Final Report

Argidius Foundation

Evaluation of Intellecap's support to ventures in East Africa

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Results in development

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Disclaimer

The views expressed in this report are those of the evaluators. They do not represent those of the **Argidius Foundation, Intellecap,** or of any of the individuals and organisations referred to in the report.

Contents

List of acronyms

AF	Argidius Foundation
BDS	Business Development Services
DAC	Development Assistance Committee
EQ	Evaluation Question
ESE	Early Stage Enterprise
ET	Evaluation Team
GALI	Global Accelerator Learning Initiative
GIIN	Global Impact Investing Network
HNWI	High Net Worth Individuals
HR	Human Resources
I^3N	Intellecap Impact Investment Network
ICT	Information and Communications Technology
IFC	International Finance Corporation
IG	Interview Guide
IR	Inception Report
KPI	Key Performance Indicator
LF	Logical Framework/Logframe
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NGO	Non-governmental organization
OECD	Organisation for Economic Cooperation and Development
PACE	Partnering to Accelerate Entrepreneurship
RAG	Red, Amber, Green
ROTI	Return on Total Investment
SGB	Small Growing Business
SME	Small and Medium Sized Enterprise(s)
ToC	Theory of Change
ToR	Terms of Reference
UK	United Kingdom (of Great Britain)
US	United States (of America)
USAID	United States Agency for International Development

Executive Summary

This evaluation of Intellecap's investment readiness services was commissioned by Intellecap and Argidius Foundation, one of Intellecap's funders, in early 2017 to assess:

- The relevance, efficiency and effectiveness of Intellecap's investment readiness services to small and growing enterprises over a two-year period between 1 January 2016 and 31 December 2017;
- Intellecap's contribution to outcomes (revenue growth/job creation/investment raised of enterprises); short- and medium-term results; and
- To understand the factors that have positively and negatively influenced results.

What is the nature and scope of enterprises selected by Intellecap for support, and how does Intellecap identify and select enterprises?

Intellecap selected 39 enterprises during 2016 and 2017, all of which met most of Intellecap's selection criteria. Intellecap's theory of change includes working with businesses that create a social impact and itselects enterprises that it believes create social impact. Intellecap does not define the impact or try and quantify it. Intellecap explained that this was because investors have their own views on what social impact is and what impact is created.

Intellecap engages with more than 100 investors, of which about 50 are angel and institutional members of its investor network, I^3N. Investors have a broad range of sector interests and cover a wide range of ticket sizes from $20,000 to over $5 million. Investor interest serves as a proxy indicator for Intellecap selecting the right enterprises and all enterprises showcased had at least two investors express interest.

Intellecap identifies and selects enterprises to showcase three times a year using a multi-step process consisting of internal and external assessments. Intellecap aims to select enterprises from a range of sectors – for example, a mix of 'futurist' companies (e.g. gaming) and 'tried and tested' business ideas (e.g. clean energy). Over half of selected enterprises are in the agribusiness and technology sectors; industries with a potential for high-growth and revenue. The technology enterprises leverage technology as an enabler to increase access or operational efficiency in other sectors such as financial services, health and education.

What are the key bottlenecks/growth opportunities facing enterprises that are selected, and how do these vary by enterprise and other characteristics (e.g. local economy)?

Nearly all enterprises mentioned **access to capital** as the main motivation for engaging with Intellecap. A wide range of internal enterprise bottlenecks affect enterprises' ability to raise capital, which is expected to lead to growth. These included:

- accounting structures and financials;
- compliance with laws, regulations and licensing requirements;
- internal management processes within enterprises;
- overall strategies, including being clear about 'who they are and what they are pursuing';
- and lack of understanding of how their industry works.

Interviewees note several internal and external factors impacting negatively on enterprise growth. The Kenyan elections in late 2017 was the most significant external event affecting Kenyan enterprises and investors. Investors were wary to invest and citizens were reluctant to spend money, thereby impacting more broadly on the economy. The Kenyan supermarket chain Nakumatt also closed at this time impacting on a range of enterprises.

Internal factors were mostly specific to enterprises and their situation. These include: investors' perceptions about what were attractive business models and sectors; investors' concerns around negative environmental impacts due to the enterprise's location in a residential area; and lack of regulation for a particular product that was necessary to create revenue streams with new clients.

Intellecap's services are focused on the enterprise-investor linkages. Enterprises did not mention specific business issues that they expected Intellecap to help them address. However, Intellecap noted that several enterprises would have benefited from more and broader business development services.

What is the nature, scope, and costs of the support provided by Intellecap to these enterprises and how aligned are these with the bottlenecks and opportunities?

42 enterprises received investment support services during 2016 and 2017. This included 39 enterprises selected during 2016 and 2017 and three that were selected earlier. The total cost of the services is approximately $640,000. Intellecap provided showcasing, financial modelling, business model advice, investor negotiation and facilitated investments to enterprises.

Enterprises do not receive equal services or depth of service. Nearly a third of enterprises were only showcased and received about two days support from Intellecap. Another third of enterprises were showcased and received advice on their business model or financial model, with Intellecap also providing them with linkages to investors following the showcase. These enterprises received about five days of support.

Most of Intellecap's support is provided over a small timeframe, normally between one and three months, leading up to and around the showcase. 'Low touch' support is provided if enterprises already have investors interested or traction with investors. Medium or high touch support is provided where greater support is needed.

Where Intellecap facilitates investments, support is provided over a longer period as the average time to close a deal is nine to ten months.

Services were aligned to support enterprises to increase their access to investors and capital, but services offered were not sufficient to address many bottlenecks that enterprises faced that may affect their investibility. In some cases, enterprises are showcased as 'opportunities' rather than 'investments' to get investors' interest and feedback on gaps that the enterprise and Intellecap can then use to increase their investment readiness.

Do the services provided by Intellecap create value for the enterprises? What evidences, quantitatively as well as qualitatively, can Intellecap and the enterprises point to, supporting the notion that Intellecap services make a difference for key performance indicators?

In the short term, Intellecap has contributed to enterprises' and investors' knowledge. For enterprises, this knowledge includes a better understanding of what investors want as well as better understanding of their own enterprises. They have also increased their visibility and networks with investors and potential partners. Enterprises provided examples of improved business and financial models highlighting outcomes such as a better articulation of value proposition; a more 'solid grasp' of business financials; improved market segmentation; and new product development.

Investors have improved their knowledge of impact investing in East Africa, investment opportunities as well as networks with other potential co-investors.

Investment raised is the key performance indicator to confirm investment readiness has been achieved. Many factors affect whether this is achieved. Intellecap has contributed directly to five investments: two investments during 2016–17, one in 2015 and two in early 2018. Although Intellecap does not claim a contribution for indirect investments, 18 enterprises raised 25 investments to a total value of $7 million during 2016–17. Additional investments in early 2018 increased this to $15.5 million. Two enterprises reported Intellecap had helped them increase their investment even though Intellecap has not facilitated a deal for them while seven enterprises who raised investment felt Intellecap did not contribute.

Incremental revenue growth for enterprises totals $6 million, while the estimated cost of the provision of investment readiness services for 2016-2017 is $640,000. The costs include time for staff from the East Africa and India offices. This cost is a proportion of the $3m support from Shell Foundation, USAID and Argidius Foundation for Intellecap's institutional development in East Africa. The return on investment for the investment readiness services component is approximately 800%; or 100% when adjusted for the total cost of the support provided by the three funders.

Based on a comparison with available data from the Global Accelerator Learning Initiative (GALI), enterprises selected by Intellecap in 2016 increased their revenue and raised investment more than the enterprises that it did not select and themselves were selected by other investment readiness or accelerator programmes. Full-time employee numbers increased from 640 to 990 (55%) with three enterprises contributing most to the average incremental increase in jobs. There is insufficient evidence available to determine if or how Intellecap's services contributed to this change.

What is the willingness of enterprises to pay for these types of services in the future?

Most enterprises obtain business development services from a variety of sources, some of which they pay for. Five out of the seven enterprises interviewed received free complementary or supplementary business development services e.g. Village Capital.

Intellecap has found most enterprises are willing to pay for investment readiness services via success-fee contracts. Some enterprises that are near to closing their funding round did not want to pay the success fee. One entrepreneur interviewed was willing to pay to attend the Stanford Seed, while another obtained legal services for deal negotiations and structuring in exchange for equity.

The availability of free services influences enterprises' willingness to pay. One interviewee reported that *'people used to be willing to pay $7,000-$10,000 [for business development services] and now only want to pay $2,000'.* They attributed the change to the increase in development organisations providing free services over the last five years. Two enterprises reported receiving 'free' financial models – both were paid for by third party organisations e.g. donor or foundation.

Recommendations to Intellecap

Based on the findings and conclusions, a small number of recommendations are outlined below. It is recognised that all recommendations have resource implications, which is challenging when there seems to be little willingness to pay for services at present, in the market. However, one of the recommendations relates to reviewing options for paid services.

1. **Investigate options for increasing support to local entrepreneur teams/enterprises**, while maintaining a diverse portfolio of sectors, business types (e.g. mainstream), stage of growth, and entrepreneurial team. This may include delivering more support directly or linking enterprises with other organisations that already provide a wider array of support services. It may also include providing support after an enterprise has received investment. There may also be opportunities to deliver support in other formats such as short small group learning sessions around specific topics, such as understanding term sheets.
2. **Intellecap should develop a range of forums for enterprises to raise their visibility with investors**. Enterprises generally perceive that Intellecap only offers showcases as a way to increase their visibility with investors. However, some enterprises would prefer other formats that take into account differences in entrepreneurs' style and skill e.g. some good entrepreneurs may not be good pitchers.

3. **Conduct market research to find out what investment readiness services enterprises, investors and co-investors are willing to pay for and how much**. The limited willingness to pay for services presents a challenge to the business model and moving from a reliance on grant funding yet there were indications that some interviewees may be willing to pay for some of Intellecap's services. All enterprises interviewees felt the fee for facilitated investments was fair; and a few enterprises paid for investment readiness services (provided by Intellecap or others).
4. **Improve the quality and frequency of communications and relationship** management with enterprises, particularly after the first suite of support is provided up to the showcase, with investors on periodic updates on the enterprises showcased, and the broader set of stakeholders on Intellecap's successes and service offerings.

Recommendations to the sector

Small and growing businesses in East Africa need a variety of business development services. However, currently it is difficult to see how business development service providers can achieve financial sustainability given the prevalence of free or subsidised services provided by grant and philanthropic funding. It is recommended that further research be undertaken to better understand the market for paid business development services in East Africa, the advantages and disadvantages of subsidies, and assess the viability of different business models. This research should look at trends in the provision of free or subsidised services, donors' (including NGOs, foundations etc) policies and exit strategies for moving to paid services or exiting the market.

Local angel investing has not developed as fast as Intellecap hoped and many enterprises perceive there remains a finance gap in small ticket size investments. While Intellecap continues with its ecosystem building activities, it is also establishing its own fund in East Africa. Intellecap's fund aims to also encourage or crowd in local angel investors. However, there may be a risk that it crowds out local investors given there are also a limited number of investible opportunities in East Africa. To mitigate risks and further build the breadth and depth of local angel investing in East Africa, it is recommended that Intellecap implement more targeted activities to develop local angel investors' knowledge and opportunities to increase their practical hands-on experience.

1 Introduction

This report is the output of an evaluation of Intellecap's investment readiness services to small and growing enterprises during 2016 and 2017. The evaluation has been conducted by Itad for the Argidius Foundation (Argidius) and Intellecap.

The **main purpose of the evaluation** is to assess:

- The **relevance, efficiency and effectiveness of Intellecap's investment readiness services** to small and growing enterprises over a two-year period between 1 January 2016 and 31 December 2017;
- Intellecap's **contribution to outcomes** (revenue growth/job creation/investment raised of enterprises); short- and medium-term results; and
- to **understand the factors that have positively and negatively influenced results**.

The evaluation provides **a set of recommendations** to enhance Intellecap's services. The findings also aim to contribute to the sector-wide evidence base on accelerator initiatives – including to the Global Accelerator Learning Initiative (GALI) – and provide an input into wider external learning on the entire Argidius portfolio. While learning is a key aim, the evaluation also serves a secondary purpose of accountability, by reviewing results reported by Intellecap and its participating enterprises.

1.1 Background to the evaluation

1.1.1 Intellecap and its investment readiness services

Established in India in 2002, Intellecap combines advisory services, capital and networks, providing early stage impact ventures with a continuum of support through their life cycle and addressing systemic barriers at industry level. Support to enterprises includes acceleration, fundraising, technical assistance, innovation transfer and market linkages. Intellecap also engages with investors, corporations, governments and intermediaries to remove barriers to scale.

In 2013, Intellecap initiated expansion into East Africa through Sankalp as a way of increasing its understanding of the market. In 2015 Intellecap established its office in East Africa with the intention of replicating its offering in India while adapting it to the East African context. A key objective of this effort is the market's increasing acceptance of Intellecap's various services and a willingness to pay for those services:

- Phase 1: Building networks, common action and enterprise capacity through Sankalp and I^3N.
- Phase 2: Building market infrastructure for enterprises, corporations, DFIs and investors through knowledge and advice through Intellecap, StartUpWave and PRISM.
- Phase 3 (2018): Deploying high risk capital through Aavishkaar – the fund has been announced and early team has been identified.

More broadly, Intellecap also offers consultancy and research services to corporates and development agencies.

> **Intellecap's key services are:**
>
> **StartUpWave:** virtual pre-incubation support to idea and early stage enterprises; with referrals to incubation and accelerator programmes. I^3N is a possible recipient of this pipeline, but normally it is expected that StartUpWave incubatees will progress through a partner-incubator or accelerator programme before being at a revenue generating stage.

I³N: post idea and revenue generating enterprises receive investment readiness support, access to network member investors including deal facilitation support.

Consulting: provides targeted support to enterprises, based on individual needs, either as a cost to the enterprises themselves or funded by another organisation. Intellecap also provides consulting services to corporates to design and implement incubation and acceleration services.

Sankalp: the main goal of Sankalp is to build common action and facilitate thought leadership at the industry level. It also showcases innovative enterprises and ideas for I³N, StartUpWave and Consulting; demonstrates thought leadership and disseminating research; networking between entrepreneurs with investors, corporates and policymakers to facilitate their growth strategies for the region.

Part of the Intellecap group of companies is Aavishkaar, which provides risk capital and support to early stage ventures that are commercially viable and also have significant social impact. In India, Aavishkaar has assets under management of more than $300m in equity funds and $400m across microfinance and SME financing million and has invested in over 55 enterprises that have reached over 60 million poor and low-income people. The Aavishkaar fund has announced its intention to establish its presence in East and West Africa.

1.1.2 Argidius Foundation's support to enterprises and investors

Argidius Foundation is a Swiss-based charitable foundation established in 1956, which is part of Porticus, the international organisation that advises charitable entities established by the Brenninkmeijer family. Since adopting its current strategy in 2013, Argidius' main goal has been to promote the growth of small and medium-sized enterprises (SMEs) in order to improve the lives of the poor through increased income generation; with a focus on developing countries, where the SME sector is relatively underserved, resulting in what is known as the 'missing middle'. To achieve this, Argidius provides grants to BDS that support building SME capacity, improve their productivity and sustainability, and extend their access to markets and finance.

Hence, Argidius strategic focus lies on improving the effectiveness and reach of SME development services with the following three pillars: i) Build ecosystems of SME support in focus countries; ii) Build the capacity of market-leading business development service (BDS) providers in focus countries and beyond; and iii) Promote effective learning to advance enterprise development within the existing portfolio and in the wide BDS sphere.

1.2 Structure of this report

The report consists of two documents: a main report and three annexes related to the theory of change (this document) and a separate document of additional annexes that provide supplementary information to the main report.

Section 2 summarises the evaluation approach and data collection and analysis methodology. This information is supplemented by a more detailed explanation in Annex 6, including the deep dive sampling.

The following three Sections are structured according to the three Key Evaluation Questions (KEQs) – (see Section 2 for explanation of the evaluation approach and methodology).

Section 3 presents the findings for KEQ1 focussing on describing the key operational model and processes (including distinct elements such as revenue sharing agreements with enterprises) services delivered to enterprises. These include Intellecap's identification and selection processes, including the criteria it uses to guide selection decisions. The Section reviews the extent to which selected enterprises match the selection criteria and compares them to unselected enterprises.

