



# PARTNERING TO ACCELERATE ENTREPRENEURSHIP

## FINCA INTERNATIONAL: BRINGING FINTECH SGBs AND MFIs TOGETHER THROUGH FINCA FORWARD



PHOTO CREDIT: FINCA INTERNATIONAL / ALISON WRIGHT

| USAID     | PARTNER | TIMEFRAME           | EXPECTED TO BE LEVERAGED IN PRIVATE CAPITAL | GEOGRAPHY               |
|-----------|---------|---------------------|---|-------------------------|
| \$610,000 | \$1.8 M | 2 Years (2018-2020) | \$160,000                                   | Central and East Africa |

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 market-based private sector investment into early-stage enterprises by identifying and testing innovative models or approaches that help entrepreneurs bridge the pioneer gap and scale.

### THE CHALLENGE

The rise of emerging and mobile technologies has been a game changer for developing countries, offering life-changing innovations to connect people to financial markets who never had access before. According to the World Bank’s 2017 Global Findex report, market vendors in Kenya -- primarily women -- who were provided savings accounts, saved at a higher rate and invested 60 percent more compared to other businesses. Farmers in Malawi, who had their earnings deposited into savings accounts spent 13 percent more on farming equipment and increased their crop values by 15 percent. Moreover, in Latin America, over 40 percent of small- and growing- businesses (SGBs) served segments of the population previously neglected by the financial system, making SGBs a key pillar in expanding financial inclusion.

Yet, the rapidly growing financial technology (fintech) market is still quite young in emerging economies, and SGBs often lack the expertise and relationships necessary to scale. Fintech SGBs can benefit from greater access to customers, growth capital, testing of their products and services via proof-of-concept partnerships, and relevant business and legal technical assistance. The proof-of-concept is a low-cost and low-risk test of a new technology using only prototypes. At the same time, microfinance institutions (MFIs) serve nearly 140 million clients globally and are an essential component of a growing and inclusive economy. MFIs need a more efficient way to evaluate and onboard new technologies to improve their ability to offer accessible and affordable financial services to at-risk populations, especially women, youth, and the rural poor.

## THE PARTNERSHIP

USAID and FINCA International collaborated to develop “FINCA Forward,” an innovative platform to solve the gap between fintech SGBs and MFIs through targeted business development services and investment capital. Through FINCA Forward, fintech enterprises will have an opportunity to partner with and support the digital transformation of participating MFIs in Africa and Latin America. Fintech SGBs will develop and execute proofs-of-concept in collaboration with MFIs, develop links to investor networks, build their legal and regulatory capacity, and receive pre- and post-investment support. The lessons learned from testing and experimenting with fintech products and services will benefit the broader social enterprise and development sectors. Additionally, the FINCA Forward platform will incorporate a gender lens focus on products and channels designed specifically for female microfinance clients and give special consideration to female-owned and led enterprises in the selection criteria.



The other partners, which include FINCA Ventures, FINCA Impact Finance, The Clifford Chance Foundation, Peter Gilgan Foundation, Rudy & Alice Ramsey Foundation, Robert W. Hatch, Thomson Reuters Foundation and Deloitte D2I, are providing proof of concept-related funding and/or technical services targeting each SGB’s specific needs. Their services help advance USAID’s priorities to develop innovative partnerships with the private sector and advance women-led enterprises.

## EXPECTED RESULTS

FINCA Forward seeks to drive economic growth, create jobs, and advance market-based solutions to financial inclusion, with a lens on gender equality. This innovative platform aims to test whether bringing early-stage fintechs and financial institutions together in a proof-of-concept environment can help fintech SGBs overcome the pioneer gap and enable MFIs and banks to affordably and systematically onboard emerging fintech innovations. By the end of the grant period, FINCA Forward expects at least six SGBs to graduate from all three stages of the program and attract investment capital to grow.

## FOR MORE INFORMATION

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

## About the United States Agency for International Development

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