of Private Sector & Development on technical assistance, published in 2011.

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Christina Juhasz is the chief investment officer of Women's World Banking Asset Management. She leads the management of impact investing funds, WWB Capital Partners I and II, directing equity investments into inclusive financial services providers with the aim of increasing outreach to women as customers, employees and leaders of the companies.

Sarah Marchand
Director, CDC Plus

Sarah Marchand joined CDC in 2017 and is a director of the Impact Group. She has over 15 years' experience spanning both the private and development sectors and has worked alongside investment teams for the last decade, specialising in post-investment value creation. Over the past ten years, Sarah has successfully set up and run technical assistance facilities linked to - but independent of - the private equity funds they support.

Marnix Mulder
Director of market development, Triple Jump

Marnix Mulder is an expert on financially inclusive market development strategies with 20-plus years of experience in development finance and advisory in frontier markets. Responsible for developing and implementing Triple Jump's market development program, he has incubated numerous innovative finance initiatives and built financial service providers' capacities and ecosystems.

Aïda Ndiaye
Digital project manager, AFD

Aïda Ndiaye is digital project manager at Agence Française de Développement (AFD). She is specialized in digital entrepreneurship issues, in particular in the education, vocational training and employment sectors. She works on financing innovation programs for the public sector, as well as for impact digital start-ups, universities and NGOs, both in Africa and the Middle East.

Gabrielle Orliange
Head of social and environmental performance, SIDI/FEFISOL

Gabrielle Orliange joined SIDI in November 2016. After serving as head of technical assistance at the European Solidarity Financing Fund for Africa (FEFISOL), then as an investment officer for Latin America and Madagascar, she is currently responsible for social and environmental performance at SIDI and the FEFISOL fund. Prior to joining the social investor, Gabrielle Orliange worked for the World Bank in the Development Economics Research Group.

Ariane Philis
Project manager, Expertise France

Ariane Philis has been managing projects to support entrepreneurship and innovation in Tunisia since she joined Expertise France in 2019. She was previously responsible for the implementation of a project to develop market systems in the Democratic Republic of Congo (DRC), financed by the UK's DFID.

Lynn Pikholz
CEO, CapitalPlus Exchange

Lynn Pikholz is the founder and CEO of CapPlus. She is an emerging economy development and small business finance expert, specializing in market-based poverty reduction strategies. CapPlus accelerates impact investing by strengthening financial institutions in emerging economies and delivering profitably for social impact projects.

Harsha Rodrigues
Executive vice-president, Regional client services, Women's World Banking

Harsha Rodrigues is executive vice-president, Regional client services at Women's World Banking, and is responsible for leading all work within four regions and several priority markets across South Asia, South-East Asia, Africa and Latin America. The regions offer advisory support to financial service providers, policy makers and regulators to drive women's financial inclusion and women's economic empowerment.

Andrew Shaw
Head of technical assistance and grants, FMO

Andrew Shaw is in charge of FMO's technical assistance (TA) and grant activities. He has over 20 years of experience in the origination, design and implementation of successful TA projects and programs to support private sector development and its contribution to achieving the SDGs.

Stéphane Woerther
Essor A2E Team leader–Managing partner, Philae Advisory

Stephane Woerther is the founder and managing partner of Philae Advisory, a financial advisory firm focused on the energy sector and on Africa. He also lectures in Project Finance at Écoles des Mines de Paris & Saint-Étienne and at the IFP-School. He is a graduate of the Ecole des Mines engineering school and holds an MSc in Economics from Paris-Assas University/IFP.

Philippe Baudez
Manager of educational projects for the private sector and entrepreneurship, Development Campus, AFD

Philippe Baudez is an energy and environmental engineer. He has been developing his expertise in supporting entrepreneurship and the development of markets in Asia and Africa for ten years. He joined AFD Group in 2019 to set up Proparco and FISEA's technical assistance projects for fund managers and MSMEs. Since 2021, Philippe Baudez has been coordinating capacity building programs for the private sector and entrepreneurs (such as the SIBC) at AFD's Development Campus.

Marion Calloch
Investment officer, Proparco

Marion Calloch has been managing the implementation of technical assistance projects in the financial inclusion sector and programs financed by the European Union in the technical assistance and blending unit for six years. She is also responsible for issues related to reducing gender inequality. Marion Calloch graduated from NEOMA Business School (Rouen), with a major in entrepreneurship. She also holds a Master 2 in International Relations and Development Economics.

Sébastien Fleury
Director, Investing in complex environments, Proparco

Sébastien Fleury joined Agence Française de Développement (AFD) in 2003. He initially worked in the Financial Department, then in the Risk Department where he monitored AFD's non-sovereign portfolio. From 2013 to 2016, he was Proparco's representative in South Asia. When he returned to Paris, he was appointed manager of Proparco's international network and partnerships with European Development Finance Institutions (DFIs). Since 2019, he has been managing and coordinating Proparco's activities in fragile countries and complex environments.

Delphine Moreau
Investment officer, Proparco

Delphine Moreau works in Proparco's Industry, Agriculture and Services Division (MAS), where she mainly manages agricultural and agribusiness projects. She joined AFD Group in 2016, after working for the International Finance Corporation (IFC) in Turkey in social sectors (health, education) and industry. Delphine Moreau previously worked in the structured financing teams of BNP Paribas in Asia. She graduated from Sciences Po Paris.

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Soline Praloran assists Proparco's clients and partners with the development of their strategies and practices, with the objective of maximizing their impacts on development. She previously worked for 12 years in a bilateral cooperation agency in the Social and Solidarity Economy Department and as an organization and strategy consultant. Soline Praloran holds a Master's Degree in Management from EDHEC Business School.

Technical assistance: the outlook for a strategic tool for development finance

Andrew Shaw, Head of technical assistance and grants, FMO

Technical assistance (TA) is the non-commercial support provided by a DFI to develop capacity and effectiveness. It complements funding to maximise development impact, contributing to achieving the United Nation's Sustainable Development Goals – with the goal of a better world for all.

AN ARTICLE BY
ANDREW SHAW
Head of technical assistance and grants, FMO

Andrew Shaw is in charge of FMO's technical assistance (TA) and grants activities. He has over 20 years of experience in the origination, design and implementation of successful TA projects and programs to support private sector development and its contribution to achieving the SDGs.

Against the background of the COVID-19 pandemic, a recent survey by FMO of more than 900 MSMEs in Eastern Europe and Africa showed that less than 10% of these took action and invested in structural transformations. Here, TA can play an important role.

TA is rooted in traditional development assistance – the programs funded by governments and international organisations. From a DFI perspective, it complements commercial and blended capital to maximise development impact. It is the most concessional instrument of DFIs, and may be a market differentiator because commercial parties may not have access to it. In terms of private sector development, DFIs offer a unique view of the market and the capability to deploy TA complementary to (or in anticipation of) investments or loans, with catalytic aims (i.e. crowding in others to increase financing flows).

TA is typically financed by a combination of governments (DFI shareholders), own (DFI) resources and other funders (e.g. the European Commission). The way TA mandates are defined is determined by the DFI's strategy, the criteria of the funding partner, and market forces. Aligning these is important to ensure effective TA programs.

DFIs want TA to be deployed effectively. Thus the additionality test - how likely is the project and its intended outcomes and impacts to be realised without TA? – is important. The transaction-level approach to TA has been most common among DFIs, with a focus on mitigating certain risks, or seeking an improvement of the beneficiary firm's capabilities. However, DFIs

> "In terms of private sector development, DFIs offer a unique view of the market and the capability to deploy TA complementary to (or in anticipation of) investments or loans, with catalytic aims, i.e. crowding in others to increase financing flows."

are increasingly applying advanced program design methodologies, using market intelligence and research to better understand demand and to identify where additionality and impact can be greatest; hence, where the synergy between TA and commercial instruments is strongest. A mismatch could lead to inappropriate subsidies, market distortion, and the inefficient and ineffective use of TA.

> *"DFIs are increasingly applying advanced program design methodologies, using market intelligence and research to better understand demand and to identify where additionality and impact can be greatest."*

FORMS OF TA

TA takes different forms. It is often synonymous with "grants" or "advisory services". Across DFIs, the grant has been the instrument of choice, usually structured to share the costs of a project with a client or partner so that both parties have "skin in the game". It is aimed at achieving a change in the recipients' practices, policies, and performance; for example, supporting an agribusiness to develop an improved approach to smallholder farmer support. There should be a measurable change or transfer of knowledge, and the TA addresses a gap that has been identified. This approach remains important to DFIs, and there can be valuable client-/investee-level outcomes; it is embedded in the DFI investment process, with the needs assessment often being undertaken at the due diligence stage by a multi-disciplinary team.

The same principles can be applied to providing advisory services. Here, a DFI-contracted consultant provides a service to the client, with the costs usually being shared. The means differ from those of a grant, but the result is the same or similar.

THE NEW FRONTIER OF TA

DFIs are increasingly innovating in the areas of TA deployment and grant capital use. There are many high-potential approaches being used, including outcome-based instruments (like development impact bonds), using a grant as a "first-loss" buffer or to facilitate impactful partnerships.

Below, in moving beyond transaction-level efforts to build capacity within single organisations, we consider two approaches: recoverable grants and market-level efforts to shape entire markets for greater impact.

Recoverable grants, whether repayable or convertible, sit in-between non-recoverable grants and more commercial instruments like loans or equity. A recoverable grant may be provided to finance a project where the funding covers what otherwise might be considered operational costs (exempting it from traditional grant financing). The repayment or conversion triggers are determined in the grant agreement. For example, a company could use a recoverable grant to finance research or activities to set up a new inclusive business line that reaches excluded populations, such as refugees. The DFI and the grant recipient share some of the costs and risks associated with the undertaking, and the grant effectively helps to prove a business case. The repayment trigger will be defined with the recipient – for example, repayment of the first hundred loans to refugee-owned businesses.

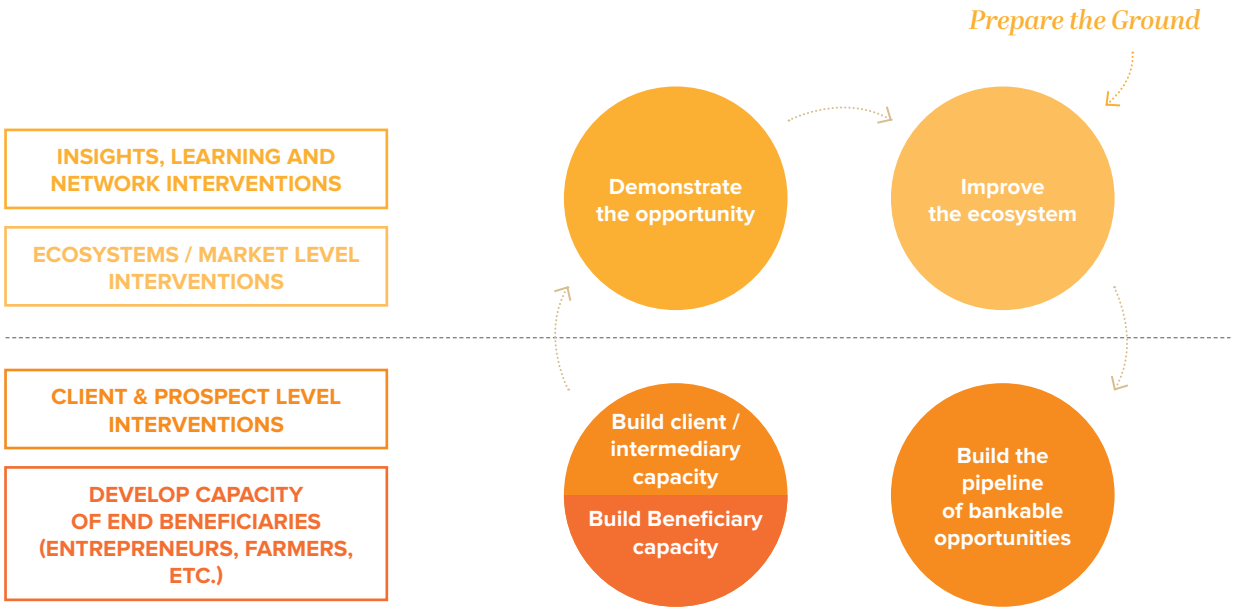
> *The impact brought about by TA could take the form of more (or better) jobs, developing inclusive or climate-resilient business models, or improved environmental outcomes – essentially, a more inclusive, sustainable world.*

The market-level approach is supported by the increasing calls for DFIs to redouble their efforts in the wake of the pandemic (for example, Attridge and Gouett, 2021: https://cdn.odi.org/media/documents/DPF_Blended_finance_report_tuMbRjW.pdf).

DFIs are compelled to improve their TA offering by applying a more sophisticated portfolio or value-chain approach, coupled with ecosystem or market-level programming to make transformative investments work. This enables DFIs to leverage their positions as financing partners to access funding for TA, with zero expectations of a commercial return.

Through a private sector development lens, TA can be provided at five levels. The company that the DFI invests in or finances is at the first level. At the second level, where we look to create a direct impact, is the end-beneficiary/target group. An example is entrepreneurs being financed by a client microfinance institution. This could involve setting up or supporting existing entrepreneurial support organisations. At the third level, we use TA to create better and more bankable opportunities for development finance. This could take the form of pre-investment TA, through an incubation or acceleration program or the funding of feasibility studies. TA can be provided at a fourth level to improve key ecosystems or markets. The scope could vary depending on the priorities in a given market. For example, DFIs have collaborated to establish

Catalytic private sector development TA



Source: FMO

sector initiatives to raise environmental and social standards in markets. At a fifth level, TA can be used to benefit the development finance space, by creating demonstration effects, sharing learning, and enabling network effects; aims may also include sharing and coordinating market studies, or capturing lessons learned from TA programs, with the express aim of enabling DFIs and others to improve their efficiency, effectiveness, and coordination.

DFIs occupy a key position in this nexus, holding both commercial and non-commercial funding and often the right relationships to make a difference. Further important factors are how coordination occurs, ensuring that each intervention has the right set of partners, alignment on how success is achieved, and consolidation of the voices of the participants.

The TA space is developing rapidly as DFIs recognise its strategic importance in achieving their ambitious goals. The challenge of implementing the Addis Ababa Action Agenda (AAAA) and financing sustainable development has increased. We have started to comprehend the impact of COVID-19 on development finance and we need to close the ever-widening financing gap.

The development finance industry needs to act to regain its balance, to reclaim some of the lost ground: it must adapt, collaborate and innovate to accelerate progress towards achieving the SDGs. DFIs can do this with strategic program management and TA.

FOCUS
FMO

FMO is the Dutch entrepreneurial development bank. It has over 50 years of expertise in sustainable private sector investment, integrating commercial instruments with technical assistance and supporting ESG improvements in developing countries and emerging economies.

CONCLUSION

TA is the non-commercial support provided by a DFI or other organisation that is aimed at developing the capacity or effectiveness of a client, investee, partner or ecosystem/market. Objectives also include reducing/mitigating the risks associated with a project or investment to improve the conditions for impact, and to protect it.

The impact brought about by TA could take the form of more (or better) jobs, developing inclusive or climate-resilient business models, or improved environmental outcomes – essentially, a more inclusive, sustainable world.

Unleashing the full potential of technical assistance

Marnix Mulder, Director of market development, Triple Jump

Broadening the technical assistance (TA) toolkit creates a unique and impactful opportunity to help accelerate achievement of the Sustainable Development Goals (SDGs). The value creation potential of technical assistance can be unleashed by taking a systemic approach to market development, investing in talent and result management. and - particularly – in sector collaboration and joint learning.

