REIMAGINING SOCIAL CHANGE

THE IMPACT PROGRAMME

Catalysing Impact Deal Flow in East Africa

Recommendations for Development of the Services Market

BY HARVEY KOH AND SIMON MEIER

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About this Report

In 2015, DFID's Impact Programme commissioned research and analysis to help understand the challenges and outline potential solutions relating to the demand side of impact investing in East Africa. This work was conducted by FSG, PwC, Social Investment Business, Open Capital Advisors, and the Aspen Network of Development Entrepreneurs (ANDE). This report is the result of consultations led by FSG with more than 80 impact investing market stakeholders in Kenya, Uganda, Tanzania, and Rwanda, as well as key contributions from all of the project partners.

We would like to thank all of the participants in the consultation process. Without their insights, this report would not have been possible. (Please see Acknowledgements for a full list of participants.)

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INTRODUCTION

Impact investing has attracted growing interest among investors across the globe, and East Africa is no exception. To date, more than US$9.3 billion has been disbursed in the region by both development finance institutions (DFIs) and other impact investors. Indeed, East Africa has become a global hub for impact investing, with investment volumes steadily increasing since 2010. Kenya—and particularly its capital Nairobi—is the nexus of activity, receiving about half of total investments in the region to date. Meanwhile, neighbouring Uganda and Tanzania receive 13 per cent and 12 per cent of the total investments respectively, while Rwanda receives 4 per cent.[1]

> A shortage of high-quality investment opportunities is constraining the growth of impact investing in East Africa.

However, despite the overall growth in activity, there is increasing recognition that challenges on the demand side are constraining deal flow. The latest global survey of impact investors highlights the shortage of high-quality investment opportunities as a major challenge to the growth of the industry.[2] This is echoed by Open Capital Advisors and the Global Impact Investing Network (GIIN) in their 2015 report *The Landscape for Impact Investing in East Africa*, which describes the difficulty that investors face in deploying their capital as a key constraint to deal flow in the region.

This report explores the causes underlying the difficulty of capital deployment in East Africa, identifies existing market-based solutions to help address these challenges, and provides recommendations for donors seeking to catalyse deal flow.

1 The Global Impact Investing Network (GIIN) and Open Capital Advisors (with support from DFID's Impact Programme), *The Landscape for Impact Investing in East Africa* (New York: GIIN, August 2015).

2 J.P. Morgan Chase and GIIN (with support from DFID's Impact Programme), *Annual Impact Investor Survey. Sixth Edition* (May 2016).

CHALLENGES TO DEAL FLOW

While East Africa has emerged as a hotspot for impact investing activity, a number of issues are still constraining deal flow in the region.

The 'Missing Middle'

East Africa has attracted significant attention from impact investors in recent years. In total, more than 180 impact capital vehicles are active across the region, managed predominantly by fund managers, but also by other impact asset managers such as foundations, family offices, banks, and angel networks. In addition, 20 DFIs are also seeking to deploy capital to impact investors. Most of these investors work in multiple countries, with Kenya being the clear leader in terms of investor interest, followed by Uganda, Tanzania, and Rwanda.[3]

However, despite the large number of impact investors in the region, the capital they provide does not adequately span the entire risk-return spectrum,[4] nor is it equally available at all ticket sizes. Specifically, our consultations confirmed a 'missing middle' in capital availability for ticket sizes in the US$200,000 to US$2 million range. Of the US$9.3 billion in deal volume to date, only US$1 billion was in the US$250,000 to US$1 million ticket size range, and only US$100 million of that amount (or 1 per cent of total deal volume to date) came from non-DFI institutions.[5]

The capital requirements of younger impact enterprises typically fall into this missing middle range, so this lack of capital particularly affects the early stages of an enterprise's development. Without this vital early stage support, enterprises may not be able take

3 The Global Impact Investing Network (GIIN) and Open Capital Advisors (with support from DFID's Impact Programme), *The Landscape for Impact Investing in East Africa* (New York: GIIN, August 2015).

4 The lack of appropriate capital across the risk-return spectrum ranked first among a set of challenges identified by respondents in the 2016 J.P. Morgan Chase and GIIN global survey of impact investors.