Section 4 presents the findings for KEQ2 examining the extent to which outcomes were achieved against expectations and the extent to which Intellecap contributed.

Section 5 presents the findings for KEQ3, which focuses on Intellecap's key lessons while also highlighting Intellecap's understanding of challenges to developing the broader ecosystem.

Finally, **Section 6** presents the conclusions synthesising key findings presented in earlier chapters to draw conclusions about the relevance, efficiency and effectiveness of Intellecap's services before outlining four recommendations.

The table in **Annex 16** guides the reader on where to find answers to the evaluation questions.

2 Evaluation scope, approach and methodology

This section summarises the evaluation scope, approach and methodology. A more detailed description is contained in **Annex 6**.

2.1 Scope

The evaluation covers Intellecap investment readiness support to enterprises in East Africa between 1 January 2016 and 31 December 2017, focusing particularly on Intellecap's delivery model: its relevance to enterprises, the investment readiness support to enterprises, Intellecap's contribution to short- and longer-term outcomes and understanding the factors that influence outcomes.

The evaluation is **structured to answer three key evaluation questions** (KEQs) that are a synthesis of the 11 questions outlined in the terms of reference (**Annex 3**). The KEQs are:

- KEQ 1: To what extent did the Intellecap programme deliver the right services to the right enterprises, in comparison to existing market supply investment readiness services?
- KEQ 2: To what extent is the Intellecap model effective in achieving outcomes; and what are the successful and unsuccessful – intended and unintended – aspects or combination of aspects of the Intellecap programme?
- KEQ 3: To what extent does the Intellecap programme learn from others in the sector, and contribute lessons to the sector, including replicability of the model?

2.2 Approach

Itad proposed a theory-based design to Intellecap and Argidius that allows the exploration of the underlying theories and hypotheses behind a programme, collecting evidence against the theories and hypotheses to help answer relevant evaluation questions. Based on this approach, the evaluation was designed during the **inception phase (January – April 2018)**. This entailed reviewing and revising the ToR evaluation questions and developing the methodology following the completion of several preliminary activities including:

- Initial consultations and document reviews to understand the status of implementation.
- The development of a theory of change to make explicit the causal logic from inputs through to outputs/outcomes, and impact; how change was expected to occur from one level to the next; and the critical assumptions underpinning this logic. Evidence to support the causal logic was also gathered and summarised and the strength of existing evidence supporting the assumptions assessed to determine if there was value in the evaluation; also testing assumptions. **Annex 1** contains a diagrammatic version of the Theory of Change, **Annex 2** a narrative description of the causal logic and assumptions and **Annex 3** a summary of the evidence base underpinning the assumptions.
- A review of Intellecap's monitoring, evaluation and learning (MEL) system to inform the data collection strategy. **Annex 7** contains the findings of this review, which has been updated based on additional findings during the evaluation.

2.3 Methodology

To answer the KEQs, a mixed methods approach was designed and implemented, to collect and synthesise triangulated quantitative and qualitative data from a range of sources. **Annex 7** includes a detailed evaluation matrix, outlining data collection methods, while **Annex 8** includes data collection tools such as interview guides and surveys. In summary, the key data collection methods used were:

- **Reviewing documentation and data**, including that collected through Intellecap's own MEL system as well as that collected by the GALI, to which Intellecap enterprises contribute. MEL system and GALI data largely related to individual enterprise characteristics, founder characteristics and shorter- and longer-term outcomes. GALI provided additional data for 2016 to compare outcomes achieved by Intellecap selected and unselected enterprises with enterprises selected and unselected by other accelerator and incubator service providers in the same countries.

- **Conducting semi-structured interviews**, either face-to-face, Skype or telephone interviews, with Intellecap staff, selected enterprises and other key stakeholders (investors, mentors and sages) during a two-week field trip to Nairobi from 28 April –11 May 2018. **Annex 6** contains information on the sampling approach for the eight enterprise deep dive interviews. A total of 35 interviews were completed: 16 enterprises, seven investors, eight other enterprises, four other stakeholders and eight Intellecap staff.
- The **development and implementation of a short survey** that was sent to 49 individuals from participating enterprises and 46 investors. The aim of the survey was to collect quantitative data on the relevance of services received, the services contribution to outcomes, and Intellecap's services compared to other service providers. 12 enterprises responded (24%); four from 2016 and eight from 2017 and 11 investors responded (24%).
- In total, information was gathered from 21 individual enterprises (out of 39, 51%) and 14 investors (out of 46, 30%).

Quantitative and qualitative data from various sources was compiled, sorted and categorised and triangulated to explain and cross-validate emerging findings on how and why change happened and examine any unintended positive or negative consequences. During this process, an assessment of the strength of the evidence was also undertaken – see Limitations (section 2.4).

2.4 Limitations, risks and mitigation actions

Key limitations and risks anticipated or that materialised during the evaluation included:

- Enterprise data is self-reported by enterprises. A few enterprises have not reported data for the end of 2017 and where this is the case, it is noted in the findings reported.
- Responses from enterprises and investors for the survey and interviews were important to be able to answer specific evaluation questions. A range of mitigation strategies were identified and used including Intellecap sending emails to all potential respondents alerting them to the upcoming data collection activities and requesting their assistance; designing the survey so that it could be completed within 15-20 minutes; and sending reminders. The response rate for enterprises and investors was 24% each.
- Seven of the eight deep-dive interviews with enterprises were urban Kenyan businesses, which could have biased the findings. However, half of the enterprises who provided information for the evaluation were urban and rural businesses from Tanzania, Uganda, and Rwanda as well as Kenyan rural business thereby providing a range of perspectives.
- Itad's quality assurance processes are used to mitigate against the evaluation team's confirmation bias, whereby interpretation is influenced by the evaluators' beliefs and previous experiences.

A more detailed description of risks and mitigation strategies is contained in **Annex 6**.

3 Findings: Intellecap's service delivery to the right enterprises (KEQ1)

3.1 To what extent did Intellecap identify and select the right early stage enterprises and investors?

Summary Finding: Intellecap selected 39 enterprises during 2016 and 2017 after identifying 700 possible enterprises for investment readiness support. The selected enterprises met most of Intellecap's selection criteria: investment requirement of between $100,000 and $1 million; a business model with a demonstrated proof of concept that is scalable; a clearly identifiable revenue model; and an experienced and committed entrepreneur team. Intellecap selects enterprises that create a social impact but does not define social impact because it says investors have their own views on what social impact is.

Intellecap engages with more than 100 investors, of which about 50 are angel and institutional members of its investor network, I^{3}N. Investors' interests are broad across sectors and ticket sizes. Some entrepreneurs believe Intellecap would benefit from a larger and/or broader pool of local angel investors with smaller ticket sizes. All enterprises showcased had at least two investors express interest in the business and half received investment suggesting Intellecap selected scalable and investible enterprises.

3.1.1 What does Intellecap define as the right enterprises for investment readiness services?

Target enterprises

Intellecap's criteria for 'right' enterprises, seek to identify those with the potential to be scalable and capable of producing a financial return to investors. The criteria were informed by Intellecap's experience in India and further tested and adapted based on lessons from the first Sankalp finalists award and showcases. The investment requirement criteria have been adjusted to reflect the higher cost of doing business in East Africa compared to India.

For each cohort, Intellecap selects a mix of enterprises operating in the agriculture, healthcare, financial inclusion, clean energy, education, water and sanitation (WASH) and technology sectors. It looks for enterprises seeking between $100,000 and $1 million in financing of various types[1] (debt, equity or convertible note). Coverage of sectors may differ for each showcase.

More specifically, Intellecap looks for enterprises that have:

1. **A business model with a demonstrated proof of concept and customer validation**, that is robust and scalable towards profitability, and there is low competition. Intellecap identified different models that are scalable including: 'technology-infused models' regardless of sector; agricultural processing or inputs-based enterprises that can offer services across the continent; value-addition models such as food processing. The scalability of enterprises in the health and education sectors was more challenging, unless they were technology-enabled, due to the high fixed infrastructure costs.
2. A **clearly identified sustainable revenue model** where the enterprise is already achieving sales (considered post-revenue), the entrepreneur demonstrates an understanding of different revenue streams and capital and operational costs.
3. **An experienced and committed entrepreneurial team,** that includes the founder/s and second line of management, where it is applicable.
4. **A positive social impact** including the number of beneficiaries, increase in income, jobs created and other social benefits.

[1] The original investment requirement was between $50,000 and $500,000.

5. The **enterprises' investment requirement** – enterprises looking for between $100,000 and $1 million in financing of various types (debt, equity or convertible note).

See Annex 12 for a detailed description of the selection criteria.

Intellecap **excludes enterprises in extractives, real estate, alcohol, tobacco** and enterprises that conduct production or trade in any of the other industries on the IFC exclusion list.

Intellecap uses the criteria during its initial identification and selection of enterprises. The screening committee, Sankalp jurors and investors at showcases used variations of the criteria. The showcase assessments are the simplest with just three criteria, whereas the screening committee is the most detailed. The screening committee provides qualitative feedback, Sankalp jurors and investors at showcases score enterprises.

Target investors

While the evaluation question initially focussed only on enterprises, the evaluation team considered it useful to outline the type of investors Intellecap aims to work with since raising investment requires matching enterprises and investors. Intellecap does not have an explicit set of criteria but seeks to work with institutional and angel investors across a range of sectors and ticket sizes.

Intellecap works with angel and institutional investors to join and contribute to the I^3N network but also several investors who are not members of the network.

When I^3N launched in 2015, Intellecap aimed to attract a core group of 30 'anchor investors' to give credibility to the network and act as 'evangelists of angel investing' to attract more high net-worth individuals (HNWIs) interested in investments between US$100,000 to $1 million.

As some anchor investors did not have experience investing or investing outside of their family and friends, Intellecap felt it may also take time for them to make their first investments. Therefore, Intellecap also works with local and foreign angel investors who are interested in smaller ticket sizes, since these individuals may co-invest with other angel investors or institutional investors. Out of a list of 28 local investors provided by Intellecap, most (n=23) were individual investors of which 40% have experience making an investment. The four family offices and one investor network on the list had also made investments. Intellecap does not record investors' expectations for social impact or financial return. However, they observed that while all investors are interested in the financial return, local investors are more interested in profitability over the short to medium term whereas some international investors seek a social impact before looking at the financial impact; and may also be more patient regarding the financial return.

In targeting institutional investors, Intellecap look at the sectors they are interested in and the ticket size. While some institutional investors have ticket sizes larger than most enterprises are seeking, Intellecap believes these investors can invest in subsequent rounds (Series A, B etc). For example, Uqalo Capital makes investments of at least $5 million yet attend Intellecap events to identify potential future pipeline.

3.1.2 How does Intellecap identify and select the 'right' enterprises and investors?

Identifying and selecting enterprises

Three showcases are held each year, in February/March immediately prior to Sankalp, mid-year and towards the end of the year. A detailed description of Intellecap's selection process is contained in Annex 12.

Between December 2015 and February 2018, **700 enterprises were identified as potential recipients for Intellecap's investment readiness support.** Enterprise information is stored in a database. Enterprises are identified throughout the year through pitching and award events, websites where enterprises and investors promote themselves (such as VC4Africa), and networks of incubator and accelerator programmes.

A **call for applications** is advertised two months before a showcase. Intellecap calls entrepreneurs to gather information on the status of the business, assessing them against the selection criteria and asking interested entrepreneurs to respond to the call.

An external screening committee of I^{3}N angel and institutional members is set-up to select six to eight enterprises. Intellecap staff may provide light-touch pre-showcase preparation with some business model advice and mock pitching before the shortlisted enterprises pitch to the committee via Skype. The screening committee investors complete a written assessment of each enterprise and suggestions for the investment readiness support needed. Intellecap provides the committee's feedback to enterprises. Intellecap also uses the feedback to improve the identification of enterprises to ensure they meet investors' expectations. During 2016–17, 52 enterprises[2] were offered capital facilitation agreements. Three did not accept this offer of support because they were near to closing a deal already and no longer needed the support; they had already signed an agreement with another investment adviser, and they decided it was too much work e.g. to prepare or revise their pitch deck, business model.

Intellecap has experienced some challenges in identifying and selecting enterprises. These, along with Intellecap's response are outlined below, and further reflected on in Section 5 responding to KEQ 3, sub-sections 5.2.2 and 5.2.3.

Challenges to identifying and selecting the right enterprises to meet selection criteria

- **In East Africa there are more very early stage enterprises than early stage or growth enterprises** – As more enterprises have been started in East Africa, Intellecap has seen increased demand for their services. Yet the proportion on enterprises that meet the selection criteria has not grown since most have not proved their concept.

- **The types of enterprises that investors' favour changes according to prevailing 'trends' not necessary related to fundamentals** – Intellecap described 'waves' of business models or sectors making it more difficult to find enterprises that represent a range of sectors, business models and investment requirements. The current 'wave' is health technology companies. Some investors felt[3] earlier showcases included too many technology enterprises, but Intellecap emphasised technology is often an enabler to deliver products and services in specific sectors and there were few pure technology enterprisesWhile some enterprises are 'on trend' others are not.

- **Sometimes entrepreneurs do not want to do the work needed to get ready for investment** – Intellecap tests entrepreneurs' commitment during the initial stages of selection to see how responsive they are to their requests for business information. Intellecap provides enterprises with templates and guidance asking them to complete most of the work to develop or revise pitch deck's or financial models. Intellecap's theory is that this helps entrepreneurs to better understand their own business, something that investors expect. Intellecap filters out enterprises if entrepreneurs expect Intellecap to do the work for them.

Identifying investors

Intellecap identifies potential investors at pitching competitions where they may be judges and uses pre-existing connections e.g. some I^{3}N founding investors (Khosla, Omidyar Network and DOEN Foundation) previously engaged with Intellecap in India. Cold-call emails and LinkedIn messages have not been successful in attracting investors, having worked for only one person. Intellecap may invite investors to

[2] This equates with 7% of enterprises identified and 68% of those considered by the screening committee. Intellecap to confirm the number 52 as enterprise data sheet includes 42 companies (three are pre-2016). Only three enterprises are reported as not accepting the offer of services.

[3] Investors feedback to Intellecap on showcases.

attend a showcase to learn more about the Intellecap approach. If an investor is interested in joining I³N, Intellecap conducts a due diligence on the investor's background and reputation to identify risks. Intellecap does not work with active politicians.

Intellecap has experienced some challenges in identifying investors and facilitating investments. These, along with Intellecap's response are outlined in Section 5 on KEQ 3 on lessons.

3.1.3 To what extent do selected enterprises meet the selection criteria?

Intellecap aims to select enterprises from a range of sectors – for example, a mix of 'futurist' companies (e.g. gaming) and 'tried and tested' business ideas (e.g. clean energy). All selected enterprises met most of the criteria. To answer this question, the evaluation team reviewed the screening committee, showcase and Sankalp assessments for 39 of the 41 enterprises showcased and used this as a proxy indicator for the number of enterprises that met the selection criteria[4] Ten is the maximum score and five was set as the threshold by the evaluation team.

Table 1: Evaluation of Intellecap portfolio against selection criteria

Criteria	% enterprises met criteria	Comments
Business model[5]	97%	97% of enterprises scored at least 5 for sustainability. Scalability scores ranged between 4.67 and 8.50, with the average being 6.57.
Financial sustainability[6]	60% post-revenue 82% score ≥ 5	23 or 59% of the enterprises were post-revenue[7]; while 82% (32) scored five or greater. Scores for financial sustainability ranged from 4.08 to 7.24, with an average score of 5.91. Post-revenue enterprises largely scored better on financial sustainability.
Promoter and team evaluation	100%	All enterprises received scores of five or greater, with an average of 7.10. The scores range from 5.60 to 8.24.
Social impact	Insufficient information	This is not systematically assessed at the showcase stage. Intellecap notes investors' judge social impact differently and therefore it is difficult to assess objectively.
Geographic focus*[8]	97%	East Africa is the geographic focus. Himore Medical in Cameroon is the exception as Intellecap was exploring investors' interest in West Africa.
Investment requirement*[9]	88%	Five enterprises of 39 enterprises sought investment over $1 million. Intellecap explained larger investments may consist of smaller payments tranched over an 18 – 24-month period.

