



PARTNERING TO ACCELERATE ENTREPRENEURSHIP

STAGE SIX: THE SOCIAL FRANCHISE ALLIANCE



Photo Credit: Marshall Foster
Business: Mercado Fresco

USAID	PARTNER	TIMEFRAME	LEVERAGED EXPECTED IN PRIVATE CAPITAL	GEOGRAPHY
\$500,000	\$5.5 M	5 Years (2018-2023)	\$5.3 M	Latin America Sub-Saharan 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 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

Social businesses, also known as cause-driven businesses, are increasingly prevalent in emerging markets. Many have the tremendous potential to help achieve key development goals, but often do not have the scale necessary to attract private investment and make a meaningful contribution. Franchising solves this challenge because it allows businesses to grow exponentially while maintaining high quality standards and achieving economies of scale. Commercial franchising plays an important role in advancing economic progress. For instance, franchising created an estimated 8.6 million jobs globally in 2015, and has been adapted for use in nearly 200 industries. When applied to social businesses, franchising has the potential to stimulate economic growth and solve pressing development challenges at scale; yet largely remains unexplored.



OUR PARTNERS

- Total Impact Capital
- University of New Hampshire
- Deloitte
- University of Michigan Law School
- Audley Consulting
- Feher&Feher
- MSA Worldwide
- Argidius Foundation

THE PARTNERSHIP

USAID’s funding enables Stage Six and its partners in the Stage Six Social Franchise Alliance to build investment-ready, commercially-viable social business franchises and help reduce or eliminate the need for grant financing. The Alliance matches high-performing social businesses with the financial, technical, and human resources support they need for impact, scale, and sustainability, such as franchise design, franchise law, research, investment capital, corporate

partnerships, and more. Stage Six supports social businesses in East and Southern Africa and Latin America in the water and sanitation, health, nutrition, and energy sectors over a three-year time horizon. Through these results, Stage Six will help advance USAID's priority to promote self-reliance by building countries' commitment and capacity to fund, manage, and solve their own development challenges.

Stage Six achieves this within the framework of a six-stage growth process (pictured below) that begins with proving the business model, leads to developing and executing a sustainable franchise system, and ends with global expansion accompanied by access to finance through the creation of the first investment vehicle for social franchises:



EXPECTED RESULTS

Stage Six's work over the next three years will result in the creation of at least six multinational social enterprise franchises and the world's first financing vehicle to support franchisee growth. USAID will also learn from the emerging field of social franchising through the development of an evidence-based set of metrics and methodologies and identifying franchisable social enterprises. Stage Six will also lay the foundation for a technical assistance fund and matchmaking platform as part of this work. By the end of the grant Stage Six will have developed a proven methodology for expanding social enterprises internationally and a pipeline of franchise-ready social enterprises that are attractive to investors, thereby laying the groundwork for a social franchise technical assistance vehicle. Finally, as barriers to creating and executing successful global social franchises are removed, Stage Six will build a platform that supports the efforts of a rapidly growing number of social franchises to find franchisee prospects worldwide, and local entrepreneurs to find franchise opportunities and financing assistance.

By 2019, Stage Six completed the development of a franchise feasibility assessment tool and methodology, which was field-tested by 15 social enterprises during Stage Six's pilot Social Franchise Boot Camp with Impact Hub in Costa Rica. Stage Six has since started work on developing a New Market Entry Tool and Methodology for social franchises and offers an online franchising training program.

FOR MORE INFORMATION

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

About the United States Agency for International Development

USAID is the world's premier international development agency and a catalytic actor driving development results. USAID's work advances U.S. national security and economic prosperity, demonstrates American generosity, and promotes a path to recipient self-reliance and resilience.