5 The Global Impact Investing Network (GIIN) and Open Capital Advisors (with support from DFID's Impact Programme), *The Landscape for Impact Investing in East Africa* (New York: GIIN, August 2015).

their products or services to market, much less graduate their businesses to the point where they would be ready to receive larger amounts of investment.

Alternative sources of capital are also limited. A Kenya-focused study by Intellecap[6] notes that many small- and medium-sized enterprises (SMEs) in need of capital do not seek bank loans due to the high cost of debt, a point that was also mentioned during our consultations in Uganda, Tanzania, and Rwanda. In addition, most banks require assets as collateral and do not lend against cash flows, making it particularly difficult for early stage enterprises with limited assets to access finance.

The unavailability of affordable debt, combined with a lack of equity, means that enterprises typically self-finance their businesses. It is therefore unsurprising that an analysis of the World Bank Enterprise Survey data[7] shows that a majority of SMEs in all four focus countries finance their investments internally. This forced reliance on self-financing, in turn, limits enterprises' ability to invest in their businesses and hinders growth.

Matching and Preparation Challenges

Even where investors are interested in making capital available for smaller ticket sizes and at earlier stages, they are finding it challenging to deploy that capital. At the same time, many enterprises interested in raising capital report that it is difficult to do so. The question arises: why are there not more impact investing deals done?

We believe that this is due to two fundamental challenges: one around matching between investors and enterprises and another around preparation of enterprises in order to receive investment.

Matching Challenge

From an investor's perspective, suitable investment targets can be difficult to find, particularly at the early stage. This is partly because most investors are based in Nairobi, while enterprises are geographically scattered across the region. The realities of distance and infrastructure mean that investors find it difficult to cover the ground required to unearth good opportunities. This is exacerbated by the fact that most investors have a tight investment focus in terms of sector, enterprise stage, and ticket size, thus making attractive deals the proverbial 'needle in the haystack'. To further complicate matters,

6 Intellecap, *#ClosingTheGapKenya, Update on Key Challenges for the "Missing Middle" in Kenya* (commissioned on behalf of the Dutch Good Growth Fund/Investment funds local SME, October 2015).

7 World Bank Group, *Enterprise Surveys, What Businesses Experience* (retrieved 12 May 2016 from **http://www.enterprise-surveys.org/**).

not all potential target enterprises self-identify as 'impact enterprises', especially in rural areas where awareness of impact investors is low.

From the perspective of the enterprises, particularly those that are inexperienced at raising capital, there is limited information available regarding potential investors. The investor landscape can seem distant, fragmented, and opaque, and therefore difficult to navigate. In addition, entrepreneurs are not always aware of the advantages of raising equity; and when they are, they do not know which investors to target as they don't have visibility on their investment criteria or are unclear on how to engage with them. Enterprises are also unsure about the appropriate time to seek equity investment and how they might best initiate discussions with investors.

> Two fundamental challenges are preventing deal flow: one around the matching of investors and enterprises and another around the preparation of enterprises in order to receive investment.

As a result of these difficulties, the matching of the right investors to the right enterprises is far from straightforward.

Preparation Challenge

Enterprises could also face a host of issues relating to their own investment readiness,[8] ranging from the lack of robust growth strategies and business plans to problematic financial accounts and systems. The view from consultations was that the typical enterprise seeking investment will have multiple preparation issues that need to be addressed, and that these problems tend to run deeper as one moves beyond Nairobi and then again beyond Kenya.

Enterprises also typically find it difficult to diagnose and overcome these challenges by themselves and therefore require tailored capacity-building support in order to move towards investment readiness. This kind of support is to be distinguished from the light-touch, cohort-based support being provided to enterprises by accelerator and incubator programmes across the region. The majority view from consultations was that these programmes have generally not focused on helping enterprises to bridge the investment readiness gap, as reflected by low rates of successful investment into programme participants upon graduation.

Investors are also not typically in a position to help enterprises address these issues. They are usually not adequately resourced to provide the support needed by these enterprises,

8 Investment readiness demonstrates an enterprise's ability to use capital effectively and to provide enough confidence that it can generate the returns that investors seek.

and, even if they were, they are not naturally incentivised to support enterprises that are still some way from being investable, since there is no guarantee of investment. Beyond that, the idea of pre-investment support is somewhat counter-cultural to investors, as they typically do not see it as part of their remit to spend time and money on enterprises before they invest in them.