[4] During screening committees, showcases and Sankalp investors score enterprises against selection criteria. The broad criteria are largely the same across these events although screening committee and Sankalp is more detailed and showcase criteria summarised. The criteria for showcase assessment was changed slightly in mid-2016. Intellecap notes that about 70% of the investors who attend the showcases complete the feedback form. If more than one representative is present, sometimes only one completes before providing feedback. As only some enterprises are shortlisted for Sankalp, some do not have these assessments. Showcases and Sankalp use a scoring system whereas screening committees provide qualitative comments. Screening committee assessments were only available for 2017. The Sankalp assessments are scored out of 5. This was translated to a score out of 10 to match the showcase score range.

[5] For eight enterprises from February 2016, the score was taken from the Sankalp Forum, where operational sustainability and scalability were evaluated together.

[6] For the eight enterprises evaluated in February 2016 financial sustainability and scalability were evaluated together

[7] Post revenue means that the enterprise has started to generate sales and therefore earn revenue.

[8] N=41

[9] N=41

Investor interest:

The number of investors interested in enterprises provides some understanding of enterprises' perceived scalability and investibility[10]. Investors can indicate interest: 1) at the showcase by filling out a form where they rate enterprise against criteria and indicate their interest in investing and in being the lead investor; 2) replying to Intellecap's post-showcase email to investors summarising investments; 3) indicating interest if Intellecap uses an off-showcase model to inform investors about enterprises. Investors who do not express interest at the showcase may come back to Intellecap later and express interest. For instance, staff from institutional investors may want to consult with their internal teams before expressing interest.

All enterprises showcased had at least two investors show interest immediately at the end of the showcase, with the four investors most frequently showing interest. One enterprise, received expressions of interest from 14 investors (including interest from one lead investor) while only two investors showed interest in six enterprises.[11] Intellecap updates investor interest periodically. A range of factors can investors' interest. This includes changes in their available capital; the number of enterprises in their pipeline and capacity to evaluate them all; and follow-up discussions with enterprises may lead investors to change their mind.. At February 2018, enterprises had an average of five interested investors.

See Annex 12 for a full analysis of the selected enterprises against the selection criteria.

Investors

To facilitate investments, investor and enterprises interests must coincide. This section summarises the extent to which Intellecap selects the right investors, so that enterprises' and investors' sector focus and ticket size or investment requirement match and result in investment.

I^{3}N currently has 50 members (25 institutional and 25 individual members) and Intellecap engages with a further 63 investors. These additional investors are mostly institutional although include angel networks such as Cornerstone (23 members) and Investor Circle (10 members actively looking at deals in Africa). Intellecap described itself as *'satisfied with calibre of investors in the network'* but noted that getting angel investors to invest was still work in progress.[12]

Investor mandates cover all sectors which Intellecap is selecting enterprises for. Half of the investors are interested in at least four sectors while another 14% are sector agonistic. Intellecap's portfolio is weighted towards agribusiness and technology enterprises. According to Intellecap, their experience and research shows that the agriculture and energy sectors are considered higher-earning industries. In comparison, healthcare, water, sanitation and education are seen as public services requiring more time and capital to scale.[13]

Most enterprises (67%) seek investment between \$100,001 and \$500,000 and this ticket size range has the highest concentration of investors, suggesting a good match between enterprise requirements and investor interest. All enterprises were looking for investment over \$50,000, meaning that investors with small ticket sizes would be required to co-invest.

When looking at sector and ticket size together, **the greatest level of convergence was in relation to agricultural, food or rural enterprises for a ticket size of between \$50,001 and \$100,000** (39% of the investors[14]). Overall, there are more investors seeking opportunities to invest than investible enterprises in any ticket size or sector. **Enterprises in the agriculture sector have the broadest range of investment**

[10] Although it is recognised that investors' interest is also influenced by sector, ticket sizes, their investment theses and availability of capital.

[11] Two of these six enterprises also have lead investors interested.

[12] Intellecap staff interview.

[13] Intellecap's enterprise database also includes more enterprises from the agriculture sector – 35% of all enterprises, compared to a sector like water and sanitation where only 2% of the enterprises are in this sector.

[14] Sector and ticket size information was available for 69 investors.

requirements, between $100,000 and $2.5 million. The diversity may reflect the range of the enterprises' maturity in this sector or that they are the most represented sector in the portfolio.

Annex 12 contains further breakdown of the pool of available investors for enterprises in specific sectors and ticket sizes.

3.1.4 How are selected enterprises different to those not selected?

The key differences between selected and unselected enterprises are:[15]

- The average age of founders was greater for selected enterprises in 2016 and the first 2017 cohort however there was little difference in the second 2017 cohort.
- Founders from selected enterprises had invested more of their own money and had also raised more equity, debt and philanthropic funds than unselected enterprises.
- Selected enterprises had earned greater revenue in the year before starting to work with Intellecap, than those enterprises not selected.
- Generally, selected enterprises had more ambitious investment targets for the next 12 months than unselected enterprises. In the second cohort for 2017, the size of equity investment sought increased markedly, while expectations for debt and philanthropy (grants) decreased.

Details of these comparisons are in Annex 12.

3.2 To what extent are Intellecap's investment readiness services meeting the needs of enterprises and investors?

Summary findings: Enterprises have a specific and narrow expectation to meet investors that bring capital and/or knowledge of the local context and relevant business connections. Enterprises had various perspectives on whether their need was met – at least two enterprises interviewed reassessed their situation and considered they were not yet ready for investment and focused on growing their business first before seeking further investment.

Investors have a broader range of needs, including: access to enterprises for their investment pipeline; knowledge about angel investing, industry trends; and access to like-minded investors for co-investment opportunities. Investors' needs were largely met by Intellecap's services, in part because angels and institutional investors both had a broader range of expectations as compared to enterprises.

3.2.1 What is Intellecap's investment readiness service model?

Intellecap provides a range of services, including investment readiness support, 'to accelerate the growth of socially relevant enterprises by connecting markets, people and capital'[16]. Intellecap's investment readiness services aim to develop the capacity of enterprises and investors to engage in productive conversations that lead to increased investment for enterprises, investment opportunities for investors and ultimately social impact for beneficiaries.

Resources to deliver the services

Two I^{3}N team members deliver most of the investment readiness support. They are supported by a half-time person that helps source enterprises and also draw on other Intellecap staff, such as from the consulting team.

Services to enterprises

[15] GALI dataset for those enterprises that applied via GALI.

[16] Intellecap proposal to Argidius.

Intellecap enters into one-year renewable capital facilitation agreements with selected enterprises. Support comprises:

- Several meetings with enterprises to provide advice and **feedback on the business model, financial model and pitch deck.**
- **Guidance and templates for pitch decks, summary sheets and financial models to enterprises.**
- The opportunity to showcase to investors, including facilitating the entrepreneurs' interactions with the investors and 'aid investors to build a deeper understanding of the business'[17].
- At the investment negotiation and facilitation stage; facilitation of investors' field visits, business diligence,[18] drafting term sheet and facilitation of negotiations on valuation and terms. Deal structuring advice helps to manage enterprises' and investors' expectations and to 'structure the deal in the way that best captures value'[19].

Where an enterprise needs 'significant aid' for the preparation of the pitch deck and financial model, the enterprise can pay a fee to Intellecap for these services. Intellecap may also help with the preparation of investment memorandum, as well as financial model, and other required documents if required by investors.

For enterprises that are not considered ready to showcase, or those that have committed investor interest Intellecap identified that it would use an 'off-showcase model' getting interested investors to commit on deals in between showcases.

'Low touch' support is provided if enterprises already have investor interest or traction. Medium or high touch support is provided where greater assistance is needed.

Intellecap **charges enterprises a success fee** when it has a direct role in facilitating investments. Investments may be monetary and/or in-kind contributions, such as marketing support provided by the investor. In-kind contributions are given a financial value. Generally, the success fee is:

- 3% of the size of the transaction if an equity, equity-like or grant investment is achieved or $5,000 whichever is higher.
- 1.5% of the size of the transaction if a debt investment is obtained.

Services to investors

Intellecap has established and hosts the Intellecap Impact Investment Network (I^3N) to bring together institutional and angel investors to make co-investments in promising enterprises, offering both a return on investment and social or environmental change across East Africa. For investors, Intellecap provides access to pre-screened social impact enterprises seeking to raise investments; participation in networking events, including meetings, workshops, showcases and conferences such as Sankalp; access to lawyers, accountants and other professionals; access to Intellecap's ecosystem services to companies in which the members have invested; and monitoring support in companies where members have invested.[20]

Investors in the network commit to reviewing investments presented to the network and keep I^3N involved and/or informed at all stages of the negotiations with enterprises introduced through I^3N.

Intellecap reported that a lot of their work with angel investors is '*to get them to a point where they can make their own investments or invest together with others*'. As part of this process, they also raise awareness about different investment instruments – many are only interested in equity investments and

[17] I^3N Capital Facilitation Agreement.

[18] Intellecap does not provide full due diligence services.

[19] I^3N Capital Facilitation Agreement.

[20] I^3N membership MoU.

less familiar with options such as convertible debt. Intellecap aims to link angel investors that bring the local market knowledge and institutional investors that bring resources to undertake due diligence.

Investors do not pay for showcases and investment facilitation. Investors pay for tickets to Sankalp. Intellecap's original model for the I^3N network included a $1,000 membership fee for individuals and $3,000 for institutional investors. This has since been removed.

3.2.2 Which challenges and opportunities did enterprises and investors expect Intellecap to help them address?

Enterprises

Most enterprises[21] engaged with Intellecap to obtain **access to capital**. Two survey respondents specifically sought capital from angel investors while another two mentioned local investors. One interviewee also wanted technical advice.

Enterprises did not mention specific business issues that they expected Intellecap to help them address since Intellecap's services are focused on the enterprise-investor linkages. However, Intellecap noted that several enterprises would have benefited from broader and deeper levels of business development services.

Investors

Investors[22] **wanted access to pre-screened enterprises for their investment pipeline**, specifically *'to identify local companies that we would not get to'.* Meeting potential co-investors and learning about new enterprises, innovations and impact investing in East Africa were secondary aims reported by survey respondents. One investor interviewed also mentioned they expected that enterprises would receive training in financial modelling.

Intellecap noted that some local investors, particularly angel investors, needed support 'getting them comfortable' with alternative investment instruments. East African HNWI's have historically made investments in land and property and only since the mid-2010s when real estate values fell, have these investors started to consider alternative investments.

Intellecap also highlighted that investors who had structured processes and/or teams were more likely to have made investments; whereas others sought to be follow-on investors once another investor had completed due diligence and negotiated terms.

3.2.3 What services, how much and when, were received by which enterprises and investors?

Services delivered to enterprises

42 enterprises received investment support services during 2016 and 2017. This included 39 enterprises selected during 2016 and 2017 and three that were selected earlier. Enterprises receive different services and depth of service. Support leading up to and including showcasing is generally delivered over a one-to-two-month timeframe and investment facilitation services provided after this period.

Quantity of services

39 enterprises were showcased during the period. 11 enterprises (27%) were only showcased; seven received one additional service (either business or financial model advice); eight (2%) enterprises two services (20%); and 15 (37%) received three services. Intellecap facilitated investment for three enterprises during 2016 and 2017, with a further two deals closing in early 2018 based on work undertaken over the previous two years (See KEQ2 for more details on outcomes).

[21] 100% of enterprises interviewed and 85% of survey respondents.

[22] Interviewees and survey respondents.

Using Intellecap's estimated support time, enterprises who were showcased and received advice on their business model or financial model received about two days support from the I^{3}N team. For the 15 enterprises receiving the highest intensity of support (that is three services in addition to the showcase), Intellecap estimates it provides about five days of support.[23]

Overall, Kenyan urban enterprises received fewer services compared to rural Kenyan enterprises. Agribusinesses received more services (29% of agribusinesses received four services and 57% three services) compared to technology or financial services enterprises. Intellecap explained that financial services and technology companies are mostly led by more experienced entrepreneurs who have held leadership roles in other organisations in their field. They required lower levels of support as they had experience with fundraising processes and higher levels of business and financial planning. Of the 14 agribusinesses selected, 10 (71%) were led by local founders who did not have networks to investors or fundraising experience and required additional support (see Annex 12 for further details).

Services delivered to investors

Intellecap held six showcases during 2016 and 2017. While these are a service for enterprises they also provide investors with access to enterprises.

Intellecap develops and shares enterprise summary sheets with investors. Institutions who are not members of the I^{3}N were more likely to RSVP to showcases than individuals.[24] The top 10 most frequent investors to attend the showcases were:

- Five showcases: AAIC (member), Alpha Mundi (member), Educate Global Fund (member).
- Four showcases: Global Partnerships (member), Novastar.
- Three showcases: Acumen, Beyond Capital (member), CVG Capital, DEG (member) and ICDC.

Where investors attend showcases and express interest in enterprises, Intellecap follows up with them regarding their interest to determine if they want additional information or one-to-one meetings with enterprises. Since many investors cannot attend showcases, Intellecap also **sends an email to investors with summary information on enterprises seeking expressions of interest**. Intellecap occasionally also meets with investors or investor networks to present selected enterprises to them directly.

Of the 11 investors completing the survey, seven had also attended Sankalp; three had attended a deal room at Sankalp; and three a speed dating session. Three investors also noted they had read or used Intellecap's research reports, although none of these investors had attended a deal room or speed dating session.

Intellecap has offered trainings and knowledge sessions for I^{3}N members only. Topics have included *introduction to angel investing* and *how to evaluate opportunities*. Four sessions (2015, 2016 and two around Sankalp 2017) have also specifically been held for angel investors to discuss co-investments as well as leverage networks. At Sankalp 2018, Intellecap and the Transformational Business Network held a joint dialogue for angel investors.

As noted above, Intellecap facilitated three investments during 2016 and 2017, and Intellecap lists another 10 enterprises with active discussions with investors underway.

3.2.4 To what extent were enterprises' and investors' needs met?

Services delivered to enterprises

[23] Section 3.3.2 provides more information on the estimated cost of delivery. This is calculated based on estimated average hours spent delivering services.

[24] Actual attendance at showcases is not recorded but RSVPs are recorded. Therefore, this analysis is based on RSVPs.

Quantity of services

Three enterprises responding to the survey (33%) thought 'the level of services was about right', and 10 out of 13 (77%) enterprises would have liked 'more' or 'a lot more' services from Intellecap.[25]

Enterprises commented that Intellecap should 'spend more time with enterprises' and that support to enterprises was dropped as Intellecap became busy preparing for the next showcase.

Quality of services

In addition to wanting more services, enterprises provided some feedback on the quality of services. This included:

- Three enterprises said they would recommend Intellecap to other enterprises, although they did not always agree on the type of enterprise. One entrepreneur said Intellecap was good for a young company, while others felt the enterprise already needed to be 'well-positioned' in the market and 'have a regular cashflow'.
- One enterprise (interviewee) commended Intellecap on their showcase preparation, noting it was not academic like some support they had received elsewhere.
- Another described the showcase as 'reasonably helpful' and *'the feedback from investors was helpful and this helped us reframe our pitch a bit'*. They also noted that the Sankalp finalist event *'a great discussion and people in the room'.*
- Another noted that the I^{3}N team was great, but noted it was also hard for the I^{3}N to to keep up the momentum of continually sourcing and showcasing enterprises given the amount of work involved.

Interviewees also provided some recommendations for Intellecap to improve its services. These were:

- Intellecap could be **more timely with its communications and its events better organised** (five enterprises). Enterprises suggested improved communication and organisation around some events such as showcases (e.g. informing enterprises which investors would be there), deal room at Sankalp (who enterprises were meeting with), Sankalp Forum.
- **Better manage enterprises' expectations** about what support Intellecap could provide (three respondents). One enterprise commented there was quite a bit of support to begin with but then this was just followed with periodic check-ins; while another suggested more follow-through until the enterprise raises capital.
- Perhaps in response to different expectations, some enterprises suggested Intellecap **provide more and broader technical assistance** that may help to increase access to markets, suppliers, and talent. Suggestions also included on work permits, accounting, and banking; and ensuring entrepreneurs understand term sheets (three enterprises).
- **Grow the number of investors, particularly local angel investors, they were engaging with** (three enterprises). Recommendations included: Intellecap look beyond the usual individuals, as international investors do not need networking support; reach out and attract more international angel investors; increase the number of angel investors with small ticket sizes.
- **Spend more time supporting local angel investors**. Three enterprises suggested local and international investors' understanding of small and growing enterprises needed to be more realistic, with one enterprise commenting that investors needed to spend more time with Intellecap team to increase their understanding.
- **Consider different formats to introduce enterprises to investors**, as the showcase format may not be appropriate for all entrepreneurs and enterprises (three enterprises). Suggestions included: organising

[25] Enterprise survey

one-to-one meetings between enterprises and investors so there was adequate time to talk about the business; and allowing enterprises to showcase a second time after their business had grown enough and was more attractive to investors.