AN ARTICLE BY
MARNIX MULDER

Marnix Mulder is an expert on financially inclusive market development strategies with 20-plus years of experience in development finance and advisory in frontier markets. Responsible for developing and implementing Triple Jump's market development program, he has incubated numerous innovative finance initiatives and built financial service providers' capacities and ecosystems.

Unlocking the potential transformative power of entrepreneurship is a crucial strategy to help achieve the SDGs in developing countries. Impact investing, in turn, seems best positioned to fuel that transformation. Impact investing's promotors – like the Global Impact Investing Network (GIIN) – dream of a world where impact considerations are ingrained in the financial sector. They promote more attractive products for investors, standardization and transparency, to enable the impact investing market to be scaled up[1].

One critical factor is often overlooked: we need impactful and inclusive markets with investable projects to invest in. If there is no absorption capacity for impact investment capital, it will easily lead to overheating and *impact washing*. Impact investing has gained in popularity and is growing steadily[2]. The asset base underpinning impact investing is still relatively thin in emerging markets and very much skewed towards sectors like financial services (29%), energy (23%) and microfinance (12%).

It has taken more than 30 years and a significant number of subsidies to bring the microfinance sector to its current level of maturity[3]. We do not have another 30 years to develop other impact investment markets, like mini-grids, access to water, sanitation and biodiversity.

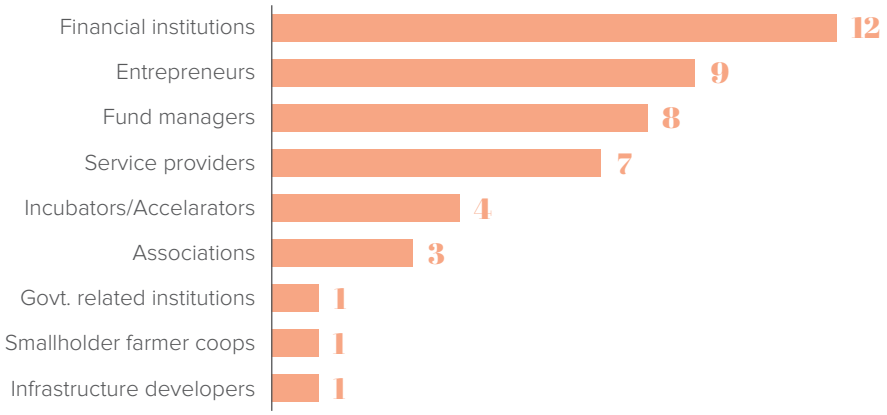
So, how can we gear the value creating power of technical assistance to accelerate the scaling up of new impact investment markets?

TECHNICAL ASSISTANCE 3.0

To grasp the value creating power of technical assistance for developing and scaling new impact investment markets, it is important to have an understanding of recent developments in the use of technical assistance in the impact investment sector. The technical assistance offering has changed considerably over time. Back in 2006, Triple Jump was one of the few private impact investment managers that offered technical assistance to its investees. Today, most reputable impact investment managers have one or more TA programs completing their financial offer.

1 ▸ E.g. 2018 GIIN Roadmap for the Future of Impact Investing: Reshaping Financial Markets.
2 ▸ E.g. 2020 GIIN 2020 Annual Impact Investor Survey.
3 ▸ 2011, Cheng (editor) *The impact investor's handbook: lessons from the World of Microfinance, CAF Venturesome: Market Insight Series.*

Figure 1: Type of recipients (TA-providers)



Source: Triple Jump

Shift of focus. While providing TA to portfolio companies (i.e. transaction support) is still a significant part of the technical assistance offer, practitioners have added a variety of instruments, uses and strategies to the equation. A survey conducted for a recent webinar on TA[4] provided the following overview (Figure 1). While financial service providers are still target number one for most TA providers, other players are also starting to be targeted.

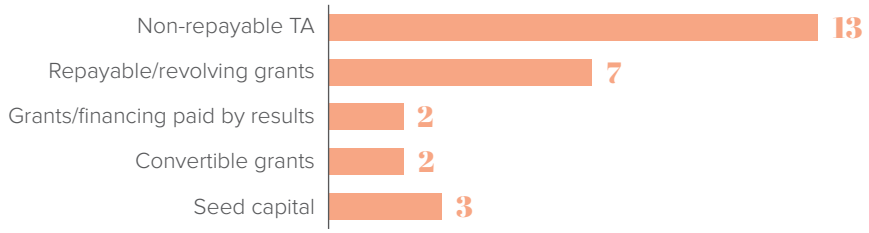
This is a trend that coincides with the shift from pure transaction support to a more comprehensive market development approach, a shift that Triple Jump has also experienced. From inception, Triple Jump has reinvested part of its proceeds in technical assistance for transaction support. While it had a very clear mission fit, there was also a business rationale. All TA was directed at building the capacity of investees and prospects – creating value by building dealflow and de-risking investments.

The TA program that accompanies the Dutch Good Growth Fund[5] still contains this component of transaction support but also deploys other instruments and strategies to shape markets. An example is promoting mezzanine finance, for which an influencing strategy[6] was developed and implemented on top of the traditional TA support, including peer-to-peer knowledge exchange, studies, conferences and training programs. The approach has notably increased the mezzanine investment opportunities for DGGF, creating value beyond the single transaction.

“While providing TA to portfolio companies (i.e. transaction support) is still a significant part of the technical assistance offer, practitioners have added a variety of instruments, uses and strategies to the equation.”

4 ▸ 16 April 2021 There is no such thing as a free lunch: the nature of the TA instrument, co-hosted by FMO, CDC, Triple Jump
5 ▸ Financing local SMEs | Finance opportunities | DGGF
6 ▸ See “Mezzanine finance for dynamic enterprises”: Knowledge development and sharing | Finance opportunities | DGGF

Figure 2: Type of Instruments (TA providers)



Source: Triple Jump

New types of instruments. Also, the very nature of the instruments has evolved. Figure 2 gives an overview of the type of instruments that TA providers who participated in the aforementioned webinar use. It clearly shows that while non-repayable grants are still the most popular of all instruments, many TA providers deploy revolving instruments and even seed-capital investments[7]. Notable benefits of the revolving instruments are the decreased risk of potential market distortion and the increased productivity – and possibly cost-effectiveness – of the technical assistance budget.

Alternative TA instruments are different from (concessional) investments in two ways:

- Overarching objective. For deploying the TA instrument, the actual development impact is valued higher than a possible financial return.
- Expectations. Having no capital preservation obligation over the long term makes it possible to absorb a level of risk that even concessional investors shy away from.

INCREASING THE VALUE CREATION POTENTIAL OF TA

The above-sketched broadening of tools and practices seemingly creates a lot of opportunities, but it also comes with new challenges. How can the toolbox best be used to spur the development of new impact investment markets like access to water and sanitation, or the off-grid energy needed to achieve the SDGs? Key topics that merit extra attention are the following.

TAILOR THE STRATEGY TO STAGE AND GROWTH POTENTIAL

There are two key determinants that help to shape these sector development strategies. The first one is the stage of development. The second one is the inherent scalability of the market. A simple framework to classify market development and scaling potential suggest there are essentially three main stages of market development – each with its own rationale, dynamics and intervention strategies: 1. innovate, 2. replicate and 3. scale[8]. When the scaling potential is differentiated into low, medium and high, it creates nine specific sector-development strategies. This level of granularity is not only needed to tailor the TA strategy, but also to systematically – and correctly – use learnings and insights from past successes and failures in adjacent sectors like green finance and microfinance.

7 ▸ Seed capital investments in this context are instruments that at the back end are subsidies, but at the front-end are structured as disciplinary financial instruments, tailored to the needs and possibilities of early-stage companies. The advantage of the instrument is that it helps the enterprise build a track record, without overburdening it.
8 ▸ See 2020 Marnix Mulder, Julia Kho and Davide Loriggiola, 'Scaling Missing Middle Finance Discussion Paper: Developing comprehensive and smart scaling strategies'.

TAKE A SYSTEMIC AND RESPONSIVE APPROACH

Broadening the toolbox leads automatically to questions of 'when to- do what?', 'where to start?' and 'how not to get lost'. A systems approach may help understand the dynamics and interconnectivities of systems and identify the smartest intervention strategy possible. A system's approach typically is more flexible and responsive to system dynamics than a blue print planning approach. This means that TA management itself becomes more dynamic –TA policies and governance should provide sufficient flexibility to adjust strategies and close monitoring of system's dynamics and outcomes become an intrinsic part of operations.

KEEP AN EYE ON THE IMPACT BALL

Keeping track of results has always been important. Most TA providers have built up their monitoring and evaluation systems over the years. Still, measurement of the impact of TA has never really taken off, because TA is often embedded in a larger investment mandate and specific attribution of TA to the total impact is difficult to determine. Still, with the changing focus of TA on market systems – and the need for a more dynamic, responsive strategy – the pressure is on: only through systematically measuring the impact of the TA itself, can one systematically learn and adjust the TA strategy.

INVEST IN TA TALENT MANAGEMENT

Wielding systemic, responsive and comprehensive strategies with an increasingly diverse toolbox not only adds to its effectiveness and the fun, it also implies that TA teams will need to broaden and deepen their skill sets, by building multi-disciplinary teams of professionals. At Triple Jump, the TA team currently comprises a variety of professionals – from seed capital investment specialists to technical assistance sector specialists, to knowledge management specialists. Not only do TA teams need to be multi-disciplinary, the same holds for TA approval committees.

> *"A systems approach may help understand the dynamics and interconnectivities of systems and identify the smartest intervention strategy possible. A system's approach is more flexible and responsive to system dynamics than a blue print planning approach."*

POOL RESOURCES, COORDINATE AND JOINTLY LEARN

Last, but not least, taking a systemic approach can only be successful through collaboration within the organization, with the investment and ESG departments, but particularly with external stakeholders around the markets of interest. The efforts that FMO, CDC and Triple Jump have put in recent years into developing a network of TA practitioners across impact investors – both DFI and private managers – should also be seen from that perspective.

Exchanging regularly on lessons learnt and strategies is beneficial for shortening learning curves and jointly developing practice standards as well as for exploring opportunities to actively co-create and implement TA strategies. Active collaboration and joint learning is a must because the challenge of shaping the impact investment markets that we need to accelerate attainment of the SDGs is bigger than any one of us. ■

FOCUS
TRIPLE JUMP

Triple Jump is an impact-focused investment manager that provides meaningful and responsible investment opportunities in emerging markets. Opportunities are not spread equally around the world, but talented people are. By providing financing and support to companies in emerging markets, Triple Jump aims to empower entrepreneurs to unlock the potential to overcome global challenges related to poverty, inequality, climate and nature.

How does TA have an impact on companies? Testimonies from three beneficiary organizations

Interview with **Ravi Shankar,** Director, Africure Pharmaceuticals
Michelle Espinach, Sustainable bank manager, Banco Promerica
Patrick Joseph, Regional control and audit manager, Mission laïque française

Africure Pharmaceuticals, an Indian group operating in Sub-Saharan Africa, Banco Promerica, a Costa Rican bank operating in Latin America, and La Mission Laïque Française, whose network of schools covers some 40 countries... What do they have in common? They have all benefited from a technical assistance program provided by PROPARCO. In this interview, these players in health, banking and education analyze the benefits they have gained in terms of capacity building, promoting their services, improving processes and E&S good practices.

WHAT IS THE SCOPE OF YOUR ORGANIZATION'S ACTIVITIES?

Ravi Shankar (Africure Pharmaceuticals): Africure Pharmaceuticals was established with the vision of providing quality and affordable healthcare to the people of Africa. We believe that local manufacturing is the future of pharmaceuticals in the region. Hence, our primary focus is on setting up manufacturing facilities in Africa, by upholding our motto 'Made in Africa by Africans for Africa'. At Africure, we are committed to solving the pertinent issues for Africa, namely import dependency, affordability, unemployment, technology, and counterfeit drugs.

Michelle Espinach (Banco Promerica): Banco Promerica was founded by 14 people in a small building in San Jose and by definition was an SME. Thirty years later, we are the fourth-largest private bank in the country. We believe in SMEs and the impact they have on our country's economy. Our business portfolio in terms of client mix is 70% SMEs and 30% corporations.

Patrick Joseph (Mission laïque française): The Mission Laïque Française (MLF) is a non-profit and state-approved association founded in 1902. Its mission is to disseminate the French language and culture around the world through secular, multilingual and intercultural education. The association has a network of 110 schools in 36 countries with over 61,000 pupils enrolled, from kindergarten to the final year in high school. In Africa, MLF has schools in several countries, including Cameroon, Côte d'Ivoire, the Democratic Republic of Congo, Egypt, Ethiopia and Gabon.

IN WHICH WAYS DO YOU BENEFIT FROM TECHNICAL ASSISTANCE (TA)?

Michelle Espinach (Banco Promerica): All business units in the bank understand the benefits of working with DFIs and other investment funds in using technical assistance. Even clients understand the benefits, since most TA projects benefit them, and recently we have been channeling some of the support directly to them. We have a culture of learning, and technical assistance enables us to build capacity, improve our processes, develop new customer experiences and communicate our actions sustainably. With Proparco, we received technical assistance to improve our value proposition to SMEs. The recommendations provided by the consultant were useful.

Patrick Joseph (Mission laïque française): Proparco assists us with projects to set up or restructure schools and for our training centers. We currently have two centers benefiting from this support in Côte d'Ivoire and Morocco. In addition, Proparco supports us in energy efficiency projects in Morocco, Ethiopia and Egypt. The TA also allows us to build our environmental and social (E&S) skills and benefit from external expertise.

Ravi Shankar (Africure Pharmaceuticals): Proparco provided us with a technical grant spanning a three-year period. The grant was to support us in upscaling the quality of our infrastructure, to train employees and other industry members, and to impart knowledge of quality management systems to various sections of society. For growing companies like us, there is always a capital allocation decision point and having dedicated funding and a budget for constant improvement internally and externally has helped us to focus specifically on this functional area.

WHAT IMPACTS DOES THIS SUPPORT HAVE ON YOUR ORGANIZATION AND STANDARDS?

Michelle Espinach (Banco Promerica): Technical assistance creates value in the organization, and this is one of the benefits we receive from working with DFIs and investment funds. They provide resources to the organization that helps promote areas that usually do not have resources at the time. It helps us move faster and structure projects that provide new business, build capacity within teams and learn best practices from other parts of the world.

Ravi Shankar (Africure Pharmaceuticals): We are able to consistently monitor the effective implementation of our quality through scheduled audits and resultant action plans. We are proud always to be audit-ready at our facilities, and this emphasis on quality has been imbibed into the culture of our organization and people. The technical assistance grant from Proparco helped us on our journey to being compliant and socially responsible in our quality initiatives. Our initiatives as part of the TA deliverables have enhanced our credibility with regulatory agencies, who view us as a reliable and quality-focused partner.

Patrick Joseph (Mission laïque française): Defining environmental and social criteria, for example, requires being able to take them into account over time. Technical assistance makes this possible. More generally, TA allows us to meet a number of financial and technical criteria required by our donors. TA therefore has an impact on the definition and requirements of our activities and, ultimately, on our strategy and results. →

FOCUS

AFRICURE PHARMACEUTICALS

Africure is a manufacturer and distributor of essential generic pharmaceutical products (e.g., paracetamol, basic antibiotics, anti-malaria drugs). Its headquarters is based in India, but it operates throughout Sub-Saharan Africa. In 2018, the Group opened its first generic manufacturing plant in Africa (Cameroon), which has allowed it to position itself as one of the few players operating throughout the pharmaceutical value chain in Africa.

BANCO PROMERICA

Banco Promerica is a universal bank offering financial services to companies and individuals. It is the fourth largest private bank in Costa Rica and a member of the regional group Promerica Financial Corporation (PFC), which operates in nine Latin American countries. The bank is increasingly participating in the SME segment and offers innovative products tailored to the needs of its SME clients, which have been facing new difficulties since the onset of the crisis.