As a result of the above, many promising enterprises seeking capital are unable to get themselves to a point where they are ready to receive investment.

The matching and preparation challenges may occur either independently or in combination with each other. Furthermore, in situations where both matching and preparation challenges exist, they may be present at the same time or occur sequentially. For instance, once a given investor and enterprise overcome the matching challenge and identify each other, there may still be preparedness challenges to overcome. Alternatively, an enterprise may overcome preparation challenges and achieve investment readiness but be unable to liaise with adequate investors due to geographic separation or other matching challenges described above.

THE ROLE OF SERVICE PROVIDERS

The challenges to deal flow outlined above are not insurmountable. Indeed, a range of services are already being provided in the region that can help to address these challenges and facilitate deal flow, albeit on a very limited scale.

This section looks at how these service providers are helping to address matching and preparation challenges and what prevents them from working on a larger scale.

FIGURE 1:
OVERVIEW OF SERVICES TO ADDRESS MATCHING AND PREPARATION CHALLENGES

Services addressing the matching challenge

- Provide enterprises with investor identification services and support them through capital raising process, e.g.:
  - Reviewing and clarifying capital raising options;
  - Developing a capital raising plan (including business plans and financial models);
  - Identifying potential investors;
  - Rehearsing investor presentations and preparing FAQs;
  - Managing multiple interested investors to maintain momentum and competitive tension; and
  - Reviewing term sheets and progressing deals to completion.
- Provide search services for investors to help identify potential investment targets

Services addressing the preparation challenge

- Help enterprises achieve investment readiness by providing tailored capacity building services, e.g.:
  - Undertaking primary market research or feasibility studies;
  - Facilitating product launches through planning, technical support, and marketing services;
  - Helping improve HR functions to attract and retain talent, providing training and oversight as necessary;
  - Optimising operations by restructuring systems and processes;
  - Creating growth strategies and implementation plans and helping to prioritise opportunities;
  - Improving decision making through customised analyses (e.g., gross margin contributions by product, financial impact of a new market entry); and
  - Evaluating and structuring partnerships with other actors in the value chain (e.g., suppliers, distributors).

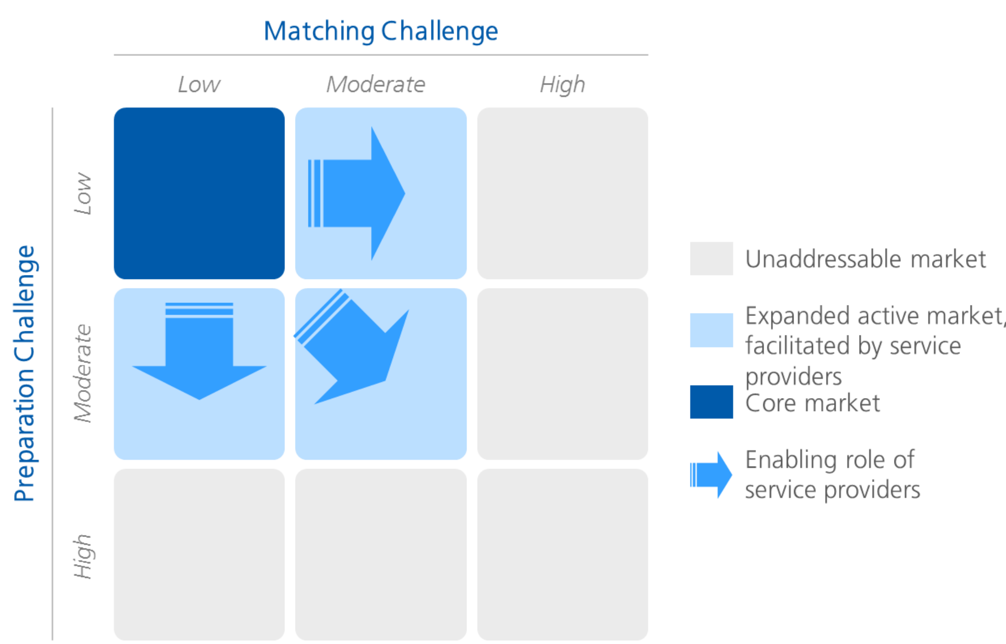
How Service Providers Facilitate Deal Flow