- Intellecap should **start their own fund** (which has already commenced) to improve access to investors with small ticket sizes (two enterprises).
- **Provide better match of investors and enterprises** with specific suggestions to onboard enterprises only if there was a pipeline of investors; and curate showcases better so enterprises and investors present are more likely to find a match (two enterprises). One enterprise was looking for funding at the upper limit of Intellecap's criteria; this enterprise reported *'we weren't looking for an angel investor, so this (the Intellecap support) wasn't particularly helpful'*.
- **There was some mixed feedback regarding Intellecap's focus, with one enterprise recommending that Intellecap focus more narrowly on a sector and build expertise around that. In contrast,** another enterprise felt Intellecap could focus on numerous sectors.

Services to investors

More than half (seven out of 13; 64%) of the investors responding to the survey wanted introductions to enterprises. Meeting potential co-investors was the next highest rated need, followed by learning more about impact investing and potential investment opportunities in East Africa. Most investors (10) made a follow up appointment and met with an enterprise they met through Intellecap[26] while the other investors reported they did not have time to follow up. Five investors made subsequent investments in the enterprises. Investors who did not invest reported difficulty in obtaining relevant information, unrealistic business plans, too early stage. One stated they *'didn't have the risk appetite, but regret not making the investment now'.* Seven of 10 investors reported their engagement with Intellecap led to 'some' improvement in the quality of the investment opportunities they identified.

Six (55%) of the 11 investors who completed the survey reported attending the Sankalp screening committees. Of the six, five reported that the screening committee was *'very useful'.* One said: *'It was quite useful to know what is happening in East Africa. We have not invested in any company through the showcase yet, however, I would love to continue to be part of it'.*

At the end of each showcase, investors provide feedback on the quality of showcases. The average score (out of 10) for all showcases was 8.1. Following the first showcase there was an improvement that remained relatively constant across the subsequent showcases. From June 2017, one investor remarked *'Great format – good way to find out about companies quickly'* (contradicting the views of one enterprise cited earlier who wanted more time with individual investors). Feedback across investors was not always consistent, perhaps highlighting investors' different interests and investment mandates. While many investors liked the mix of sectors and business models showcased, others requested more or fewer from specific sectors. One investor noted they *'would have liked to see less tech oriented and more traditional agribusiness models'.* One interviewee noted the quality of showcases had improved and were more professional since fact sheets were provided and enterprises presented themselves better and provided a structured presentation rather than just tell a story.

In the earlier 2016 showcases, investors commented they would have liked to see more of a social impact focus in the enterprises. These comments were less apparent in later feedback. This may reflect that Intellecap has improved its social lens when selecting enterprises and/or that the social impact criteria removed from the feedback form.

Investors interviewed and surveyed provided some recommendations to Intellecap including:

[26] It is not clear from survey responses how many of these meetings were set up by Intellecap or if the investor met with them via other avenues e.g. informal meeting at Sankalp or another forum.

- Some events needed to be better organised (time management for specific sessions was mentioned; as was the facilitation of a learning session), specifically mentioning the Sankalp Forum, although one commented that the 2018 Sankalp was a bit better organised (three investors).
- Share more information about successes and what enterprises are now doing (two investors).
- More proactive follow-up of showcased enterprises, including encouraging investors to make contributions to such things as helping enterprises strengthen their value proposition (one investor).
- Ensure enterprises who had operated for more than one year had audited accounts or management accounts for other enterprises to examine (one investor).
- Improve the qualification of angel investing opportunities before showcases, including ensuring that enterprises have realistic growth plans to demonstrate better maturity (one investor).

Two investors interviewed did not know of the Sankalp Forum and another said they found out about it just before the event and could not attend because they had other commitments.

3.3 What is the additionality of Intellecap's services?

Summary Finding: Enterprises and investors use a range of investment readiness and business development support services. Enterprises and investors compare Intellecap to investment banks and accelerator programmes that provide investment facilitation to small and growing enterprises in East Africa. Intellecap achieves some differentiation through: 1) the showcase format, which one interviewee felt was a unique offering in East Africa; and 2) Sankalp which is well attended by a wide variety of stakeholders, with some international participants specifically scheduling visits to East Africa to coincide with Sankalp. **Nearly all investors** responding to the survey noted Intellecap's services were better than others, and they would very probably use their services again or refer other investors to Intellecap. **Half of enterprise survey respondents** noted Intellecap's services were better than other providers, that they would very probably use Intellecap's services again or refer other enterprises to Intellecap.

3.3.1 How do enterprises and investors compare the benefits of the Intellecap support with other service providers?

Other service providers

Interviewees and survey respondents identified 40 other service providers working with enterprises in the East Africa market.[27] Two-thirds of these organisations provided investment linkages and business support services, while the rest were accelerator and incubator programmes. The majority, 34, were only mentioned once while seven were mentioned at least twice. Other than looking to service providers to partner with, eight enterprises and investors reported drawing on their personal and professional networks to access investors, for financial modelling support (for enterprises) and for access to pipeline for investment deals (for investors).

Of those organisations that were mentioned by more than one interviewee or survey respondent: ViKtoria Ventures and Open Capital Advisors offered at least five of the same services as Intellecap; iDev, GrowthAfrica and Unreasonable Institute offered three of the same services; and Stanford Seed covered two. All service providers (and person and professional networks) offered business and financial model advice; six offered investor negotiations; and three showcasing. Only Viktoria Ventures offered an investor network (the ViKtoria Business Angels Network) and ecosystem building and only Village Capital offered financing.

Therefore, Intellecap's offer includes some distinguishing features compared to other providers:

[27] Most enterprises are based in East Africa but a few operate from East Africa with clients elsewhere or founders may be based elsewhere.

- **Sankalp Forum:** Other East African organisations do not provide a Sankalp Forum-like service, which stood out to enterprises and investors as a key venue for networking. One investor remarked: *'Sankalp is huge and I am a big fan. It's a major convening that didn't exist before. We always attend in droves'*; while another investor described it as *'the highlight of my professional year'*.
- **Angel investment network:** One investor mentioned that while other organisations offer investment facilitation they *'don't have the angel network'* that could provide investment to companies as well as contextual market knowledge, in-kind contributions (or 'sweat equity') and connections to clients and partners in the region.

Intellecap stressed that while some compare them to accelerator programmes, they see themselves as complementary rather than a direct competitor. They do not provide a cohort-based training programme, rather they provide targeted services to individual enterprises depending on their assessed needs. One enterprise felt they were different to accelerator programmes since Intellecap focused on *'positioning yourself to investors'* requiring *'a solid business model in place with solid assumptions laid out'.* In contrast programmes such as Village Capital or GrowthAfrica provide support over a longer period to *'review and improve the entire business model'.*

Use of other service providers

All enterprises interviewed and most survey respondents (62%) used other services providers. For investment readiness, financial modelling, refining pitch decks, and introduction to mentors and investors. Interviewees were, overall, positive about their engagement with Intellecap and half of the survey respondents felt Intellecap was better than other providers since they: *'had a better understanding of the social enterprise space'*, the showcases and Sankalp bring people together to network rather than just having introductions, and *'made investors real'.* One entrepreneur said they liked Intellecap and thought they were *'on point'* but felt they *'struggle with referrals'* since they do not invest in the enterprises themselves. This entrepreneur felt they may be perceived as less legitimate when recommending a business to investors compared with those providers that have an investment arm (e.g. Village Capital, Endeavour). The survey respondents who felt other providers' services were better noted others: provided more support and one-to-one time; were more responsive and followed through; and provided more consistent quality. About half of the survey respondents noted they would very probably or definitely use Intellecap's services again or refer other enterprises to Intellecap.

Nearly all investors [28]used similar services from nominated advisors, investment banks, incubator and accelerator programme and financial advisers in Kenya. One interviewee noted Intellecap was *'doing a good job'.* Nearly all survey respondents noted they would definitely or very probably use Intellecap's services again, and also refer other investors to Intellecap. Six investors compared Intellecap's services to other providers: most (five) noted Intellecap's services were better while one noted they were 'about the same'.

3.3.2 How willing are enterprises to pay for services?

Summary Finding: The availability of free services and grant funding in the East African start-up ecosystem influences enterprises' willingness to pay. More established enterprises and entrepreneurs who see strategic value out of partnering for services are willing to pay, with either equity or cash payments. Of the survey respondents, investors reported being satisfied with Intellecap's services as compared to other similar organisations.

Cost to deliver the services

The key cost driver of the investment readiness services are staff-time costs. In 2017, the direct cost incurred by the East Africa Intellecap Office were $180,000 in 2016 and $237,500 in 2017, a total of

[28] 80% of survey respondents and all interviewees.

$417,500. Additional support was provided by the India I^3N team and senior management team and the estimated total costs incurred in East Africa and India is $640,000[29]. Intellecap reported that the additional costs in 2017 was due to the additional support enterprises needed, the limited capacity of local investors and the longer timeframe to facilitate deals – 10 months compared to an expected six months.

Intellecap estimated the amount of time staff would spend in the investment readiness and facilitation services and supporting the I^3N network (See Table 2: below). The sourcing and filtering process was estimated to take about the same amount of time as the actual combined investment readiness support (that is the showcases, advising on pitches, pitch decks, business and financial models) and investment facilitation processes.

Table 2: Intellecap's estimation of time spent to deliver investment readiness services

		No. of enterprises	Time (hrs)	Total time (hrs)	Total time (days)	Percentage of total time
Investment readiness	Sourcing	180	2.0	360.0	45	16.8%
	Filter	180	3.0	540.0	68	25.1%
	Inv Readiness support	18	12.0	216.0	27	10.1%
Investment facilitation	Inv Facilitation support	18	24.0	432.0	54	20.1%
	Investment closure	3	72.0	216.0	27	10.1%
	Angel network building	12	32.0	384.0	48	17.9%
Totals			**181.2**	**2148.0**	**269**	**100.0%**

To calculate a 'per enterprise' cost Intellecap divides the total I^3N team and related management and support overhead costs by the percentage of time spent on each.

The approximate cost to deliver investment readiness support to an enterprise is estimated to be 19,800, slightly less than the $22,000 Intellecap originally estimated. This cost includes sourcing and filtering, which involve a greater number of enterprises than just those that are finally selected; Intellecap's East Africa I^3N team and management costs; and Intellecap's India I^3N team and management costs.

The cost of investment facilitation (which occurs after the showcase and includes activities such as follow-up with investors, organising one-to-one meetings between enterprises and investors) is about $12,800 and covers costs incurred in East Africa and India. The higher cost compared to investment readiness reflects the greater number of hours spent on closing deals for a small number of enterprises. The cost is closer to what Intellecap originally estimated – $13,500

While the cost per enterprise represents an average cost, the actual cost for specific enterprises may be higher or lower. For instance, if it takes longer than six months to close a deal[30] then time-related staff costs will be higher.

The angel network building is an explicit service to investors, but there are also services to investors that are incorporated into the enterprises' investment readiness services costs. For instance, the showcase could be viewed as a service for enterprises and investors. Showcases are costed as part of the investment readiness services.

[29] Additional estimated costs have been calculated by taking 50% of the costs incurred under Intellecap's enterprise support work which includes the entrepreneur support program, StartupWave.

[30] Intellecap's timeframe as per the learning questions in the Integrated M&E report.

Willingness to pay

Enterprises

All enterprises signed agreements with Intellecap to pay a success fee if Intellecap helped to facilitate an investment. Intellecap has facilitated five investments for enterprises and they have paid Intellecap approximately $30,000, which equates to about 5% of the direct costs incurred by the East Africa office of delivering the services to all enterprises. Interviewees did not express concern about paying success fees for investment readiness services.

Some enterprises have paid for similar services. Two entrepreneurs interviewed had hired other similar organisations to meet investors and obtain investment, agreeing to pay between 2% to 4% of any investment raised.

Of the enterprise survey respondents, one reported paying a success fee; another paid for a specific service (outside of the investment readiness support model).

Investors

Only one investor paid the I^3N membership fee. Intellecap notes that while investors see the value in the network, they are not willing to pay and so they removed the membership fee. Two investors interviewed did not know that I^3N membership was now free. Intellecap reported the following feedback:

- Individual investors felt they were investing their own personal wealth and questioned why they should have to pay to do so.
- Institutional investors with teams based in East Africa questioned why they should pay when they were already paying staff. However, some of the most recent showcase attendants[31] are investors who have teams in Nairobi,[32] which seems to contradict claims that investors should not have to pay twice.
- Some investors also felt Intellecap had a conflict of interest asking Intellecap who they were working for – enterprises or investors?

According to Intellecap, due diligence costs are a challenge for angel investors and a barrier to investing since they remain largely the same regardless of the size of the investment.[33] Angel investors aim to co-invest with an institutional or a lead investor who will pay for due diligence. However, angel investors are not always able find a lead investor and Intellecap reported several deals fell through because there was no lead investor. Of the 39 enterprises showcased, 21 (54%) had interest from a lead investor immediately after the showcase.

Factors influencing willingness to pay

Enterprises

The availability of free services influences enterprises willingness to pay. One interviewee reported that *'people used to be willing to pay $7,000-$10,000 [for business development services] and now only want to pay $2,000'.* They attributed the change to the increase in development organisations providing free services over the last five years.

How an enterprise perceives the value of Intellecap's services may also affect their willingness to pay. Intellecap reported some enterprises who were close to closing deals did not accept their offer of services and perhaps did not see that Intellecap would add additional value for the cost of the success fee.

[31] Based on RSVP records, not actual attendance.

[32] Records are available for the February 2016 showcase; nor for actual attendance. So out of the five subsequent showcases, AAIC, AlphaMundi, and Educate Global Fund responded five times (100%), while Global Partnerships and Novastar responded four times, and Acumen, Beyond Capital, CVG Capital, DEG and ICDC three times.

[33] Due diligence was reported to be about 0.5% to 1% of the cost of the investment for large deals, of between $5 million and $10 million. Intellecap mentioned $200,000 as a small deal in this conversation, where due diligence would be about $50,000 and 25% of the total value. If due diligence costs $50,000 then this equates to 1% for a large deal, $5 million-$10 million.

Investors

The quality of services, perceived value and professional networks influences investors' willingness to pay. One investor noted that I^{3}N costs $1,000 per year and that they did not see much value addition in paying for the network as the other angel investors were perceived as too 'conservative and more risk adverse'. This interviewee was not aware that Intellecap no longer charged for membership. Another investor who entered the East African market with limited connections noted that they would be willing to pay for services but that had not been asked to pay – the investor inquired about Intellecap's business model as they had received a high-level of support at no cost. Investors place a high-value on the connections and ecosystem building function of the Sankalp Forum and are willing to pay to attend. One investor noted that the Sankalp Forum is a place to '*meet like-minded investors and companies'* and credited Sankalp for six of the companies they had invested in.

4 Findings: KEQ 2 To what extent is the Intellecap model effective? (KEQ2)

4.1 What outcomes did enterprises achieve that Intellecap contributed to?

Summary Finding:

Intellecap has contributed to enterprises' and investors' knowledge. For enterprises, this knowledge includes a better understanding of what investors want as well as better understanding of their enterprises. Enterprises also increased their visibility and networks with investors and potential partners. Investors have improved their knowledge of impact investing in East Africa, investment opportunities as well as networks with potential investors.

Intellecap has contributed directly to five investments: two investments during 2016–17, one in 2015 and two in early 2018. Although Intellecap does not claim a contribution to indirect investments 18 enterprises raised 25 investments to a total value of $7 million during 2016–17. Additional investments in early 2018 increased this to $15.5 million. Two enterprises reported Intellecap had helped them increase their investment even though Intellecap has not facilitated a deal while seven enterprises who raised investment felt Intellecap did not contribute to these outcomes.

