BEYOND INVESTMENT: THE POWER OF CAPACITY-BUILDING SUPPORT
ACKNOWLEDGMENTS

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LIST OF ACRONYMS

ADB  Asian Development Bank
AAF  African Agriculture Fund
DFI  Development Finance Institution
ESG  Environmental, Social, and Governance
IT   Information Technology
MCF  Medical Credit Fund
MFI  Microfinance Institution
PACE Partnership to Accelerate Entrepreneurship
PALF Pearson Affordable Learning Fund
SEAF Small Enterprise Assistance Funds
SME  Small and Medium-sized Enterprises
TAF  Technical Assistance Facility
TOR  Terms of Reference
USAID United States Agency for International Development
Dear Reader,

Impact investors seek to achieve meaningful positive change through their investments, including greatly improving the quality of life of underserved people around the world, and ensuring a sustainable and healthy planet. These investors often work in challenging environments with untested business models. Capacity-building support, also known as technical assistance, is a vital tool used by many investors to complement their investments and expand and deepen their impact.

I am pleased to share our report, *Beyond Investment: The Power of Capacity-Building Support*, which illuminates current capacity-building practice and invites a discussion about how to elevate future practice. This report documents how capacity-building support can contribute to the impact that investors are able to achieve, and surfaces three key insights about the current state of such support in impact investing:

- **Capacity-building is a versatile, widely-applicable tool that offers direct benefits to both investors and investees.** It addresses a range of needs, including human resources development, impact targeting, measurement, and reporting as well as technical and/or specialized support. When applied well, it improves investor competitiveness, enhances business performance of investees, expands impact for beneficiaries, and strengthens markets and sectors.

- **There’s no single way to structure and deliver capacity-building support.** Instead, impact investors generally use highly customized methods to design projects tailored to the needs and requirements of their investees, with key elements including staffing structure, funding model, and mechanisms to monitor progress and ensure accountability.

- **There’s benefit (and opportunity) to openly sharing lessons learned with others.** Although the practice of providing capacity-building support has grown and evolved alongside impact investing, opportunities remain to maximize efficiencies. Impact investors experienced at providing capacity-building support should consider how they can work with others to improve industry practices.

In order to further enhance the ability of capacity-building support to improve positive social and environmental impact, the various stakeholders involved should collaborate to answer key questions:

- **Investors:** What is the potential for greater standardization in capacity-building approaches in order to increase efficiency? What opportunities exist to efficiently expand the use of capacity-building support across the impact investing community?

- **Donors:** What methods of collaboration with investors and other donors could simplify reporting requirements and fundraising processes to deliver capacity-building support more effectively?

- **Service providers:** How can service providers strengthen their support offerings and structure the pricing of their services to improve access to capacity-building support for impact investors?

Capacity-building support is one critical tool to accelerate and deepen the changes that investors seek in the world. Through expanded and coordinated efforts, investors, donors, services providers and investees can strengthen the impact of impact investing, grow vibrant markets with thriving business communities, conserve and enhance our environment, and improve the lives of the people who need it most.

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ABOUT THE GLOBAL IMPACT INVESTING NETWORK

The Global Impact Investing Network (GIIN) is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing around the world. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. For more information, see www.thegiin.org.

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Introduction

The impact investing industry has grown substantially since the term was widely adopted in 2007. While an increasing number of viable investment opportunities has driven this growth in part, three-quarters of impact investors surveyed continue to identify a limited number of high-quality investment opportunities with track records as a major challenge constraining the industry’s growth.\(^1\) In addition to providing financing, impact investors often bolster the capacity of their investees, thereby growing the number of investment-ready businesses.

Capacity-building support, also known as technical assistance (TA), is one tool that many impact investors use to strengthen and enhance the investability—and, hence, performance—of companies. According to the GIIN’s 2015 Annual Impact Investor Survey, 73% of impact investors provide technical assistance to investees.\(^2\) Capacity-building support can take many forms and address a wide variety of issues.

In an effort to offer greater insight into the practice and utility of capacity-building support, this report explores common forms of capacity-building support used by impact investors, many of which resemble forms of non-financial support historically leveraged by conventional investors. While both impact and conventional investors use capacity-building support to strengthen the underlying businesses of investee companies, impact investors also use it to enhance and extend their impact.

This report outlines various needs that impact investors address through capacity-building support, the ways they structure and deliver such support, and funding strategies used for deploying such support. Existing research explores the roles and strategies of specific actors, such as development finance institutions (DFIs) or other specific, individual investor organizations, in funding and facilitating capacity-building support. This study enhances this existing work by considering the industry at large, seeking to understand common and effective practices and draw from lessons learned across different geographies, sectors, and asset classes. Further, the report includes four in-depth investor profiles that explore different approaches and structures for capacity-building support.

The study highlights how capacity-building support can improve results for both investors and investees and build a stronger impact investing market more broadly. Impact investors currently using capacity-building support to enhance the performance of their portfolio, impact investors that wish to

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use such support, and funders and service providers that help to design and implement such support can all draw on the insights, guidance, and profiles presented here.

Methodology

The findings presented here derive primarily from semi-structured interviews with practitioners at 31 organizations, including 24 impact investors, five capacity-building funders, four third-party providers of capacity-building support, and three investees (see Appendix 1 for a list of interviewees by name and organization). Some organizations identify as both investors and funders or service providers. Additionally, to supplement initial findings, the Research Team conducted brief follow-up interviews with four organizations profiled later in this report.

Interviewees were selected to reflect the range of organization types that leverage capacity-building support in impact investing, as well as the varying investment geographies, investment sectors, asset classes, and target returns philosophies of those organizations. The 24 impact investors included 18 fund managers, four DFIs, one foundation, and one diversified financial institution. DFIs and foundations were interviewed about both their funding of capacity-building support conducted by other organizations and their use of such support to bolster their own investment portfolios. Though both direct and indirect investors can provide capacity-building support, this study focuses on support leveraged into companies by direct investors.

Interviewees’ target investment geographies include Europe, Latin America, South and Southeast Asia, and sub-Saharan Africa. Notably, most interviewees target investment opportunities in sub-Saharan Africa. Their target sectors include eco-tourism, education, energy, food and agriculture, healthcare, housing, and microfinance and other financial services. Most of the interviewed investors target early- and venture-stage investments.

The 31 interviews generated qualitative data on each organization’s motivations for using capacity-building support, processes for identifying needs and structuring and implementing support, approaches to understanding and maximizing the effectiveness of support, and challenges faced along the way. The Research Team supplemented these interviews with quantitative data from existing research reports on the use of capacity-building support in impact investing, as well as reviewing other existing resources (see Appendix 2).
Motivations

Impact investors, service providers, and funders provide capacity-building support for various reasons, of which the four most commonly cited by interviewees included: (1) to improve the investor’s level of competitiveness, (2) to enhance investees’ financial performance, (3) to improve or expand the investees’ impact, and (4) to strengthen markets more broadly.

Improving investor competitiveness

Increasingly, impact investors face competition for transactions. According to the GIIN’s 2017 Annual Impact Investor Survey, 70% of impact investors face some or a lot of competition for impact investments (Figure 1). Many impact investors provide or plan to provide capacity-building support to their portfolio companies either pre- or post-investment. In addition to positioning investors in a more competitive position, pre-investment support helps to improve the investment readiness of prospective companies looking to raise impact investment capital.

![FIGURE 1: INVESTOR PERCEPTIONS OF DEGREE OF COMPETITION FOR IMPACT INVESTING TRANSACTIONS](image)

Companies looking to raise impact investing capital can better differentiate among investors based on their offerings of non-financial support, such as capacity building (see SolarNow box).

Enhancing financial performance

Most interviewees perceive some financial benefits from their provision of capacity-building support, including revenue generation, operational improvements, risk reduction, and long-term strategic planning.

For example, projects designed to improve product or service offerings or to develop stronger marketing strategies may increase sales and, therefore, revenues. Projects that support cash-flow management and governance may decrease the occurrence of risk incidents (see Oikocredit box). Other

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**SOLARNOW**

SolarNow, a Uganda and Kenya-based company that sells and finances solar systems for home and productive usage, explained that the availability of tools, such as capacity building, played a role in its selection of investors. Following investment, those value-additive services helped it to refine its distribution, transition to a branch-based business model, and develop a suite of internal policies that strengthened its operations and staff retention.

**OIKOCREDIT**

Oikocredit, a debt and equity investor in microfinance institutions (MFIs), cooperatives, fair trade organizations, small to medium enterprises (SMEs), and renewable energy projects globally, has seen access to capacity building become as important as credit for many of their target groups. For instance, many MFIs and agriculture producers within its portfolio can benefit from support to expand or enhance their risk management practices and governance structures. It supports portfolio organizations to establish board and senior management risk committees, to identify different types of risk – such as credit, price, market, exchange, financial, and reputational risk – and to develop risk mitigation action plans. This in turn helps them run more stable businesses. As a result, Oikocredit and its investees face reduced risk while serving their end beneficiaries better.
projects may lower operating or production costs by generating operational efficiencies through improvements to investees’ supply chain management or distribution networks. Others still may have a long-term influence on a company’s financial health by focusing management on broader strategic objectives, three- to five-year plans, and skill-building at the middle or senior management levels.

In each of these instances, investors saw a financial benefit flow to the investee or organization receiving capacity-building support, which then translated to stronger investment performance and greater financial value.