The term 'service provider' usually includes a broad group of actors ranging from large accounting firms to specialist technical assistance providers. In this report, we use the term to refer specifically to locally based consulting and advisory firms that help enterprises raise capital and build capacity where this is critical to their capital raising effort, typically on a deferred success fee model. While these services might usefully be provided in any number of situations, we are particularly interested in the value of these services for earlier-stage enterprises and for deal tickets in the 'missing middle' range of US$200,000 to $2 million.

Figure 1 describes the specific services that might be offered by such providers to help address both matching and preparation challenges.

A number of such service providers already operate across the region on a fully market-competitive basis. Examples include Open Capital Advisors, I-DEV and Intellecap. The effect of these services is to expand the active market for impact investing, as illustrated in Figure 2. Without such services, only those deals that face low levels of matching and preparation challenge get done, but such services can facilitate deals in situations where moderate levels of challenge must be overcome.

FIGURE 2:
SERVICE PROVIDERS' ROLE IN EXPANDING THE ACTIVE IMPACT INVESTING MARKET



Service Providers' Scaling Constraints

While service providers can help to grow the active impact investment market, they themselves face key constraints in scaling their services.

A critical aspect of the service provider model is that enterprises need to be supported at the outset of their capital raising effort, when they have limited ability to pay for the services they require. In response to this, service providers typically use a deferred success fee model with small enterprises, whereby they are paid the vast majority of their fees upon completion of a successful capital raise. This fee usually equates to between 2 per cent and 10 per cent of the capital amount raised. While this arrangement has been a necessary response to the market situation, it also has two important implications that constrain the growth of the service provider model.

First, the system of fee deferral means that there is a significant delay between the execution of the work (and therefore the costs incurred by the provider) and the payment from the client (i.e., the enterprise), especially as capital raising efforts might take many months to come to fruition. Because the service providers operating in this market have limited working capital, this means that they are only able to take on a small number of such deferred-fee engagements per year.

Second, as payment of deferred fees tends to be conditional upon success, these engagements come with a significant risk of non-compensation. Service providers are therefore inclined to seek 'safe bet' clients that have a high chance of raising capital. This means that they are not reaching deep into the pool of enterprises in need of support.

Because of these constraints, service providers currently play a limited role in helping to expand impact investing market activity. However, they hold the potential to do much more if these key scaling constraints could be effectively addressed.

ENVISIONING AN IMPROVED MARKET

What would an improved market situation look like? Answering this question is a useful first step in identifying the right approach to take in catalysing desired shifts in the market, building on existing dynamics and propelling the market towards the intended destination.

In an improved market, enterprises have a smooth path to raising capital and investors are able to disburse more capital into opportunities across the region, even at the early stage and in the 'missing middle'. In other words, moderate levels of matching and preparation challenge, as described in the 'Challenges to Deal Flow' section, would no longer be preventing deal flow.

This is facilitated by high-quality *service provision* to meet enterprises' needs around capital raising and associated capacity building, operating at a large scale so that hundreds of enterprises can benefit from these services annually. Service providers continue to operate largely on a deferred success fee model, but are able to take on more engagements because they have much greater capacity, both in terms of their team resources and their working capital base. Their extensive experience base across many engagements help them to deliver better services to their clients and bring more high-potential opportunities to investors. It also better equips them to assess the degree of challenge (and therefore risk and likely level of effort) associated with each potential client, enabling them to venture beyond 'safe bet' clients. Additionally, providers might be incentivised through targeted donor funding to reach deeper into the pool of enterprises and explore riskier (or just less well-explored) areas.

For their part, *enterprises* seeking to raise capital have the ability to easily identify the right high-quality service provider to support them in their efforts. This is due to the increasing level of information available on the quality of services being delivered by different providers, as well as on how enterprises should go about choosing such providers. Upon finding the right provider, enterprises are able to engage them on a deferred success fee basis, if desired.

