

## INVESTMENT READINESS LEARNING INITIATIVE (IRLI)

### A RIGOROUS APPROACH TO UNDERSTANDING SUCCESSFUL INVESTMENT PARTNERSHIPS

Robust investment is a key driver of inclusive economic growth, and facilitating stable partnerships in fragile contexts requires a multifaceted approach. Fragile states have reduced institutional capacity to provide services for their populations and a limited ability to manage or mitigate social, economic, political, security, and environmental risks and shocks. Investment facilitation programs can fill this role by reducing transaction costs, mitigating risk, and promoting information sharing between investors and investees. Successful partnerships contribute to building systems-level resilience, but the path to investment is often unclear. What support do businesses need to secure capital in order to grow and protect their business from future shocks and stresses? What information do investors need to confidently invest in new businesses? How can facilitation programs help close the deal?

While answers to these questions can be found in program-specific case studies, Chemonics identified an opportunity to build the global evidence base and improve program design in fragile contexts through crosscutting data analysis in Uganda and the Democratic Republic of the Congo (DRC). In 2022, Chemonics partnered with The Canopy Lab to launch the IRLI — a three-year project that applies rigorous analysis to understand what factors support successful investment in businesses in agricultural and agricultural-supporting sectors.

## UNLOCKING INVESTMENT POTENTIAL



### THE CHALLENGE: INVESTMENT CONTEXT VARIES WIDELY

IRLI works with two USAID Feed the Future investment facilitation activities: the Uganda Strategic Investment Activity (SIA) and the Democratic Republic of the Congo Investment Activity (DRC Invest). Both activities partner with investment transaction advisory firms to cultivate a pipeline of high-potential businesses in agriculture and agriculture-enabling sectors. Despite their geographic proximity, large potential for growth in the agricultural sector, and shared sociocultural norms around the role of women in business, the countries' investment ecosystems vary significantly.

**DRC:** Political and economic instability and high transaction costs restrict the investment ecosystem. DRC Invest educates businesses about the investment process, assists with document preparation, and helps investors assess and mitigate transaction costs and risks in a fragile environment.

**Uganda:** Abundant natural resources, dynamic energy markets, and a strong agricultural sector make Uganda attractive for investors, but investment currently lags behind the more robust environment in Kenya. SIA prioritizes businesses owned by, working with, or providing meaningful employment to women, youth, and other underrepresented groups.

## THE IRLI APPROACH



**18**  
Firms interviewed to understand factors contributing to success in securing financing



**11**  
Women-owned and women-led firms included in data collection



**13+6**  
Firm characteristics + types of technical advisory support evaluated



**9**  
Conditions of success appearing in the rigorous analysis of both the DRC and Uganda datasets

6 firms in the coffee or cocoa sector; 7 processors for local markets; 1 exporter; 4 firms in other sectors

When an investor considers a new partnership, they evaluate a variety of factors and business characteristics. Some factors are fixed, for example, the background of the business leadership team. Others can be strengthened with support from investment facilitation programs like SIA and DRC Invest, for example, by demonstrating a sound business plan.

EXISTING CHARACTERISTICS	SUPPORT THAT FACILITATION PROGRAMS PROVIDE	
Business Characteristics	Market Positioning	Business Processes
<ul style="list-style-type: none"> <li>Leadership's level of education</li> <li>History of financial access</li> <li>Gender diversity in leadership</li> </ul>	<ul style="list-style-type: none"> <li>Strong entrepreneurship networks</li> <li>Market traction</li> <li>Regulatory compliance</li> <li>Transaction advisory services</li> </ul>	<ul style="list-style-type: none"> <li>Business planning</li> <li>Internal finance</li> <li>Human resources</li> <li>Information technology</li> </ul>

### GOALS OF INVESTMENT FACILITATION PROGRAMS:

- Accelerate and grow investment opportunities in fragile environments
- Lower transaction costs and increase transparency to improve perception of investment risk
- Mobilize local service providers to facilitate deals and create stable financing mechanisms
- Strengthen resilience of the business environment to withstand, adapt to, and recover from recurring shocks and stresses

IRLI found that while there is no perfect combination of factors that signals investment readiness, investees in Uganda and DRC had access to a set of support services that mitigated investment risk and changed investor perceptions of a sound investment. Since 2021, DRC Invest and SIA have applied a tailored approach to program services and worked with partners to mobilize \$55.5 million in investments to businesses in agriculture-related sectors.

## CHALLENGING ASSUMPTIONS

IRLI analyses have confirmed that the characteristics of businesses that are successful in securing funding are often nuanced. For example, the assumption that a successful management team must include individuals with diverse business experience— many successful partnerships were made with businesses led entirely by local and regional experts. Confronting stereotypes shifts the focus to investments with the greatest potential to succeed and opens the door to businesses operating in underserved sectors.

## WHERE NEXT?

IRLI continues to partner with DRC Invest and SIA to analyze how investment outcomes are measured and captured, with a specific focus on outcomes related to employee and farmer livelihoods. This information will enable those designing and implementing programs to better understand the pathways through which increased investment in fragile contexts serves the community and tailor them for the greatest impact.