



# PARTNERING TO ACCELERATE ENTREPRENEURSHIP

## CATALYZING ECONOMIC GROWTH IN SOUTH AFRICA

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

### THE CHALLENGE

In South Africa, small-, medium-, and micro-enterprises (SMMEs) have the potential to drive job creation and economic development. But this “missing middle” of the South African economy—small businesses that typically employ between five and 250 people—still struggles to access the finance it needs to grow. The impact investing industry is one solution to closing this financial gap; more than \$22 billion in impact capital has been disbursed in the Southern African region over the last decade, with more than 65 percent directed towards South Africa.

Despite more capital available than ever before, investors still see a lack of key skills and capacity in South African businesses that prevent them from investing in SMMEs. A pilot program, run by the JPMorgan Chase Foundation and Dalberg Development Advisors, found that effective support services can help SMMEs become investment-ready.

To learn how to increase the efficiency and optimize the cost of this support, JPMorgan Chase Foundation and Dalberg Global Development Advisors launched Catalyst for Growth, a non-profit organization that researches and provides monitoring and evaluation on SMME beneficiaries on service providers. Since February 2012, Catalyst for Growth has aimed to increase the efficiency of SMME support services by standardizing tracking systems of investment accelerators, incubators and other financial service providers for early-stage entrepreneurs. Yet the organization needed additional support to become financially sustainable.

### THE PARTNERSHIP

Through the Partnering to Accelerate Entrepreneurship (PACE) Initiative, USAID partnered with JPMorgan Chase Foundation and Dalberg Global Development Advisors to support Catalyst for Growth in improving the investment community’s understanding of what works in SMME support.

Catalyst for Growth partners with SMMEs, support service providers, corporate entities and investors to effectively reduce unemployment in South Africa by supporting strong business development services (BDS) for entrepreneurs. The organization receives reports from BDS providers about SMME

performance and uses that data to create analyses of support services based on the impact they have on their clients. Catalyst for Growth also screens their database quarterly to see if any SMMEs match the funding criteria of investment partners in the aim of matching the organizations for funding opportunities.

Through the partnership, USAID provides governance and capacity building support for Catalyst for Growth. USAID's grant helps to close the funding gap while Catalyst for Growth seeks to become financially self-sustainable through fees paid by investors, corporates, BDS providers and SMMEs. As a representative on the Board of Directors, USAID adds quality strategic advice and broader networks to the organization.



## USAID PARTNERS

- Catalyst for Growth
- JPMorgan Chase Foundation
- Dalberg Development Advisors

## THE RESULTS

As of May 2017, Catalyst for Growth works with 20 business development providers in four countries—Malawi, Kenya, Zimbabwe and South Africa—and maintains a database of more than 1400 SMMEs.

In June 2017, Catalyst for Growth published a report on the small business development sector of South Africa as part of its effort to expand the understanding of SMME development in a meaningful way. For example, Catalyst for Growth found that programs with a set curriculum and time frame often produced better results for start-up businesses in South Africa, while more customized programs were more effective with slightly more mature businesses in the early-growth and growth stages. Additionally, the report found a disparity between BDS providers' performance and the SMMEs' recommendations. Providers that were rated highest on quantitative metrics were not those that SMMEs were most likely to recommend, which suggests that the most effective support programs are not necessarily the most enjoyable for SMMEs. For more information and insights from this report, [click here](#).

### For More Information

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

### About the U.S. Global Development Lab

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

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