Meanwhile, *investors* see a greater number of attractive opportunities that were previously unknown or un-investable (or both) brought to them by service providers. As a result, investors also become more adept at judging the quality of services delivered and degree of value added by different providers. Overall, as these pre-investment services become more clearly established in the marketplace and their value is better understood, investors become more accepting of the practice of capitalising the costs of these services where they are effectively reducing matching and preparation challenges to acceptable levels. In addition, some investors might refer promising enterprises to service providers that, while not yet investable, are 'close to the line' and could be helped 'across the line'.

CATALYSING THE MARKET

Our analysis leads us to believe that there are ways to catalyse the market towards the improved state outlined in the previous section, and that there is strong potential for donors such as DFID to play a key role in such efforts.

We see two key elements to such an intervention, namely:

1. A grant-based facility that provides partial, up-front funding to service providers for specific engagements (an 'advance'); and
2. Complementary efforts to strengthen the market ecosystem.

The 'Advance' Facility

The recommended facility would provide partial up-front funding for the service provider model described above, focused particularly on the US$200,000 to US$2 million ticket range. This would involve paying service providers an up-front amount representing a portion of the agreed engagement fee (the 'advance') for specific engagements. Such an advance would help to defray the cost of providing the services and relax the immediate working capital constraint, thereby allowing providers to increase the number of engagements they could take on. It would also mitigate the risks associated with deferred-fee based engagements, enabling providers to reach deeper into the pool of promising enterprises and take on more challenging, higher-risk engagements.

In the short term, this would support providers to address preparation and matching challenges directly in the impact investing marketplace, and facilitate greater deal flow by bringing a greater number of high-quality opportunities to the right investors. Over time, this would help to improve providers' effectiveness by building their experience base and service capabilities and growing their organisational capacity to provide these services at greater scale.

Because providers would stand to receive their agreed fees from clients in the event of a successful capital raise, in addition to the advance already received from the facility, this intervention could help to build providers' working capital base over time. This would put them in the position to take on more and riskier engagements, even without the facility's support in the future.

One might see the facility as providing a set of 'training wheels' to help the market overall—and service providers in particular—begin to model aspects of the improved market described above and move towards establishing it as market reality.

However, as with all market interventions enabled by donor funding, this intervention carries risks to the long-term health of the market that need to be mitigated. Bearing in mind the objective of expanding the overall market—as opposed to achieving short-term outcomes for a limited number of actors—any intervention should be carefully designed and implemented to reinforce sustainable market dynamics and minimise distortionary effects.

> In order to sustainably expand the market, any intervention should be carefully designed and implemented to reinforce market dynamics and minimize distortionary effects.

The most obvious risk is that the provision of such funding could be seen to be 'buying services' in its own right. This could dis-incentivise service providers from staying focused on the ultimate objective of raising capital and earning their fee and foster an unsustainable dependence on donor funding instead of a vibrant fee-based marketplace.

A key measure to mitigate this risk is to consider providing an advance only in cases where a service provider has agreed to a fee arrangement with a client enterprise in line with sustainable commercial practice. Service providers should then be strongly incentivised to seek successful capital raises and the realisation of fee revenues from each engagement, despite the provision of the advance. We see three ways of achieving this goal.

First, the advance rate should aim to strike a balance between encouraging service providers to pursue a greater number of engagements with more enterprises and ensuring a focus on delivery and successful raises on each engagement. Setting the advance rate too high—at, say, 90 per cent of targeted engagement fees—would severely erode the incentives of service providers to seek engagement success and the associated fees. On the other hand, setting the advance rate too low—at, say, 10 per cent—would likely result in no appreciable effect on the market, since it would not make a significant impact on the provider scaling constraints described earlier.

Revenue Sharing

Where an advance has been provided, the facility has the option of including a revenue-sharing element through which some of the fee revenue achieved by the provider might flow back to the facility. However, the level of the revenue share should be set with care. A higher revenue share percentage would improve the overall efficiency of donor funds through recycling some of the expended funds, but too high a level might weaken the resolve of providers to realise the fee revenues due to them. Higher revenue share levels would obviously also imply a lower contribution to building service providers' working capital and reserves over time.