MISSION LAÏQUE FRANÇAISE

Mission laïque française, a French non-profit association, recognized as a public utility, heads a network of 112 French educational establishments abroad with over 60,000 students in 39 countries. It also works with the State and/or companies on educational cooperation programs.

HOW DOES TA SUPPORT ENABLE YOU TO BETTER AID THE DEVELOPMENT OF SMES IN THE COUNTRIES IN WHICH YOU OPERATE?

Patrick Joseph (Mission laïque française): We don't always have sufficient capacity to develop new markets in the countries where we operate. But we do manage certain E&S issues. For example, this is the case in Ethiopia, where we have installed a wastewater treatment plant which we want to make available to other local economic operators. Similarly, in Egypt and Morocco we are aiming to obtain the High Quality Environmental (HQE) standard through technical assistance services.

Ravi Shankar (Africure Pharmaceuticals): Operating in Africa, we procure many products and services locally; a lot of small businesses are our vendors. It would be impossible to have the best quality systems and processes unless the input from our vendors was of the same caliber. We have imparted training to many of our vendors through the TA grants we have received, helping them through vendor audits to establish standardized processes and documentation. This has helped them to scale up their systems and deliver top-notch products and services to us.

Michelle Espinach (Banco Promerica): Using Proparco's technical assistance as an example, brought a new perspective on how to differentiate our credit process for SMEs, reducing the number of requirements, fast-tracking the process, and opening new channels for reaching new customers, and improving our overall value proposition.

TO WHAT EXTENT CAN TECHNICAL ASSISTANCE HELP TO DEVELOP NEW COMMERCIAL TARGETS?

Michelle Espinach (Banco Promerica): The technical assistance from Proparco helped us determine that there was a substantial opportunity to use the branches to provide loans and also to develop a universal executive who could provide clients with all the services they need.

Patrick Joseph (Mission laïque française): Education is a global market. In some countries, it's also a social marker. When our range of services is recognized, with strong E&S criteria, it stimulates the market and has an impact on the competitors who occupy the same niche as us - generally Anglo-Saxon companies.

Ravi Shankar (Africure Pharmaceuticals): As an organization that emphasizes quality, we are in a good position to forge partnerships with government organizations and big pharma companies. Except for size, our systems and controls are comparable and in line with any such large establishments. TA has helped us to remain attractive to our customers, in being always seen as a reliable manufacturer. This helps us scout for new business relationships and further nurture and convert them into long-term relationships. Our competitors and peers see us as one of the better companies in the industry.

THE COVID-19 CRISIS HAS WEAKENED MANY PRIVATE SECTOR ACTORS. WHAT ARE THE NEW NEEDS IN TERMS OF TA SUPPORT?

Ravi Shankar (Africure Pharmaceuticals): COVID-19 has impacted our businesses by shrinking our margins, with large outlays on COVID-19 management and increased input material and freight costs. In such times, it is important to revisit one's business models and to change course where necessary. We have been resilient and have grown stronger than before. Additionally, we believe that the scope of TA support can be extended to new product development, new technologies, differentiated drug delivery systems, and expanded technical capabilities.

Michelle Espinach (Banco Promerica): SMEs have been the most impacted by COVID; they need new ways to adapt to the new normal. The bank has been providing relief in terms of extending loans but also by providing toolkits to improve these businesses. For example, we developed one such toolkit for the tourism industry, with technical assistance from eco. business Fund. Our electronic channels department also developed a payment gateway to help SMEs develop a landing page for selling their products online.

WHAT IS YOUR DEVELOPMENT PERSPECTIVE?

Ravi Shankar (Africure Pharmaceuticals): The opportunities to grow are unlimited. I believe that every country in Sub-Saharan Africa on the road to self–sufficiency has the capability to house a manufacturing industry. The situation that we faced during the COVID-19 period has woken up many governments and has re-emphasized the need to start building their manufacturing capabilities, and Africure is here to support them in as many ways as possible. We continue to look at putting up a new plant every two years and at managing struggling plants, to turn them into success stories. It would be no surprise if Africure has a basket of ten plants in the next five years.

Michelle Espinach (Banco Promerica): We hope that the COVID-19 crisis will soon be mitigated. Unfortunately, the climate crisis is here, and we need to lead the companies in our portfolio and future clients to transition to a low-carbon economy. This will be one of our focuses in the future, the other one being to support the empowerment of more women-led companies.

Patrick Joseph (Mission laïque française): Our development perspective is closely related to the development of middle classes in the emerging countries where we operate. In these countries, families very much appreciate the fact that we provide assistance with education and decent conditions. These are very important issues.

Cameroon: employers are developing Central Africa's first code of good governance

In 2019, the Cameroon Employers Organization (GICAM) decided to propose a governance reference framework to public and private Cameroonian companies. AFD Group, through joint action by AFD and Proparco, is providing technical and financial assistance to this initiative which is fully in line with its objective to support economic and financial transitions.

In practical terms, in addition to the provision of its internal experts, AFD Group is enabling the mobilization of an international consulting firm at GICAM specialized in good governance, Nestor Advisors, for the development and promotion of this guide. This mechanism is the first of its kind in Central Africa and will provide a reference framework for companies, family-run SMEs and large corporations, as well as public entities. It will provide Cameroon with an up-to-date governance reference framework, reflecting the local constraints and needs, as well as international good practices for governance. This new code will also increase the confidence of shareholders and other stakeholders in local companies by promoting a conducive business environment.

Financing and TA: fertile ground for the growth of agricultural companies in Africa

Gabrielle Orliange, Head of social and environmental performance, SIDI/FEFISOL

The FEFISOL fund was set up in 2011 by SIDI and its partners. In addition to its financial support, it proposes a technical assistance (TA) facility to African rural players. After conducting some 140 TA projects in Africa, SIDI and Alterfin are set to launch a second fund in 2022, with the aim of further deepening its social and environmental approach to the funded companies.

FOCUS
SIDI

To address the challenges of financial inclusion in Africa, particularly in rural areas, SIDI (International Solidarity for Development and Investment) and two European investors, Alterfin and Etimos, set up the European Solidarity Financing Fund for Africa (FEFISOL) in 2011. Their objective: to offer financial services tailored to agricultural structures and microfinance institutions operating in rural areas. To strengthen its impact and ensure its additionality,[1] FEFISOL primarily targets small institutions going through a consolidation process and entities with strong social innovation. Proparco became a shareholder of the fund when it was set up.

In Africa, the traditional banking sector takes little interest in microfinance and the rural sector. Yet technical assistance (TA) for agricultural companies, combined with an appropriate range of financing, plays a crucial role in the sustainable development of the continent. It is for this reason that the FEFISOL fund proposes a technical assistance facility to rural players, in addition to its financial support. In this context, it provides its clients with specialized service providers that help them strengthen their viability and improve their productivity, while ensuring that the livelihoods of smallholders are preserved.

Since it was set up just 10 years ago, FEFISOL has financed 139 support projects for 51 clients in 22 African countries. Over two-thirds of the beneficiaries are small microfinance institutions (MFIs) going through a consolidation process[2] or farming entities. A quarter of the technical assistance projects supported by the fund are related to financial issues, such as accounting and strengthening internal control.

The technical assistance program strengthens the impact of the financial support. For the beneficiary, the two tools for action are complementary: the FEFISOL loans allow companies to increase their activity, while the technical expertise helps them secure this growth by improving their efficiency. In terms of the management of the fund, the technical assistance in turn gives the investment officers a better understanding of how the beneficiary companies operate, which improves operational efficiency.

The TA services offered by FEFISOL are especially noteworthy because they provide a customized response to the client's needs. The client is closely involved in the entire process, including in the selection of the service provider. This effective ownership is also strengthened by the direct financial contribution that each client must make to the project[3].

1 ▸ The additional nature of financing lies in the fact that the resources mobilized must be entirely dedicated to financing sustainable actions whose development impact would not have been achieved by the private operator without the mobilization of these resources.
2 ▸ Tier 3 MFIs whose total assets are less than USD 5m.
3 ▸ This compulsory contribution – at least 15% of each mission – accounts for the relatively low average amount for TA projects.

INVOLVING THE CLIENT IN ALL THE PHASES OF THE PROCESS

The needs of FEFISOL's clients have changed considerably during the decade. For nearly two years now, due to the economic crisis caused by the Covid-19 pandemic, the requests sent to the fund have mainly been to cover equipment that was not included in their annual budget. MFIs have asked for assistance with liquidity management during the crisis. FEFISOL has responded to this need by organizing online training on this issue with partners.

The independent evaluation of the facility conducted in 2019 took stock of the impact of the technical assistance on the beneficiaries. Many TA missions respond to opportunities and needs for fundamental changes in the beneficiary institutions. In many cases, the TA projects have triggered an extensive transformation process. By giving clients the possibility to test innovations more quickly and easily, they contribute to accelerating the implementation of optimal solutions.

Several lessons can be learned from these ten years of operation. The main one is still the need for the client to take ownership of the technical assistance project. In this respect, its involvement in the process is crucial, from the definition of its needs for a customized solution to the management of the consultant. It is also necessary to maintain a certain degree of agility throughout the implementation of TA projects to ensure an effective response.

AN ARTICLE BY
GABRIELLE ORLIANGE

Gabrielle Orliange joined SIDI in November 2016. After serving as head of technical assistance at the European Solidarity Financing Fund for Africa (FEFISOL), then as an investment officer for Latin America and Madagascar, she is currently responsible for social and environmental performance at SIDI and the FEFISOL fund. Prior to joining the social investor, Gabrielle Orliange worked for the World Bank in the Development Economics Research Group.

ADDRESSING THE CHALLENGE OF EVALUATING THE IMPACT OF PROJECTS

Further down the line, the main challenge for this type of mechanism is to evaluate the impact of TA programs on the beneficiaries. However, with its possibility of allocating successive financing and its processes to monitor its clients' performance, FEFISOL does have effective tools to characterize and document this impact over time.

To support this upscaling, a FEFISOL 2 fund is set to be launched in March 2022. Following on from FEFISOL 1, it will continue to offer financial and technical services to rural MFIs and agricultural companies, with the aim of deepening its social and environmental approach to projects. In this respect, the TA facility will have a compartment dedicated to improving sustainable agricultural practices and financing agriculture, while maintaining its "customized" approach in order to meet all the needs of its clients. ■

Fintech: how Accion Venture Lab promotes financial inclusion

In 2019, Proparco invested in the seed-stage fund of Accion Venture Lab ("AVL"), an investment manager considered as one of the best fintech specialists in Africa, Asia and Latin America. This operation supports the emergence of start-ups that structure the development of financial inclusion in these regions. In particular, the fund targets innovative start-ups that seek to improve the quality and reduce the cost of financial services in order to make them accessible to currently underserved populations. AVL's value creation encompasses three categories: strategic support, governance and knowledge sharing. More than just a provider of capital, AVL supports companies by making its expertise and network available to them.

A dedicated team is in charge of strategic support across a variety of operational topics such as business strategy, process efficiency, product development and customer segmentation. The support is tailor-made to the needs of each portfolio company, and the team often publishes broader resources and hosts webinars to share broad learnings for the greater inclusive fintech community.

DFIs are reinventing themselves to become major impact investors

Tori Hellrung, Impact lead, CDC Plus
Sarah Marchand, Director, CDC Plus

To address climate change and a growing range of social challenges, national governments increasingly expect their DFIs to go beyond being solely capital providers. One way for DFIs to evolve their expertise is by taking a value-add approach, which includes using technical assistance (TA) alongside investment capital. The lessons learned by CDC Plus in this regard indicate that effective TA requires a fact-based and nuanced approach.

AN ARTICLE BY
TORI HELLRUNG

Tori Hellrung is an executive at CDC Group, specialised in impact measurement and portfolio management for impact investors. Prior to CDC, Tori was a consultant at Universalia, where she evaluated the performance of clients, including the World Bank, the UN and foundations. She holds an MBA from the University of Oxford and a BA from McGill University.

SARAH MARCHAND

Sarah Marchand joined CDC in 2017 and is a director of the Impact Group. She has over 15 years' experience spanning both the private and development sectors and has worked alongside investment teams for the last decade, specialising in post-investment value creation. Over the past ten years, Sarah has successfully set up and run technical assistance facilities linked to - but independent of - the private equity funds they support.

As more capital becomes available from investors willing to take greater risks in emerging markets, the space historically occupied by development finance institutions (DFIs) as capital providers is getting crowded. With deepening knowledge of the climate crisis and growing social inequalities, national governments expect their DFIs to go beyond solely being capital providers, bringing DFIs to an inflection point in their evolution. There is increasing space for private sector development, which requires expertise, capital and strong relationships with market actors. This space sits between the traditional grants or loans for development and market-rate investments. At this inflection point, how will DFIs continue to be relevant in the capital markets? One opportunity is to increase their value-add as investors, building expertise in private sector development, both directly through their portfolios and at a market level. What have DFI's learned so far to inform this next transition?

In 2018, the CDC Group, the UK's development finance institution, formally launched a new vehicle, CDC Plus, to scale up its role as a value-adding investor. CDC Plus has committed over $50 million to more than 250 projects. It aims to make a lasting difference to the lives of under-served groups by increasing economic opportunity, improving standards of living and creating a more sustainable environment. The following four lessons – derived from facilitated workshops within CDC Plus – crystallise its strategic thinking on delivering best-in-class technical assistance (TA). What emerges from these lessons is a deeper consideration not only of what we fund, but also of how we fund and with whom.

"In 2018, the CDC Group, the UK's development finance institution, formally launched a new vehicle, CDC Plus, to scale up its role as a value-adding investor. CDC Plus has committed over $50 million to more than 250 projects."

FOUR LESSONS ON PROGRAMMING TECHNICAL ASSISTANCE

1) PRIORITISE YOUR IMPACT GOAL OVER SPECIFIC ACTIVITIES AND OUTPUTS

It is critical from the onset to clearly and succinctly articulate the overall impact goal of a project and ensure that all parties agree to it. This goal may be articulated by the TA recipient or co-created with partners, including end-users in the project. Based on this goal, the TA recipient should articulate a logical understanding of the project's intended outputs, outcomes and impact. An impact measurement approach should be built for the project, including tools such as the theory of change or impact metrics. These build on the goal to provide clear signposts whereby, as a project is implemented, there is progress towards the impact goal.

When projects are "impact-led", they can be designed flexibly to allow adaptation over time. This flexibility can be achieved by structuring the project in multiple "phases", allocating an overall funding envelope, rather than an activity-based budget, or taking an adaptive management approach. The design should allow for flexibility in activities and outputs on route towards the impact goal. These approaches make it possible to test the assumptions that underpin interventions. However, they may not always be appropriate, and for those who are new to TA, flexibility can be challenging to manage effectively.

2) BEWARE OF "COOKIE-CUTTER" SOLUTIONS – TA INITIATIVES SHOULD BE PROBLEM-, RATHER THAN SOLUTION-DRIVEN

On a fundamental level, many TA projects focus on providing support for behavioural change for a company's leadership, employees or customers. However, at the onset of a project, the barriers to behavioural change are often under-researched or poorly understood. Grant funders are frequently approached with pre-packaged solutions that service providers seek to test in the market, touting that these will lead to the desired behavioural changes. CDC Plus has observed that "solution-based" interventions (rather than self-identification by companies of problems they need to address) are less effective and less sustainable. For example, staff training is often proposed as "the solution", without understanding the root causes of why staff members are not able to change their behaviour. When the root causes are not understood, the nuance of hyper-local context is missing.