Incremental revenue growth for enterprises totals $6 million, while the direct cost of the provision of investment readiness services for 2016-2017 equals $417,500. The India office provided additional support to enterprises, the investor network, and strategic management guidance bringing the estimated overall cost to $640,000. This cost is a proportion of the $3m support from Shell Foundation, USAID and Argidius Foundation for Intellecap's institutional development in East Africa. The return on investment for the investment readiness services component is approximately 800%; or 100% when adjusted for the total cost of the support provided by the three funders.

Enterprises selected by Intellecap in 2016 increased revenue and investment more than those Intellecap did not select or enterprises selected by other investment readiness or accelerator programmes. Full-time employee numbers increased from 640 to 990 (55%) Entrepreneurs' and investors' capacity

4.1.1 Entrepreneurs' and investors' capacity

Enterprises

More than half of entrepreneurs responding to the survey felt that working with Intellecap helped improve financial models, pitch decks, pitching confidence and skills, and introduction to relevant investors; with a third of respondents saying that working with Intellecap improved pitch decks, pitching confidence and skills a lot. Other changes noted by survey respondents and interviewees included:

- Increased visibility and exposure to investors (six enterprises).
- Improved knowledge, examples provided included understanding what information investors want, how much detail they want, the investment 'game' and how the game is played, social impact and what investors define as social impact, business costs, assumptions underpinning the business model (five enterprises).
- Increased networks with potential partners and investors (four enterprises).
- Improved skills about 'how to communicate to lay people', that is investors who do not have the technical or sector background, and 'tell the story' (two enterprises).

Two enterprises interviewed described how the knowledge they gained about the investment process and requirements also informed decisions to use other approaches to grow their business.

Enterprises interviewed for the deep dives also highlighted examples where engaging with Intellecap, and investors they were introduced to through Intellecap, improved their business and financial models. These examples included:

- Better articulation of value proposition and a three-year growth plan; along with financial projections for different revenue streams;
- Compiling business financials helped the entrepreneur develop a solid grasp of their business financials which is used as the business grows;
- Changed business model to expand channels for a particular customer segment;
- Better articulation and segmentation of the target market;
- New product development and production.

Investors feedback on the quality of enterprises' pitches at showcases during 2016 and 2017 shows that they generally improved over time moving from an average rating of 7 out of 10 to 8.4 (with the overall average being 7.7. See Annex 12 for a breakdown per showcase).

Investors

Investors felt Intellecap had helped to improve several outcomes. Nearly all investors responding to the survey noted that **engaging with Intellecap helped improve their understanding of impact investing (even where investors described themselves as having a lot of experience), impact investing in East Africa and knowledge of innovations and enterprises**. Respondents also felt that Intellecap helped to improve the quality of investment opportunities. Investors also felt Intellecap had helped (but less so than for the knowledge) to increase their networks of investors and co-investors. One I^3N angel investor, who was also an anchor investor in the network, has recently established Chandaria Capital with a three-person team dedicated to angel investing.

4.1.2 Increasing investment

Intellecap claims it contributes to raising investment when it provides a direct deal structuring or facilitation role – Intellecap achieved this for five enterprises by early 2018. One investment (grant) was closed in 2015 (prior to this evaluation period), two investments (one equity, one grant) were closed by the end of 2017 with a further two (equity and debt) closed in early 2018 the process having started in 2017. Intellecap had aimed to close five deals by the end of 2017. One investor thought Intellecap should close four or five deals a year which was a similar number to their own deals. However, this investor's team was larger than the I^3N team therefore the comparison may not be relevant/fair.

Between 2016–17, 18 enterprises raised 25 investments worth $7 million.[34] Eight organisations raised two investments.[35] The three additional investments closed in early 2018, bring the total raised to $15.5 million.

Since 2015, Intellecap's investment facilitation contributed to 16% of all investments (n=5/31) but 6% ($1.15 million) of the total value raised by enterprises. This indicates that Intellecap-facilitated investments were on average of a smaller value than other investments, suggesting that it is aligning to its thesis of supporting small and growing enterprises who have lower investment requirements. For the period 2016–17 only, Intellecap contributed to 8% (2/25) of the investments and 3% of the total value of capital raised.

[34] Since 2015, 21 enterprises have secured 31 investments worth $19.5 million.

[35] Two organisations that raised investment in 2015 also raised a subsequent investment.

Three survey responders (one of which Intellecap facilitated investment for) said that working with Intellecap has helped increase investment while seven said that Intellecap had not helped increase investment (five had not raised investment while two had, indicating that these two entrepreneurs did not attribute the outcome to Intellecap).

Services received by enterprises raising investment

It is difficult to ascertain which services may have most influenced the raising of investment. For instance, 29% of enterprises that only showcased also received investment. Intellecap's assessment is that this reflects the different capacities of the enterprises selected. Enterprises with high capacity and those that already have traction in investor discussions may receive less support but still achieve the goal of raising investment. Therefore, it may be assumed that enterprises receiving more services required more support. 38% of enterprises that raised investment, were showcased and received business modelling advice, financial modelling advice and investor negotiations. 24% of enterprises received two services and 10% received only investor negotiation services in addition to the showcase. Of the enterprises receiving two services, a slightly higher proportion of enterprises receiving business model advice and investor negotiations raised investment.

Annex 12 contains a more detailed breakdown of services received by those enterprises that have raised or not raised investment.

While the overall portfolio of enterprises is small (42 enterprises), some insights are possible from an analysis of the data, which may highlight areas for further investigation.

- The stage of growth does not appear to influence whether an enterprise received investment.[36] About 80% of enterprises are early-stage enterprises as are about 80% of the enterprises raising investment. Half of early-stage enterprises raised investment, while the other half did not. A similar situation exists for growth stage enterprises with half raising investment. Early-stage enterprises were more likely to raise investment within the same year as the baseline or the year after, whereas growth-stage enterprises (of which there are only five) generally raised investment in the first or second year after the baseline.[37]
- A higher proportion (70%) of mainstream early-stage enterprises raised investment compared to other early stage enterprises (42%).
- Enterprises with a foreign founder raised investment more than enterprises with only local founders – 48% compared to their 40% representation in the portfolio. Local founder only enterprises represent 60% of the portfolio but 52% of the enterprises that have raised investment.
- Enterprises without a female founder raised investments more than those with a female founder.
- Enterprises with at least one foreign founder, but no female founders, have raised investment more than enterprises with other founder combinations.
- The average value of investment raised was higher for mainstream and non-mainstream enterprises with a foreign founder.

4.1.3 Increasing revenue

Based on available information[38] the 39 enterprises in the 2016–17 cohorts, increased revenues by 88%.[39]

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[36] Intellecap categorises enterprises by their stage of growth at the time they were offered Intellecap services. This does not necessarily reflect the stage of growth at the time that investment was secured.

[37] However, the number of growth-stage enterprises in the portfolio was limited.

[38] A few enterprises have not reported revenue data for the full 2017 year.

[39] This is based on available data. Some enterprises have not reported data for 2016 and/or 2017. 29 out of 40 enterprises reported and 32 of the 43 enterprises reported revenue and employee data.

Incremental revenue growth for enterprises totals $6,000,405[40], while the estimated cost of the provision of investment readiness services for 2016-2017 is $640,000. The costs include time for staff from the East Africa and India offices. This cost is a proportion of the $3m support from Shell Foundation, USAID and Argidius Foundation for Intellecap's institutional development in East Africa. The return on investment for the investment readiness services component is approximately 800%; or 100% when adjusted for the total cost of the support provided by the three funders.[41]

If the average cost per enterprise is used, seven of the 39 enterprises contributed most to the return on investment. Five of these enterprises raised investment, one of which was with Intellecap's support. When taking into account the three additional enterprises that have a baseline year of 2014 and that Intellecap continued to support them during the 2016–17 period, incremental revenue growth from the baseline year to the end of 2017 totals $ 7,056,105. These three enterprises account for around 15% of the total revenue increases of 112% between the baseline year and end of 2017.[42]

Three enterprises receiving financial modelling advice and investor negotiation services achieved the greatest average incremental increase in revenue. These enterprises also had the greatest average incremental increase in jobs. Enterprises who were only showcased have the next highest average incremental revenue, which supports Intellecap's argument that these enterprises required less support. For more detailed analysis refer to **Annex 12**.

4.1.4 Creating jobs

Once enterprises raise investment they are expected to grow and create more net jobs. For the 39 enterprises in the 2016–17 cohorts, full-time employee numbers increased from 640 to 990 (55%).[43] When the three 2014-baseline year enterprises are incorporated into the analysis full-time employee numbers increased to 1530 or by 139%. A large part of the growth in job numbers is due to one whose numbers rose from 0 in the 2014 baseline year to 500 in 2017.

Few enterprises reported part-time employees. From a baseline of 28 part time employees there has been an increase to 65, which are all related to Lotec Rwanda's growth.[44]

4.1.5 Clients served

Intellecap also tracks the number of beneficiaries or clients served where possible, although up to date information is not provided by all organisations. Beneficiaries or clients differed according to the type of enterprise. For some they were farmers, borrowers, or platform users. At the end of 2017, 294,087 beneficiaries and clients were supported

4.1.6 Comparison of GALI data – Intellecap and other organisations

GALI provided a dataset called the *2017–2018 follow-up data release*, which included data from enterprises that applied in 2016 to participating programmes/organisations and included follow-up data for the year 2017.

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[40] Intellecap has not set milestones or targets for increased revenue.

[41] The calculated return on investment does not allow for: other quantifiable returns beyond increased revenue; the contribution of other factors (e.g. other organisations investment) to increased revenue; the cost of investments or technical support associated with other organisations' contributions.

[42] The return on investment is not calculated for the entire 42 enterprises because Argidius' funding covers only the period from 2016.

[43] Where data has not been provided for 2017, 2016 figures are used

[44] Employee numbers were not verified during the interviews. These figures are based on the information Intellecap provided.

A comparison of changes in revenue, full-time employees and part-time employees was made between enterprises selected and those not selected (referred to as unselected) by Intellecap. Data was available from two 2016 cohorts only, and not all enterprises complete GALI's survey. Records were used only where there was follow- up data.[45]

A comparison (see Table 3 below) was also made between enterprises from selected and unselected by other (anonymised) programmes/organisations. The comparison dataset included enterprises from Kenya, Uganda, Rwanda and Tanzania since these are the countries that Intellecap selects its enterprises from.

In summary, enterprises selected by Intellecap increased revenue and raised investment four times more than those Intellecap did not select; and nearly three times more revenue and investment than the enterprises selected by other organisations/programmes also contributing data to GALI.[46] The greatest differences in performance were: the median investment raised by enterprises that were not selected by other organisations/programmes was significantly lower than other categories of enterprises; the number of full time employees increased most significantly in the enterprises not selected by other organisations/programmes.

[45] The dataset was cleaned to remove records. This included those enterprises where it was not clear if they 'finished' the BDS, and where there appeared to be data entry errors e.g. one enterprise with a baseline revenue of $51 million.

[46] There are limitations to this comparison. For instance, it is not known what services are provided by other programmes or organisations. GALI collects data from accelerator programmes and organisations providing investment readiness services. The length and nature of the services delivered may differ.

Table 3: Comparison between Intellecap's and other programmes selected and unselected enterprises (2016 application year)

	Revenue	Full-time employees	Part-time employees	Investment	Number of records
INTELLECAP					
Selected enterprises average increase	63,001	3	-2	62,833	6
Unselected enterprises average increase	16,690	4	0	12,975	8
Other programmes/organisations					
Selected enterprises average increase	23,389	2	3	24,663	58
Unselected enterprises average increase	19,926	23	3	1,157	346

4.2 What contextual factors affected enterprise growth?

Interviewees raised several contextual factors impacting negatively on enterprises' ability to raise investment and achieve growth.

Kenyan enterprises and investors noted that the most significant external event affecting enterprise growth was the economic impact of the Kenyan elections in late 2017. Investors stated that they were wary to invest while enterprises and citizens were reluctant to spend money, thereby impacting more broadly on the economy. The Kenyan supermarket chain Nakumatt also closed at this time impacting on a range of enterprises that were linked to Nakumatt's value chain.

Other factors raised by interviewees were generally enterprise-specific. Some examples included:

- Through its work with one enterprise, Intellecap identified challenges as defining their location, distribution strategy and product mix. Potential investors were concerned their facility was in a residential area that would not pass an environmental impact assessment. However, this issue was resolved through support from Intellecap, an investor and the enterprise identified a new location.
- Another enterprise's most significant challenge was their internal technical capacity to produce their product, for which expertise that is not readily available in Kenya. Weaknesses in Kenya's regulations for the product was also a constraint to growth and the enterprise was awaiting key legislation changes to be passed that would allow them to grow.
- A wide range of internal enterprise capacity issues were highlighted by interviewees (investors, enterprises and Intellecap) as gaps and barriers to raising investment that may be considered a pre-requisite to growth.
- Accounting structures and financials, including needing to have the numbers before looking for investment.[47]
- Understanding and compliance with laws, regulations and licensing requirements.
- Tracking and reporting key business operations.
- The enterprise's operational ability to produce the product e.g. having the right equipment.
- Internal management processes within enterprises.

[47] One interviewee commented 'Not yet somewhere like Silicon Valley where your idea can be funded'.

- Overall strategies, including being clear about 'who they are and what they are pursing'.
- Enterprises' understanding term sheets.
- Enterprises do not understand how their own industry works.

Intellecap reported that changes in donor and/or investor priorities, often responding to the most recent 'trend' rather than relating to investment fundamentals was a challenge for some enterprises. One had a hard time raising capital because investors perceived that cookstove and solar enterprises were no longer alluring and trendy. This enterprise's main competitor was also over-funded, which decreased investors' appetite to invest in a similar business.

5 Findings: To what extent does Intellecap learn from the sector, and contribute to sector learning? (KEQ3)

5.1 What aspects of Intellecap's investment readiness services are replicable?

Interviewees reported benefits from Intellecap's services, although investors were, overall, more positive about the need and benefit than enterprises. This was perhaps influenced by most investors already being knowledgeable about the investment process and therefore had more modest expectations than enterprises.

Based on the findings of this evaluation, Intellecap could reliably and consistently deliver investment readiness services to more enterprises and investors. The service delivery approach has been tested, albeit with some improvements recommended by enterprises. Although the number of deals facilitated per year remains small, this is on track according to Intellecap's milestones. Several factors influence the replicability:

- Increased Intellecap human resources are required to address feedback and increase the number of enterprises it delivers services to.
- Improved communication concerning the level of support Intellecap can provide to a single enterprise.
- A proportional growth in the number of small and growing enterprises that meet Intellecap's criteria compared to the increasing number of small and growing enterprises looking for support.
- Increased competition from similar organisations, either new organisations entering the market or organisations already present and expanding their services, may act as a constraint to the number of enterprises seeking Intellecap's services.
- Increased number of enterprises and investors willing to pay for investment readiness or investor network services (unless Intellecap changes its approach to being grant reliant).

5.2 How, and what, is Intellecap learning?

Intellecap aims to work simultaneously on the supply side and the demand side of investment. It does this by: 1) selecting and supporting the enterprises that are poised to scale; and 2) attracting investor interest in the enterprises. This section summarises lessons on the supply side, the demand side and the facilitation process for investor-enterprise interactions. Lessons are inter-related as a range of factors influence whether investment is raised for small and growing East African enterprises. Some lessons also relate to the delivery of Intellecap's services.

5.2.1 How is Intellecap learning?

Intellecap's approach in East Africa is informed by its experience in Africa. Since establishing its investment readiness services (and other services) it has been adapting its offering to fit the East African context and in response to gaining a deeper understanding of the East African impact investment market, enterprises and investors. It first entered the East African market in 2013 via Sankalp to learn more about the market. Intellecap has continued to deepen its knowledge of the East African market through broadening out its range of services and implementing specific processes such as the identification of enterprises. Intellecap learns from others by: seeking feedback from investors on the quality of showcases and pitches; and through its collection and analysis of data for its research activities. Intellecap's research is public which contributes to others' learning about impact investing the East African market. Intellecap has conducted knowledge events for investors, particularly angel investors, to raise their awareness and knowledge of impact investing in East Africa. It also uses the Sankalp Forum to conduct events to bring people together to share knowledge.