**Improving or expanding impact**

Capacity-building support can also be a useful tool in expanding or enhancing impact, according to interviewees (see Phatisa box). Impact investors often find their impact to be embedded within investees’ products or services, in which case strengthening those offerings or pricing and marketing strategies generates greater impact. In other instances, investors’ work to bolster internal staff capacity, operations, or strategy improves impact. Interviewees perceived such support to improve the quality of livelihoods of investee beneficiaries, as well as to strengthen long-term growth and organizational sustainability. In these cases, capacity-building projects may be designed either to address specific impact areas and weaknesses or to improve an investee’s impact as a whole. Many impact investors also use such support to improve companies’ environmental, social, and governance (ESG) compliance and adherence to other international and regulatory standards.

**Strengthening markets**

Lastly, some impact investors offer capacity-building support to companies outside of their portfolios, including to potential investees and others. Some view such support as an opportunity to strengthen the markets in which they invest so as to create better business environments in general. This approach can strengthen longer-term investment pipelines or create more favorable operating environments for portfolio companies. Additionally, some impact investors use non-financial support to contribute to broader market-building and field-strengthening initiatives as part of their social or environmental missions.

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**Phatisa**

Phatisa is a private equity fund manager that invests in growth companies in the food, agribusiness, and affordable housing sectors across sub-Saharan Africa. It uses capacity-building support to improve the ESG compliance and impact of its investees. In one example, a portfolio company produced blended fertilizers. Through capacity-building support, the food fund’s TAF (managed by TechnoServe) developed a soil-profiling program that identified specific mineral deficiencies in tracts of farmland before compiling the fertilizer profile best-suited to improving yield on each plot of land. As a result, Phatisa’s investee better contributed to regional food security.

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*Source: Phatisa*
Uses of capacity-building support

Impact investors address various investee needs through capacity-building support, with the most common uses among the interviewed organizations being human resources, impact measurement and management, technical/specialized support, financial management, and governance (Figure 2). Data from the GIIN’s 2015 Annual Impact Investor Survey generally support these findings (Figure 3).³

FIGURE 2: USES OF CAPACITY-BUILDING SUPPORT

n = 23; investors could address more than one need through capacity-building support.

Note: Eighteen investors also cited other reasons to use capacity-building support. Other such reasons included fundraising, market strengthening, and other strategic support.
Source: GIIN

FIGURE 3: USE OF PROVIDED TECHNICAL ASSISTANCE (2015 ANNUAL IMPACT INVESTOR SURVEY)

n = 107; respondents could select more than one option.

Note: ‘General management’ is a term that can encompasses a number of different forms of support for the management of the business and operations.

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Common needs addressed through capacity-building support

Impact investors use capacity-building support most commonly to address the needs described below.

**Human resources development:** Impact investors most commonly reported using capacity-building support to improve investees’ staff capacity by strengthening recruitment, training, and retention of effective staff, as well as developing and implementing human-resource policies. Impact investors identified capacity gaps among investees’ executives and middle management, with several interviewees noting that qualified Chief Financial Officers (CFOs) are particularly hard to find in emerging markets. To address them, investors offer support in recruitment and training. Several interviewees also cited efforts to improve organizational culture and employee benefits to retain talent.

**Impact targeting, measurement, and reporting:** Capacity-building support can help investee companies better understand their social and environmental impact, refine and articulate their impact strategies and objectives, report their impact to investors and other stakeholders, and manage and improve their impact over time. Several impact investors reported providing support to investees for collecting and analyzing impact data throughout the investment period. These data offer substantial value to the investee company, allowing them to better understand the needs and preferences of their customers (and therefore improve their product or service offerings), enable streamlined impact reporting to their investors and donors, improve fundraising prospects, and ensure mission alignment (see EcoEnterprises Fund box).

**Financial management:** As early-stage companies begin to grow and mature, they require increasingly robust and sophisticated systems for financial management. Interviewees reported using capacity-building support to help investee companies manage cash flows, generate and analyze financial statements, develop financial plans, and structure capital.

**Technical and/or specialized support:** Many impact investors also use highly specialized technical support specific to a sector or business model. Whereas many different types of businesses may benefit from some of the more general forms of support described above, technical and/or specialized support provides expertise that may be particularly useful to a given company (see AAF TAF box).

**Governance:** Young and growing investee companies also benefit from assistance building a functioning and effective board or governance structure. In many cases, investors will take seats on company boards to help the company run efficiently, plan strategically, and manage risk. Impact investors also assist their investees in building governance policies.

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**EcoEnterprises Fund**

EcoEnterprises Fund is a Latin America-focused fund manager that invests in environmentally sustainable businesses. The fund provides all investees with impact targeting, measurement, and reporting support to ensure the business’ environmental sustainability and overall mission achievement and to assist in impact reporting to fund investors. The fund hires consultants to conduct baseline social and environmental studies prior to all investments, which enables investees and the fund to identify strengths and areas for improvement and to set targets for impact throughout the investment period.

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**AAF TAF**

The AAF TAF provides support to the African Agriculture Fund, which is managed by Phatisa. The AAF is a USD 246 million equity fund which is focused on agriculture and food security. The AAF TAF often provides technical and/or specialized support to Fund investees. Core business development support focused on strengthening their operational capacity is typically provided to SME sub-fund investees. For example, it sent an agronomic advisor to a pig farm in Cameroon to help the company formulate a new animal feed using cassava. In another project with the same company, it sent an advisor to analyze farmland soil samples using a soil-testing kit. Both initiatives aim to optimize on-farm feed production and therefore increase cost-efficiencies and productivity.
such as conflict-of-interest or whistleblower policies, and deepen board involvement with functions such as audit, risk, and finance committees.

**Other needs:** Through capacity-building support, impact investors also assist with:

- Planning for strategic growth and helping investee companies consider the building blocks that must be in place to scale.
- Developing new products, refining businesses’ current product offerings, or assisting with the research and development of new products.
- Marketing and sales, including training marketing and sales staff in customer segmentation and developing effective marketing and sales tactics.
- Implementing new technology and information systems to improve business processes, address risk, and remove barriers to growth.
- Strengthening the sector or the market, providing pre-investment support within a sector to improve overall capacity, often enhancing the investor’s investment pipeline.
- Raising capital by increasing investment readiness for future rounds of investment (whether from new or existing investors).

**Identifying investee needs**

Impact investors use various methods to identify investee needs that can be addressed through capacity-building support. The investor may identify these needs, in some cases, or the investee may request support. Some investors have used their experience in capacity-building to develop their own programs that address needs that they have found to be most common among the types of companies in which they invest. Therefore, these investors tend to request less input from investees to identify needs. Other investors prefer that their investees identify needs and request capacity-building support, because those investors believe that the investees are best positioned for this task. Often, needs are negotiated and agreed upon between the two parties through a specified process, as described below.

**Investors:** Impact investors may identify the capacity-building needs of their investees throughout the investment cycle. Some investors identify needs before investment through the due-diligence process conducted by the deal team. A few investors use in-house diagnostic tools for all new investments to identify capacity-building needs. Others identify needs after investment, during routine investment management interactions with investees.
**Investees**: Many impact investors encourage investees to solicit capacity-building support before or during the investment period. Often, when encountering a challenge that might be addressed through capacity-building support, investees will request assistance through their regular contact on the investment management or (if applicable) in-house capacity-building teams.

Whether a need is first identified by the investor or investee, there is often a process to ensure the different parties agree about which needs should be prioritized (see LeapFrog Investments box). Investors must make sure that an investee is willing and able to receive the support offered for an investor-identified need by consulting with investees when the need is identified and including them in the decision-making process for structuring and delivering the support. Meanwhile, investors must also assess whether investee-identified needs can be appropriately met by capacity-building support or if a need would instead be better addressed through the investment or directly by the investee. Sometimes, investors and investees prioritize needs differently; for example, although an investor might identify a need as strategically important for the investee, the investee might not have the proper staff in place or the bandwidth to receive support to address that need at that time. Interviewees noted that flexibility and communication are crucial for implementing successful projects.

### Key factors influencing investee needs

Organizational needs vary with the stage of business of the company, the timing of support, the investment instrument, and the business model, as described below.

**Stage of business**: The impact investors interviewed for this study primarily invest in early- and growth-stage companies. Further, the Research Team found that most capacity-building support is offered to companies in these stages. Investors noted that the nature of support provided differs based on the maturity of a business. Seed- and early-stage companies tend to need support to refine their business models and impact theses, including improving product and service offerings; exploring their fit in the market; understanding the needs, wants, and behaviors of beneficiaries; building staff talent; and generally defining strategy. Growth-stage companies need support to ensure they have the infrastructure to scale their business and their impact effectively, including refining and scaling technology systems, improving governance at the senior management and board levels, strengthening the capacity of middle management, and developing consistent and targeted sales and marketing strategies.

**Timing of support**: Among 28 interviewees, four provided only pre-

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**LeapFrog Investments**

LeapFrog Investments is an emerging-market fund manager that makes equity investments in financial services and healthcare companies that focus on low-income consumers. Capacity-building needs are identified by the deal team, the investee, and the capacity-building team. These are supported by LeapFrog Labs, which uses TA and donor funds to drive innovation through blended finance.
investment support, nine provided only post-investment support, and 15 provided both. Different types of capacity-building support are provided pre- and post-investment (see BlueOrchard box). Before investment, support is typically provided to companies to enhance investment readiness, conduct market assessments, and measure the baseline for investee social and/or environmental impact. After investment, investors leverage support to ensure the effectiveness of business operations, strengthen strategic planning and processes to manage growth, and increase social and/or environmental impact.