> *"Staff training is often proposed as "the solution", without understanding the root causes of why staff members are not able to change their behaviour. When the root causes are not understood, the nuance of hyper-local context is missing."*

CDC Plus has tested two approaches that are effective in guiding projects to a "problem-driven" approach.

- Using "design phases": A project is structured in phases, the first of which entails diagnosis of the company's problem. This includes collecting data from key stakeholders and desk-based research (e.g. interviews, surveys, and an evidence review). The project is then designed based on this real-time data. A design phase may reveal that a full project is neither needed nor appropriate, which is an acceptable outcome (e.g., with feasibility studies).
- Using 'trusted advisors': Industry experts and CDC's Country Coverage are integrated into the project or consulted to bring deep-sector and geographic expertise. For example, during CDC Plus' COVID-19 emergency response, a private sector healthcare expert specialised in African healthcare supply chains participated in project screening. To save time, there can be pressure to skip stakeholder consultations; however, observation confirms that consultations almost always inform changes to project design.

> *Given that the investment mandates of DFIs are expanding to include markets that are more challenging for commercial investment, they are seeking to collaborate and engage other market actors.*

3) DFIS CAN PLAY A STRONG PARTNERSHIP ROLE IN MARKET-SHAPING ACTIVITIES, BRINGING TOGETHER THE PUBLIC AND PRIVATE SECTORS, AS WELL AS THE THIRD SECTOR AROUND COMMON GOALS

As DFIs invest with a poverty alleviation focus, the importance of identifying ways to direct capital to companies in fragile states and nascent, inclusive sectors[1] is critical. Given that the investment mandates of DFIs are expanding to include markets that are more challenging for commercial investment, they are seeking to collaborate and engage other market actors. TA can be used for convenings, partnerships and risk mitigation in these more challenging contexts.

'Market-shaping' initiatives aim to influence business and investment markets in ways that enable local private sector actors to perform more effectively, while lowering investors' risk perception. Market-shaping can address systemic failings such as absent supporting industries, gaps in local talent, and ineffective regulatory environments. Addressing these systemic failings offers a wider potential for impact and often poses a cost or risk that is too great for individual companies and investors to bear directly. CDC Plus has piloted various market-shaping initiatives, including in South Asia, Nepal Invests and the Myanmar Private Equity and Venture Capital Association, and in Africa, the Global Off-Grid Lighting Association, an Africa-focused industry body for the off-grid solar sector.

Through these initiatives, CDC and other DFIs have leveraged their convening power to bring together local and international governments, local private sectors, philanthropists, and international investors. Bringing these groups together around a common dialogue or structured partnerships is enabling CDC and others to pilot solutions to investment bottlenecks. CDC Plus has observed that market shaping activities require flexible, longer-term funding, as a collaboration-based approach is inevitably slower and more complex. Budgets should also be allocated for partnerships with others, as well as for learning and research.

4) NEW VENTURES MUST TEST CUSTOMERS' WILLINGNESS TO PAY EARLY ON AND HAVE A PLAN TO REACH COMMERCIAL SUSTAINABILITY, TO REDUCE SUBSIDY DEPENDENCE OVER TIME

CDC Plus has funded a variety of new ventures, ranging from entirely new social enterprises (such as the Boardroom Africa) to products offered that address a market gap (such as Atlas, an independent microfinance data platform). The new ventures were typically nascent, offering an unproven product or service and relatively high risk; hence the need for subsidy. There were challenges faced both by CDC Plus and those launching these ventures of matching a grant funding model with an early business model. These included:

Permitting the enterprise sufficient flexibility to change its business model, often in material ways,

The need for an adaptive monitoring approach by CDC Plus, rather than a KPI-based approach,

Enterprises waiting too long to identify the target customer set and to test their willingness to pay for the products or services.

Whilst the majority of new ventures were successful in identifying an appropriate business or funding model, standard project management processes did not enable sufficient flexibility in

1 ▸ For example, the off-grid energy sector.

this process. For DFIs to provide core operational funding to new ventures requires changing project management structures and being realistic about a longer timeframe for results. Additionally, it should not be assumed that all grant-funded ventures will find a commercial model – some social and environmental problems remain beyond the scope of investment and may require subsidy or a hybrid concessional model for years to come. In the future, DFIs must explore how other financing tools, such as concessional finance or repayable grants, may be more appropriate for funding new ventures.

CONCLUSION

CDC Plus is one of the youngest TA units within a DFI (only three years old), but to date, fortunately, it has been well-funded and given a broad mandate. Deploying grant funding is not easy. Yet CDC Plus seeks to minimise the use of subsidies and the risk of misusing funds, whilst striving for maximum value for money and impact. It is tempting to look for predictable solutions, such as "cookie-cutter" TA products, prescriptive budgets and KPIs, and onerous grant funding processes. These lessons suggest that providing TA entails a nuanced approach to what is needed and how it is structured and paid for. This is time-consuming (e.g., resource-intensive), but it pays off. In return for the privilege of access to these resources, there is an imperative to ensure ongoing learning, adapting ways of working and sharing discoveries. Integrating a culture of learning into how CDC Plus operates has required hard work, which will continue. Others are encouraged to do the same, so that DFIs and impact investors can continue to innovate and continue to add value in the capital markets.

> *"In the future, DFIs must explore how other financing tools, such as concessional finance or repayable grants, may be more appropriate for funding new ventures."*

FOCUS
CDC PLUS

In 2018, CDC Group established CDC Plus as our technical assistance and support facility. CDC Plus aims to make a lasting difference to the lives of underserved groups by increasing economic opportunity, improving standards of living and creating a more sustainable environment. Using our experience as an investor in emerging markets, we identify and create opportunities that are beyond the scope of returnable capital.

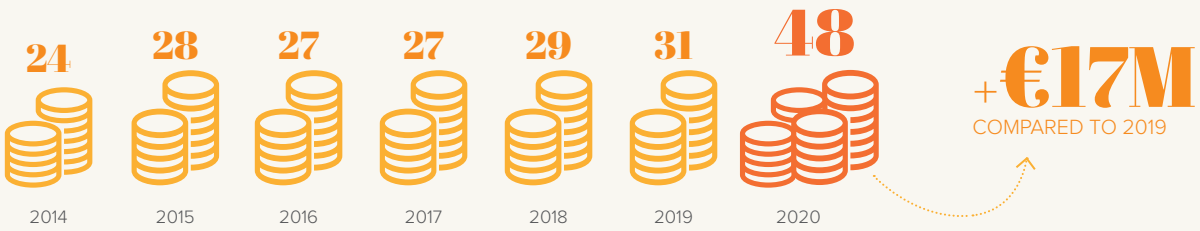
Ramp-up of European technical assistance programs

Every year, the Association of European Development Finance Institutions (EDFIs) produces a consolidated analysis of the activity of its members. We present below the results of the study on technical assistance which ten institutions contributed to: BIO (Belgium), CDC (UK), COFIDES (Spain), DEG (Germany), FMO (Netherlands), IFU (Denmark), Norfund (Norway), OeEB (Austria), Proparco (France) and Swedfund (Sweden).

Source: EDFI, Comparative Analysis 2020, July 2021

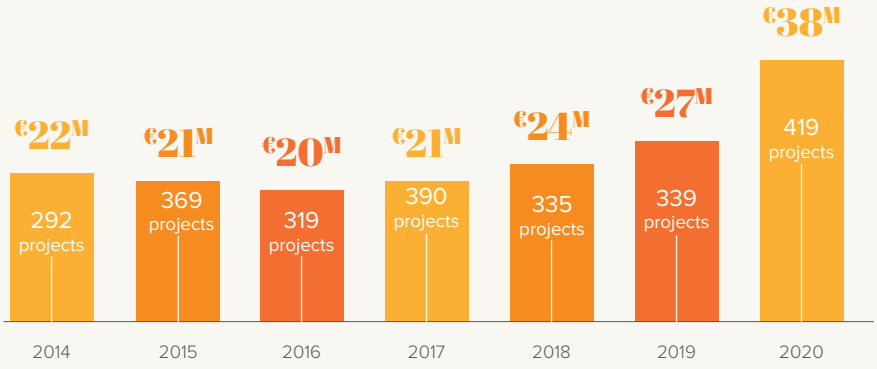
The budget for technical assistance has doubled in Europe since 2014

In 2020, the consolidated budget for technical assistance of the ten European DFIs reached €48m, an increase of €17m compared to 2019.



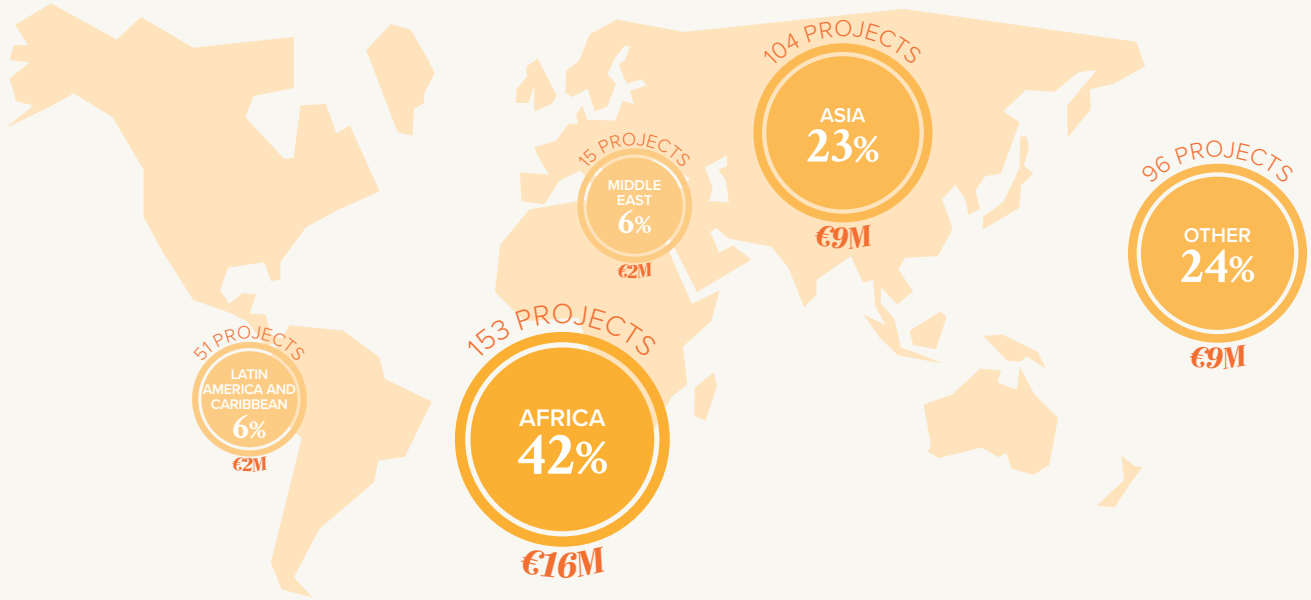
Large number of projects in 2020

The momentum initiated a few years ago continued to gather pace last year. The total amount for technical assistance (TA) projects in 2020, including undisbursed commitments, stood at €38.4m for 419 projects.



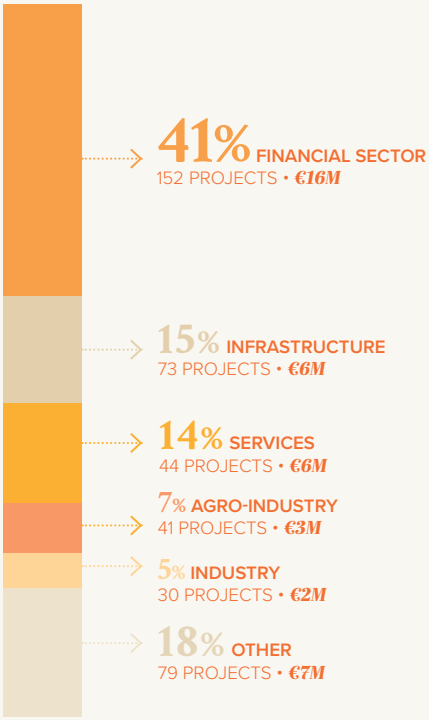
Africa the main beneficiary of technical assistance programs

Last year, there were 153 technical assistance projects in Africa, for a total amount of €16m, followed by Asia, with €9m and 104 projects.



Financial sector strengthened its pole position

In 2020, there were 152 projects in the financial sector, for a total amount of €16m. Infrastructure and services completed this sectoral podium with 73 and 44 projects, respectively.



Customized facilities to meet business needs

23%

INCREASING THE CLIENT'S BUSINESS

98 PROJECTS
€9M

21%

IMPROVING ESG WITH THE CLIENT

116 PROJECTS
€8M

20%

SUPPORTING A MARKET OR SECTOR

73 PROJECTS
€8M

7%

IMPROVING ESG CRITERIA WITH THE COMMUNITY

25 PROJECTS
€3M

1%

DEVELOPING PROJECTS

7 PROJECTS
€1M

28%

OTHER

100 PROJECTS
€11M

Proparco is beefing up its technical assistance services with Propulse

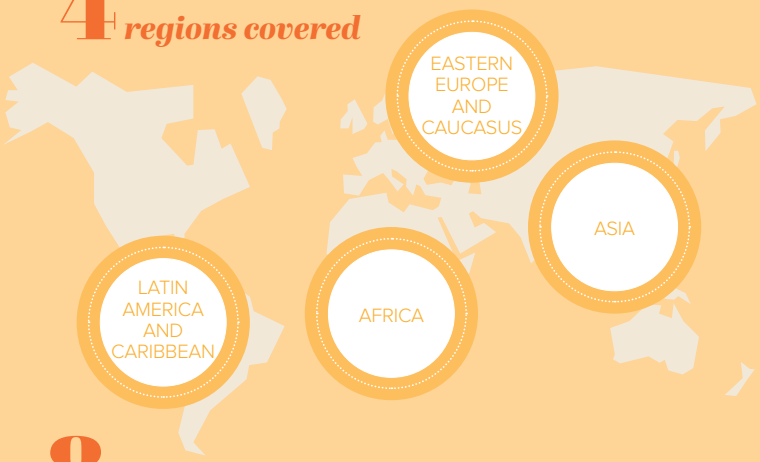
In developing countries, companies and financial institutions often need assistance for implementing their projects and improving their practices, especially their environmental, social and governance (ESG) practices. In addition to its financial support, Proparco has been providing technical assistance services to its clients for over ten years. In 2020, it grouped all its programs under a single label: Propulse.

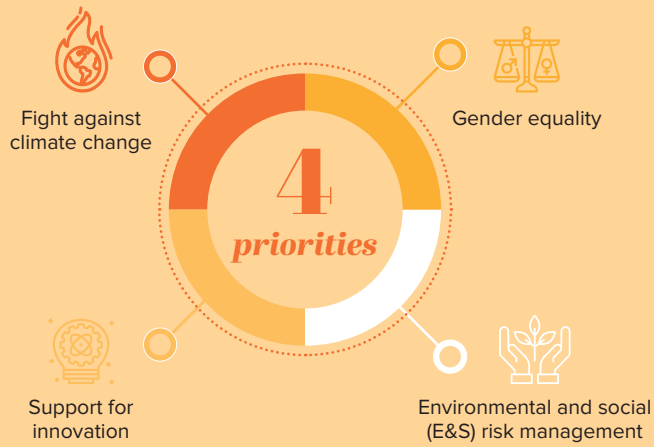
Source: Proparco

Generating more positive development impacts

Propulse's technical assistance services aim to support the responsible practices and innovative initiatives of the private sector. This increases the impact of Proparco's investments on local development.

4 *regions covered*





8 *key sectors of operation*

Making companies greener, more inclusive and more efficient

Proparco aims to provide expertise and know-how tailored to its clients' needs. With its Propulse range of services, it helps develop their strategies and practices and supports their commitment to innovation and performance.