Progress reports capture challenges and Intellecap's responses to these. It is not always clear however how much progress is made to resolving or mitigating the challenges noted with the same information often being presented from report to report. Intellecap does not fully use the information that it collects to analyse its portfolio. It reports revenue, jobs and clients served via its report to funders. However, it does not analyse this according to enterprise characteristics or other dimensions (such as mainstream enterprises) to gather insights or help it with its selection processes. It also gathers more feedback from investors than enterprises on their satisfaction with services.

5.2.2 Lesson 1: Be realistic about the maturity and depth of the market

Intellecap's hypothesis is to get the angel investor network working to a stage when angel investors are making investments. Intellecap notes that East Africa is at a different stage of growth to what they experienced in India. It is more resource intensive and is taking a lot longer to close deals than initially anticipated. Currently, Intellecap is closing about three to five deals a quarter in India compared to the three deals over two years in East Africa.

Interviewees highlighted international and domestic factors that have influenced the investment market in Kenya and East Africa, noting that the market had changed a lot over the last five years. Opportunities are provided through a 'dynamic, young economy' that may be '20 years behind Europe' but predictable patterns of a 'middle class with more disposable income, fast food, smaller flats, and ready-made meals' mean that Kenya is following the same trajectory. A lot of expatriate entrepreneurs, more investors and more intermediaries were 'coming into the space'. Investors have generally made a couple of investments then looked to hire one person locally. Mercy Corps and Global Partnerships were cited as examples. Intellecap consider the market to be maturing noting that over the last two years more local investors are investing and investing in a 'more formal manner' moving from a situation where investing was an add-on activity to other activities. The example of Chandaria Capital was highlighted, where an individual office progressed to establish a family office and hire staff to identify, evaluate and close investments.

More service providers are supporting more enterprises

One investor felt there were a lot of incubation organisations providing services to start-ups and small and growing enterprises. However, Intellecap noted that while there are more enterprises being established and supported, there are proportionally fewer companies that are ready for a showcase event. It may be that more time is needed for entrepreneurs to gain skills, develop business models again and gain traction in the market. Intellecap have proposed that they may need to start working with promising enterprises earlier and provide them with support over a four to six-month period before the showcase.

Amount of available capital compared to investible enterprises

One entrepreneur stressed that international investors were cautious to invest in the US and UK due to political challenges resulting in an increasing number of international investors looking for new countries to invest in. Many interviewees, particularly investors, felt that there was now a lot of capital available as well as new types of capital e.g. debt. However, interviewees see there are still gaps: small ticket sizes of circa $50,000; and less local capital.

The consequences of more capital available as compared to investible enterprises cited by interviewees included an overvaluation of enterprises and misallocation of capital, specifically:

- One interviewee noted that investors get *'a bit dazzled by the personality and (they) don't dig enough and … might have done a wrong character analysis of the person'.* Another interviewee referenced *'cowboys'* with technology solutions that are not well thought through but manage to get venture capital from the US rather than raising the money from Kenyan or local investors.

- Investments made into enterprises that are still not profitable – an investor noted they *'met many entrepreneurs but some are still doing business but are not profitable. Investors cannot exit'.* M-Kopa was given as an example, where they had raised a lot of investment and used this to expand but were not yet profitable. The interviewee questioned whether M-Kopa were able to make a profit.
- More demand for investible enterprises than there was a supply resulting in overvalued enterprises, at least from investors' perspectives. One interviewee noted *'when we find a good opportunity, there are lots of investors so in general the value of the company is overvalued'.* Another investor described some valuations as *'shocking'.*

A narrow range of business models and sectors that are attractive to investors

Locally, two interviewees noted that traditional investment areas of land and property were saturated and therefore HNWIs had to find alternatives. There were mixed opinions about what alternatives were considered viable. Interviewees' descriptions of local investors included *'conservative'; 'different mindset', 'are HNWIs without experience in investing in public markets so angel investing is a step too far at the moment'* and *'more traditional investments in enterprises are desirable'.* One interviewee felt that the older wealthier generation found technology 'cool', and more exciting than agribusiness and manufacturing, and they were willing to be educated. However, Intellecap has also had feedback that investors sometimes find technology enterprises difficult to understand and prefer enterprises, such as agribusiness.

One interviewee felt that investors were sticking to the same silos, while another felt that inclusive business models provided the greatest opportunity and technology supported scalability. Logistics was cited by another interviewee as an area with growth potential, being able to '*cut out the middlemen, order quickly, send quickly'.*

Local investors more interested in commercial returns while international investors are more interested in impact return

Four interviewees (two investors, one enterprise and one other) also commented on the level of interest in social impact, predominantly by international investors rather than local. Local investors interviewed emphasised that commercial returns were necessary ahead of social impact concerns. One investor noted that if an enterprise generated a lot of social impact then US – Silicon Valley type investors were attracted to the opportunities even if they did not understand the business. This investor felt that this situation *'makes a lot of these entrepreneurs not work as hard, they don't have to improve their model as they get money anyway',* noting that angel investors were not going to get a return. Another investor raised concern about the focus on social impact, citing potential risks that co-investors were more concerned with social impacts than commercial returns.

5.2.3 Lesson 2: Enterprises' capacity needs to be further strengthened

Intellecap's portfolio includes a range of early stage and growth stage enterprises, to which one to three months of support is provided before a showcase. A wide range of capacity gaps were noted by interviewees (See Section 4.3), particularly between international founder/owner-led and locally led enterprises. Generally, interviewees (investors and Intellecap) felt **foreign entrepreneurs are better trained, have better presentation and pitching skills, are more ambitious and have better access to grant and foundation funding and investment** than local entrepreneurs. In comparison, **local entrepreneurs were seen to better understand the problems they were seeking to address, have better business solutions** (as a comparison one interviewee described some of foreign entrepreneurs' solutions as 'naïve'), **and better understand the market and business risks.** Local entrepreneurs were less ambitious than expatriate entrepreneurs with some interviewees describing them as 'more realistic'.

Intellecap felt that **nearly half of the 41 showcased enterprises would have benefited from more upfront support.** Intellecap has provided a limited amount of additional support to a limited number of enterprises. The key constraint is human resources. At least four other interviewees also noted this constraint.

Investors suggested that it would be helpful if Intellecap could provide enterprises with more support to:

- Help with the financials (including having audited accounts or management accounts depending on length of time they have been operational), presentation skills and governance; and to stress-test the business ideas and scalability.
- Provide more hand-holding of the entrepreneurs was necessary, referring to structuring the product to reach closure.
- Understand how to meet regulatory compliance issues.

Entrepreneurs noted the following areas of support would be useful:

- Access to technical expertise relevant to the enterprises' product or service.
- To answer investors' questions on distribution, marketing and production.
- Talent development.
- Increase access to new suppliers and markets.
- Preparation time before the showcase.

In the August 2016 progress report, Intellecap highlighted a gap in the quality of business development support for early stage enterprises that had raised the first round of funding and were looking to scale. This gap included tailored technical assistance and advisory, e.g. replication support, strategic partnerships that help enterprises scale, technology inputs from other parts of the world or creating an operating structure that allows scaling in different geographies. Intellecap emphasised that a conventional accelerator programme does not provide this kind of scaling support. In 2017, Intellecap also proposed the Collaboration for Impact Facility, which it later received funding for through USAID PACE. However, this is a separate service area to the investment readiness support that links enterprises to corporate partnerships.

5.2.4 Lesson 3: Investor's capacity needs to be strengthened

Local angel investors

Intellecap has regularly noted in progress reports from May 2016 that local angel investors need 'hand-holding' on deal structuring, due diligence and angel investing citing that more capacity building of investors was needed.

As Intellecap has supported investors through the investment cycle[i48] they have identified capacity gaps for due diligence, evaluating and structuring deals, and post investment portfolio management. Increasing investors' comfort levels with co-investing has also been cited as a need.

Investors' capacity levels, particularly their awareness of social enterprises, is expected to make raising social capital easier. Intellecap identified the need to **balance the social enterprises with more 'mainstream' enterprises, that is ones that have business models that are more familiar to local investors, to build a track record for success** (May 2016 Progress Report). This assumes that local investors are more likely to invest in mainstream enterprises than in enterprises they are less familiar with. Across the six showcases during 2016 and 2017, there has been at least one and up to four

[48] Progress reports December 2016, February 2017 and July 2017.

'mainstream' enterprises included[49]. However, there is no difference between mainstream and non-mainstream in terms of securing investment. Data is not available on all investors to determine if local investors are more likely to invest in mainstream enterprises.

Co-investors

Intellecap believes that most investments will happen through co-investments rather than individual investments. Intellecap notes that the different types of co-investors: angel – angel; angel – institutional; and institutional – institutional.

Intellecap identified early on (May 2016) that more local capital is required to fit the needs of enterprises, who mostly are seeking smaller deal sizes. Foreign investors seek to de-risk by co-investing with local investors who have local market and business knowledge and support. Even where foreign investors have local teams, most teams consist of only one or two people and there still may be a 'gap' in their market knowledge. Therefore, they are seeking *'local investors who will give me more comfort in this opportunity'* and keep track of the enterprise locally.

Co-investment may be constrained by:

- The pace of different organisations' internal processes.
- Foreign and local investors expectations regarding valuations and risk tolerance.
- Knowledge and confidence in investing in East Africa.
- Whether investors have capital available at the same time as when other investors are looking for co-investors and/or enterprises are looking for investors.
- Investors willing to take on the role of lead investor: Lead investors can take 'the pain of due diligence away' for individual and institutional investors. Institutional investors with small teams also have limitations in the number of potential deals they can assess through due diligence. If Intellecap cannot find a lead investor, then the process 'stalls' and there are cases where Intellecap has interested investors but no lead and instances where investments have not happened because of the lack of lead investor.[50] Intellecap have not seen instances of where an investor then opts to take the lead to ensure that the investment proceeds.
- Co-investors have to agree with the lead investors terms. For instance, Cornerstone was not comfortable with the terms proposed by ICCO lendingTherefore, the co-investment did not proceed.

Some I^{3}N individual members have suggested that Intellecap establish their own fund, and once investments are ready then members can pay in their commitments. This was described as an 'angel catalyst tool'. However, currently Intellecap does not have seed funds for this tool.

5.2.5 Lesson 4: Better communication about enterprises' and investors' expectations is needed to help matching

Most enterprises and investors' highlighted challenges or examples of matching investor-enterprise expectations. Two investors highlighted issues of **trust between investors and entrepreneurs**.

One investor noted they like to get their *'terms in front of the entrepreneur early on'* before negotiations started as it was a waste of time for both enterprises and investors if discussions start but then cannot progress. While valuation was cited as one challenge, investors also normally have a list of 'consent rights' where the enterprise must seek the investors consent before doing things that the investor considers may be harmful to the business. This may include permission to hire senior staff, signing partnership

[49] One enterprise (17%) of the showcased enterprises in November 2016 was a mainstream enterprise. In comparison, four enterprises or 67% of enterprises showcased in June 2017 were mainstream enterprises.

[50] A review of showcase scoring sheets for 2016 and 2017 found that only 15% of investors who expressed interest in enterprises on the day (yes or maybe) noted they were also interested in the lead investor role.

agreements or obtaining new investments. This investor noted that the enterprise had to trust the investor; while another questioned whether entrepreneurs *'could let go and let people into the business'*. Another investor also highlighted how investors had to trust entrepreneurs to do what they agreed to, such as instituting governance changes. This investor also reflected on their previous experience, noting that the *'chemistry of the investor and founder is a huge challenge'* while also saying they had learned to be more realistic about the difficulty and time needed to implement some of the changes that investors insist on, for instance, in a scenario where the entrepreneur is asked to fire their sibling.

Investors tended to highlight **mismatched expectations around pre-investment valuations**, with the market forces of greater demand than supply of investible enterprises being seen to add to entrepreneurs' expectations. As one enterprise noted high valuations were in the enterprises' interest and low valuations were in the investors interest. Therefore, it is a negotiation process. One investor noted that often enterprises will come back to them after they have told them their valuation is too high and they have not been able to find investment. Another investor felt that investors really break down the value of the business, much more than entrepreneurs do themselves, which they said led to some difficult discussions about very optimistic growth rates.

Three enterprises also **expressed some cynicism about the investors' behaviour and the ecosystem in East Africa**. One commented that despite being profitable they felt it was difficult to obtain investment and compared themselves to a business that had attracted investor interest despite a business model that would be difficult to scale beyond urban areas and had earned little revenue. Another described showcasing and investor discussions as *'helping to learn the game'*. Two others noted being offered unfavourable terms and pulling out of discussions. In one of these cases, the entrepreneur was able to select investors they felt were better suited because their investment round was oversubscribed while the other entrepreneur specifically mentioned Kenyan investors, whom they felt wanted to take 99% of the business.

5.2.6 Lesson 5: Need to lower the time and cost to close deals

Intellecap aims to fill a gap in the market, providing small investments to early stage enterprises. In May 2016, Intellecap noted that investors mostly have an interest in deals of around \$50,000 and around 30% of investors that Intellecap has interacted with are looking for investments of less than USD\$100,000.[51] Throughout 2016 and 2017, Intellecap identified actions to increase the number of investors with smaller ticket sizes, including catalysing its anchor investors' networks, partnering and attending regional events, expanding its angel investor networks, including through foreign angel investor groups.

Over 2016 and 2017 there have been a consistent steady number of members joining I^{3}N and relatively consistent proportion of individual/family offices and institutional investors across the years. Since December 2016, Intellecap has also identified the need to 'build mutually beneficial partnerships with foreign angel investor groups to help in catalysing local angel investors. To date, individuals from a few angel investor networks have participated in Intellecap showcases.

Costs of closing deals

Intellecap noted that it has learned that while investors may claim to do early stage investments, investment committees are better suited to larger investments because of the cost and time required for processes such as due diligence. The size of the transaction does not notably influence the total cost of due diligence. A proposed solution to this challenge is to facilitate co-investments. However, as noted above this requires investors' to be comfortable with the idea of co-investing and other investors.

The time and cost to close deals is not only affecting enterprises and investors. In the February and July 2017 progress reports, Intellecap notes that while Intellecap's revenues have grown costs have grown

[51] Based on available information.

more. They identify three solutions, one of which is to focus on larger ticket size engagements; this seems to contradict their aim to close a gap in the market.

Time to close deals

In the May 2016 Progress Report, Intellecap noted it took **six to eight months to close a deal and they extended this timeframe to 10 months in the subsequent progress report** (August 2016).

Investors' and enterprises' prior experiences influence their thinking about an appropriate timeframe to complete a deal. Intellecap noted that expatriates who do not know the market feel the process should be faster as it is in more mature markets whereas local investors and enterprises who have experience with obtaining loans that take around four weeks also expect it to be faster. Intellecap tries to manage enterprises expectations by informing that them that the fastest deal closed in three months whereas the average is longer at nine months. Where companies may already be talking to investors and nearing closure Intellecap may also inform them that their investors may not be able to move that fast and therefore Intellecap may not be able to help them. One investor interview cited an example of a co-investor not moving fast enough for their investment committee and they pulled out and closed an investment elsewhere. A local investor noted they *'took for granted the time and energy and had underestimated what it takes to roll up your sleeves and help a business get going'*. They also commented that for early-stage investing there was a *'need to take the plunge, a leap of faith'* although they were themselves moving slowly. A foreign institutional investor also commented on the different timeframes of local angel investors compared to angel investors in their own country who *'can make a decision after two or three meetings, there is no due diligence. This is happening…(the investor) invests in the people because he/she likes them'.* By comparison they felt that if deals take so long this is a waste of time for the entrepreneur. One enterprise described the process as *'lengthy and tedious'* and they had to think about whether they had time to give to such processes when they also had to run their business.

Other factors that are seen to impact on the timeframes, include information gaps for valuations; the capacity and confidence of local investors.

Intellecap staff have identified that **information gaps impact negatively on the time to close deals**, and information gaps cost time and money. For example, there is a lack of information on investments in other enterprises and their growth trajectories and valuations that would allow valuation discounts. In the East African market, Intellecap noted that *'you have to chart your own path'* with metrics and valuations. Mismatches between investors, and between investors and enterprises can arise. Foreign investors are also more likely to give higher valuations than local investors.

