

### Objectives of this primer

- How USAID Missions can appraise the private sector stakeholder ecosystem
- How to approach and pitch opportunities to like-minded private sector organizations

### Related documentation / tools

- USAID – [Private Sector Partnerships in Ag Value Chains Building Effective Relationships to Sustain Results](#)
- USAID – [Partnering with USAID: A Guide for Companies](#)
- USAID – [Private Sector Engagement Policy](#)

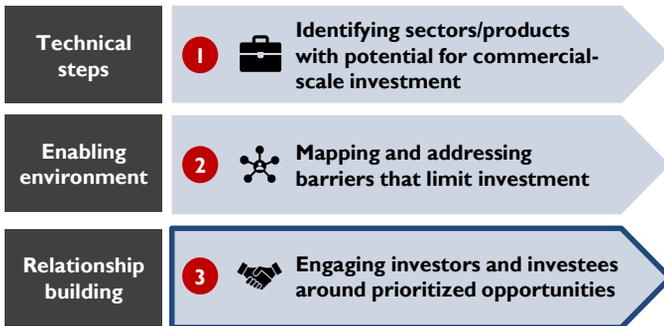
### Introduction

This is the third in a series of three primers to illustrate how USAID Missions have taken particular steps in the investment support process in the food and agriculture sector. **Primer 1** discusses how to generate a long list of products with potential for commercial-scale investment and how to refine the list to land on high potential investment opportunities. **Primer 2** discusses how to understand and solve for barriers in the enabling ecosystem that hold back investment. **Primer 3** details how to bring investors and investees together to facilitate transactions that drive development impact.

### Approach to engaging investors and investees around prioritized opportunities

There are three broad components to investment support. Primer 3 focuses on engaging the private sector around the specific investment opportunities identified. Sub-steps in this primer are detailed below and on subsequent pages.

#### Factors required for investment support



#### Investment filtering process



**NOTE:** This primer covers the mechanics of engaging investors and investees at the end of the investment support process from Primer 1

Identifying impactful commercial investment opportunities and helping improve the enabling environment around them adds value, and, if accompanied by effectively facilitating investor and investee engagement, can lead to effective execution at this stage. Matching investors and investees around specific investment opportunities requires:

- An already established network of private sector players across target sectors and subsectors
- Regular and detailed exchanges and interaction with private sector players to gain a pulse on sector-level challenges/opportunities

Matchmaking cannot be based on purely commercial considerations because positive social and environmental outcomes and inclusion are an integral part of USAID's Private Sector Engagement Policy.

### 3.1 Map out key private investors and investees

#### Example: Horticulture investment promotion in Rwanda

The USAID/Rwanda Mission wanted to support investment in horticulture value chains in Rwanda. The team generated a short list of potentially impactful business cases and mapped out the ecosystem of investors that could be interested in these opportunities.

The team conducted a supply assessment of current international and regional operators as well as local operators and financial investors (see chart below). They were identified through desk research around the shortlisted opportunities and sourced through stakeholder engagement.

Operator name	Initial contact	Follow-up(s)	Response received	Potentially interested
Exotic EPZ				
Bally				
East-West Seed				
Meru Greens				
Mofarm Exporters				
Danzinger				
Green Path Food				

Legend: Regional International Operator    Local Operators    Financial Inve

#### Key takeaways

First, a pipeline of potential investors and investees needs to be developed to better understand the possible support behind any given opportunity.

- **Identifying local implementers/operators** with businesses that have the potential to be scaled
- **Identifying global implementers/operators** that may be willing to move into the market
- **Identifying investors as well as types and terms of financing sought.** These may be “cold” investors that are entirely new to a potential opportunity or “warm” investors that are nearly ready to make an investment but need further transaction advisory support in evaluating it

#### Enablers of success

- ✓ *Many actors can be identified by engaging with investment promotion agencies and national trade offices, attending sector-specific events and speaking with specific associations (e.g., Coffee Association) of the target country*

### 3.2 Prioritize investors that are most aligned with USAID’s mission and objectives

#### Example: Horticulture investment promotion in Rwanda

After identifying specific investment opportunities around viable value chains in Rwanda’s horticulture sector, the ISP team conducted outreach to local operators. The goal was to identify businesses presenting investable opportunities that could be promoted and that aligned with USAID’s mission its and objectives of driving sector-level industrialization.

The team conducted structured interviews with a number of local businesses to understand their current operations and assess key capabilities and growth potential to ensure that they match USAID’s target objectives.

The team prioritized local businesses i) with a specific investable opportunity allowing the business to capture additional markets, and ii) demonstrated traction and credibility through a strong management team, and reliable supply to existing customers and buyers.

#### Key takeaways

An analysis of investment theses (in the case of investors) and expansion strategies (in the case of operators/investees) can shed light on the level of alignment with engagement objectives, as defined in Primer 1.

