



# USAID ENTERPRISE FUNDS CONTINUE TO GENERATE GROWTH

## WNISEF Catalyzes \$200 Million Private Equity Fund in Ukraine

Although Ukraine has moved out of the economic doldrums that characterized the immediate post-Maidan period of 2014, the economy's slow expansion since 2016 has so far not produced growth levels needed to achieve sustainable, inclusive growth. Local businesses and international surveys alike consistently cite lack of access to finance, and, consequently, inadequate investment, as one of the biggest constraints to achieving such growth.

The Western NIS Enterprise Fund (WNISEF), an independent private equity fund established by USAID in 1994, understands the trials, tribulations, and opportunities of investing in Ukraine. After twenty years of successful contributions to Ukraine's transforming economy, by 2014, the Fund was well advanced in its liquidation phase, closed for new investments, and winding up its operations. In 2015, in the immediate aftermath of the Revolution of Dignity and in the face of Russia's military incursion in the east, WNISEF, ever a steadfast champion of Ukraine, and keenly aware of the country's economic challenges and potential, initiated discussions with USAID about re-authorizing the Fund's ability to invest. As part of its proposal, the Fund included a commitment to leverage USAID funding to raise outside capital to meet Ukraine's pressing needs for new investment.

After negotiating approval with USAID, WNISEF committed \$30 million in investment reflows as the anchor investor in Horizon Capital's Eastern Europe Growth Fund III (EEGF III) in June 2017. With this initial seed capital in hand, Horizon's management gained the traction necessary to credibly fundraise from other private and public sector partners. Two years later, Horizon Capital publicly announced the final closing EEGF III after hitting its \$200 million fundraising target, making it the single largest investment fund to open in Ukraine in over a decade. This was a remarkable achievement in these turbulent times and an affirmation of USAID's confidence in the Fund's track record and credibility in the market place.

The Fund's achievements highlight the dynamic investment environment available in Ukraine. According to Horizon, investors are attracted to the excellent value, fast growth and abundance of opportunities that Ukraine offers. "Our fundraising success should send a strong signal that Ukraine offers tremendous rewards for those willing to look past the headlines," Horizon Capital CEO, Lenna Koszarny, stressed in the company's press release.

EEGF III has wasted no time since its first closing in 2018, already making investments in six companies to date. The Fund's strategy is to invest in Information Technology (IT), light manufacturing, and food and agriculture small and medium-sized businesses – or “brains, hands, and grains” – to drive gains in profitability, employment, and wages while also contributing to the fiscal sustainability of local and national budgets for generations to come.

Horizon's latest investment vehicle builds on the success of WNISEF (under Horizon management since 2006) and the three subsequent funds it raised for Ukraine and Moldova. Having attracted over \$700 million to the region through Emerging Europe Growth Funds I, II, and III, established in 2006, 2008, and 2017, respectively, Horizon Capital now has \$850 million assets under management in four funds supported by more than 40 U.S. and European institutional investors. Collectively, these funds have translated into \$650 million of investments in 140 companies employing over 46,000 people. Notably, WNISEF provided initial capital to both EEGF I and EEGF III, which proved instrumental in crowding in additional funding. EEGF III is the first Horizon Capital growth equity fund focused primarily on IT and export-oriented companies in their markets. Other prominent financial institutions participating in EEGF III include the European Bank for Reconstruction and Development, the International Finance Corporation, the Dutch development bank, FMO, and the German investment corporation, DEG.

As USAID increasingly looks to the private sector as partners in development, the continued success of WNISEF and Horizon Capital in raising the capital Ukraine and Moldova required to modernize and reorient their economies away from Russia and toward the West demonstrates the catalytic potential of USAID partnerships.