+200 COMPANIES SUPPORTED

395 PROJECTS DEPLOYED

€8M OF FUNDS COMMITTED

With the launch of Propulse in 2020, Proparco has scaled up its TA services

To meet the capacity building needs of its clients more effectively, Proparco has allocated new resources to its technical assistance services. The objective is to further diversify its operating methods.

- Support for larger-scale *programs*
- Overall support to an *ecosystem*
- Direct provision of *expertise*
- Development of *training*

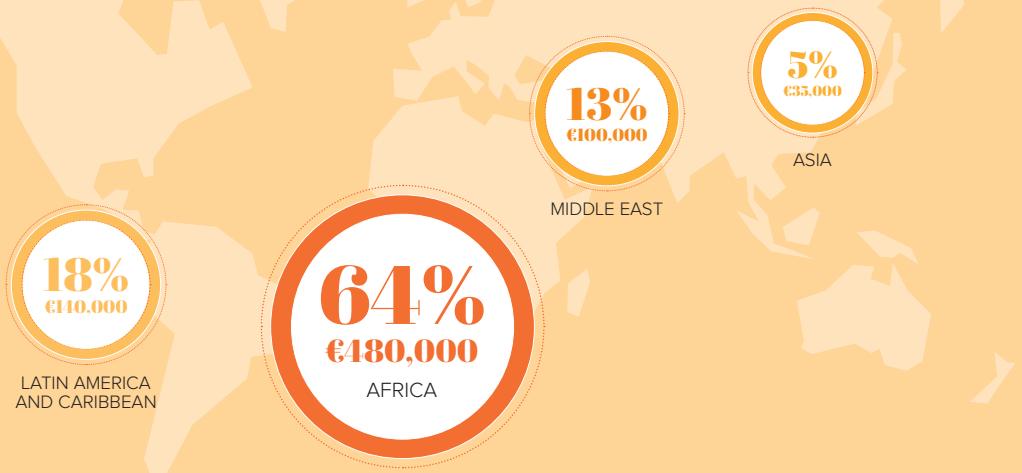
Propulse in 2020

16 STANDARD TA PROJECTS — FOR A TOTAL OF **€2.64M**

3 THEMATIC TA BUDGETS — FOR A TOTAL OF **€4.5M**

Deployment of Propulse services by geographical area

Signed in 2020 (in value)



All the technical assistance projects signed in 2020 are "Impact" projects

RESILIENCE TO THE COVID-19 CRISIS
€60,000
1 PROJECT

RESPONSIBILITY
€340,000
4 PROJECTS

INNOVATION
€335,000
3 PROJECTS

TA IMPACT MEANS:

- Environmental and social *responsibility*
- *Fight* against climate change
- Gender *equality*
- *Access* to basic goods and services
- *Response* to crises (Covid-19), etc.

Into the future: keys to TA success

Peter Hinton, Senior Banker and Associate Fellow, Saïd Business School, University of Oxford
Lynn Pikholz, CEO, CapitalPlus Exchange

Since Private Sector & Development *review examined technical assistance (TA) in 2011, international development has transitioned from Millennium to Sustainable Development Goals. This article identifies key success factors and evolutionary paths identified in interviews with 20 participants, recipients and TA providers[1].*

AN ARTICLE BY
PETER HINTON

Peter has a background in private equity, banking, retail, corporate finance and accounting; he has 30 years' commercial experience, with 25 in SME development in Africa. He teaches on the Oxford Impact Investment Programme and the Oxford Social Finance Programme at Saïd Business School and is Senior Advisor of Affordable Education to CapitalPlus Exchange (CapPlus). He also contributed to the first issue of Private Sector & Development on technical assistance, published in 2011.

LYNN PIKHOLZ

Lynn Pikholz is the founder and CEO of CapPlus. She is an emerging economic development and small business finance expert, specializing in market-based poverty reduction strategies. CapPlus accelerates impact investing by helping financial institutions in emerging economies to deliver finance profitably for social impact.

We summarize the 20 testimonials, below, highlighting key success factors and evolutionary paths.

Recipients' choice. TA succeeds when it starts with what matters most to the recipient (not to the investor or funder) at that point in time. Other objectives will then be far more likely to succeed. "The recent TA significantly resolved the question of capital adequacy for mortgage finance institutions financing property entrepreneurs and resolved many questions in our debt capital-raising endeavours. It is this kind of targeted and insightful support that is of great service." comments Paul Jackson, CEO of TUHF, an inner-city housing company in South Africa.

Timing and organizational readiness. In contrast, Jackson notes that adopting new initiatives is much harder for recipients. "New initiatives take time, and bad TA decisions get made when TA funders pressurize beneficiaries without understanding the nuances." Funders need to be far more patient if they want new ideas to succeed.

Engaged boards. Major TA initiatives must involve the board, and organisations need a governance structure that supports the project. This is especially important when things go wrong, says Ghalib Nishtar, CEO of Khushhali Microfinance Bank, the fastest growing SME bank in Pakistan.

Recipients contribute to TA costs. Financial institutions receiving TA should share the cost, says Nishtar. "The board takes far more notice when I tell them we are spending our resources." For more resource-constrained financial institutions, an alternative is insisting that they contribute dedicated staff and/or invest in improving operations vs. cost-sharing.

The right consultants. A TA project's success is often determined by the chemistry between the recipient and the people delivering the service. Consultants must have not only the right technical expertise, but also strong interpersonal skills and cultural sensitivity.

> *"A TA project's success is often determined by the chemistry between the recipient and the people delivering the service. Consultants must have strong interpersonal skills and cultural sensitivity."*

1 ▸ The authors gratefully acknowledge the contributions made by over 20 organizations and individuals that kindly gave their time to inform this piece.

WAYS TO IMPROVE TA

Shifts in TA are underway, yet the following changes will accelerate impact:

Cede control to recipients. "The biggest change that needs to happen is that donors stop focusing exclusively on their own strategies and ensure that they are also deeply connected to the strategy of the government or NGO they are funding," says Natasha Quist, Deputy Director, West and Central Africa for the Bill and Melinda Gates Foundation. Nicholas Colloff, Argidius Foundation's Executive Director adds, "Foundations should fund organizations with talent, including small, local organizations that can deliver value. Give more, including TA; use the evidence, but understand the nuances; fund unpopular items that matter, like core expenses; respond quickly; and stand by commitments." Ceding control will require the parties to be flexible and adaptable to change.

Local and regional players and service providers. The bulk of TA should be provided by regional and local firms and experts, liberating aid and reducing air miles. This will incentivize local people to enter the development field, increase long-term trust relationships and local support, and reduce cultural misunderstandings. Paul Jackson of TUHF, cautions, however, that funders should still retain balanced collaboration between local and international experts.

Fund ecosystem interventions. "An ecosystem approach entails various interlinked players being embedded within the system, rather than coming from outside," reflects Klaus Niederlander of Ambient Assisted Living Association. He adds that TA projects differ where, firstly, long-term investment and human and technical resources are required over a 10–15-year timeframe to achieve real economic, social and societal impact; and secondly, where the focus is on human and social capital development, rather than on financial and economic capital.

Improve impact investor returns with TA. Venture capitalists understand that money is a commodity and that access to people, knowledge and markets drives business success. Hans Perk, Regional Director Africa for Oikocredit, a $1 billion impact investment fund, for example, understands the value of TA and is partnering with CapPlus to provide TA to Oikocredit's investees. Nicholas Colloff agrees with this approach as Argidius' evidence points to TA being the driver of impact. In an independent evaluation of another organization, fifteen TA and capital beneficiaries credited their success as much to TA as to capital infusions. Subsidies to offset first losses, forex losses and lower returns – while necessary – should not be confused with the delivery of TA services that equip recipients to deliver greater impact.

Fund core support and innovation. Continued innovation is key to greater impact, but it requires resources. With sufficient support, TA providers can create innovative partnerships and approaches to meet local organisations or governments' needs, or experiment with new funding mechanisms and approaches such as sector-focused entities, seed stage support, and research and innovation funding agencies.

FOCUS

SAÏD BUSINESS SCHOOL

Saïd Business School is the University of Oxford's department for graduate students in business, management and finance. In 2021 Saïd Business School was placed 17th in the world in the Financial Times' Global MBA Ranking.

CAPITALPLUS EXCHANGE

CapitalPlus Exchange (prior to 2010, ShoreCap Exchange), with operations in Africa, Asia and Eastern Europe, was founded by ShoreBank Corporation in 2003 as a nonprofit specializing in capacity building services to investees of its impact investment fund ShoreCap.

EXPANDING TA FUNDING

TA has improved, but greater development impact can be achieved by genuinely valuing the role of TA with the seriousness attributed to capital and aligning TA with capital infusions from the outset; delivering more TA services through local and regional firms complemented by international expertise; increased accountability to recipients; providing sufficient and flexible funding for realistic timetables, core expenses and innovation; and expanding TA funding and grants critically needed to catalyse and accelerate impact. ■

Investment and technical assistance, working together to maximize both social impact and financial returns

Christina Juhasz, Chief investment officer, Women's World Banking Asset Management
Harsha Rodrigues, Executive vice-president, Regional client services, Women's World Banking

Women's World Banking combines impact investment and technical assistance to further develop and realize the potential of women's contributions to economies and societies. Its gender-lens investing strategy uses data-driven gender assessments and consumer solutions to secure female talent and meet women's financial needs, and thus yield both social and financial returns.

AN ARTICLE BY
CHRISTINA JUHASZ

Christina Juhasz is the chief investment officer of Women's World Banking Asset Management. She heads up impact investing funds, WWB Capital Partners I and II, directing equity investments into inclusive financial services providers with the aim of increasing outreach to women as customers, employees and leaders of the companies.

HARSHA RODRIGUES

Harsha Rodrigues is executive vice-president, Regional client services at Women's World Banking, and is responsible for leading all work within four regions and several priority markets across South Asia, South-East Asia, Africa and Latin America. The regions offer advisory support to financial service providers, policy makers and regulators to drive women's financial inclusion and women's economic empowerment.

Nearly one billion women remain outside the formal financial system, despite their increasingly well-documented contributions to local economies and societies. Women's World Banking seeks to unleash the economic potential of this untapped market by ensuring that more women have access to financial services and women-focused financial solutions.

Women's World Banking seeks to achieve this objective through both impact-oriented technical assistance[1] and impact investment, leveraging the powerful potential of combining the two. This synergistic approach offers a win-win situation, with investors focusing on increasing the prioritization and uptake of capacity-building technical assistance, and technical assistance increasing social and financial returns for investors. In summary, the combination leads to greater impact, effectiveness, and profitability in support of women's financial inclusion.

THE SYMBIOTIC RELATIONSHIP BETWEEN IMPACT INVESTING AND TECHNICAL ASSISTANCE

To advance financial inclusion, impact investing and technical assistance are often siloed, which results in missed opportunities for enhancing impact and investment returns.

Several factors explain why investment and technical assistance are typically delivered separately. First, investors often lack the financial or technical resources to provide technical assistance themselves. Second, impact-oriented technical assistance – especially grant-funded – is generally not available to - or considered by - for-profit investors, even impact investors. Lastly, while grant funders or social organizations traditionally drive and deliver technical assistance to achieve impact goals, they generally work with management teams but have little engagement with the investors in such organizations.

This separation causes impact investors to miss out on accelerating their intended results with operational know-how, while technical

1 ▸ Advisory services and technical assistance refer to strategy, research, implementation and scale-up support provided to financial service providers to help build their capacity to better serve the women's market.

assistance providers also miss out on engaging owners to prioritize and leverage new capacity over the long term. However, together, impact investment and technical assistance can create a mutually beneficial and mutually reinforcing strategy for greater impact. Gender-lens investing provides a good example of the symbiotic relationship between impact investment and technical assistance, as investors recognize that investing in women can yield both social good and enhanced financial returns. Thus, to capture this 'gender dividend', they will typically invest in companies focused on a product or service that specifically meets women's needs, or in companies with gender-diverse boards and leadership teams, or in women-owned companies. However, once an investment is made, investors typically cannot or do not offer operational assistance to improve the social (e.g., gender) outcomes of their investments, relying instead on existing management and resources to deliver impact and financial return. But it is exactly at this juncture that impact-targeted technical assistance can be a critical value-driver.

> *"Gender-lens investing provides a good example of the symbiotic relationship between impact investment and technical assistance, as investors recognize that investing in women can yield both social good and enhanced financial returns."*

BLENDING CAPITAL AND TECHNICAL ASSISTANCE

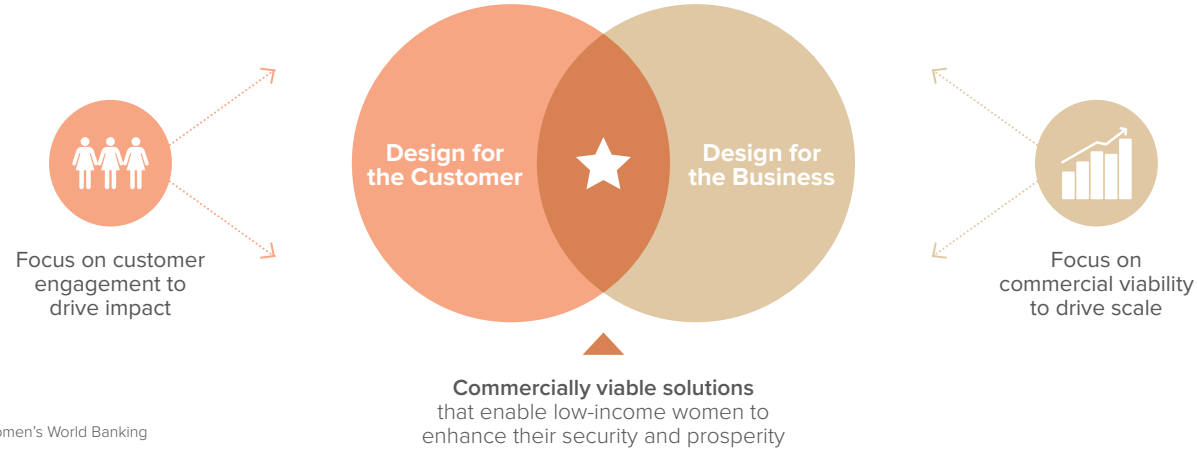
Launched in 2012, Women's World Banking's first gender-lens private equity fund aimed to invest in inclusive finance companies and increase their outreach to women as customers, employees, and leaders. Its rigorous gender-disaggregated data collection and trend analysis allowed it to show management teams, using their own data, how a focus on female customer acquisition and engagement and female talent acquisition and retention could boost overall performance. But often, once convinced of the benefits of engaging more women, management teams lacked the expertise on how to reach them. Subsequently, Women's World Banking launched a blended finance follow-on fund that brings both investment capital to provide long-term equity capital and grant funding to secure dedicated technical assistance for investee companies to address the important question of "how" to engage more women, and to drive the sustainability and longevity of that focus.

WOMEN-CENTERED-DESIGN ADVISORY SERVICES

One of the key technical assistance services that Women's World Banking can deliver for the Fund's portfolio companies to help them solve the "how" problem is its proprietary approach to designing financial solutions that meet women's needs. This approach begins with data-driven, customer behavioral research, to identify women's needs, behaviors, and barriers, followed by a process of ideation, prototyping, and user testing, to develop commercially viable solutions that address these needs, preferences and barriers.