Second, the disbursement of the advance could be tied to the achievement of specific, pre-defined milestones on the engagement, in much the same way as payments on a standard for-fee services contract might be arranged, rather than disbursed entirely at the start of the engagement. As is the case with standard for-fee arrangements, this should help to keep the provider focused on delivery.

Third, the facility should make it clear that its intention is to reduce, and, ultimately, phase out its funding support, in order to manage market expectations. This should help service providers be more focused on establishing practices and norms in the marketplace that they would wish to see maintained even after the facility's support is phased out.

Another risk is that such an intervention could result in a market that does not deliver quality and effectiveness in terms of services provided.

In order to ensure that the supported engagements receive quality support, advances should only be provided to service providers that have demonstrated their ability to raise capital for enterprises in the past. Including a proven track record as part of the initial screening criteria will help to ensure quality service provision and improve the likelihood of success. In addition, the facility should screen applications to ensure alignment with investors' requirements and conduct a regular review of supported engagements, if possible with the participation of representatives from the investor community. The facility should also track service provider performance by collecting key data points from supported engagements (such as their rates of success at raising capital on engagements) and make this data publicly available to help provide signalling around provider quality in the marketplace.

Yet another risk is that such an intervention could encourage the creation of monopolies in the service provider market, particularly as there are relatively few providers with proven track records in this market.

This can be mitigated by capping the proportion of the facility's support to any one service provider. However, this should be balanced by the need to develop a strong base of providers and the recognition that providers with larger client portfolios may be more effective and efficient in addressing the matching challenge in particular.

Strengthening the Market Ecosystem

In addition to building the market for service provision, donor efforts could help to improve the overall impact investing market ecosystem.

One helpful area for support would be around building greater awareness and understanding of the capital-raising process among enterprises by publishing fact sheets and FAQs that explain investor expectations and key aspects of the process (such as due diligence and term sheet negotiations). In addition, practical 'How To' guides for enterprises on common challenges such as the selection of a service provider and investor presentations could be useful for enterprises seeking to raise capital.

Another area would be the sharing of best practice in service provision across a range of topics (e.g., scoping and diagnosis processes, ways to engage with entrepreneurs and investors, change management strategies, etc.), as well as lessons learned from both successes and failures. This could be of particular benefit to smaller players and new entrants. In addition to publications and online resources, provider convenings and training events could help increase interaction and learning with peers.

Both of the above could be undertaken by the facility described earlier or by working in close partnership with it. As the facility will be in a position to gather data and develop insights from a large cross-section of deals in the region, it could help to provide advice and develop resources that are grounded in a robust evidence base.

The facility (or another actor working closely with it) could also drive greater transparency across the overall impact investing market in the region by publishing annual reports on deal flow in East Africa, particularly in the US$200,000 to US$2 million ticket range. Among other things, these reports could describe deal and enterprise profiles (including their evolution) and aggregate key deal flow statistics. Over time, they could help market actors to develop a shared perspective on needs and challenges facing the market as a whole.

Existing Donor Interventions

A number of donor initiatives have already been active in leveraging quality service provision to address the capital deployment challenge. We describe two notable examples below that were influential in helping us formulate our analysis and recommendations, despite the fact that they have not had an explicit focus on shaping the broader market for service provision.

USAID PACE AND OPEN CAPITAL ADVISORS PARTNERSHIP

The United States Agency for International Development's (USAID) Partnering to Accelerate Entrepreneurship (PACE) Initiative aims to catalyse private sector investment into early-stage enterprises and identify innovative models or approaches that help entrepreneurs bridge the pioneer gap and scale their businesses. Working in partnership with incubators, accelerators, and seed-stage impact investors, USAID has created ten public-private partnerships dedicated to testing innovative models or approaches to bridge this gap and foster entrepreneurship.

In East Africa, PACE has partnered with Open Capital Advisors and a group of early-stage investors to provide tailored advisory services to accelerate growth and investment for small and early-stage businesses in Kenya, Tanzania, Rwanda, and Uganda. The partnership is structured to create commercial incentives for businesses, investors, and service providers. It selects enterprises identified through local networks and referrals and provides intensive support for a subset of these enterprises.[1]

AECF CONNECT

AECF Connect is a service of the Africa Enterprise Challenge Fund (AECF) that helps enterprises raise capital from investors and lenders. Its range of services runs from documentation review (i.e., business plan, financial models, etc.) and investor identification all the way to term negotiation and advice on legal documentation. While these services are only being delivered to AECF grantee enterprises at present, it is hoped that the service could be extended to benefit other impact enterprises in future.