**Investment instrument:** Impact investors primarily investing through debt tend to provide capacity-building support that mitigates the risks of the businesses in which they invest and enhances cash-flow management. Impact investors primarily making equity investments tend to provide support that enhances their portfolio companies’ ability to scale their businesses through market expansion, refinement of product and service offerings, or other means. Of course, there are exceptions; for example, Medical Credit Fund, a private debt investor, undertakes assessments to identify growth opportunities in the market and funds the expansion of the clinics it supports, among other capacity-building projects it conducts (see MCF profile on page 28).

**Other factors:** Additional factors, such as regional education levels—including literacy rates or financial literacy (see Argidius Foundation box)—and company business model—such as agricultural aggregators, technology platforms, and manufacturers—also influence the nature of and need for capacity-building support. Acumen Fund has noted that businesses can be categorized either as product or service companies, a distinction that influences the company’s capacity-building needs (see Acumen Fund profile on page 22).

Certain defining characteristics of companies generally do not influence capacity-building needs. Most impact investors agreed that needs do not vary by sector, although some said that sector can be a useful lens through which to understand and contextualize the support a company might need. Similarly, most impact investors did not note differences in needs among companies operating in different geographic regions.
Structure and delivery of capacity-building support

Personnel

To address needs for capacity building, impact investors may rely on in-house staff, external consultants, other external expertise, or some combination of providers. Further, whether using in-house or external expertise (or both), impact investors find value in both individual and customized support as well as group trainings. Each of these structural options is described below, along with the key considerations that inform the choice of staffing structure, including resource availability, expertise with the relevant subject matter or issue, and relationship with the investee.

In-house staff: Some impact investors provide capacity-building support through their own staff. Appointed staff may be members of the deal or investment management teams, or they may operate within a dedicated technical assistance facility (TAF), a pool of resources devoted specifically to capacity-building projects that support the investor’s portfolio. In-house staff may be involved throughout the capacity-building process or for specific components of a project (see Finance in Motion box).

Source: Cordaid Investment Management

FINANCE IN MOTION

Finance in Motion, an emerging market-focused asset manager, has a dedicated, in-house technical assistance team that designs all capacity-building projects. Typically, this team first engages investees in a needs assessment in conjunction with the investment team. This process results in a terms of reference document that outlines project objectives and design and identifies key deliverables and milestones. Then, the team sources appropriate and qualified consultants to execute the projects according to that design.

Technical Assistance Facility

A technical assistance facility (TAF) is a dedicated pool of resources devoted specifically to capacity-building projects that support the investor’s portfolio.
Some investors have staff fully dedicated to capacity-building work. These dedicated, in-house teams are primarily responsible for the structure and delivery of projects, though they often collaborate with staff from the deal and investment management teams to identify issues that can be effectively addressed through capacity-building support, coordinate the delivery of such support, engage investees effectively, and monitor and assess the progress of a given project. The dedicated team or TAF will then design and structure a project and manage its implementation, monitoring, and assessment. By building a TAF or other dedicated in-house team, investors cultivate in-house expertise in capacity-building support and position themselves to aggregate and evaluate lessons learned from previous projects.

Other investors rely on the experience and expertise of their investment management teams. Particularly for equity investors, projects benefit from the long-term relationships developed and cultivated between the investee and the investment managers, often resembling a deep form of portfolio engagement. These relationships make it easier for investors to design tailored projects that are specific to investee needs. Given the different nature of their relationships with investees, debt investors instead described leveraging in-house resources to address common, recurring issues, such as strengthening the management of financial statements, planning budgets, and developing and implementing risk-reduction mechanisms. Many debt investors value the provision of non-financial support specifically as a way to increase the impact and reduce the risk of their portfolios. As such, some continue to engage their investment management teams and loan officers in identifying and developing appropriate capacity-building projects.

Lastly, some investors also leverage in-house staff expertise to provide group trainings, typically targeting management from several portfolio companies or funds under their management (see Small Enterprise Assistance Funds box). Group trainings may sometimes also include staff from non-portfolio companies or prospective investees that face similar issues. For group trainings to be effective and useful, investors noted that they should address common issues, target investees at a similar stage of development, and include opportunities for peer-to-peer learning and networking.

External consultants: Most impact investors that provide capacity-building support also contract external consultants to structure or deliver specific projects (see Cordaid Investment Management box). Some investors leverage external expertise in specific circumstances, whereas others rely exclusively on third-party consultants. Consultants can be particularly beneficial for discrete, time-bound projects that require specialized expertise or in cases where the investor lacks the resources to execute support in-house (see Asian Development Bank box).

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**Small Enterprise Assistance Funds (SEAF)**

SEAF has managed over 35 impact investment funds in nearly 30 countries during its 28 years. To ensure that a SEAF local team is capable of deploying capital for both desired financial returns and significant impact, it has developed a comprehensive fund management internal group training. The training covers the SEAF strategy for sourcing, screening, evaluating, and structuring deals, as well as post-investment supervision and capacity building, risk and compliance, investor relations, and social and environmental impact.

**Cordinaid Investment Management**

Cordaid Investment Management, a fund manager that invests in fragile and conflict-affected areas, uses both in-house and external expertise to deliver capacity-building support. For specialized projects, it typically engages external, subject-matter consultants. For example, it invested in a chicken farm that sought to improve the hygienic standards of its production. Because Cordaid staff lacked sufficient technical knowledge to address this issue effectively, it contracted an external consultant.

**Asian Development Bank (ADB)**

The ADB works closely with its potential investees to help build capacity through its TA program. This process includes drafting TORs, which its procurement team uses to solicit and evaluate proposals from prospective consultants. In one example, ADB’s TA program is supporting the National Investment and Infrastructure Fund (NIIF), a Government of India-sponsored investment platform to promote infrastructure development, by procuring experienced consultants to help refine the NIIF’s investment strategy and develop a near-term deal pipeline.
Consultants range from well-known, multinational firms, such as EY and McKinsey & Company, to local, highly specialized individuals in the country or region of an investee’s operations. Some investors also engage consultants through fellowship programs ranging from six-to-twelve months in duration. Consultant fellows are most typically graduate students or young professionals.

Despite the common use of external experts to support capacity-building projects, several investors described challenges sourcing effective consultants with the right skill sets (for more information, see the Challenges section on page 18).

**Other external expertise:** Some investors also described a role for mentors and executive education programs in the context of their broader capacity-building work. Mentors’ roles and responsibilities may closely resemble those of a consultant, or they may include longer-term, informal engagement with an investee. Mentors are typically selected based on their experience in the sector, the investee’s stage of business, their relationship with the investors, and their ability to support the investee on a pro-bono or low-cost basis (see Pearson Affordable Learning Fund box).

Executive education programs and group trainings can provide value to investees throughout the development of their business. Interviewees most commonly mentioned implementing such programs and trainings in support of CEOs and other senior managers at early-stage companies and in support of middle management teams at growth-stage companies.

Lastly, some impact investors collaborate with players across the ecosystem to design appropriate capacity-building projects (see Root Capital box) or use a mix of structured and tailored support depending on the investee’s needs.5

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**Funding**

Impact investors finance their capacity-building work with support from a variety of sources (Figure 4), and most rely on multiple sources of funding. Among 28 interviewees, the four most common funding sources included:

- donors, such as government agencies, development finance institutions, or foundations;
- whole or partial cost-share arrangements with the investees receiving capacity-building support;
- management fees and/or profits from investments; and
- investors into the fund or investment vehicle that also wish to contribute to capacity-building.

![Figure 4: Sources of Funding for Capacity-Building Support](image)

Investors identified several key considerations that inform the selection and utilization of these different sources of funding, as described below.

**Sustainability of funding**: Investors often face a tension in the sustainability of various sources of funding. Although most investors access some donor funding, several cited examples in which this funding was tied to specific program areas or projects and could therefore not be used for core operational support. Many donors could not guarantee renewal of these funds, requiring investors to continually fundraise for their capacity-building work. While the use of management fees, profits, and cost shares with investees—all sources of funding that are continually generated across the investment cycle or that rely on investee participation—offers a more sustainable approach to funding capacity-building support, this strategy may reduce profits to both funds and their investors and may create some financial burden for investees.

**Management buy-in**: Insufficient buy-in and commitment to capacity-building among investees is a common challenge impact investors face. In this regard, many investors consider a partial or full cost-share with investees to be a useful tool to gain buy-in. Impact investors reported that the shares of costs covered by investees ranged widely depending on their capacity, the project's scope and scale, and organizational philosophy about effective strategies. EY, a consulting firm, explained that "we support early growth-stage entrepreneurs with low, nonprofit fees deliberately designed to make us accessible. At the same time, though, we want them to engage us to help tackle the most important problems they have and to stay actively involved throughout the project. We find this 'low bono' approach helps achieve all three of these objectives."

**Incentive alignment**: Alignment of both incentives and expectations is critical for capacity-building support to be effective. Many impact investors noted that alignment among donors is necessary to ensuring reasonable and coordinated reporting requirements for impact data—a factor that pertains as much to the industry generally as to capacity-building support specifically. Additionally, investors have found that requiring investees to share some costs contributes to greater alignment between investors and their investees in terms of project viability, scope, and design. Having some 'skin in the game' makes investees more likely to engage actively in the development of TOR that adequately and appropriately address the issue requiring support and more likely to participate fully in the implementation of capacity-building projects. Mission alignment also proved useful for effective capacity-building; several fund managers noted that their impact-driven investors were likewise committed to funding capacity-building support since it can improve and deepen the impact investees create.