- **Investment thesis.** For investors this includes understanding return expectations, approach to technical assistance and impact thesis/theory of change<sup>1</sup>
- **Expansion strategy.** For operators this includes track record and experience within the sector/geography, theory of change, and ability to provide services that address bottlenecks across different value chains

#### Enablers of success

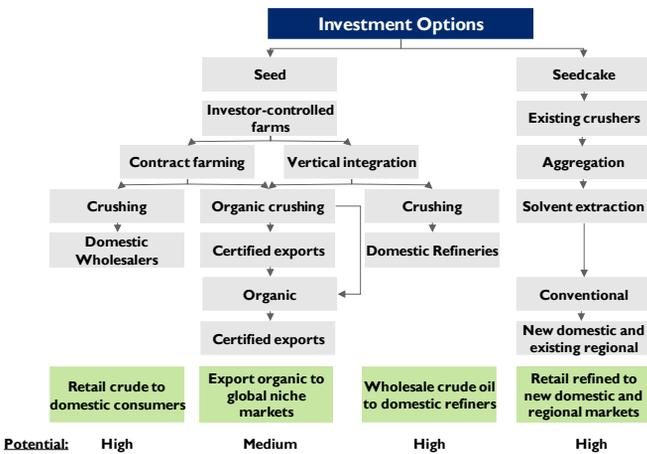
- ✓ *Assessing investor and operator portfolios is a necessary step in understanding capabilities, competence and intentionality*

Note: <sup>1</sup> An impact thesis or theory of change is used in strategic planning to clearly define the link between the organization’s activities, outputs, and desired outcomes and goals

3.3 Reach out to prioritized investors / investees to pitch multiple investment opportunities

**Example: Investment in edible oils in Tanzania**

The USAID/Tanzania Mission landed on a set of opportunities that required specific investors to action. The Mission team presented the analysis to several investors, detailing the logical process that led to specific opportunities and key financial/engagement details (see graphic below). Different opportunities were tailored to target investors by highlighting the metrics that matched their interest and using language familiar to them.



**Key takeaways**

Approaching the private sector can take different forms, depending on the level of familiarity with specific players:

- **Develop an engagement strategy** at the Mission level which defines modes of engagement, specifies roles and responsibilities, and details communications protocols
- **Present tailored pitch materials** that communicate the opportunity and “speak the language” of the specific investor—in terms of both sector and stage (e.g., early stage, venture capital, private equity)

**Enablers of success**

- ✓ Support interactions with private sector players with robust analysis that plays out different scenarios which account for shifting economic and political conditions
- ✓ Present a variety of potential investment opportunities specific to current operations and expansion plans that investors can choose from

3.4 Offer post-investment support

**Example: Creating a thematic roundtable in Tanzania**

In the process of facilitating an investor/investee match to scale a fish farming operation in Tanzania, the USAID/Tanzania Mission noticed a lack of information exchange in the Tanzania sub-sector. The team thus created the Aquaculture Roundtable, which gathers key sector players beyond those that participated in the engagement. It creates space for discussing specific regulatory pain points with the Aquaculture Association of Tanzania and the Aquaculture Director at the Ministry of Livestock and Fisheries, both Roundtable members.

**Example: Tanzania Investment Center (TIC)**

In Tanzania, the USAID ISP team conducted research that validated the need for TIC to adopt a highly-targeted promotion approach, decrease focus on tax incentives, and increase emphasis on investor after-care. TIC has adopted these recommendations, and it is now revising its corporate strategic plan and intensifying its after-care efforts. As a result, TIC has become more intentional and strategic in prioritizing its programming and post-investment support.

**Key takeaways**

While USAID normally takes an impartial role in this sensitive phase of the process, Missions have the scope to do two things post-investment:

- **Engage regularly** with investors and investees to account for progress made and to share potential new needs and demands (e.g., post-investment challenges can include hiring requisite skills to scale operations, accessing markets/suppliers, accessing working capital, etc.)
- **Support host country investment agencies** – this could include strengthening capacity to interface between investment and trade promotion agencies and other relevant actors to navigate bureaucracies, as well as after-care services

**Enablers of success**

- ✓ Maintain frequent, close interaction with investors and investees to foresee challenges and gain a pulse on the sector as a whole
- ✓ Not all deals must be done—there is risk in pushing forward a deal that is not ready and requires more time or “traditional” development assistance

## CASE STUDY: ISP Rwanda

### Opportunities in Horticulture in Rwanda

#### Opportunity

The USAID/Rwanda Mission wanted to engage the private sector around business cases within the horticulture sector.