As noted above the **slow pace of local investors**, compared to Intellecap's experience in India, is seen to be a challenge. They attributed this pace to the limited time and knowledge to conduct due diligence and structure investment terms. Intellecap see the solution being to raise their own catalytic capital. In early 2018, Intellecap's own investment fund Aavishkaar launched in East Africa to 'create a separate pool of capital that can be co-invested with local investors'.[52]

Intellecap also identified that additional technical assistance to enterprises to work on factors related to enterprises' capacity that are barriers to investment may also contribute to faster closures. This has not yet been implemented. However, at least one enterprise recommended it and several investors.

5.2.7 Lesson 6: Showcase format and assessment process could be further refined

Intellecap has changed the showcase format and assessment slightly, predominantly to better meet the expectations of investors. Changes to the format and content include:

[52] In early 2017, Aavishkaar noted that it would launch the fund around mid-2017: https://www.livemint.com/Companies/PKMJb75zedEoA3oqRYFlhK/Aavishkaar-to-raise-150-million-fund-for-Africa-investments.html

- Moved the showcases to mornings to enable investors to come to the showcases before they went to the office increasing the attendance rates.
- Adjusted the investors feedback forms after the first showcase to disaggregate one of the criteria into two; remove the social impact criteria since Intellecap already selects impact enterprises and finds investors view impact too differently so it is difficult to compare.
- Moved from a format that went from good to great pitches, to commence the showcase with a 'good pitcher' with another good pitcher scheduled immediately following the break. Other enterprises that might be good enterprises, but less competent pitchers.

Intellecap are still learning and adjusting the format slightly. They noted that although the break is scheduled it is often not taken due to time constraints and scheduling issues.

6 Conclusions and recommendations

This evaluation has examined the:

- The **relevance, efficiency and effectiveness of Intellecap's investment readiness services** to small and growing enterprises over a two-year period between 1 January 2016 and 31 December 2017.
- Intellecap's **contribution to outcomes** (revenue growth/job creation/investment raised of enterprises); short and medium-term results.
- To **understand the factors that have positively and negatively influenced results**.

This section also provides selected recommendations based on the findings to improve Intellecap's investment readiness services.

6.1 To what extent did Intellecap deliver the right services to the right enterprises in the existing BDS market?

Enterprises selected

Enterprises selected met most of the criteria. Nearly all enterprises met the business model criteria; entrepreneur experience and capability; geographical focus criteria. 60% of the enterprises were post-revenue and the average assessment for financial sustainability was the lowest across the criteria.

The level of investor interest was also used as a proxy indicator for whether Intellecap is selecting investible scalable enterprises. At the end of the showcase, at least two investors expressed interest in each of the showcased enterprises; and currently there is an average of five investors interested in each enterprise. A few enterprises have significantly greater interest – 14 and 19 investors.

Intellecap selects small and growing enterprises, using internal and external assessment processes, against a range of criteria such as business model scalability; financial sustainability; the experience, commitment and capability of the entrepreneurial team. Criteria are applied somewhat flexibly with a mix of early-stage, growth-stage and mainstream enterprises across sectors selected as investors interests differ.

Services delivered to enterprises

Enterprises engage with Intellecap when they need to raise capital to grow their enterprises. In this way, they have a specific and narrow expectation to meet investors – local and/or angel and/or institutional investors to bring capital and/or knowledge of the local context and relevant business connection.

42 enterprises received investment readiness support during 2016–17, three of which were selected in 2015. Services are tailored to enterprises' situations and depend on: enterprises' progress in raising investment and whether advanced discussions are already underway with investors; and gaps in enterprises' information and knowledge about their business. During 2016–17, 39 enterprises were showcased across six showcase events (three per annum), seven enterprises received one additional service (either advice on the business model, financial model or investor negotiations), eight enterprises received two additional services, and 15 enterprises received all three additional services. In a few cases, Intellecap has provided additional support to enterprises, such as when an entrepreneur was particularly committed to improving themselves and their business and Intellecap could see the business had potential.

Most enterprises found some aspect of Intellecap's support useful. A quarter of enterprises responding to the survey thought 'the level of services was about right', while the rest would have liked 'more' or 'a lot more' services from Intellecap. In addition to wanting more services, enterprises provided some feedback on the quality of services. Areas for improvement include more timely communications, better event management; better management of enterprises' expectations about what level of support Intellecap could provide; to continue to increase its network of angel investors; expand the range of ways that enterprises can interact with investors.

Services delivered to investors

Investors have a broader range of needs, including access to enterprises for their investment pipeline, but also knowledge about angel investing, industry trends and access to like-minded investors, for potential future co-investment. Investors needs were largely met by Intellecap's services.

Nearly all investors had at least one follow-up meeting with an enterprise they met through Intellecap[53] and five made subsequent investments in those enterprises. Most investors reported 'some' improvement in the quality of investment opportunities through their engagement with Intellecap. Most investors attending showcases were very satisfied with the quality of the showcase and the quality of enterprises pitching. However, there were some differences in feedback reflecting different investors' interests. For instance, many investors liked the mix of sectors and business models showcased, but others requested more or less from specific sectors. One interviewee noted the quality of showcases had improved and were more professional as there are now fact sheets and enterprises present themselves better and provide a structured presentation rather than just tell a story.

Some investors provided recommendations to Intellecap including: share more information about successes and what enterprises are now doing (to investors); some events needed to be better organised (time management for specific sessions was mentioned; as was facilitation of a learning session), specifically mentioning the Sankalp Forum, although one commented that the 2018 Sankalp was a bit better organised (three investors).

Two investors interviewed did not know of the Sankalp Forum and another said they found out about it just before the event and could not attend because they had other commitments.

Additionality

Nearly all enterprises and investors interviewed reported using a range of services related to investment readiness and business development support. Enterprises and investors compare Intellecap to investment banks and accelerator programmes. However, Intellecap offers some differentiation with the showcases, which one interviewee felt was a unique offering in East Africa (although Intellecap identified Viktoria Ventures as a competitor also offering pitching events to angel investors); and Sankalp. Many enterprises and investors reported attending Sankalp, with some international participants specifically scheduling visits to East Africa to coincide with the event. Nearly all investors responding to the survey noted Intellecap's services were better than others, and they would very probably use their services again or refer other investors to Intellecap. Half of enterprise survey respondents noted Intellecap's services were better than other providers, and that they would very probably use Intellecap's services again or refer other enterprises to Intellecap.

6.2 To what extent is Intellecap effective and what are the successful and unsuccessful aspects of investment readiness support to enterprises and investors?

Outcomes achieved and Intellecap's contribution

Short term outcomes – knowledge, skills, confidence

Intellecap is effective in increasing the knowledge, skills and confidence of the enterprises showcased. Enterprises interviewed and surveyed reported increasing their knowledge of investors' expectations and the processes required to secure investment through their engagement with Intellecap. Enterprises

[53] It is not clear from survey responses how many of these meetings were set up by Intellecap or if the investor met with them via other avenues e.g. informal meeting at Sankalp or another forum.

mentioned improvements to their pitch decks, business models, financial models, the visibility of their business, and increased networks. For instance, examples included better articulation of value proposition, improved market segmentation, new product development; and expansion of channels for specific customers. Investors also reported that engaging with Intellecap improved their knowledge of impact investing in East Africa and investment opportunities as well as networks with investors and potential co-investors.

Increasing investment

The main purpose of the investor readiness services is to attract investment. Intellecap had a role in facilitating 8% of all the investments raised by enterprises over this period, which represented 3% of the total value of investments raised. Intellecap facilitated one investment in 2015, two investments during 2016–17 and two more deals closed in early 2018 and is on track against its projected targets. While Intellecap does not claim its contribution to investment deals that it is not actively involved in, 18 of the enterprises raised 25 investments during the period (inclusive of Intellecap-facilitated deals). Two enterprises felt working with Intellecap helped increase investment even though they had not actually raised capital yet while another two enterprises who had raised investment without Intellecap did not see that working with Intellecap had contributed to this. Interviewees (Intellecap, enterprises and investors) noted a wide range of factors beyond an enterprises' 'readiness' affecting whether capital is raised. This includes whether enterprises and investors can agree terms; willingness of investors to take a lead role; whether investors have available funds.

While the overall portfolio of enterprises is small, being 42 enterprises, some insights are possible and may warrant further investigation. Insights include: more early-stage mainstream enterprises raised investment than early-stage, non-mainstream enterprises; a higher proportion of enterprises with at least one foreign founder raised investment than enterprises with only local founders, and they also raised an higher average level of investment; and enterprises with all-male founders raised more investment than enterprises with a female founder.

Increasing revenue and job creation

Incremental revenue growth for enterprises totals $6,000,405[54], while the cost of the investment readiness services for 2016 and 2017 is estimated at $640,000. This cost is a proportion of the $3m support from Shell Foundation, USAID and Argidius Foundation for Intellecap's institutional development in East Africa. The return on investment for the investment readiness services component is approximately 800%; or 100% when adjusted for the total cost of the support from the three funders.[55]

If the average cost per enterprise is used, seven of the 39 enterprises (or 18%) contributed most to the return on investment. Of the seven, most (five) had raised investment, one of which was with Intellecap's support.

Enterprises also increased the number of full-time jobs by 350. There was a smaller increase in the number of part-time jobs. Given Intellecap's services consists of a few days of support and it has facilitated a small number of investments, it is difficult to determine Intellecap's contribution may have been to increasing revenue and jobs.

Based on Intellecap-supported enterprises from 2016 only, enterprises selected by Intellecap increased their incremental revenue and investment by nearly three times as much as enterprises selected by other organisations.

[54] Intellecap has not set milestones or targets for increased revenue.

[55] The calculated return on investment does not include other quantifiable benefits other than increased revenue; or consider the contribution other factors may have made to increased revenue; or the cost of these contributions.

6.3 To what extent does Intellecap learn from others and contribute to learning?

Intellecap's original approach in East Africa is informed by its experience in other parts of Africa. Since establishing its investment readiness services (and other services) it has been adapting its offering to fit the East African context. It first entered the East African market via Sankalp to learn more about the market. Intellecap has continued to deepen its knowledge of the East African market through broadening out its range of services and implementing specific processes such as the identification of enterprises. Intellecap learns from others by: seeking feedback from investors on the quality of showcases and pitches; and through its collection and analysis of data for its research activities. Intellecap's research is public which contributes to others' learning about impact investing the East African market. Intellecap has conducted knowledge events for investors, particularly angel investors, to raise their awareness and knowledge of impact investing in East Africa. It also uses the Sankalp Forum to conduct events to bring people together to share knowledge.

Progress reports capture challenges and Intellecap's responses to these. It is not always clear however how much progress is made to resolving or mitigating the challenges noted. Intellecap does not fully use the information that it collects to analyse its portfolio. It reports revenue, jobs and clients served via its report to funders. However, it does not analyse this according to enterprise characteristics or other dimensions (such as mainstream enterprises) to gather insights or help it with its selection processes. It also gathers more feedback from investors than enterprises on their satisfaction with services.

The key lessons outlined below reflect those gathered through its experiences delivering investment readiness services and are also informed by learning gained through delivery of its other services.

Maturity and depth of market: while East Africa, particularly Kenya, provides dynamic economies where there are patterns of an increasing middle class with disposable incomes together with increasing numbers of entrepreneurs and investors, the overall market maturity and depth remains a challenge to increasing the number of investments, particularly angel investments. Incubator and accelerator programmes are supporting more entrepreneurs but, as yet, Intellecap does not see an increasing proportion of scalable and investible enterprises. Intellecap aims to increase the number of investors with ticket sizes of around US$50,000 but there remains a gap, with it taking time to increase the pool of angel investors willing to invest in small and growing enterprises and move away from more traditional investments of land and property.

Enterprises' and investors' capacity: Despite enterprises meeting Intellecap's selection criteria, Intellecap noted that at least half the enterprises would have benefited from further support. Some investors and enterprises also identified specific areas for support. However, the small size of the investment readiness team limits the amount and range of support that can be provided. Similarly, local angel investors have been slower to invest than expected, which is seen because of their limited knowledge, conservatism and inexperience. In response to this challenge, Intellecap has included some mainstream enterprises and its own fund has recently been established in East Africa.

Co-investing is proposed as a solution for angels to share risk and costs, yet co-investing increases the complexity of the transaction as not only is trust needed between the entrepreneur and investor, trust is also required between co-investors. Therefore, while co-investing may be one solution to increasing investments, it is unlikely to be a quick solution as perhaps originally envisaged.

6.4 Recommendations

Intellecap's fund, Aavishkaar, has only recently been launched in Nairobi. This initiative seeks to overcome some of the ongoing challenges related to increasing the level and pace of local investments of small ticket sizes for local entrepreneurs. Intellecap aims that Aavishkaar can be used as another trigger to unlock local investment. The need for smaller ticket sizes is still necessary. It will be critical to monitor Aavishkaar's contribution to closing this gap.

Based on the findings and conclusions, a small number of recommendations are outlined below. It is recognised that all recommendations have resource implications, which is challenging when there seems to be little willingness to pay for services. However, one of the recommendations relates to reviewing options for paid services.

1. **Investigate options for increasing support to local entrepreneur teams/enterprises**, while maintaining a diverse portfolio of sectors, business types (e.g. mainstream), stage of growth, and entrepreneurial team.

   Intellecap has also already been looking at the level of support it provides to enterprises, and enterprises and investors see a need for more support. Given the diversity of enterprises, options may include direct-service delivery by Intellecap; and/or linking some enterprises to existing service providers, such as accelerator programmes where appropriate. Drawing on existing resources in a crowded space may allow Intellecap to provide more intense support to a smaller number of enterprises. The crowded space however also brings competition for certain enterprises, and approaches that draw on other organisations resources could be perceived as disadvantageous to Intellecap. Strategies to overcome such challenges need to be considered as part of this.

   At the moment, Intellecap provides one-to-one information and advice to entrepreneurs on topics such was what investors are looking for, investment processes, and term sheets. Investors identified other areas related to governance, regulatory compliance and financial management. There may be an opportunity to develop other formats for entrepreneurs, such as short knowledge sessions that could be delivered to small groups (but without developing a full cohort-based format where enterprises already seem to have other options). Likewise there may be similar opportunities with local angel impact investors on topics such as case studies of investments, what happened before, during and after the investment.

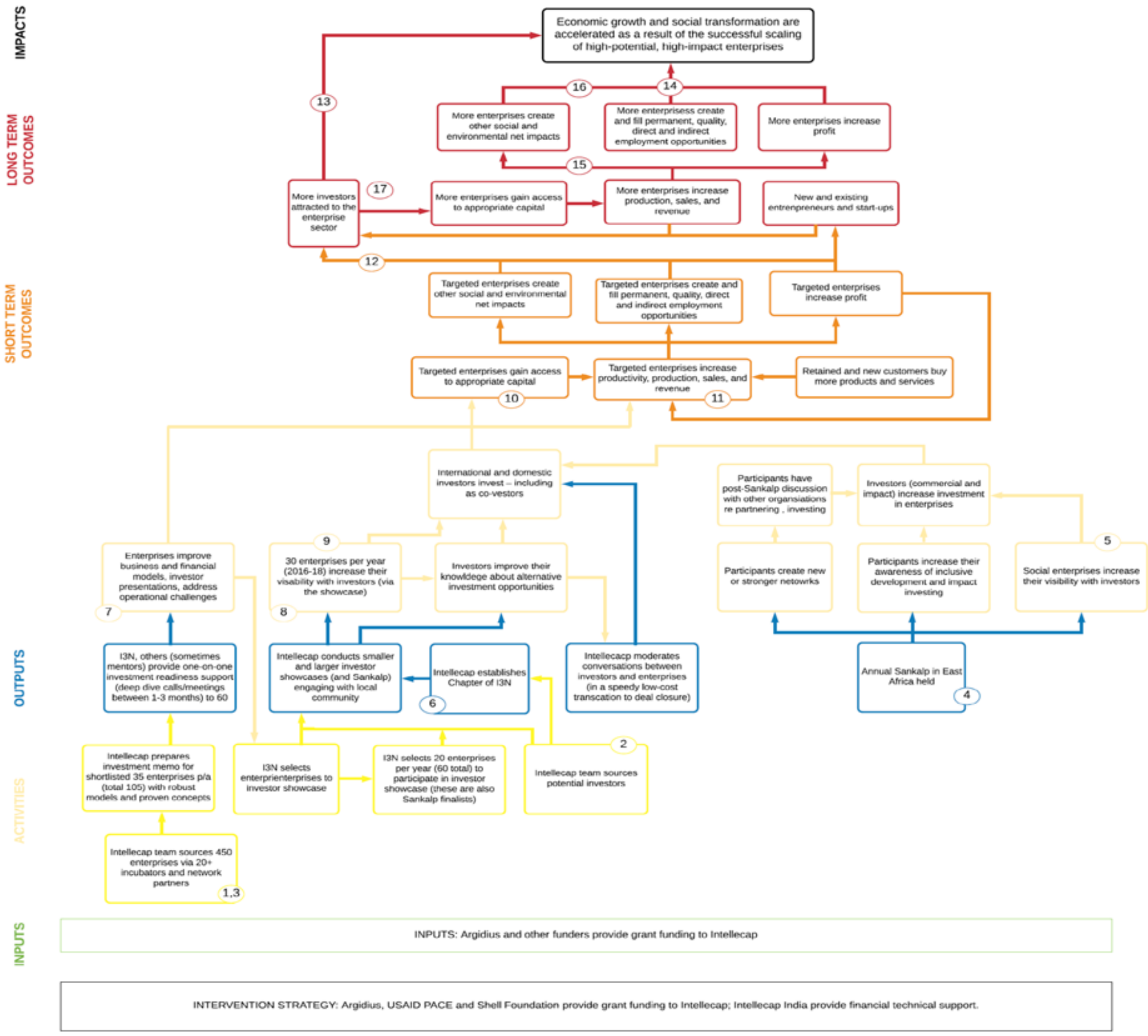
2. **Intellecap should develop a range of forums for enterprises to raise their visibility with investors**. Enterprises generally perceive that Intellecap only offers showcases as a way to increase their visibility with investors. However, some enterprises would prefer other formats that take into account differences in entrepreneurs' style and skill e.g. some good entrepreneurs may not be good pitchers. This may include an enterprise presenting to investors individually through a longer boardroom-style presentation; meet-and-greets or breakfast or lunch meetings where investors and an enterprise are invited to interact more informally.