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6 The Research Team excluded three interviewed investees from this analysis to avoid double counting their responses with investors', which are also captured in the study.
Reporting requirements: Many funders of capacity building require funding recipients to report on their uses of the funds and the impact they generate. Several investors that raised funds from multiple sources noted facing varying or complicated reporting requirements. For example, while one donor may expect an investor to report metrics on the outcomes of their capacity-building programs annually, another may require quarterly reports of different metrics. Varying requirements add to the burdens of both investors and investees. BIO Invest, a Belgian DFI, said it engages with other donors to any given capacity-building facility to coordinate reporting requirements and ensure transparency around client interactions. BIO Invest’s approach helps reduce the reporting burden of those receiving capacity-building support while still holding them accountable for their use of donor funds.

Fund managers that received additional grant funding from their investors or limited partners, however, described generally maintaining the same reporting requirements as they do for their investments into the fund. This allows fund managers to streamline their impact measurement and reporting processes for both routine investment activity and capacity-building support.

Time horizon: For investors, there is, of course a time lag between the time of their investment and the realization of returns or profits. This lag can affect the availability of funding from profits to finance capacity-building support—especially early on—requiring the use of donor funds or other funding sources in the meantime. New funds may require some time until they are able to generate enough income to dedicate some of their profits to finance capacity-building support, requiring the use of donor funding or other funding sources in the meantime. Finance in Motion, for example, advises some mature funds that already make significant contributions to the financing of capacity building.
Given the wide range of investor types, applications of capacity-building support, contextual environments, and other key factors, impact investors have found a range of ways to fund support effectively. As described already, investors evaluate a number of different considerations and customize support to the contexts of the investees.

**Maintaining accountability**

Impact investors use several mechanisms to monitor and assess the progress and effectiveness of capacity-building projects.

- **Discrete milestones**: Many projects include discrete milestones by which the project implementers, investees, and investors can assess progress. Such milestones, which may occur at various points throughout the project, are used to gauge the project's adherence to its TOR and/or workplan. In some cases, milestones also unlock tranches of funding for the capacity-building project itself. Investors have found that discrete, tangible milestones—such as the hire of key personnel, drafting of internal policy documents, or introduction of a new product to market—are the most useful in ensuring accountability. Notably, however, many investors recognize the need for and value of flexible milestones that can adapt to changing circumstances, particularly in challenging regulatory, operational, or political environments (see Oikocredit box).

- **Impact measurement**: Many impact investors use their standard, ongoing impact measurement processes, which typically occur on a quarterly or annual basis, to monitor and assess their capacity-building projects. In these cases, they review impact data for any effect that may be attributed to the capacity-building work. Some investors add a handful of additional metrics to their standard impact measurement process to better gauge outputs, outcomes, and effects specific to their capacity-building work (see Lok Capital box).

- **Other requirements for follow-on capital**: As noted above, some investors use project milestones to unlock further capacity-building funding. Additionally, investors hold investees and service providers accountable for effective implementation of capacity-building support by tying its execution to loan covenants, the deployment of later tranches of debt, or requirements for other follow-on capital.

**Evidence of effectiveness**

Impact investors stressed that it can be challenging to ascertain the effectiveness of capacity-building support. However, they reported, four key sources of evidence can be used to evaluate the effect and quality of support.
Impact measurement findings: Many impact investors assess the effectiveness of capacity-building projects via their ongoing or routine measurement of impact. Changes in the performance of metrics collected over time can be used to evaluate the effect of a given intervention (see USAID box).

Achievement of project-specific performance targets: Some investors also collect data on metrics selected specifically to gauge the effectiveness of a capacity-building intervention. Most investors prefer to coordinate early with investees and project implementers to define upfront indicators of success and gather baseline data. At project completion, investors can then compare results to baseline performance to try to identify the effect of capacity building.

Most interviewees tailor these performance targets to each capacity-building project, selecting metrics and targets that match the project’s scope, scale, and objectives. For example, a project designed to develop and execute a plan to expand a company into a new market might measure success as the number of units sold in that market. Meanwhile, a project intending to develop and launch a growth strategy might measure success by the numbers of new staff and new clients.

Follow-on capacity-building projects: Another indicator of the effectiveness of capacity building is the investee’s ability to graduate from one project to the next. Given that investee needs vary by stage of business, advancement from one capacity-building project to another can indicate an investee’s growth and maturity as well as effectiveness of previous projects. For example, Incofin Investment Management, a Belgium-based fund manager investing across emerging markets, develops technical assistance projects to discover and evaluate greenfield and market-expansion opportunities for its portfolio companies. Those companies may later require additional investment and support to grow their product and service offerings, one sign of a maturing business model.

Follow-on capital: Given that capacity-building projects are designed to strengthen or grow an investee’s business, investors consider that investee’s ability to attract follow-on capital to be a signal of success. For example, if an early-stage investee receiving venture capital enters a high-growth period as a result of a capacity-building project, it may then attract private equity or debt capital that reflects its increasing maturity. Further, investors often view this follow-on capital as a demonstration of the business’s viability and investability, thus reaffirming the value added by capacity-building support.

It should be noted that these methods for assessing the influence of capacity building do not necessarily prove causal effects. For further discussion, see the Challenges section on page 18.
Discussion—Capacity-building support: Market distortion or solution?

In impact investing, capacity-building support used to address a wide variety of challenges related to business operations, strategy, or impact is often funded in the form of non-recoverable grants. Given the structure and intent of such support, many impact investors believe that it acts as a subsidy to the investment.

Impact investors continue to debate the merits of providing subsidized support to investees and the effect such subsidy may have on markets more broadly. Some investors identified a risk of distorting the market by providing a crutch for weak businesses or by subsidizing the cost of normal business operations. Several described mitigating the risks of market distortion by carefully defining the role of capacity-building support, for example, by limiting the monetary value of capacity-building projects compared to the overall investment in the company, designating the specific types of projects the investor is willing to fund, or focusing only on projects that are additional (i.e. that would not have happened otherwise).

Other investors consider such support critical to fulfilling their responsibility, as impact investors, to maximizing the impact potential of their investments and are less concerned about offering a modest subsidy through support. Regardless of their view on the subsidy of capacity-building, many investors see it as a value-added service that they offer their companies that gives the investor an edge when competing for good deals. The quotes below illustrate the range of perspectives among impact investors on this topic.

> When you talk about lending at market rates, if there’s accompanying training or capacity building, the subsidy is embedded in the support rather than the pricing.”
>  
> Emerging-market focused investor

> The amount spent on capacity-building is so small that investees can’t use it to implement the project. It serves to complement a small portion of developing that project.”
>  
> DFI

> Capacity-building support is used for projects that would be really difficult for the companies to finance by themselves or when the expertise is not locally available. We offer support for projects that otherwise would be too expensive and would not happen.”
>  
> DFI

> It’s important for the impact investing market to be transparent about the subsidy involved in capacity-building support. Subsidies are not unique to this field, and yet this field gets criticized for it.”
>  
> Foundation

> For us, it’s about ensuring that the organizations that we work with are successful, and ideally our work with those organizations attracts new high-quality investment deals. We’ve decided that we are happy to support our partners on the scale at which we are currently. We do not think it is disruptive, and we hope it’s making an impact.”
>  
> Emerging-market focused investor

> I think it is a fair point to say we might be subsidizing some of the critical gaps for our companies by leveraging our scale to artificially reduce the price that these companies pay for capacity-building services. We want to give them all the help we can to increase the likelihood that they will succeed. However, from a capital and investment standpoint, we’re not here to distort that market with grants.”
>  
> Emerging-market focused investor

> We are very clear that we don’t want to subsidize ongoing business activities of our portfolio companies, and we don’t want to distort natural or normal market dynamics with capacity-building services.”
>  
> Emerging-market focused investor

> There’s a clear gating process that we use for applying capacity-building support: we ask, “Would this have happened on its own without our support?” If the answer is no, then it’s worth putting money in. If the business would have done it anyway, then we debate whether it’s worth using capacity-building support for it.”
>  
> Emerging-market focused investor
Challenges and opportunities

Impact investors face four main challenges in providing capacity-building support: (1) sourcing appropriate and qualified consultants, (2) establishing a sustainable pipeline of funding, (3) evaluating the effectiveness of projects, and (4) aligning stakeholder incentives to maintain accountability and buy-in. These challenges are detailed below, along with strategies that investors use to address them.

Sourcing consultants

CHALLENGES

As described previously, impact investors often hire external consultants to structure and deliver capacity-building support to their investees. In some cases, investors focused on emerging markets prefer to contract local consultants that are familiar with regional languages, business environments, and customs. However, finding local consultants with the appropriate skill sets often presents a challenge in some parts of the world.

Sourcing expertise from larger firms outside of the domestic market, on the other hand, can be costly. Because funding for capacity-building support is typically limited (as discussed shortly), investors struggle to justify such hefty consultant fees, particularly alongside smaller investments.

OPPORTUNITIES

Impact investors identified the following effective strategies to source consultants:

- Confer with other investors working in the same regions for recommendations of qualified local consultants.
- Build lists of vetted consultants over time, whether compiled in-house or sourced through a network or group of investors, that include the types of projects on which individuals worked (see EcoEnterprises Fund box).
- Forge partnerships with consulting firms and training institutes to take advantage of economies of scale for discounted, high-quality consulting support, including the pro-bono or low-bono consulting services some large-scale consulting firms offer for social enterprises or impact investors.