Given Rwanda's small and impoverished population, as well as its smaller size, the ISP team identified export opportunities as having the greatest potential due to the country's comparatively good infrastructure, ease of doing business, and increasing air connections to Europe and the Middle East. These factors had already led to a growing focus on the horticulture market by the Ministry of Agriculture and the National Agricultural Export Development Board, and to the entrance of a number of small businesses that were rapidly growing in the space. The Mission wanted to leverage momentum to catalyze investments in the sector.

#### Interventions

The ISP team's analysis showed that export opportunities for a select number of horticulture products (snow peas, French beans, passion fruit, chilies and mushrooms) had the highest potential. The team developed business cases for each, ranging from vertically integrated farms to large production facilities. In order to engage the private sector around the opportunities, the team carried out the following activities:

- **Mapped out key private sector stakeholders.** The team mapped out i) regional/international operators, ii) local operators, and iii) financial investors of potential interest.
- **Prioritized investor and investee theses that were most aligned with USAID's.** The team prioritized local businesses i) with a specific investable opportunity allowing the business to capture additional markets, and ii) that demonstrated traction and credibility through a strong management team and reliable supply to existing customers and buyers.
- **Reached out to prioritized investors and investees to pitch multiple investment opportunities.** The team worked closely with the Rwanda Development Bank to prioritize regional/international operators. As a result of the collaborative process, the team produced a first pitch document tailored for regional and international operators.
- **Offered deal facilitation and post-investment support.** The ISP offered post-investment support mechanisms ranging from investment promotion through USAID Rwanda's Ngorize Nshore—a USD 15M fund to drive the growth of small and medium enterprises in Rwanda—to providing mappings of Rwanda's agricultural finance landscape.

#### Results

The ISP team identified the highest potential investor out of an initial list of 60+ players. The company is a Kenya-based aggregator and exporter of macadamia nuts. The ISP team is helping with development of a financial model for an integrated macadamia and passion fruit farm, and facilitating an investor visit to Rwanda.

#### Lessons learned

- **Defining success in terms of new investments made (and not just academic recommendations) helped focus and align stakeholders.** Investor involvement in the project from day one helped prioritize analyses that were most relevant for making investment decisions and facilitated government conversations.



## GUIDING PRINCIPLES

- **Private sector actors massively vary in type, context and approach.** The approach of an early stage venture capital impact investor in digital finance companies varies significantly from a private equity investor in mature health care companies. Appreciating the differences and tailoring messaging is a crucial enabler for successful engagement.
- **Early, close and dedicated stakeholder engagement.** Engage stakeholders early to test and refine your understanding of their objectives. Direct feedback on early ideas can generate important insights. It is valuable to engage stakeholders across sectors, including government and other development actors, in addition to private sector actors.
- **Engagement and facilitation are needed, even for “warm” investors.** Depending on the market, investors may be “cold” (i.e., entirely new to a potential opportunity) or “warm” (i.e., ready to make an investment). Engagement and facilitation can be strong support levers to help even warmer investors reduce the overall risk of investing through increased insights.
- **Establishing a shared big-picture vision for the partnership at the outset is crucial.** This provides a common reference point for aligning on individual issues over the lifetime of a project. A firm foundation of mutual interest and shared vision eases and incentivizes collaboration and compromise on the details.
- **Overall partnership success can be enhanced** by being purposeful about leveraging each partner's unique contributions and using USAID's unique ability to broker relationships.

Previous USAID research cites six factors as having a clear effect on relationship health:

1. **Trust.** Mutual belief in the truthfulness, competence and reliability of each partner.
2. **Alignment.** Shared understanding of objectives, working culture and expectations. Key factors include understanding private sector motivations, establishing a shared big-picture vision for the partnership at the outset and communicating empathy toward private sector needs
3. **Commitment.** Shared satisfaction with each partner's engagement level, dedication to the relationship and dedication to the goals of the partnership. This can be enhanced by building the partnership across multiple collaboration phases
4. **Mutuality.** Reciprocal dependence built upon shared rights and responsibilities between partners
5. **Efficiency.** Mutual ability to accomplish activities in partnership with a minimum of unnecessary time, resources and effort
6. **Performance.** Shared perceptions of progress toward the partnership's outcomes

### Relevant USAID investment support work

This primer draws on various Investment Support Program experiences. For further detail, please see the following:

- Mapping out potential investors in horticulture in Rwanda ([link](#))
- Prioritizing Rwandan and international investors with mission and objective alignment to USAID ([link](#))
- Reaching out to prioritized investors and investees to pitch multiple investment opportunities in edible oils in Tanzania ([link](#))
- Post-investment support by creating a thematic roundtable around the aquaculture subsector in Tanzania ([link](#))
- Post-investment support by solving bottlenecks such as investment risk and limited airfreight capacity for Rwandan exports ([link](#))
- Engaging private sector actors around horticulture investments in Rwanda ([link](#))