



PARTNERING TO ACCELERATE ENTREPRENEURSHIP

OPEN CAPITAL ADVISORS: ACCELERATING EAST AFRICA

Through the [Partnering to Accelerate Entrepreneurship \(PACE\) Initiative](#), USAID's U.S. Global Development Lab aims to catalyze private sector investment into early-stage enterprises by identifying and testing innovative models or approaches that help entrepreneurs bridge the pioneer gap—thus unlocking the potential of thousands of promising enterprises around the world.

THE CHALLENGE

Established in 2010, Open Capital Advisors (OCA), an East African consulting firm, supports small and growing businesses (SGBs) to create scalable approaches to growth through strategy, fundraising, and business readiness services. To date, OCA has raised more than \$30 million from private investors and successfully supported 93 engagements for clients across nine countries. However, OCA still struggled to reach smaller and less established businesses due to the perceived high risk of investment.

To better reach this market, OCA developed a new technical assistance approach that relies on local referrals to identify and select new SGB clients that would receive pre-investment support. This technical assistance would be co-funded by OCA and outside investors, as well as by deferred payments from the SGBs themselves. In addition to cost sharing, this co-funding approach incentivizes investors and SGBs to better align their interests and objectives.

Although investors expressed interest in supporting this new approach, they were unwilling to fully fund the model without proof and probability of success. OCA did not have sufficient resources to pilot the program due to the investors' hesitancy to cover the high costs of sourcing and due diligence. To bridge this gap, OCA applied to USAID's Partnering to Accelerate Entrepreneurship (PACE) initiative for funding.

THE PARTNERSHIP

Through PACE, USAID's funding supported OCA's pilot program to source and support early-stage SGBs, which are looking for \$50,000 to \$500,000 investments. Because USAID is deferring the costs of sourcing and vetting SGBs at a lower cost to the co-funders, investors are more willing to commit to pay for pre-investment acceleration services than they would without this subsidy.

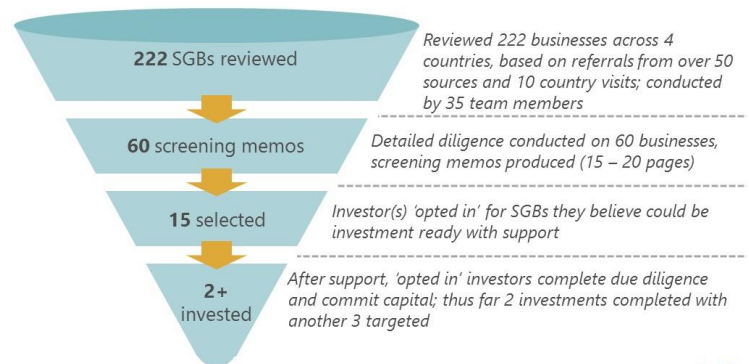
With USAID's support, OCA hopes to use this pilot program as evidence to encourage investors to commit to covering the full cost of pre-investment support themselves. OCA intends for this program to be sustainable without the USAID subsidy.

THE RESULTS

As of January 2017, OCA has reviewed 222 businesses and submitted more than 60 screening memos to investors, with 15 of those businesses receiving contracts for support from the participating investors. Many of these business would likely be overlooked by traditional or foreign investors, in part due to the significant support needed to complete sourcing and the due diligence process. As a result of PACE's partnership with OCA, two business have received investment, including:

- **PureFresh**, a social enterprise that extracts, purifies, bottles and sells premium drinking water targeted at low-income communities. PureFresh opened in 2010 and has been profitable since 2011. OCA supported PureFresh to pilot its new vending machine model and expand into larger markets.
- **KadAfrica**, a social enterprise that empowers disenfranchised girls to start their own passion fruit farms in Uganda. Kad selects and trains the girls in farming techniques, life skills, and financial training. Kad then buys produce at a premium and sells to the local and international markets. Since launching in 2012, KadAfrica has trained and supported more than 1,000 Ugandan girls. In 2016, Kad became the second successful investment through OCA's partnership with PACE.

Our PACE funnel was extremely broad



For More Information

To learn more about the PACE Initiative, visit [usaid.gov/pace](https://www.usaid.gov/pace).

About the U.S. Global Development Lab

The U.S. Global Development Lab serves as an innovation hub. The Lab takes smart risks to test new ideas and partner within the U.S. Agency for International Development (USAID) and with other actors to harness the power of innovative tools and approaches that accelerate development impact.

The Lab is focused on solutions around Science, Technology, Innovation, and Partnership—reflecting USAID's broad embrace of innovation to bring about positive change and solve some of the world's most pressing challenges. It works across USAID and within the broader international development community to test innovative tools and methods. When a new approach proves effective, the Lab works to increase its adoption throughout USAID and with our partners.



USAID PARTNERS

- Open Capital Advisors
- Opes Impact Fund
- The Eleos Foundation
- Montpelier Foundation
- Van Hoops Holdings
- Blue Haven Initiative