Sustainable funding

CHALLENGES

Many impact investors struggle to create sustainable pipelines of funding for capacity-building support. As noted previously, most impact investors raise capacity-building funding from donors, such as government agencies, DFIs, and foundations, that is typically provided as grant capital and therefore requires ongoing fundraising throughout the life of a fund. The use of grant funds is often restricted; sometimes grants are targeted for a TAF or earmarked for only certain types of projects in specific geographies. Donors have priorities based on their own mandates and stakeholders that do not always necessarily align with the priorities of investors or investees. Donor funds are also often accompanied by significant reporting requirements, which some investors (and their investees) consider onerous. As a result, some impact investors find that they need to dedicate more resources to the fundraising and management of donor funding than they can sustain over the long term.

OPPORTUNITIES

Potential solutions for these funding challenges include:

- Diversify funding sources to include management fees, investment profits, and investee cost sharing.
- Offer group trainings on widely applicable and broadly relevant topics, thus taking advantage of economies of scale to allow training fees to cover costs while still remaining affordable for participants. To further reduce costs, group trainings can be offered not only to investees within one investor’s portfolio but also across portfolios.
- Integrate the costs of capacity-building projects into investments, for example by providing funding for projects as a subordinated, zero-, or low-interest loan alongside the original investment (see Cordaid Investment Management box). Once the investee repays the loan, the capital may be loaned out again to support further capacity development. For equity investments, the cost of capacity building can be included as part of the investment in the company.
Evaluation of effectiveness

CHALLENGES

Impact investors deem it important to measure the effectiveness of capacity-building support in improving investees’ business strength and impact. However, to indicate a project’s success, many interviewed investors rely on a project’s status of completion including periodic milestones, rather than on attributable evidence of a project’s outcomes. Since results are often realized beyond the scope of the capacity-building project and substantial time and resources must be dedicated to measure the medium- and long-term effects of a relatively short-term project, it is unsurprising that investors take this approach. Furthermore, investors report that changes in financial or operational indicators—such as revenue growth, EBITDA improvement, and staff retention rates—are difficult to attribute to specific capacity-building projects, especially in dynamic, fast-growing enterprises.

Finally, a few investors accessing donor funding noted that donors’ reporting requirements can be difficult to manage, for both investors and investees. One investor stressed the importance that the business benefit from the various resulting measurement requests so that the investee does not perceive the exercise as extractive or self-serving on the part of the investor.

OPPORTUNITIES

While impact investors acknowledge that it is difficult to evaluate the effectiveness of capacity-building support, they agree that doing so is useful in understanding and improving approaches to strengthen their investees’ businesses. Many, working to improve their measurement of capacity building, cited the following as efforts in this regard:

- Incorporate metrics specific to capacity building into annual impact performance–monitoring processes for ongoing investments so that medium- and long-term effects can be measured after a project concludes.
- Aggregate impact data collected over time for capacity-building donors into a report product that is useful to investees (see Root Capital box).

ECOENTERPRISES FUND

Since 2000, EcoEnterprises has developed a database of consultants that have implemented its capacity-building projects, including professionals experienced in social and environmental impact assessment. EcoEnterprises searches this database, which details these professionals’ expertise in different communities and sectors, to source appropriate individuals to design and deliver a project, such as conducting baseline impact assessments for a prospective forestry investment.

CORDAID INVESTMENT MANAGEMENT

Cordaid has faced challenges in ensuring the sustainability in funding for capacity-building support. In order to address this challenge, it uses a cost-sharing model for its post-investment support to diversify its funding sources. It is working on transitioning to offering zero-interest loans to its enterprises for capacity-building projects in the future to decrease its need for grant capital.

ROOT CAPITAL

Root Capital finances its capacity-building support with donor funding. Its loan clients, which are mostly agricultural cooperatives, have found that the in-depth impact studies required by some grant-makers are time-consuming and can seem irrelevant. To counter this sentiment while still meeting funder requirements, Root collaborates with clients to design impact studies and provides them with synthesized impact reports. These impact reports, which often capture information such as aggregate farmer sales year-over-year and farmer satisfaction with the cooperative, can be useful to clients for internal decision-making and when negotiating with buyers.
Alignment & buy-in

CHALLENGES

The many different stakeholders of a capacity-building project may each have their own expectations of a project’s objectives and execution.

Especially crucial to the success of a capacity-building project is investee agreement with the project’s application, structure, delivery, timing, and cost. If the investee is not aligned with all aspects of the project, they may fail to adopt new practices or recommendations, potentially wasting the time and money spent on the project.

Meanwhile, investors sometimes find it challenging to align with donor interests and expectations. Donors often have strong preferences for particular geographies, sectors, or types of beneficiary groups they wish to fund. These preferences may not always align with investor understanding of where capacity building support is most needed, thus leading to disagreement about the best uses of funding.

OPPORTUNITIES

Most impact investors agree that clear processes and communication encourage alignment and buy-in from all stakeholders involved in capacity-building projects. They offered the following as useful practices:

- Identify capacity-building needs and structure and deliver support in partnership with investees. Many investors invite investees to participate in the development of project TORs, establish milestones, and participate in the selection of service providers to encourage maximum buy-in and foster a positive relationship around capacity building.

- Recruit investors in the funds to additionally fund capacity building since existing fund investors tend to better understand investees’ businesses and are more committed to the success of the fund and, therefore, to its investees. Additionally, investors in impact funds often have social and/or environmental goals that can be furthered through the provision of capacity-building support.
Investor profiles

The investor profiles in the following pages demonstrate various ways that impact investors leverage, design, implement, and fund capacity-building support to enhance the performance of their investees. Each case includes an overview of the investor’s objectives in providing such support.

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**In-house team**

**Consultants**

**Mentors**

**Group training programs**

**External donors**

**Investee cost-share**

**Management fees**

**BACKGROUND**

**USES OF CAPACITY-BUILDING SUPPORT**

**STAFFING OF PROJECT DESIGN & IMPLEMENTATION**

**FUNDING**
PROFILE

ACUMEN FUND

Background
Acumen Fund, a nonprofit impact investment fund, raises charitable donations to make equity investments in early-stage companies that provide a product or service to the poor. It invests across the agriculture, education, energy, and healthcare sectors in several geographies, including Latin America and the Caribbean, North America, South Asia, and sub-Saharan Africa.

Capacity-building objectives
Acumen uses capacity-building support to add value to its portfolio companies across three broad themes: governance, operations, and finance. Within these areas, Acumen focuses specifically on five core aspects of investees’ operations:

- **Sales:** Customer segmentation, creating an effective sales team, and developing effective marketing strategies
- **Talent:** Executive coaching, group trainings for senior and middle management, building organizational culture, and recruiting/retaining staff
- **Technology:** Adopting systems and processes to scale the business
- **Finance:** Managing cash, structuring capital, and raising funds
- **Impact:** Measuring, communicating, and improving impact

Acumen developed these objectives based on historical data regarding over 50 investments across a 10-year period. Through its research, it has found that, in most cases, investees have needs in all five areas at some point during the investment period and that companies with the same business model (i.e., product vs. service companies) tend to face similar challenges at each stage of business growth. For example, an early-stage clean cook stove company in East Africa and an early-stage water pump company in India will face challenges identifying viable customer segments, building and training a sales team, and establishing distribution channels.

SAMPLE CAPACITY-BUILDING PROJECT GOALS

**Increased sales**
To improve a renewable energy company’s understanding of its target customer segments, Acumen conducted a brief survey via mobile phone using its Lean Data methodology. The survey provided the income distribution (USD 1.25 to USD 8 per day) of the customer base, along with their respective value drivers, product usage patterns, and product satisfaction ratings. The investee used these data to refine customer segmentation, tailor marketing and sales messaging, and improve customer service. Acumen measured success by management’s actions in response to customer feedback and customer ratings over time.

**Improved technology infrastructure**
To strengthen an agricultural company’s infrastructure and ability to scale, Acumen helped the company find an IT consultant to identify and implement a migration from simple accounting software to an enterprise resource planning (ERP) system that integrates different aspects of the business, such as inventory, sales, finance, and human resources. The investee used this system to consolidate financials and streamline reporting, and it updated its standard operating procedures to leverage the new technological infrastructure. Acumen measured success by staff adoption of the new technology and improvements to EBITDA margins over time.
How it works

**STEP ONE: IDENTIFY CAPACITY-BUILDING OPPORTUNITIES**

During due diligence of prospective investments, the Acumen deal team assesses the company’s capacities across governance, operations, and finance. Needs identified during due diligence often help define key milestones that must be reached before releasing further investment tranches. Once a company is in the portfolio, the Acumen portfolio team conducts annual reviews, revisiting the company’s governance, operations, and financial performance to identify further gaps that could be filled by capacity-building support.

**STEP TWO: DESIGN A CAPACITY-BUILDING PROJECT**

Acumen has developed two project structures:

1. When a company’s capacity or management gap is discrete and non-recurring, such as an ERP implementation, Acumen facilitates introductions to consultants that deliver cost-effective support specifically for early-stage social enterprises.

2. When a company’s capacity or management gap is fundamental and recurring, such as developing a recruiting and retention strategy, Acumen takes a long-term approach to support the investee’s development. These projects typically begin with data collection to understand the company’s specific needs. Acumen then provides ongoing coaching to improve skills.

Regardless of the project type, Acumen initiates discussion of these projects at the Board level to create an environment of dialogue and accountability amongst key stakeholders.