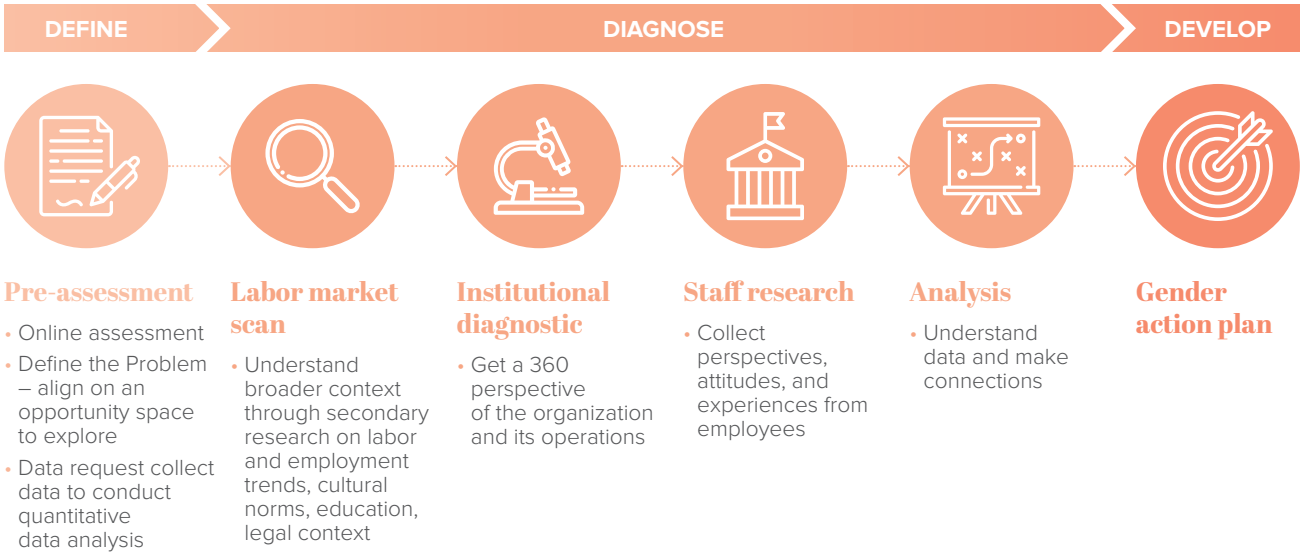
At its core, this women-centered design approach is a systemic and iterative process for problem-solving, integrating both the customer and business in decision-making. Having an investor committed to this process can help management prioritize solutions and ensure they are implemented successfully. In turn, this drives the desired outcome of engaging more women and gives the company a competitive edge, which drives financial results. →

Balancing business objectives and customer needs through TA and strategic advice



Source: Women's World Banking

Undertaking an organizational gender assessment



Source: Women's World Banking

ORGANIZATIONAL GENDER ASSESSMENTS: SOLVING FOR FEMALE TALENT ACQUISITION AND RETENTION

Women's World Banking also focuses on building gender-diverse organizations that improve resiliency, mitigate risks and outperform financial metrics. However, biases and cultural norms may create hidden barriers for women internally as they pursue career growth. Launched in 2008, Women's World Banking's 'Organizational Gender Assessment' helps financial institutions evaluate the gender diversity of their staff, understand their work experiences, and measure the organization's ability, commitment and policies to attract, retain, advance, and reward female talent. Women's World Banking technical assistance experts work with institutions to develop tailored action plans to build strong, gender-diverse teams. The institution's investors, through investor and board oversight and measurement against performance targets, can ensure the action plans are delivering results, and in turn will benefit from the enhanced risk management and business performance that results from gender diversity.

The power of impact-oriented technical assistance: the Ujjivan case study

In 2012, WWB Capital Partners, LP, explored an investment in Ujjivan (now Ujjivan Small Finance Bank), a microfinance institution based in India, with the objective of helping the institution reach more women customers with new products and services. Simultaneously, its technical assistance team was conducting customer behavioral research to identify the needs and preferences of Ujjivan's targeted women clients. The team found that the biggest pain point for women was turnaround time – it simply took too long to receive a loan. Based on this study, Ujjivan developed a comprehensive strategy to minimize turnaround time, and now as an investor, WWB Capital Partners monitored and advocated for continuous execution of the plan. Ujjivan procured a digital document management system, decentralized decision-making, rolled out hand-held devices to loan officers for data entry in the field, and invested in real-time connectivity to Indian credit bureaus – reducing turnaround time from 14 days to 3, and becoming the market leader within a year of the Women's World Banking study. Its customer acquisition rate skyrocketed, doubling the loan portfolio by the end of the year.

FACILITED THE FINANCIAL INCLUSION OF NEARLY ONE MILLION MORE WOMEN

WWB Capital Partners made another investment in 2014 at a 10% higher book value multiple, nearly doubling the price per share. Women's World Banking launched a second customer research exercise, this time identifying appetite for individual and small business loans among women clients, allowing Ujjivan to develop a strategic plan to introduce individual lending. WWB Capital Partners, along with other shareholders, approved this plan and monitored the program's successful roll-out. In one year, Ujjivan raised the largest ever (to date) private equity round for an Indian microfinance lender, at a book value multiple now 20% higher than WWB Capital Partners' original investment and at a share price three times higher. Subsequently, Ujjivan was among the first group of microfinance institutions selected by the Reserve Bank of India to receive a small bank license.

In 2016, it became a publicly listed company, with a 41-times oversubscribed initial private offering (IPO) on Indian stock exchanges. The investment returned a 30% net IRR to the Fund and Women's World Banking, because of its combined impact investment and technical assistance strategy, and facilitated the financial inclusion of nearly one million more women in India, with access to new individual and small business loan products.

This hybrid approach of impact investment capital and results-oriented technical assistance has proven to be a mutually beneficial and successful strategy that optimizes both social and financial outcomes for all parties. Embracing social impact without sacrificing financial returns is a powerful value driver for investors and the institutions they invest in.

FOCUS

WOMEN'S WORLD BANKING

Women's World Banking is a nonprofit organization that provides strategic support, technical assistance and information to a global network of 55 independent microfinance institutions (MFIs) and banks that offer credit and other financial services to low-income entrepreneurs in the developing world, with a particular focus on women. The Women's World Banking network serves 24 million micro-entrepreneurs in 32 countries worldwide, of which 80 percent are women.

Start-up incubators and accelerators are renewing technical assistance

Dahlia Hawili, Project manager for entrepreneurship and the inclusive economy, AFD
Aïda Ndiaye, Digital project manager, AFD

While digital Africa is booming, technical assistance (TA) and financial assistance play a key role in the development of a start-up. In this context of innovation, accelerators and incubators are experimental laboratories for TA. AFD Group is involved by financing these structures and supporting all the players in the entrepreneurial ecosystem.

AN ARTICLE BY
DAHLIA HAWILI

Dahlia Hawili is project manager for entrepreneurship and the inclusive economy in the Economic and Financial Transition Department at Agence Française de Développement (AFD). She is specialized in supporting MSMEs and social enterprises and participates in financing public programs to support entrepreneurship which develop inclusive entrepreneurial ecosystems, mainly in Africa.

AÏDA NDIAYE

Aïda Ndiaye is digital project manager at Agence Française de Développement (AFD). She is specialized in digital entrepreneurship issues, in particular in the education, vocational training and employment sectors. She works on financing innovation programs for the public sector, as well as for impact digital start-ups, universities and NGOs, both in Africa and the Middle East.

Africa is the continent with the most entrepreneurs among its population (20%) and over a quarter of them are women.[1] A new generation of companies is emerging there: start-ups with high growth potential that generally use innovative technologies in connection with the rapid growth in mobile phones and connected uses. In this context of a booming digital Africa, technical assistance (TA) and financial assistance play a major role in the emergence, growth and scale-up of a start-up. In this respect, accelerators and incubators, which are sometimes grouped under the term entrepreneurship support structures (ESS), are major players in the entrepreneurial ecosystem.

While their missions are sometimes confused, an incubator is in essence the place where innovative start-ups are supported. It has a long-term mission to help entrepreneurs go from an idea to the realization of their projects. It does so by providing support for training and seeking financing or partnerships. An accelerator generally offers a program of limited duration. It focuses on a customized approach which may include mentoring or training mechanisms, sometimes with more specific components for fundraising.

ESS: THE CORNERSTONE OF THE ENTREPRENEURIAL ECOSYSTEM

If ESS are considered as the cornerstone of the entrepreneurial ecosystem, it is primarily because they are designed to condense the entire range of services not provided by the other players. They assist entrepreneurs with their professional development through mentoring and allow them to acquire the necessary skills through specific training (management, marketing, business development, corporate law, finance, administration, etc.), while providing them with a coworking space with access to broadband internet. They also allow entrepreneurs to build their professional networks through support between cohorts. This collective approach also makes it possible to achieve significant economies of scale by pooling the similar needs of participants. While ESS have a very broad scope of action in Africa, there are

1 ▸ PROPARCO, Private Sector & Development magazine, SME finance in Africa: What's new?, September 2019.

equally great disparities in the range of services. Indeed, these services are very much dependent on the capacity of these structures to obtain financing, as they are never sure to achieve their profitability with a client base of start-ups.

In addition to the traditional skills targeting business performance, iterative experimental methodologies must be considered as a base to help empower young entrepreneurs on dynamic markets. For example, the "lean start-up" concept encourages start-ups to be frugal with their resources, by testing each hypothesis with their target and pivoting in response to the feedback from the users of the product or service proposed. Emphasis is also placed on the behavioral skills required in a world in transition.

By making greater use of these methodologies, incubators and accelerators become real experimental laboratories and rigorous observatories of innovation in Africa, supported by new models such as virtual incubators and start-up studios.

FOCUS
AFD

Agence Française de Développement (AFD), a public and inclusive financial institution, is the central actor in France's development assistance. It commits to projects that contribute to improving the daily lives of people in developing and emerging countries and in the French Overseas Territories. AFD operates in a number of sectors – energy, health, biodiversity, water, digital technology, training – and supports the transition towards a fairer and more sustainable world, a world in common. Its action is fully in line with the Sustainable Development Goals (SDGs). AFD operates in 115 countries via a network of 85 offices and supports over 4,000 development projects.

AFD SUPPORTS INNOVATIVE ASSISTANCE

AFD Group is a committed partner for incubators and accelerators. It takes action both by financing these structures and by providing TA to support all the players in the entrepreneurial ecosystem, which subsequently provide technical assistance to the entrepreneurs. For example, the AFIDBA (AFD for Inclusive and Digital Business in Africa) project, which is based on a consortium of ten players including five beneficiary incubators, aims to develop inclusive entrepreneurship in the digital sector. This project focuses on the incubation of 60 start-ups and seed funding for 28 others, as well as on the implementation of a support methodology to build the capacities of incubators. This new approach makes it possible to more effectively target the start-ups selected and build expertise for the support proposed.

Taking a similar approach, the Digital Africa seed fund, via the operators AfriLabs and Afric'innov, takes action to improve synergies between the various ESS through training workshops, certifications for hubs of excellence and by sharing best practices across the continent.

Through its support to ESS, AFD Group is able to reach more entrepreneurs organized as communities, test new support methodologies and develop local skills in technical assistance.

SIBC is accelerating high-impact projects in Africa

The Social & Inclusive Business Camp (SIBC), which was launched by the AFD Campus in 2017 and is now implemented by a consortium led by Investisseurs & Partenaires (I&P), fits in with AFD Group's non-financial support. It is based on three months of innovative online training, an in-person bootcamp week and a mentoring program. SIBC supports the acceleration of the projects of entrepreneurs that have positive impacts in Africa, by providing practical skills (technical and behavioral) and establishing contacts with investors.

The program financed by AFD Group also offers strong international visibility, while building a community of mentors committed to sharing their experience with entrepreneurs in the making. Over 200 entrepreneurs have been supported - about 30% of them women - with the help of 50 mentors and 40 partners, bringing together over 30 nationalities.

Supporting private and public players to promote the emergence of innovative ecosystems

Amance Bustreau, Project Officer, Expertise France
Ariane Philis, Project Manager, Expertise France

Technical and financial assistance for innovative entrepreneurship remains a core component of sustainable development. It helps redirect the economy towards sectors with higher added value. By taking a cross-cutting approach to supporting public and private initiatives in its countries of operation, the agency Expertise France contributes to building a favorable business climate and establishing a regulatory framework conducive to entrepreneurship.

AN ARTICLE BY
ARIANE PHILIS

Ariane Philis has been managing projects to support entrepreneurship and innovation in Tunisia since she joined Expertise France in 2019. She was previously responsible for the implementation of a project to develop market systems in the Democratic Republic of Congo (DRC), financed by the UK's DFID.

AMANCE BUSTREAU

Amance Bustreau holds a Master's Degree in Development Economics (CERDI) and worked for two years in the field of microfinance in France. She joined Expertise France in November 2020 as a project officer in the private sector in Libya, before taking over the monitoring and evaluation of the Innov'i-EU4 Innovation project in Tunisia.

Expertise France (EF) supports innovative entrepreneurship in the hundred or so countries where it operates. It combines support for projects led by economic actors from civil society (incubators, accelerators and entrepreneurial hubs) and technical assistance (TA) to governments. In practical terms, the agency firstly builds the capacities of public institutions and assists governments or public bodies with the implementation of public-private partnerships (PPPs). Secondly, it supports the ecosystem of innovative entrepreneurship and contributes to the deployment of mechanisms to access financing. This cross-cutting approach allows it to take the institutional component into account in order to promote the emergence and structuring of innovative entrepreneurial ecosystems. This also strengthens the coherence between public policies and private initiatives.

CONTRIBUTING TO THE IMPLEMENTATION OF REGULATORY FRAMEWORKS

To make innovation a major driver for economic growth and job creation, Expertise France contributes to developing regulatory and financial tools to build an ecosystem of entrepreneurship and innovation. In Tunisia, under the Innov'i program financed by the European Union, the agency is supporting the implementation of the public initiative Startup Tunisia by building the capacities of the national operator Smart Capital. At the same time, Expertise France is contributing to the implementation of a regulatory framework to promote the development of crowdfunding in the country. This support has raised the awareness of public actors and led to the adoption of the law of July 2020. The Innov'i project is also working with the Tunisian Ministry of Industry to promote the integration of innovation into public procurement criteria. This is a key tool in ensuring that start-ups and SMEs have access to public contracts, which will certainly accelerate their development.

BUILDING A FINANCING CONTINUUM

Once the regulatory framework has been established, a financing continuum must be secured from the start of the project through to its acceleration. It is for this reason that Expertise France contributes to financing and technical assistance for initiatives led by private economic actors. For example, in Tunisia, the Innov'i program has allocated an €8 million budget to the support structures. Montenegro is another example, where the "Competitiveness Vouchers" pilot scheme set up under the BeSME project[1] is directly financing services. Seventeen SMEs have already benefited from assistance to support their digital and technological transformation. Under the Startup Invest component of the Startup Tunisia initiative, Innov'i is helping Smart Capital to structure Anava, the very first fund of funds of its kind in Africa, with a target size of €200 million. Anava aims to invest in at least 16 underlying funds which will in turn finance over 350 start-ups. Expertise France's assistance is today focusing on the next closing, risk mapping and the in-depth assessment of the first applications of the underlying funds.

FOCUS
EXPERTISE FRANCE

Expertise France is a public agency and the inter-ministerial operator for international technical cooperation. The second largest agency in Europe, it designs and implements projects that sustainably strengthen public policies in developing and emerging countries. Governance, security, climate, health, education... Expertise France operates in key areas of development and contributes to the achievement of the Sustainable Development Goals (SDGs) alongside its partners. Expertise France has joined AFD Group to enhance the effectiveness of France's development cooperation policy.

PROMOTING THE ENTREPRENEURIAL ECOSYSTEM

To support private sector development, it is crucial to coordinate the ecosystem of entrepreneurship and innovation. Public-private partnerships are a good example of this. The Innov'i project has contributed to the creation of the first space in Tunisia dedicated to innovation and start-ups. This place is called The Dot and aims to become the figurehead of Tunisia's entrepreneurial ecosystem, in addition to being a springboard for the emergence of start-ups.

