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FROM THE AMERICAN PEOPLE



photo credit: Kuli Kuli Enterprise

# PARTNERING TO ACCELERATE ENTREPRENEURSHIP

## VILLAGE CAPITAL: DEMOCRATIZING ENTREPRENEURSHIP



USAID	PARTNER*	TIMEFRAME	GEOGRAPHY
\$2.6 M	\$15.1 M (E)	5 Years (2014-2019)	East Africa, India, Latin America, US


Entrepreneurs play a critical role in driving economic growth, creating jobs, and innovating to improve people’s lives through market-based solutions. Through the **Partnering to Accelerate Entrepreneurship (PACE) Initiative**, USAID catalyzes private sector investment into early-stage enterprises by identifying and testing innovative models and approaches that help entrepreneurs bridge the pioneer gap and scale.

### THE CHALLENGE

By 2013, Village Capital, a venture capital firm that finds, trains, and invests in early-stage entrepreneurs, had already run dozens of successful acceleration cohorts using their innovative “peer selection” methodology, where participating entrepreneurs select enterprises to receive seed funding. However, this funding was provided through one-off investment commitments that had to be sourced and negotiated separately for every cohort.

To streamline the process, Village Capital created a dedicated fund to provide seed-stage funding for every entrepreneur selected through their peer selection acceleration process. While global investors like Chilton Capital Management and the Sorenson Impact Foundation committed to invest in the fund, Village Capital still faced a problem: it needed to make the fund financially sustainable.

The fund invests in small and growing businesses (SGBs) that require small amounts of capital—much smaller than typical traditional investments. The small investment sizes meant that the standard fee structure, which is how investment funds cover their operating costs, would not generate enough money to manage the fund and raise the necessary level of private capital.



**OUR PARTNERS**

*Village Capital*

*Sorenson Impact Foundation*

*Chilton Capital*

## THE PARTNERSHIP

Through the PACE Initiative, Village Capital and USAID partnered to create VilCap Investments, an investment vehicle that efficiently unlocks private capital for seed-stage impact investments. USAID's grant covered a portion of the fund's management costs, thus allowing Village Capital to charge an industry-standard fee. With this financing, VilCap Investments raised a fund with more than \$15.1 million in private capital commitments. Seed equity or debt investments are now available for all of Village Capital's peer-selected entrepreneurs. The partnership brought to market a first-of-its-kind fund, attracting private capital to back high-potential companies, demonstrating the power of creative blended finance solutions and innovative investment approaches.

## EMERGING RESULTS

Village Capital set out to demonstrate that impact-oriented investments are viable at an early-stage and peer-selection is an effective process for seed-stage investment. Village Capital deployed nearly \$10 million in total commitments and closed 69 new investments in 2019. Using both an intentionally inclusive sourcing process and innovative peer selection approaches, over 40 percent of Village Capital's capital has been invested in women-led companies. For example, Village Capital invested in two women-founded companies:

- **PayGo Energy**, a Kenyan sustainable energy enterprise, is a smart metering technology company that sells clean cooking fuel on a pay-as-you-go basis. The PayGo model eliminates upfront fuel costs for low-income households, thereby increasing their monthly cash flow. By replacing dirty cooking fuels, CO2 emissions and hazardous smoke inhalation are reduced in households. Since receiving an initial investment in 2016, the company has raised \$4.7 million from domestic and international early-stage investors.

- **Kuli Kuli Foods** sources and processes Moringa leaves from smallholder farmers in Africa and Central America into consumer packaged health goods for sale in the U.S. The superfood Moringa is the world's most nutrient-dense vegetable with high amounts of protein, calcium, iron, and vitamins. Kuli Kuli has delivered impressive results: engaged more than 1,000 smallholder farmers; helped to scale up farmers' businesses; and planted more than one million Moringa trees. Since the first investment in 2016, Kuli Kuli has raised \$7.6 million from Village Capital and global investors, including Kellogg's venture fund.



## FOR MORE INFORMATION

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

## About the United States Agency for International Development

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