**STEP THREE: IMPLEMENT THE CAPACITY-BUILDING PROJECT**

Acumen implements capacity-building support through a combination of their own in-house staff, external consultants, and group training programs (**see table on following page**):

- **In-house staff** provide support when the task is recurring and fundamental to an organization’s business model. To build the organization’s capacity, Acumen works across multiple teams to collect data, develop insights, and provide coaching over a period of three to 12 months.

- **Consultants** are used when the task is discrete and nonrecurring or when a consultant has specific expertise focusing on early-stage social enterprises in emerging markets.

- **Group trainings** bring senior or middle managers from portfolio companies together to learn from other participants using a curriculum developed by Acumen and its regional partners. Acumen has found that attendees from the various investee companies share practical insights from their daily work, creating a learning network that extends beyond the trainings.

*Source: Acumen*
STEP FOUR: MONITOR AND ASSESS THE PROJECT

Acumen monitors its investments by tracking the progress against milestones set annually. As a company achieves these milestones, Acumen releases further tranches of investment or decides to allocate additional capital to the company. Acumen assesses the success of a capacity-building project based on key indicators established for each project. Over the long term, Acumen hopes to define a return on investment for capacity-building projects, as well as a total return on investment including the cost of capacity-building support at the point of exit.

Funding

The funding model for capacity-building support at Acumen has evolved over time. Acumen initially worked with pro-bono consultants but found that the level of service provided failed to meet investees’ expectations, and investees lacked enough stake in the project to ensure its implementation, since they had not paid for the consultant. Next, Acumen funded its capacity-building projects through a pool of grant capital. Portfolio companies applied for support to receive grants up to USD 50,000 each. The companies were required to cover a minimum of 20% of the direct costs of support and to manage implementation of the projects. Acumen found that this model had several undesirable features:

- raising capital for this type of support was difficult;
- larger companies garnered an unfair advantage in the grantmaking process, having more resources and staff to apply for grants and share the costs of capacity-building support; and
- Acumen found it difficult to define and measure the effectiveness of the projects while being removed from the design and implementation process.

In its current model, Acumen sets aside 10% of the total capital it has raised for capacity-building support to fund its in-house staff. Portfolio companies can access Acumen’s in-house resources free of charge because, in Acumen’s view, these services attract investment pipeline. In addition to the in-house team, Acumen has built relationships with a short list of high-quality consultants offering tailored products for early-stage social enterprises in emerging markets. Pre-negotiated fees for this support are paid in full by investees using part of their investment capital from Acumen. Over the first two years, Acumen subsidized executive and manager trainings for participants while proving the model; these trainings will now be offered to investees without subsidy.
PROFILE

BUSINESS PARTNERS INTERNATIONAL

Background
Business Partners International (BPI) is a fund manager providing debt and equity financing to small and medium-sized enterprises in East and Southern Africa. BPI aims to create quality jobs and improve livelihoods across the region to promote economic development. BPI is open to investing in all sectors (except on-lending activities, direct farming operations, and underground mining) and typically invests between USD 50,000 and 1,000,000 in local currency, with an average deal size between USD 250,000 and 500,000. In addition to providing investment capital, BPI offers capacity-building support to its entrepreneurs to enhance business performance and address weaknesses.

Capacity-building objectives
BPI finds that capacity-building support improves investee performance on both impact and business dimensions, as well as strengthening its portfolio by reducing risk. In fact, BPI states that it can make earlier and riskier investments because it is confident that additional support can overcome added risk in portfolio companies by filling critical capacity gaps. BPI’s capacity-building support addresses areas such as financial management, corporate governance, IT training, human resources training, strategic planning, sales and marketing, environmental and social impact, and specific technical expertise.

SAMPLE CAPACITY-BUILDING PROJECTS

Pre-investment
For a small, start-up, locally owned boutique hotel in Malawi, BPI provided pre-investment capacity-building support for interior decoration and for human resources recruiting and training. These projects were completed, as required, prior to BPI’s investment in the business.

Post-investment
For a large dog food manufacturing company in Kenya, BPI provided capacity-building support to set up governance structures. The company had undergone a management buy-out, and the management team wanted to build an effective board to enhance transparency and professionalism.

How it works

STEP ONE: IDENTIFY CAPACITY-BUILDING OPPORTUNITIES
BPI identifies opportunities for capacity-building support in two ways. First, during due diligence, the BPI deal-sourcing team may identify needs that they can address through capacity-building support for prospective investees. The team then decides if the support should be provided pre- or post-investment. In most cases, pre-investment support is targeted at a weakness within the business model that BPI has identified as essential to fix prior to their investment.

Second, either BPI or the investee may identify needs during investment management. The investment management team, which knows the portfolio companies well, promotes capacity-building support and ensures that companies are aware of the benefits of this offering. The team discusses potential capacity-building opportunities with the companies, encouraging them to identify needs themselves.
STEP TWO: DESIGN A CAPACITY-BUILDING PROJECT
BPI designs highly customized capacity-building projects for each investee receiving support. Once either BPI or the investee has identified a capacity-building need, the two parties work together closely to develop the project. BPI seeks to ensure buy-in by involving investees in the design of the project’s TOR, and offering funding incentives (discussed in the following section).

Over several years, BPI has built a database of about 360 industry experts in many fields who can work with investees on capacity-building projects. Around 300 of these individuals are mentors, successful professionals in their fields who offer specialized expertise to BPI investees for a fee (see side box). The remaining are in-country consultants providing more general support in areas such as accounting, human resources, and workplace health and safety. The database is organized as a series of profiles containing each person’s CV, specific skill sets, ratings from both investees and the post-investment officers with whom they have done past work, history of past capacity-building projects, and fees.

The BPI post-investment officer searches this database, selecting three mentor or consultant profiles that best match the TOR to share with the investee. The investee then makes the final selection for the project.

STEP THREE: IMPLEMENT THE CAPACITY-BUILDING PROJECT
The selected mentor or consultant implements the capacity-building project, which generally lasts up to six months. The mentor or consultant develops a process for implementing the project as outlined in the TOR. The post-investment officer and the investee establish milestones, which they share with the mentor or consultant at the beginning of the project, and these are incorporated in the implementation plan.

STEP FOUR: MONITOR AND ASSESS THE PROJECT
The post-investment officer oversees the capacity-building project, ensuring it achieves the targets laid out in the TOR. Payments to the mentor or consultant are tied to the milestones and results agreed upon at the outset of the project. To measure the project’s effect on the business over the medium and long term (i.e. after the capacity-building engagement is finished), BPI monitors three indicators annually: job creation, revenue growth, and profit growth (see side box). Though BPI recognizes the difficulty of attributing these outcomes to previous capacity-building projects, it nonetheless has settled on these measures as indicators of success.

WHY DOES BPI USE MENTORS?
BPI mentors are local professionals with developed expertise in a given industry (e.g., food processing, hospitality management, information technology) and they often run their own businesses. Mentorship enables BPI to offer investees skilled expertise from the perspective of a business owner with a deep understanding of the local context.

EVIDENCE OF SUCCESS
Through an independent study, BPI found that over a three-year period, investees that received capacity-building support grew employment by 26%, increased investee revenue by 32%, and increased investee profits by 79%, while investees not receiving support grew less in these areas. Additionally, investees that receive this support have had only an 8% rate of default, while 22% of those not receiving such support experience default.
Funding

BPI funds capacity-building support for its investees through designated, interest-free loans of up to 30% of the total investment amount. BPI believes this method encourages investees to carefully consider the scope of projects and their desired results, while maintaining an investee stake in the success of the capacity-building project makes the project more effective. Because BPI operates its capacity-building program using interest-free loans, it often recovers much of the capital, enabling it to be loaned again. For debt investments, the loans for capacity building are subordinated to recovery of the other investment capital.

Additionally, BPI receives grant funding from several sources to support its capacity-building work:

- governments of the countries in which BPI invests that see benefit in funding capacity-building support to expand employment and improve business sustainability;
- foundations and other grant-makers that want to fund programs successfully aiding businesses in the countries in which BPI invests; and
- investors in BPI funds that view capacity-building support as a way for them to enhance the performance of their investments and contribute to economic development by generating employment.

BPI often offers to return some of funders’ grant capital that has been successfully recovered from capacity-building loans.

Source: Business Partners International
PROFILE

MEDICAL CREDIT FUND

Background

The Medical Credit Fund (MCF), a nonprofit impact investment fund within the PharmAccess Group, provides loans in partnership with local financial institutions primarily to private health clinics and pharmacies across sub-Saharan Africa. MCF seeks to improve the quality of the services its borrowers provide and to increase access to quality healthcare services throughout the region. To advance these goals, MCF offers both pre- and post-investment capacity-building support to its borrowers, as well as support to banks with which it co-invests.

Capacity-building objectives

MCF’s capacity-building support is designed to improve the quality of the healthcare services investee clinics provide and strengthen their businesses, which at the same time reduces MCF’s portfolio risk.

Other examples of MCF’s capacity building include the development of medium- and long-term strategy, preparation of business plans and financial projections, market assessments to identify growth opportunities, and planning the expansion or renovation of clinics.