1 USAID, PACE initiative (retrieved 5 May 2016 from **https://www.usaid.gov/PACE**).

CONCLUSION

While impact investing is not without its challenges in East Africa, we believe that there is an opportunity for donors to catalyse positive shifts in the impact investing market and increase deal flow over the long term. The key is to design and implement a truly market-responsive intervention that helps to scale the provision of pre-investment services in a sustainable way, so that investors can find more worthwhile opportunities to deploy capital for impact and return, and impact enterprises can have a smoother path towards raising capital and expanding their important work.

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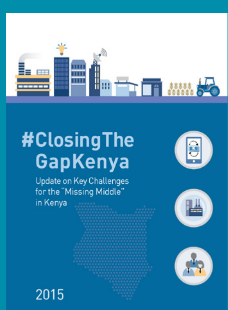
RECOMMENDED READING

The Landscape for Impact Investing in East Africa

The Global Impact Investing Network and Open Capital Advisors (July 2015)

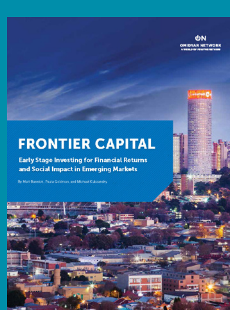
The report analyses an active impact investing market across East Africa. Development finance institutions (DFIs) are a significant player in the market, having deployed nearly US$8 billion in impact capital to date. However, many other types of investors—including VC/PE funds, foundations, family offices, commercial banks, and angel investor networks—are increasingly active, with these non-DFI impact investors having deployed over US$1.4 billion to date in the region through more than 550 deals.



#ClosingTheGapKenya

Intellecap, Commissioned on behalf of the Dutch Good Growth Fund/Investment funds local SME (October 2015)

This pilot study provides an overview of the Kenyan enterprise landscape and specific challenges and needs faced by the different segments of the Kenyan SME sector, particularly the 'missing middle'. The report identifies four key gaps in the financing ecosystem: 1) lack of seed and angel capital; 2) lack of long-term growth capital; 3) lack of affordable, high-quality business support; 4) lack of linkages in the ecosystem.



Frontier Capital

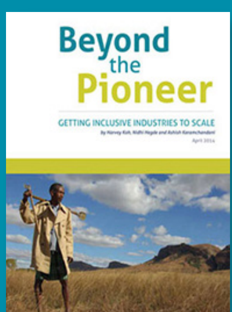
Matt Bannick, Paula Goldman, Michael Kubzansky (Omidyar Network, 2015)

This report focuses on new potential business models to serve low- to lower-middle-income people in emerging markets, generating both outsized impact and strong financial returns. It underscores the need to segment these opportunities in lower-middle-income markets by matching the right investor with the right investment opportunity.

Accelerating Entrepreneurship in Africa

Omidyar Network and the Monitor Group (April 2013)

In this report, Omidyar Network outlines the opportunities and challenges for Africa's entrepreneurial ecosystem and key recommendations for accelerating high-impact entrepreneurship across the continent.



Beyond the Pioneer

Harvey Koh, Nidhi Hegde, Ashish Karamchandani (Deloitte Touche Tohmatsu India Private Limited, April 2014)

This report explains why few market-based solutions or inclusive businesses have achieved significant scale relative to the problems that they seek to address. It explores the barriers to scaling and highlights case studies of market-based solutions that have achieved scale with the support of industry facilitators.

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About the Impact Programme

Established by the UK's Department for International Development in 2012, the Impact Programme aims to catalyse the impact investment market in South Asia and Sub-Saharan Africa. It does this by testing and demonstrating the development impact and financial viability of this type of investment and by building capacity of organisations and individuals to successfully deliver it.

For more information about the Impact Programme, visit **www.theimpactprogramme.org.uk**

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