On a broader level, it disseminates an entrepreneurial culture. To increase the visibility of companies among local and international investors, Expertise France helps coordinate Tunisia's INVEST'I community on the international matchmaking platform EuroQuity. This Bpifrance service puts Tunisian high potential start-ups in contact with their development partners, particularly investors.

In Montenegro, Expertise France has helped the government set up the Technology Transfer Office which organizes the transfer of technologies with start-ups and SMEs focused on research and innovation. By taking this cross-cutting approach to supporting private and public initiatives, Expertise France contributes to creating regulatory conditions conducive to the development of a dynamic ecosystem. The agency also seeks to compensate for the lack or inadequacy of financing mechanisms for start-ups, a key focus for bringing about the future champions of innovation.

Initial encouraging assessment of Startup Acts in Africa

Nineteen African governments have enacted specific legislation in the form of Small Business Acts (SBA) and Startup Acts to stimulate the creation and development of MSMEs. While they are recent instruments for which there are not yet external evaluations, the SBA and Startup Acts would appear to have a significant impact on the development of the private sector if they are well designed and properly implemented, as shown by the evaluation conducted by AFD Group in 2020.

For example, the Startup Acts in Tunisia and Senegal have a set of tax incentives and financial and non-financial assistance for entrepreneurs to support the creation and growth of innovative start-ups and SMEs. There have already been significant initial impacts in their respective ecosystems. The Startup Act adopted in Tunisia 2 years ago has certified over 500 start-ups. They have helped to create 3,222 jobs. Moreover, the certified Tunisian start-ups that have been in business for over a year recorded an average growth of 47.6% in their turnovers in 2020.

1 ▸ Project to improve the business climate and private sector competitiveness in Montenegro, financed by the European Union and implemented by Expertise France.

Technical assistance disseminates a strong culture of E&S issues – and their solutions

Teddy Deroy, Director for Europe, East and North Africa, IBIS Consulting

In emerging markets, investors systematically carry out environmental and social (E&S) assessments of the projects or companies they target. Technical assistance is invaluable in understanding such issues, which are sometimes little-known and often complex. Advice, training and the implementation of tools to provide a framework for good practices are all ways of managing E&S risks, in particular for climate, biodiversity and gender issues.

AN ARTICLE BY
TEDDY DEROY

Teddy Deroy trained as a chemical engineer (ESPCI Paris) and holds an MSc in Environmental Science (Imperial College London). He is now an expert in international standards and global issues (social, societal, land and ethical) in the African context. He is one of the founding directors of IBIS Consulting and manages the IBIS offices in East Africa (Kenya), North Africa (Morocco) and Europe (France). Before co-founding IBIS Consulting, Teddy Deroy was HSE Manager at Perenco in the Democratic Republic of Congo (DRC) and a director at ERM France, where he managed the services for mergers and acquisitions and improving HSE performance.

Before considering any operation, in particular in emerging markets, institutional investors (development banks, multilateral agencies, etc.), investment funds and other banking operators carry out environmental and social (E&S) assessments of the projects or companies they are thinking about investing in. These assessments are called "E&S Due Diligence" (E&S DD)[1] and are used to determine whether improvements are necessary in terms of the environment, health, occupational safety, employment, land, biodiversity, etc., in order to comply with both local regulations and international standards. These standards include the E&S Performance Standards of the International Finance Corporation (IFC),[2] the conventions of the International Labour Organization (ILO),[3] the Guiding Principles on Business and Human Rights,[4] the Equator Principles,[5] as well as more thematic standards such as the Paris Climate Agreement[6] and the 2X Challenge[7] devoted to gender equality. On the operational side, E&S DD makes it possible to establish a contractual Environmental and Social Action Plan (ESAP) which aims to correct any deviations from these standards.

While these assessments are very useful, they are nevertheless limited to a rapid audit of companies as they focus on the main risks. This means that E&S DD does not propose a pedagogical component to clients concerning E&S standards, or assistance for the implementation of an ESAP. So this is where technical assistance (TA) becomes essential.

1 ▸ E&S DD should not be confused with environmental impact studies which are often a regulatory requirement.
2 ▸ https://cutt.ly/jECNsoF
3 ▸ https://cutt.ly/SEVe5fk
4 ▸ https://cutt.ly/rEVrWDi
5 ▸ https://cutt.ly/5EVrDYx
6 ▸ https://cutt.ly/VEVrCti
7 ▸ https://www.fr2xchallenge.org/

PEDAGOGICAL APPROACH AND OPERATIONAL TOOLS

TA mobilizes E&S experts to assist companies at a particularly attractive cost. Consultants can give extensive training on E&S issues and how to manage them: training in IFC's E&S standards, training in conducting E&S audits, awareness-raising on gender and climate change issues, etc. This pedagogical approach concerns both the staff responsible for E&S issues and the management. Furthermore, investing in these women and men who control operations is probably the greatest E&S transformation which TA contributes to.

The development of an E&S management system (ESMS) to structure the good practices of a client is one of the other strong points of technical assistance. In practical terms, an ESMS is a set of E&S policies and procedures that provide a framework for the analyses of the risks, resources and skills, monitoring, and the management of incidents and complaints. It also makes it possible to manage certain operational aspects such as energy consumption, staff management and road safety. In emerging markets where the culture of documented procedures is not fully established, it is essential for these ESMS to be combined with toolkits comprising registers, questionnaires and illustrated dashboards.

When the situation so requires, the technical assistance can also provide additional expertise. Consequently, for complex E&S issues where in-depth training or procedures would not be sufficient, experts specialized in these issues can be mobilized. For example, they will help negotiate agreements with indigenous peoples on the preservation of their sacred sites, help find waste disposal solutions in remote areas or prepare a mangrove restoration program. At this time of pandemic, many development banks have deployed emergency TA on Covid-19 (advice on worker health protection, reducing redundancy plans, etc.).

FOCUS

IBIS CONSULTING

IBIS Consulting is a sustainable finance consultancy specialized in environmental, social and impact issues in emerging markets (Africa and Asia), with a strong interest in the private sector. It was set up in 2015 by a group of experts in sustainable finance and has permanent offices in Hong Kong, Kenya, Morocco, Singapore, South Africa, as well as in France. The firm has a team of some 60 consultants and carries out over 250 E&S missions a year for multilateral development agencies, development finance institutions, commercial banks, investment funds and impact funds. Since it was set up, IBIS Consulting has worked in over 50 African and Asian countries.

REMOVING ALL THE ADMINISTRATIVE BARRIERS

While TA helps companies implement operational tools and gain a better understanding of the E&S risks they face, it should be noted that this assistance under no circumstances replaces their own obligation to comply with regulatory requirements (obtain an environmental permit, for example).

In view of the large number of TA mobilization mechanisms proposed by the various investors and the relative slowness of administrative procedures to obtain it, TA may prove to be a tool that is not well understood by the companies that could benefit from it. Removing these barriers in order to facilitate recourse to TA is therefore the first line of development for this type of program. Promoters want to participate more in them in order to ensure more responsible development of the private sector in emerging markets, in particular for climate, biodiversity and gender issues which are still not sufficiently supported. ■

Workshops in French-speaking Africa for training in IFC standards

A project that complies with environmental, social and governance (ESG) best practices is a project that is more resilient, more sustainable and more profitable. It is for this reason that development finance institutions work to disseminate ESG criteria. The crisis caused by the Covid-19 pandemic has reinforced the need to develop local capacities for the integration of these practices. In this context, the French association RSE Développement – with support from Proparco and the environmental consulting firm Ramboll Management Consulting – organized a series of face-to-face (and online) training workshops in Côte d'Ivoire, Morocco and Senegal between December 2020 and May 2021.

These workshops last several days and combine theory and practice. They aim to train entrepreneurs, consultants and investors operating in Proparco's countries of operation in the Performance Standards of the International Finance Corporation (IFC). These workshops also make it possible to build a dynamic network of "practitioners" in French-speaking Africa. Proparco is currently working on scaling up this type of initiative with its European counterparts.

"With technical assistance, the European Union supports sustainable growth and decent jobs in developing countries"

An interview with Erica Gerretsen, Acting Director for sustainable finance at DG International Partnerships, European Commission

In this interview, INPA's Erica Gerretsen speaks of the need to mobilise funds to achieve the Sustainable Development Goals (SDGs) in developing countries, citing the need to promote partnerships. The European Union's partner countries, especially in Africa, want to ensure their citizens have sustainable livelihoods. They also want to shift to inclusive, green economies with extensive digitalisation. These are EU priorities too. To implement these common priorities, innovative financial instruments and technical assistance are enabling a dynamic private sector engaging whole populations.

ERICA GERRETSEN

Erica Gerretsen has been working in the European Commission Directorate-General in charge of International Development Cooperation (DG DEVCO) since 2003, mostly on Africa. In 2016, she was appointed head of unit at DEVCO A4 "Budget Support, Public Finance Management and Domestic Revenue Mobilisation". Since 16 January 2021, she has been the acting director for the newly established directorate in charge of "Sustainable finance, jobs and growth, an economy that works for the People" of the DG INTPA for International Partnerships.

PS&D: WHAT IS NEEDED TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS (SDGS) IN DEVELOPING COUNTRIES, AND WHAT ARE THE PRIORITIES OF THE EUROPEAN UNION (EU)?

Erica Gerretsen: There is a massive shortfall between the development assistance needed worldwide and the amount currently available. In 2019, the UN Secretary-General estimated the gap in financing needed to achieve the Sustainable Development Goals (SDGs) in developing countries to be USD 2.5-3 trillion per year. But in 2020, official development assistance (ODA) provided by countries that are members of the OECD's Development Assistance Committee (DAC) came to 'just' USD 161 billion. To mobilise funds, we need to promote partnerships and "build back better". Our partner countries, especially in Africa, are seeking to create decent jobs on a massive scale and to ensure their citizens have sustainable livelihoods in the wake of the COVID-19 pandemic. They also want to shift to inclusive, green economies with extensive digitalisation. These are our priorities too. We need to support our partner countries in our common efforts.

HOW IMPORTANT IS IT FOR THE EU'S EXTERNAL AID TO SUPPORT PRIVATE SECTOR DEVELOPMENT IN DEVELOPING COUNTRIES?

Only with the resources that the private sector can harness will we be able to close that investment and financing gap, especially in today's context of recovery from COVID-19. That is why one of the main goals of the EU's external aid is to help the private sector in developing countries to flourish. We all need to "build back better". Promoting partnerships helps us achieve that goal. For the EU, this means working better together as Team Europe with our Member

States and European development finance institutions in partner countries. Only in this way, with all the partners on board, can we achieve greater cooperation and synergies between the different actors, make our efforts more efficient and maximise our development impact.

Microenterprises, cooperatives and other inclusive businesses, as well as small and medium-sized enterprises, will play an important role in these endeavours, not least through the innovation and investment they bring.

Indeed, our recent strategy with Africa highlights one thing: sustained economic transformation and growth across the continent can only happen with a dynamic private sector that draws on the creativity and entrepreneurship of all Africa's people – not least its women, youth and vulnerable populations.

> *"Our recent strategy with Africa highlights one thing: sustained economic transformation and growth across the continent can only happen with a dynamic private sector that draws on the creativity and entrepreneurship of all Africa's people."*

HOW DOES THE EU'S TECHNICAL ASSISTANCE (TA) BENEFIT THE PRIVATE SECTOR IN DEVELOPING COUNTRIES?

With TA, the EU supports sustainable growth and decent jobs in developing countries in six main ways: boosting trade and sustainable investment; improving the investment climate and the business environment; increasing access to quality education and skills; advancing regional integration; making value chains more sustainable; and promoting decent work and preventing child labour and forced labour. We focus in particular on Africa, Least Developed Countries (LDCs) and fragile states.

The EU uses innovative financial instruments such as the European Fund for Sustainable Development (EFSD) – offering financial guarantees and blended finance, together with TA – to de-risk and mobilise private investment, improve the investment climate, and advance economic integration that supports entrepreneurs, small and medium-sized enterprises (SMEs) and start-ups, and in this way bring concrete benefits to local communities. In 2020, the EU provided almost EUR 500 million to support reforms that improve the business environment in Sub-Saharan Africa.

WHAT ABOUT PUBLIC-PRIVATE DIALOGUE AND PARTNERS' PLATFORMS – HOW DOES THE EU SUPPORT THESE?

The EU also promotes dialogue between the public and private sectors. We help the private sector engage in the development process. And we facilitate dialogue between the business community and international financial institutions (IFIs). For example, we organise the EU-Africa Business Forum (EABF). This was initially set up as a high-level event for dialogue and networking. It takes place in the margins of EU-Africa Summits, as well as in sector-specific formats as a permanent structure. It brings together African and EU business and public-sector leaders from across the two continents to discuss how to improve the investment climate and increase opportunities for sustainable economic cooperation. The seventh edition of the EABF is scheduled for the first quarter of 2022. →

CAN YOU PROVIDE A CONCRETE EXAMPLE OF THE EU'S INITIATIVES THAT PROMOTE PRIVATE SECTOR DEVELOPMENT?

Let me give you a recent example of EU flagship initiatives. It is with the Tony Elemelu Foundation, and is implemented by the GIZ. It targets decent job creation by supporting 2,500 women entrepreneurs in African countries with training and accompanying them in the creation of their businesses. The current EUR 20 million programme started recently and covers a financing component, providing grants to entrepreneurs (the pilot part of the project). This programme is part of the Team Europe Initiative called 'Investing in Young Businesses in Africa', or IYBA. European Commission President Ursula von der Leyen launched IYBA in May 2021 (at the French Financing for African Economies Summit). It will mobilise substantial financing and technical expertise from the European Union and its Member States. It will address the main bottlenecks that hold back young entrepreneurs and small business owners – notably women across Africa – from starting or expanding their businesses. In particular, it will focus on digital, green and inclusive businesses.

CAN YOU GIVE ANOTHER EXAMPLE?

The second example of our initiatives is one which European Commission President, Ursula von der Leyen, also announced in May, at the G20 Global Health Summit in Rome. It is a Team Europe Initiative on manufacturing and access to vaccines, medicines and health technologies in Africa, known as MAV+. The initiative will help create an enabling environment for local manufacturing in Africa and tackle barriers on both the supply and demand sides. It will be backed by EUR 1 billion from the EU budget and European development finance institutions, such as the European Investment Bank. EU Member States will contribute further funds. These two examples address important challenges for African countries, and especially their private sectors. This initiative operates in a cooperative, collaborative and inclusive way, placing particular focus on youth and women.

HOW WILL TECHNICAL ASSISTANCE THAT BENEFITS THE PRIVATE SECTOR BE INCORPORATED OR DESIGNED IN FUTURE PROJECTS IMPLEMENTED OR FINANCED BY THE EU?

The EU's new financial instrument for external action is the Neighbourhood, Development and International Cooperation Instrument (NDICI) – "Global Europe". It forms part of the EU's current long-term budget up to 2027, known as the Multiannual Financial Framework. Through this instrument, we will extend our use of the Team Europe approach, whereby the EU, its member states and European development finance institutions, such as the EIB, KfW and AFD, work closely together on shared initiatives such as those mentioned above.

Within NDICI-Global Europe, the European Fund for Sustainable Development Plus (EFSD+) will be bolder than its predecessor (the EFSD). EFSD+ offers up to EUR 53 billion in External Action Guarantee capacity. It will have global coverage (the EU Neighbourhood, Africa, Latin America, the Caribbean, Asia and the Pacific) and will provide a full spectrum of financial instruments that will cover, through the EU External Guarantee, sovereign and sub-sovereign (local authorities) lending and the political risks of the EIB's operations – EUR 26.7 billion for

the next seven years. EFSD+ will have around ten times the capacity of the previous EFSD for risk sharing. Also, EU budgetary guarantees will provide up to about EUR 14 billion in guarantee capacity to mobilise private finance in our partner countries.