SAMPLE CAPACITY-BUILDING PROJECT GOALS

Increase service quality

Example goal: To improve a clinic’s infection-control and waste-management procedures

Strengthen the business

Example goal: To improve client’s understanding of cash flow management

Support co-investors*

Example goal: To learn how to evaluate the credit-worthiness and investment needs of healthcare providers

* Provided only to co-investing banks

Source: Medical Credit Fund
How it works

STEP ONE: IDENTIFY CAPACITY-BUILDING OPPORTUNITIES
During due diligence, the PharmAccess team conducts a baseline SafeCare assessment, which reviews a number of key topics related to the quality of care in a healthcare facility, including healthcare organization management, patient care, specialized services, and ancillary services. This assessment identifies priority areas for improvement and investment. In parallel, MCF assesses the creditworthiness of the prospective client and the viability of the investment. During this process, MCF staff identify any issue that might merit capacity-building support. Often, opportunities to strengthen the quality of clients’ services are identified via the SafeCare assessments, while issues related to business strategy or operations are identified through other elements of due diligence.

STEP TWO: DESIGN A CAPACITY-BUILDING PROJECT
MCF uses distinct methods to define the trajectory of each type of capacity-building support.

- For healthcare providers, PharmAccess prepares a Quality Improvement Plan using the baseline SafeCare assessment. The plan lists priority actions to resolve any identified quality issues, such as training of staff or implementation of clinical guidelines, among others. The plan guides subsequent capacity-building support and monitoring of the quality improvement program.

- Smaller loan clients receive standardized capacity-building support with elements related to both the quality of the healthcare provided and business management.

- For larger loan clients (with loans equivalent to USD 200,000 or more), capacity building may include specific support in addition to the quality improvement program. MCF staff determine the need for and design these support activities either pre-investment or at the time of loan approval, consulting clients during project design and prior to implementation to gauge reactions and ensure sufficient buy-in. At times in these discussions, borrowers may express hesitations to engage in a given support program, but MCF may include provisions requiring the completion of such programs for loan renewal.

- When offering support to co-investing banks, MCF’s in-house investment management team works alongside the bank’s staff to help them understand the business of healthcare. MCF also provides regular training to bank employees concerning the specifics of the healthcare sector.

STEP THREE: IMPLEMENT THE CAPACITY-BUILDING PROJECT
The MCF team, the PharmAccess Foundation, and other technical assistance partners implement capacity-building programs related to both service quality and business strengthening. Partners include a range of organizations, such as associations of healthcare providers, and are selected based on their sector expertise and experience in quality assurance or business strengthening.

The healthcare provider then joins the SafeCare quality improvement program, which focuses on strengthening the investee’s underlying business, particularly in the areas of clinical quality and management capacity. The program is implemented by PharmAccess or its capacity-building partners, which have been trained and licensed to use the SafeCare standards and methodology. PharmAccess monitors the clinics’ progress on the agreed actions quarterly, repeating the SafeCare assessment every other year.

In addition, the MCF team provides pre-investment capacity-building support related to strategic and financial planning, investment priorities, expansion or renovation plans, and procurement. For capacity-building projects that require specific expertise, MCF contracts external consultants. The team may identify additional post-investment support opportunities based on ongoing review of the Quality Improvement Plan, which may indicate either areas of ongoing weakness or changing needs as the borrower grows and matures.

7) SafeCare was founded by the PharmAccess Foundation, the Joint Commission International of the United States, and the Council for Health Service Accreditation of Southern Africa to support basic healthcare providers in resource-restricted settings to deliver safe and quality-secured care to their patients according to internationally recognized standards. For more information, see the SafeCare website, http://www.safe-care.org.
MCF may also recommend that its clients facing common challenges attend group management training programs. To this end, MCF and PharmAccess, working with a business school in Kenya, have set up a Health Management Course its borrowers can attend. MCF has found that clinics and other medical facilities benefit from the peer-to-peer support and sharing of experiences with the quality improvement program that result from participating in these courses. To facilitate this, PharmAccess has created Whatsapp groups that enable participants to learn from each other, as well as from the SafeCare staff.

**STEP FOUR: MONITOR AND ASSESS THE PROJECT**

MCF monitors each clinic’s progress on the Quality Improvement Plan developed during the design phase. For example, a project to strengthen human resource management might be evaluated based on the development of key processes and policies for reviewing staff and the provision of ongoing staff training. A project designed to improve primary outpatient healthcare might be evaluated based on the quality of patient waiting areas, the routine and effective use of infection-prevention techniques, such as handwashing, or the use of standardized processes for triage and patient orientation. During project design, these indicators are tied to the gaps identified in the initial assessment. To evaluate the result of the program, clinics participate in follow-up SafeCare assessments every two years. In addition, MCF gathers information regarding more quantitative business indicators, such as the number of patient visits, the number of staff, and revenues.

**Funding**

The development of sustainable sources of funding for capacity-building support presents a challenge for MCF. Currently, MCF’s capacity-building and other technical assistance projects are primarily funded by external sources, but MCF is in the process of establishing a cost-sharing mechanism.

- **External funding** comes from public or private grants made by the Dutch government, donor organizations, and other private funders. While some funding sources offer long-term grants over multiple years, others offer funding tied strictly to certain projects or regions.

- MCF also uses **cost-share** structures to ensure investee buy-in and establish sustainable project funding. Smaller loan clients currently receive capacity building free of charge, but MCF is implementing a cost-share structure for larger loan clients. The specific portion of the capacity-building costs investees cover varies widely on a case-by-case basis. Convincing borrowers of the value of capacity-building projects and finding or building local expertise to implement these projects both present challenges. The group management training programs, however, have gained traction among and are also paid for by MCF’s loan clients.

Looking ahead, MCF seeks to expand its use of co-payment structures in an effort to move toward a more self-sustaining capacity-building program. It plans to incorporate a capacity-building fee into each loan as a percentage of the total amount. This fee will cover capacity-building costs for larger loans but is unlikely to cover all costs of support for clients with smaller loans.
RESPONSABILITY INVESTMENTS AG

Background

responsAbility, a Swiss asset manager, has been active in impact investing since 2003. Its aim is to drive the growth of development-related sectors—namely finance, agriculture, and energy—through return-seeking debt and equity investments. As of 2017, responsAbility has USD 3.2 billion of assets under management invested in 550 companies in 97 developing countries. Though its early portfolio did not include any capacity-building complement, responsAbility has identified opportunities for capacity-building support as its portfolio has diversified, discovering in particular that capacity-building support can add value beyond mitigating risk to bolster the performance of its investments. responsAbility established its first dedicated technical assistance facility in 2009. As of 2017, a dedicated team manages four such facilities. Each facility is dedicated to different investment strategies, focusing primarily on climate finance and energy access. Plans are underway for a fifth facility, focused on agribusiness.

Capacity-building objectives

responsAbility selectively provides capacity-building support to improve the performance, growth, and sustainability of portfolio companies, pilot new business models and technologies, and develop clear strategies for growth and sector development. Each project is intended to benefit the investee and strengthen responsAbility’s portfolio.

SAMPLE CAPACITY-BUILDING PROJECTS

Product-line conversion

One client, a rice producer in Cambodia, was struggling to compete with government-subsidized players from Thailand and Vietnam in international markets. The client believed a competitive advantage could be realized by shifting production to certified organic rice, a crop with fewer competitors and higher prices. To meet buyer expectations, this change required training in the cultivation and harvest of organic rice to meet certification requirements. Through its TAF, responsAbility contracted an external consultant with expertise in organic farming to facilitate this training, provide the certification, and enable the client to enter the new market segment. At interim points, responsAbility evaluated the project’s success based on the percent of crop production from the client’s farmers that shifted to organic from traditional rice and the farmers’ resulting income increase.

Market assessment

In India, one client produces biomass from post-harvest residue. As alternative energy sources have grown more cost-competitive, the company has diversified its production to focus on other products, such as pellets. However, Indian government regulation requires all oil-producing companies, including biomass producers, to derive at least 20% of their revenues from alternative energy solutions. To address this requirement, responsAbility provided capacity-building support for the biomass producer to conduct a market assessment to understand the availability of biomass in different locations and to validate its supply. Furthermore, it supported the development of a supply management plan for the client to collect the post-harvest residue efficiently and economically.
How it works

STEP ONE. IDENTIFY CAPACITY-BUILDING OPPORTUNITIES
The responsAbility investment team typically identifies investee needs that can be addressed through capacity-building support during due diligence. The investment team contacts responsAbility’s TAF team to verify that the identified need falls within the TAF’s scope, following a set of criteria defined jointly with the facility’s donors. The exact scope, timing, and conditions are then discussed with the investee to specify the need in detail and ensure the investee’s commitment to the project.

STEP TWO. DESIGN A CAPACITY-BUILDING PROJECT
Based on investee feedback, the TAF team prepares TORs tailored to the investee’s needs that identify the different tasks involved in the project, outline the qualities sought in an external consultant, and define milestones by which to measure the project’s execution and success. Milestones are designed to assess a project as it advances, including, for example, interim progress reports or discussions to reflect on intermediate results. By preparing the TOR together, responsAbility and its investees identify shared objectives, address concerns about the role or expectations of an external consultant, and design a project with which both parties are comfortable. The Technical Assistance team then presents the request to finance the project to the Technical Assistance Committee, which comprises representatives or nominees of the facility’s donors.

STEP THREE. IMPLEMENT THE CAPACITY-BUILDING PROJECT
The TAF team tenders the assignment in line with international standards for procurement. In calls for proposals, responsAbility looks for consultants with experience in the region, who speak the same language as the investee, and who have deep experience in the topics to be addressed through support. Consultants are selected based on pre-defined evaluation criteria, with the selection then approved by the Technical Assistance Committee.

STEP FOUR. MONITOR AND ASSESS THE PROJECT
responsAbility seeks to measure the results of all capacity-building projects it supervises. Since its projects are often implemented in phases, payments are delivered in tranches based on the achievement of key deliverables, as outlined in the initial TOR. Given the challenging contexts of responsAbility’s investees—which, for example, operate in frontier markets, prove new business models, or work with emerging technologies—workplans sometimes have to adapt as a project progresses. If a project struggles to achieve certain milestones or underperforms along the way, responsAbility’s TAF will reevaluate the project plan.

The TAF also reviews key indicators on both the project or firm level and the level of the TAF overall. Example indicators include the number of people with improved energy access, carbon emissions avoided, or volume of finance catalyzed as a result of capacity-building support.

Funding
responsAbility funds its capacity-building support through three core mechanisms.

- **External donors:** responsAbility primarily funds its dedicated TAFs with the support of one foundation, alongside a broad funding base from different DFIs. responsAbility believes other foundations have interest in supporting this type of work.

- **Investee cost-share:** Investees are usually required to contribute to the cost of the project. The specific percentage of costs funded by investees varies by type of project and with the specific TAF.

- **Management fees:** responsAbility also manages other capacity-building projects separately from its TAFs. These projects derive their funding from its management fees rather than from a pool of donor capital.
Conclusion

Capacity-building support is a valuable and widely-used tool among impact investors who deploy it to strengthen investees’ strategy, operations, and impact. This study broadly examines the impact investing industry’s use of capacity-building support, identifies common and effective practices, and describes solutions investors use to address challenges.

The study generated three key takeaways about capacity-building support in impact investing:

1. **Capacity-building is a versatile, widely-applicable tool that offers direct benefits to both investors and investees.** It addresses a range of needs, including human resources development; impact targeting, measurement, and reporting; and technical and/or specialized support. When applied well, it improves investor competitiveness, enhances business performance of investees, expands impact for beneficiaries, and strengthens markets and sectors.

2. **There’s no single way to structure and deliver capacity-building support.** Instead, impact investors generally use highly customized methods to design projects tailored to the needs and requirements of their investees. Impact investors customize key elements of the structure and delivery of capacity-building support such as its timing, staffing structure, funding model, and mechanisms to monitor progress and ensure accountability.

3. **Impact investors experienced in providing capacity-building support tend to also be the most satisfied with their results; there’s benefit (and opportunity) to sharing learnings openly with others.** Collaboration among the different stakeholders in capacity building could facilitate wider and more efficient use of capacity-building support across the industry.

The GIIN looks forward to further research contributions from practitioners and industry bodies on the topic of capacity-building support in impact investing. Some questions that could be explored in future research include:

- What are best practices in evaluating effectiveness of capacity-building support in impact investing?

- What level of standardization in capacity-building approaches could increase efficiency? How could this be implemented while keeping in mind the value of customization?

- What methods of collaboration among investors and funders could deliver support more effectively?

Capacity-building support is a key component of impact investing. As the industry continues to grow, capacity-building support will play an increasingly central role in strengthening and developing the pipeline of viable investment opportunities, and in ensuring that impact investors (and their investees) achieve their social and environmental missions.

Source: responsAbility
Appendix 1: Interviewees

Abigail Thomson  
AAF Technical Assistance Facility

Chris Bullard, Justus Kilian  
Acumen Fund

Nicholas Colloff  
Argidius Foundation

Farshed Mahmud  
Asian Development Bank

Marloes van den Berg  
BIO Invest

Maria Teresa Zappia  
BlueOrchard

Mark Paper  
Business Partners International

Sascha Noe  
Cordaid Investment Management

Oksana Aguilar Bondarenko  
EcoEnterprises Fund

Jon Shepard  
EY

Milena Bertram  
Finance in Motion

Christine Looney, Graham Macmillan  
Ford Foundation

Ludovica Amatucci, Michelle Dold,  
Dina Pons, Dana Roelofs  
Incofin Investment Management

David Arana  
Konfio

Vaughan Lindsay  
LeapFrog Labs

Marc Moser  
LGT Impact Ventures

Sarika Mendu  
Lok Capital

Dorien Mulder, Femke Smeets  
Medical Credit Fund

Nobuyuki Otsuka  
Inter-American Development Bank—  
Multilateral Investment Fund

Armando Laborde  
New Ventures Mexico

Angela Gomez  
Off Bound Adventures

Amber O’Connell  
Oikocredit

John Callovi  
Pearson Affordable Learning Fund

Rob Kruger  
Phatisa

Davina MacPhail  
PhiTrust Partenaires

Eva Tschannen  
responsibleAbility

Tyler Clark  
Root Capital

Bob Webster  
Small Enterprise Assistance Funds

Willem Nolens  
SolarNow

Juan Carlos Thomas, Simon Winter  
TechnoServe

Leila Ahlstrom, Rob Schneider,  
Tom Schumacher  
USAID
Appendix 2: Summaries of other research

Several research studies have been released in recent years exploring the topic of capacity-building support in impact investing. These studies were reviewed as background for this report.

In July 2017, the UK Department for International Development released *Insights from the Impact Programme: Using Technical Assistance to Build Impactful Businesses*, a briefing paper that shares key findings from a review of the Impact Programme’s technical assistance facility. The paper identified six key insights: (1) keep technical assistance aligned to yet arms-length from the deal team, (2) ensure additionality of the support to address one-off issues through careful screening, (3) recognize the limitations of technical assistance, (4) address constraints in the supply of quality service providers, (5) consider technical assistance that addresses sector-level constraints, and (6) actively engage with the technical assistance ecosystem.


The African Agriculture Fund’s Technical Assistance Facility (AAF TAF) released a report on *Five Years of the AAF’s Technical Assistance Facility* in 2017. The report explores progress made in 42 projects conducted since 2011 across 10 portfolio companies, each of which was designed to improve the impact of agribusinesses in Africa and enhance food security. The report describes buy-in among participating investees, which reflects the strong commercial returns and risk reduction associated with capacity-building projects. Further, the report describes the relationship between improved business operations and strategy and scaled impact. Lastly, the study found that the TAF’s support of portfolio companies enhanced the work of fund managers as well.


The Asia Venture Philanthropy Network (AVPN) released *A Guide to Effective Capacity Building* in May 2016. The report identified three key areas in which capacity-building support plays a substantial role: impact strategy, financial sustainability, and organizational resilience. Authors also found two common approaches to structuring capacity-building support, namely structured support that addresses specific skills or capacity areas and customized services that are highly-tailored to the investee’s needs and strategy. Further, the report included a ‘capacity-building canvas’, or open questionnaire, intended to identify key questions and considerations to structuring and delivering capacity-building effectively. The canvas seeks to identify the areas in which an investor or capacity-building provider may be well-suited to deliver support.


The European Venture Philanthropy Association published *A Practical Guide to Adding Value through Non-Financial Support* in December 2015. The report presented a five-step process to capacity building: (1) Map the venture philanthropy organization’s or investor’s assets; (2) assess the needs of the investee; (3) develop a plan for capacity-building support; (4) deliver the support; and (5) assess the value and impact of the support. The report then describes key considerations that inform decision-making throughout this process. Throughout the design and provision of support, authors recommend an open line of communication among the venture philanthropist or investor, investee, and service providers that acts as an ongoing feedback loop.

In September 2015, GIZ published *The Role of Technical Assistance in Mobilizing Climate Finance*, a report that explored five GIZ programs. Each program intended to use technical assistance to mobilize additional capital specifically toward climate finance, and as such the report focused on the effect of capacity-building support to unlock new sources of capital and follow-on capital. The report found five types of support that successfully mobilized finance: policy advice, support for project development and funding applications, provision of data, program coordination, and institutional capacity building. It found that such support could directly contribute to co-investment or could indirectly catalyze capital by improving the policy environments and markets and demonstrating the viability of certain investments or institutions.


The **World Bank** released *Private Equity and Venture Capital in SMEs in Developing Countries: The Role of Technical Assistance* in April 2014. The paper focuses specifically on the role of technical assistance to support private equity and venture capital investments and is not restricted to impact investments. It found that technical assistance offers two key benefits: it allows fund managers to extend their reach to smaller companies, and it mitigates risk by improving specific aspects of business operations. The study explores five different models for delivering support, including (1) a VC model provided directly by fund managers, (2) a standalone TAF model which exists alongside a fund, (3) market development technical assistance which supports companies outside of an investor’s portfolio, (4) one-off grants made on a project basis, and (5) shared services arrangements provided to portfolio companies and funded through management fees.

**Link:** [https://elibraryworldbank.org/doi/abs/10.1596/1813-9450-6827](https://elibraryworldbank.org/doi/abs/10.1596/1813-9450-6827)
Additional GIIN Research

The GIIN conducts research to provide data and insights on the impact investing market and to highlight examples of effective practice. The following selection of GIIN reports may also be of interest:

Since 2011, the GIIN has conducted an Annual Impact Investor Survey that presents analysis on the investment activity and market perceptions of the world’s leading impact investors.

The Business Value of Impact Measurement demonstrates how investors and their investees use social and environmental performance data to improve their businesses.


The Impact Investing Benchmarks analyze the financial performance of private equity/venture capital and real assets impact investing funds.

The regional landscape reports analyze the state of the impact investing market at a country level in South Asia and East, West, and Southern Africa.

Catalytic First-Loss Capital details the motivations, benefits, and considerations behind the use of first-loss capital as a credit-enhancement tool in impact investing.

Visit the GIIN’s website to find more resources from the GIIN and other industry leaders at https://thegiin.org.