The TA that the EU provides will benefit from this increase in resources and de-risking instruments. It will be linked to the sectors (or investment windows) for which the EFSD+ guarantees targets. These are related to sustainable agriculture, energy and water, MSMEs, digital, sustainable cities; human development, and sustainable finance.

> *"The redesigned European Financial Architecture for Development will also help address the challenges of our partner countries more flexibly, by benefiting from the complementary expertise of all those involved."*

WHAT PRINCIPLES GUIDE THE NDICI-GLOBAL EUROPE INSTRUMENT?

We are undertaking our programming based on two important principles to align ourselves more closely than ever with the needs of our partner countries. With the "Policy First" principle, we provide a strong EU political steer and enable our financial partners to strengthen their alignment with EU policy objectives. This is how we can focus on our sustainable development goals. Moreover, with the "Country-driven and Geographic" principle, we recognise that our support can only be as efficient as our strategies and their implementation at a country level. Vision and leadership on reforms in the countries themselves are essential to adapt to market developments and seize new opportunities. Here our network of EU Delegations is a unique EU asset, with field experience and presence on the ground in over 140 countries. More broadly, the redesigned European Financial Architecture for Development will also help address the challenges of our partner countries more flexibly, by benefiting from the complementary expertise of all those involved.

We will also continue to enhance our public-private dialogue with European and partner private sector representatives. Through close collaboration with the business community, financial institutions and policy-makers, we can empower our partner countries to build back better.

FOCUS

INTPA (INTERNATIONAL PARTNERSHIP)

The mission of INTPA is to contribute to sustainable development, the eradication of poverty, peace and the protection of human rights, through international partnerships that uphold and promote European values and interests.

Unlocking the DRC's power potential through technical assistance

Stephen Berson, Monitoring & Evaluation lead, Essor Programme
Stéphane Woerther, Essor A2E Team Leader–Managing partner, Philae Advisory
Guillaume Estager, Partner, Philae Advisory

With technical assistance from the FCDO-funded Essor Programme, the world's largest solar mini-grids are set to come online in 2023, changing the paradigm of the electricity sector. This project is the first of its kind in the Democratic Republic of the Congo (DRC), a country that is suffering from one of the lowest electricity access rates in the world.

AN ARTICLE BY
STEPHEN BERSON

Stephen Berson is a monitoring and evaluation specialist with over ten years of experience in international development cooperation. He has worked on the ground in Asia, the Middle East and Africa. He is currently based in the DRC, where he works as the Essor Programme's Monitoring & Evaluation lead.

STEPHANE WOERTHER

Stephane Woerther is the founder and managing partner of Philae Advisory, a financial advisory firm focused on the energy sector and on Africa. He also lectures Project Finance at Écoles des Mines de Paris & Saint-Étienne and at the IFP-School. He is an ingénieur civil des Mines and holds an MSc in Economics from Paris-Assas University/IFP.

GUILLAUME ESTAGER

Guillaume Estager is a partner at Philae Advisory and has worked for the past 25 years in PE and project finance in the power, infrastructure and O&G sectors on the African continent, including as head of M&A at Shell downstream. Guillaume graduated from HEC (Grandes Ecoles).

On 6 June 2021, the Democratic Republic of Congo's (DRC's) Minister of Hydraulic Resources and Electricity (MRHE) and an international consortium, comprising CDC GridWorks, Eranove and AEE Power, signed three concession agreements to develop, finance, build and operate the world's largest solar mini-grids in the cities of Bumba, Gemena and Isiro, located in the north of the DRC. The facilities, expected to come online in 2023, have a total estimated cost of USD 100M and will serve approximately half a million people.

The signing of these contracts represented a watershed moment in the DRC's power market, paving the way for a scaling up of private investment in the DRC's power sector.

The project was a response to the pressing need for electricity infrastructure in the DRC. Despite the 2014 electricity reform, aimed at liberalizing the power market, the country had not been able to attract private investment at the required scale to improve the dire situation in the sector. In 2018 only 14%[1] of the DRC's population had access to electricity, compared with an average of 48% in Sub-Saharan Africa. Only nascent regulations by the DRC Government existed, and the few initiatives undertaken by the private sector in the DRC's mini-grid space initially showed poor track records and a lack of robustness and scalability.

In part, the shortcomings of the proposed models were that they used non-scalable and sub-optimal contractual and financial models that clearly lacked the capacity to efficiently mobilize significant private capital inflows into the DRC's electricity sector. Therefore, it became necessary to consider alternative models, considering the limited human and financial resources at the government level. In this context, providing support to specific companies and projects would have proven ineffective. What was needed was an upstream and harmonized approach. Essor provided long-term and flexible technical assistance to the DRC Government, to drive the process and to improve the investment environment, while protecting the DRC Government's interests. Such assistance helped standardize and optimize the market to increase liquidity and feed it with bankable opportunities for the private sector.

1 ▸ Increasing Access to Electricity in the Democratic Republic of Congo : Opportunities and Challenges, World Bank (2020).

THE ESSOR PROGRAMME, A FLEXIBLE FACILITY FOR IMPROVING DRC'S BUSINESS ENVIRONMENT

Essor forms part of the UK Foreign, Commonwealth & Development Office's (FCDO's) Private Sector Development (PSD) portfolio in the DRC. It is a GBP 35M flexible facility – implemented by PwC as the FCDO's delivery partner – that aims to improve the business environment in the country. The programme started in January 2015 and will end in January 2022.

Essor comprises two workstreams. The first supports Business Environment Reform (BER), which is helping to formalize the economy, reduce corruption and facilitate access to credit through government reforms. The second workstream is Access to Electricity (A2E), which provides technical assistance to the MRHE[2]. The intervention was initiated in 2016, led by Philae Advisory, with legal support from Linklaters LLP and technical support from the IED. The mini-grids project falls under the A2E workstream. All funding for the A2E workstream has been for advisory services.

The main initial objectives of the Essor A2E initiative were the following:

- Entry barriers were to be lowered and conditions made attractive for private investment to attract strong market players into a challenging country.

> *"Essor provided long-term and flexible technical assistance to the DRC Government, to drive the process and to improve the investment environment, while protecting the DRC Government's interests."*

- A standardized model – with the capacity to be replicated at scale across other similar projects in the DRC power sector – was to be designed.
- Bankable opportunities in the sector were to be unlocked and scaled up, to be tendered to the private sector.
- A robust, balanced yet flexible contractual structure with the capacity to raise non-recourse project-finance-type funding was to be set up. It was to be tailored to the risks and uncertainties inherent in the mini-grid sector.
- A critical threshold was to be attained in the sizing and bundling of the underlying assets that would justify upfront commitments from bidders and project financiers.

CRITICAL SUCCESS FACTORS BEHIND ESSOR'S UPSTREAM APPROACH

Essor attributes the success of the project to the following factors:

- As **a flexible facility** with a sizeable budget and a long duration, Essor has had sufficient time and resources to implement an adaptive management approach. Its mini-grids project was high stake, high risk, highly resource intensive and involved many stakeholders. Without the ability to experiment and make course corrections, the mini-grids intervention would probably not have come to fruition. This is because it was operating in an environment with a high degree of uncertainty and required a long timeline to build relationships and implement project activities.
- An **adaptive approach** also helped deal with the many challenges that the project faced, such as the lack of an operational energy regulator, uncertainty regarding the project's ability to attract credible private investors and the inherent risk profile of mini-grid projects, together with significant security, political and macroeconomic risks.

2 ▸ The total spend on A2E on the Essor Programme is approximately GBP 7.5M

- **Scale and site selection** – Essor bundled three large project sites into a single auction. These have a combined power capacity estimated at 35MWp and 23,100 connections after five years, well above the average for Sub-Saharan Africa. The three pilot sites were selected from a list of 27 potential sites, based on criteria such as their economic dynamism, security, solar radiation and the active presence of the State utility SNEL on the ground. The combined total size of sites chosen for the grids also created a critical mass that justified the resources to undertake robust due diligence upfront.
- **Mobilization of an innovative financial package** –To de-risk the investment, Essor mobilized an attractive package of project financing upfront during the tender process. The project included innovative financial and guarantee products, including grants as a necessary component, to make the tariff affordable. International Development Financial Institutions (DFIs), such as the Green Climate Fund, the African Development Bank (AfDB), Proparco, PIDG and the Rockefeller Foundation, provided upfront expressions of interest and mobilized upfront resources, all maximizing private investor interest.
- **A robust, balanced, yet flexible contractual structure** was developed through iterative interactions during the tendering process with the private bidders and the leading financial institutions (AfDB and EAIF/PIDG), which achieved balanced risk allocation among all stakeholders;
- To mitigate project development risks and shorten the development phase, **technical and demand pre-feasibility studies** were undertaken upfront and made available to all bidders;
- **Project level support** – Previous technical assistance for reform had not led to new energy infrastructure investments in the country. This is partly because reforms were not fully operationalized, nor had the private sector been adequately consulted. In contrast, Essor's approach for the mini-grids project has been to provide transactional support to the DRC Government to test solutions in real-time through project-level implementation.

A PROJECT WITH HIGH ENVIRONMENTAL AND SOCIAL VALUE

Over the 20-year concession period, the solar mini-grids are estimated to reduce carbon dioxide emissions by more than half a million tonnes, as solar-powered generation replaces diesel-based generators. At their peak, the grids are expected to connect around 46,000 households and 3,100 businesses and social institutions (schools, hospitals, government institutions and civil society organizations).

Aside from the overall beneficial impacts this will have on health, education, quality of life, business growth and job creation, increased electrification has been proven to have particularly strong impacts on poor households, women and girls[3]. This will be reinforced by introducing a social tariff with a 25% discount on the first 15kWh consumed per month, making electricity much more affordable to poor households. Essor also worked with the MRHE to integrate gender criteria into the selection process, requiring candidates to include a gender strategy as part of their bids. The projects will also have a positive local impact by hiring, training and upskilling the local workforce.

3 ▸ Women, energy, and economic empowerment – Applying a gender lens to amplify the impact of energy access, Deloitte University Press.

A STRONG PARTNERSHIP WITH THE DRC GOVERNMENT

Essor's main partner for the project has been the Project Coordination and Management Unit (UCM) of the MRHE. UCM was established in 2015 as an execution and fiduciary agency for DFI-led projects. UCM's strong commitment has been a critical success factor for the intervention. The DRC Government now sees private mini-grid concessions at the core of the DRC's power sector strategy, using the Essor template as a model to be replicated in projects throughout the country.

Leveraging its role as a trusted partner of the DRC government, Essor has also developed two additional interventions in the power sector: (1) support for the DRC Government to unlock stranded renewable-energy-independent private producer (RE IPP) projects and (2) assistance for the DRC Government to develop a climate policy and finance a roadmap ahead of the COP 26 discussions taking place in November in Glasgow, UK.

FOCUS
ESSOR PROGRAMME

The Essor programme forms part of the UK Foreign, Commonwealth & Development Office's (FCDO's) Private Sector Development portfolio in the Democratic Republic of the Congo (DRC). This portfolio aims to reduce poverty in the DRC. Essor is a GBP 35M flexible technical assistance facility that works to support policy interventions which improve the DRC's business environment for micro, small and medium sized enterprises to create jobs and services for the poor.

CONCLUSION

The main goal of the Essor A2E programme has been to establish a replicable framework to fast-track the development of electrification of urban centers across the DRC, through private mini-grid concessions. With support from the AfDB and the IFC/World Bank, the MRHE, through UCM, is now in the process of tendering several batches of additional mini-grid concessions using frameworks developed under Essor. This demonstrates the systemic level change that the Programme has achieved. ■

> *"Over the 20-year concession period, the solar mini-grids are estimated to reduce carbon dioxide emissions by more than half a million tonnes. The grids are expected to connect around 46,000 households and 3,100 businesses and social institutions."*

Private Sector & Development

THE MAGAZINE

Private Sector & Development (PS&D) is Proparco's magazine that compares the views of experts on issues relating to the role the private sector plays in the development of Southern countries, particularly in Sub-Saharan Africa.

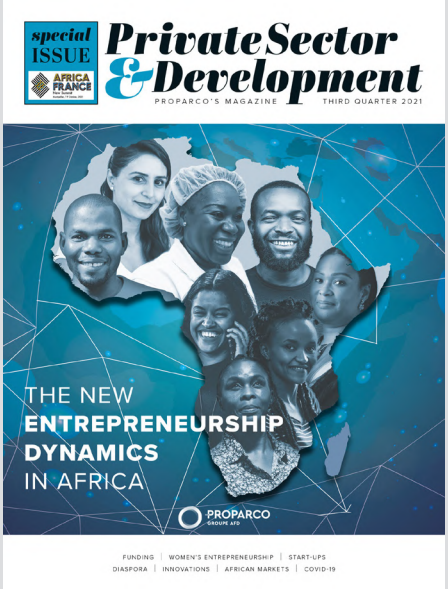
The magazine calls on the expertise of development players in these geographical areas, especially private sector decision-makers, donors, international organizations, NGOs, as well as academics and experts from development research institutes.

Each issue of the PS&D magazine focuses on a theme addressed through about a dozen articles. Since its launch in 2009, Private Sector & Development has become a reference publication on the role of the private sector.

THE WEBSITE

The PS&D website is a space for debate. It gathers the contributions published in the magazine, as well as video interviews with development players produced at Proparco by the team responsible for the editorial coordination of the magazine.

blog.private-sector-and-development.com



PS&D #SPECIAL EDITION
THE NEW ENTREPRENEURSHIP DYNAMICS IN AFRICA

The objective of this special edition, which was published to mark the Africa-France Summit organized in October 2021, is to report on Africa's entrepreneurial revolution and show how this dynamic stimulates business relations between Africa and France.

PS&D #34
EMBRACING THE CHALLENGES OF SUSTAINABLE INDUSTRIAL DEVELOPMENT

Industrialization is a key issue for the economic development of our societies. Supporting private industrial projects, carefully selected in certain sectors and known for their good practices, is central to Proparco's strategy.

PS&D #35
PRESERVING BIODIVERSITY: THE PRIVATE SECTOR IN ACTION

This issue gives a voice to some 20 researchers and leaders of companies, foundations and NGOs which present some of the inspiring private sector initiatives to preserve biodiversity, backed up by concrete cases and key figures.

PS&D #SPECIAL EDITION
PUBLIC DEVELOPMENT BANKS TACKLING GLOBAL CHALLENGES

This issue was published in November 2020 to mark the global Finance in Common Summit (FiCS). It highlights the increasingly important role played by European Development Finance Institutions and addresses some of the main development issues.

PS&D #33
HARNESSING THE PRIVATE SECTOR TO REDUCE GENDER INEQUALITY

While there has been progress since 1995 and the Beijing Declaration, much remains to be done in terms of gender equality. The insight provided by the authors of this issue – business leaders, economists and investors – gives an idea of the efforts that still need to be made.

PS&D #32
SME FINANCE IN AFRICA: WHAT'S NEW?

This issue of PS&D takes both a fresh and retrospective look at financing for African SMEs. This subject was addressed ten years earlier in the very first issue of the magazine.

4TH QUARTER 2021

Private Sector & Development

Private Sector & Development (PS&D) is a quarterly publication that provides analyses of the mechanisms through which the private sector can support the development of southern countries. Each issue compares the views of experts in different fields, from academia to the private sector, development institutions and civil society. An extension of the magazine, the PS&D blog offers a wider forum for discussion on private sector and development issues.

blog.private-sector-and-development.com

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