3. **Conduct market research to find out what investment readiness services enterprises, investors and co-investors are willing to pay for and how much**. The limited willingness to pay for services presents a challenge to the business model and moving from a reliance on grant funding; yet there were indications that a few interviewees may be willing to pay for some of Intellecap's services. All enterprises interviewees felt the fee for facilitated investments was fair; and a few enterprises paid for investment readiness services (provided by Intellecap or others).

4. **Improve the quality and frequency of communications and relationship management, specifically to ensure:**
    - There is follow-up on how the enterprise is progressing to strengthen and maintain relationships, understand their situation and progress (which tracking high-level indicators such as income, jobs, beneficiaries/clients is unlikely to provide). These is also an avenue for Intellecap to learn what is happening in the broader ecosystem since half of the enterprises are raising investment outside of Intellecap including with angel investors who can be potential members of I^3N.

- Enterprises are informed on details of showcases and meetings, e.g. investors in the room, processes etc.
- Investors are provided periodic updates on what is happening with enterprises that have been showcased; and there is proactive follow-up, after showcases, on investors' interests related to Intellecap supported enterprises.
- Raise Intellecap's profile with investors and other stakeholders to ensure they are aware of the range of services offered by Intellecap, including successes.

Annex 1: Theory of change diagram



Problem definition: Most early stage enterprises are unserved or underserved because investors prefer growth stage businesses – and the demand far outstrips supply for enterprise support. Little capital is provided to early stage SGBs. Few organisations give affordable support and advisory services to enterprises, particularly in the energy, healthcare, water, sanitation and agriculture sectors. It is difficult for SGBs to raise capital of $50,000 to $500,000 due to the bias towards mature enterprises. Added to this, there are fewer opportunities for peer-to-peer exchange and learning for SGBs who need a continum of support to grow their businesses from ideas to scale.

Intellecap solution: Intellecap will increase the number of investors willing to invest in SGBs. They understand that raising capital is hard for social enterprises since investor awareness is low. They want to address this imbalance and find more mainstream businesses to invest in SGB's. The ambition is to build a track record for success and create a healthy ecosystem for SGB's. Direct support will include acceleration, fund raising, TA, innovation transfer and market linkages.

17 The political and legislative environment is conducive to continued investment and growth.

16 Job creation and increased production by enterprises leads to social transformation.

15 Successful entrepreneurs exhibit a demonstration effect – encouraging other people to develop product and service ideas and start enterprises.

14 Employment in enterprises exhibits a demonstration effect, encouraging local and international talent to join the candidate pool.

13 Investments in enterprisess exhibit a demonstration effect, encouraging other investors to deploy capital with enterprises.

12 Investors continue making positive financial and social returns on investments in enterprises.

11 Enterprises receiving investment have internal capacity (or can access suitable external capacity) to use investment well.

10 Investors are willing and able to invest in enterprises given adequate exposure to viable opportunities.

9 The enterprises that are showcased meet investors' minimum thresholds.

8 Showcasing enterprises once is sufficient to attract interest from investors.

7 I3N readiness support is good quality and sufficient quantity to get enterprises investment ready.

6 Investors see value in joining I3N and are willing to sign contracts with Intellecap.

5 Sankalp provides enough and the right type of sessions to increase enterprises visibility with suitable investors.

4 Intellecap attracts sufficient 'right' people to attend Sankalp to meet participants networking and information needs.

3 There is sufficient demand for Intellecap's investment readiness services by high-impact SGBs.

2 Intellecap understands investors needs.

1 Intellecap understands enterprises needs.

Annex 2: Theory of change narrative

This Annex presents the accompanying narrative to the ToC conceptual diagram. The change pathways are not always linear moving from inputs – outputs – outcomes to impact, but rather some reach only the immediate outcome stage before Intellecap intervenes again to implement activities to trigger another change pathway of outputs through to outcomes and ultimately impact. Intellecap has greater control over the delivery of outputs, and this control decreases to influence at the short to medium outcomes level. The long-term outcomes and impact are within Intellecap's sphere of interest but they are not within their control. This reflects the integrated staged approach underpinning Intellecap's theory of change. The narrative below should be read in conjunction with the TOC conceptual diagram to understand this flow.

Inputs to outputs

Grant funding provided by Argidius, Shell Foundation and USAID-PACE as well as Intellecap's internal resources from India activates a series of key activities, which in turn produce a series of intended outputs. Outlined below are the activities and the outputs (in bold) that are produced from these activities:

Critical assumptions:

1. Intellecap understands enterprises' needs.
2. Intellecap understands investors' needs.
3. There is sufficient demand for Intellecap's investment readiness services from high-impact SGBs
4. Investors do see value in joining the network as has been demonstrated by the increases in the number of members over the last two years and attendances at enterprise showcases. There have been some delays with members signing contracts, however the majority of I3N members do have signed agreements in place.
5. Intellecap attracts a sufficient number of the 'right' people to attend the Sankalp Forum to meet participants' networking and information needs.
6. Sankalp provides enough and the right types of sessions to increase enterprises visibility to investors

- The Intellecap team sources 450 enterprises, via incubators and network partners, THEN [56]the Intellecap team and mentors provide one-on-one readiness support to 60 enterprises; THEN
- From this group of 60 enterprises, Intellecap shortlists 35 enterprises per annum (total 105) with robust models, proven concepts, high potential for scale THEN I3N investors, mentors and others provide investment readiness support to the enterprises; THEN
- From the 35 enterprises, I3N selects 20 enterprises per year (60 in total) to participate in investor showcases (including Sankalp) conducted by Intellecap. These enterprises are also Sankalp finalists.

[56] If/then statements are a simplified typical / stylised sequence to illustrate the sequence of activities or from one level to the next (e.g. output to outcome). In practice, however, some activities or outcomes may occur concurrently.

- From this group of 20 enterprises, Intellecap also moderates conversations between investors and enterprises (in a speedy low-cost transaction) to deal closure (that may include co-investments) THEN Intellecap may also provide technical assistance to enterprises to refine models and deploy capital effectively.
- Intellecap establishes a chapter of I3N, a network of domestic and international investors

Outputs to short term outcomes

Once the activities and outputs above mentioned are delivered by Intellecap several short-term outcomes

Critical assumptions:

7. Intellecap services are sufficient quality and quantity, and mix, and meets the needs of impact enterprises and idea/early stage entrepreneurs
8. Showcasing enterprises is sufficient to attract interest from investors.

are expected to materialise:

- Post idea and revenue generating enterprises refine their business models and/or financial models and/or pitches, which increases their readiness for investment, and THEN through showcasing increase their visibility with investors, while I3N investors improve their knowledge about alternative investment opportunities.

Short term to long term outcomes

At this stage:

Critical assumptions:

9. Enterprises showcases meet investors' minimum thresholds
10. Increased enterprise readiness results in increased investment
11. Investors are willing and able to invest in enterprises given adequate exposure to viable opportunties
12. Enterprises receiving investment have internal capacity (or can access the capacity) to use the investment well

- Investors invest between US$100,000 to USD$1m
- Post-idea and revenue generating enterprises who receive Intellecap's investment readiness support (60):
    - increase their sales and clients THEN
    - incrementally increase their revenue and profit,
    - obtain additional capital infusions;
    - introduce new shareholding structures.
- I3N investees deploy their capital effectively THEN incrementally increase their revenue (the return on total investment (ROTI) is expected to be 1.58.

Long term outcomes to impacts

Critical assumptions:

13. Investors continue to making positive financial and social returns on investments in enterprises
14. Increased enterprise revenue leads to job creation which in turn leads to economic development.
15. Investments in SGBs exhibit a demonstration effect – encouraging other investors to deploy capital with SGBs.
16. Employment in SGBs exhibits a demonstration effect – encouraging local and international talent to join the candidate pool.
17. Successful entrepreneurs exhibit a demonstration effect – encouraging other people to develop product and service ideas and start enterprises.
18. Job creation leads to social transformation.

It is expected that the effects of the Intellecap's support to enterprises will extend beyond the enterprises which they engage with directly. There will lead to advancements in the wider ecosystem of small growth enterprises whereby:

- **Investors increase investment in the SGB sector** – as more successful investments provide evidence for the commercial viability of SGB investments, investors are expected to deploy additional capital, offering a wider range of financial products to suit SGBs. As investment in SGBs increase, capital flows into the economy will rise and will be deployed into sustainable businesses.
- **SGBs increase production of goods and services** – as more SGBs gain access to adequate finance and successfully scale their businesses, they increase output in the economy and provide better value products and services to customers. In so doing, they will also generate positive social and environmental net impacts.
- **SGBs raise incomes** – as enterprises expand they hire more employees and contract more businesses to provide them with services. This in turn leads to the creation of induced jobs, both within SGBs and in the wider economy and drives social transformation by providing sources of high quality, stable employment.
- **SGBs catalyse new entrepreneurs** – as enterprises expand, attract investment and become recognised as successful, they attract new entrepreneurs to 'start-up' new enterprises.
- **Successful entrepreneurs (and employees working in enterprises) also start new businesses**

Through these mechanisms the Intellecap achieves the ultimate impacts of accelerating economic growth and driving social transformation across their regions of operation.

Funders, USAID PACE/Shell Foundation/Argidius, are also expected to identify cost-effective models:

- that generate successful enterprises while creating social impacts in their communities through providing 1) individualized, high-touch investment readiness support or 2) technical assistance to selected enterprises,
- creates a cost-efficient way to build a market infrastructure to build partnerships between corporates and SGBs

- PACE/Shell Foundation/Argidius identify cost-effective ways to use concessional funding to attract private investment to early-stage enterprises, and shares that knowledge
- PACE/Shell Foundation/Argidius create a cost-efficient way to build a market infrastructure to:
    - build partnerships between corporates and SGBs; and
    - increase transparency in the impact investing sector in East Africa increases transparency in the impact investing sector in East Africa.

Relationship to Argidius' theory of change

Argidius' support to Intellecap arises from its contribution to:

- Strategy Pillar 1 – Build ecosystems of SME support in emerging markets; and
- Strategy Pillar 2 – Build the capacity of market-leading BDS providers in focus countries and beyond

Both strategy pillars contribute to Outcome Pathway 1 – Provision of business development services; but strategy pillar 2 also aims to strengthen the supply side as Intellecap builds their capacity and expand (depth and breadth) the provision of their services, reinforcing the signalling effect and supply side receives further funding.

Recipient enterprises are expected to develop and iterate more financial sustainable business models for growth, which in turn provides an increased pipeline of enterprises suitable for financing. This subsequently attracts external investment which can generate capital that enterprises can reinvest in their businesses. With the capital generated from their own organic growth and external investment, recipient enterprises are expected to increase their growth and financial sustainability – to produce more goods and services, increase trade and create jobs. Ultimately, the lives of the poor are benefited through increased quality jobs, as well as through indirect pathways through family, friends and consumers.

As a by-product, of having more enterprises with financially sustainable business models, the business case for sustainable financing of enterprises is also expected to develop.

Annex 3: Theory of change evidence base for assumptions

Evidence base

A rapid literature review of the available evidence related to the assumptions underpinning the theory of change was completed during the inception phase. The purpose of the review is to firstly, illustrate the extent to which the assumptions are supported by research and evaluation evidence. Secondly, the evaluation has been designed to gather more evidence on some critical assumptions, particularly those below the impact level, which will allow an assessment on the strength of the underpinning logic of the ToC.

The assumptions are listed below together with a summary of existing evidence that was gathered during a rapid review in the inception phase and relevant information gathered during the evaluation. An assessment is provided as to the strength of the evidence and degree to which the assumption is likely to hold true based on the current evidence. It is noted where there are instances where there is insufficient evidence to make an assessment.

Evidence includes existing programme documentation that has been provided to the evaluation team, research and evaluations. Strength refers to the quality and quantity of existence.. At the inputs-outputs level, evidence is most likely drawn from programme information. Evidence related to outcomes and impact also drew on evidence external to Intellecap, such as research and programme evaluations.

<table>
<tr><th>Assumption</th><th>Evidence</th></tr>
<tr><td>1. Intellecap understands enterprises’ needs</td><td>Good evidence supporting the assumption</td></tr>
<tr><td colspan="2">Intellecap has identified a series of interrelated problems drawing on its own experiences and research to demonstrate its understanding of enterprises’ needs. These problems include:
• Most early stage enterprises are unserved or underserved[57].
• There is more demand from early stage enterprises for investment readiness support than there are organisations providing support to early stage enterprises.
• Few organisations provide early stage capital to SGBs.
• Enterprises in the energy, healthcare, water, sanitation, agriculture sectors have difficulties accessing support in the early days of their life-cycle.
• Early stage enterprises find it difficult to raise between US$50,000-500,000.
• SGBs need a continuum of support to grow their businesses from ideas to scale. Service provider landscape is fragmented; from enterprise point of few the landscape is not transparent and there are few ‘one stop service providers’ that provide a continuum of support under one roof, from capital, to advisory, to networks and partnership brokering.</td></tr>
</table>

[57] Intellecap's recent research - from proposal to Argidius Foundation, 2015

• Direct support (re acceleration, fund raising, TA, innovation transfer, market linkages) are insufficient for enterprises to scale[58]. • Limited platforms for enterprise showcase on global and regional stage. • Limited awareness on social enterprise/impact investment activity beyond the existing players. • Limited willingness among entrepreneurs and investors to pay for intermediary services. • Limited awareness among capital providers on sourcing, supporting and investing in early stage enterprises. At the inception phase, the evaluation team had less information on the extent to which Intellecap understands the specific needs of the specific enterprises it works with.	
Evaluation findings: As indicated at the inception phase, Intellecap has a good understanding of the enterpreneurial space and challenges facing enterprises in securing investment. This has been a learning process. Intellecap also noted that through its experience in East Africa it learned that enterprises, and particularly local entrepreneurs, needed more support than they had originally anticipated. Intellecap staff noted about half of the selected enterprises would have benefited from more support beyond the investment readiness services. *Through interviews conducted with Intellecap staff, Intellecap also demonstrated that many enterprises do not understand how investment works, the processes to secure investment, the information required by investors from enterprises. Intellecap was also able to explain specific challenges particular enterprises within their portfolio faced in securing investment, such as weaknesses in their buisness model, regulatory requirements etc. Through its selection and showcasing processes Intellecap also gathers investors' views about enterprises needs.*	
2. Intellecap understands investors' needs	Good evidence supporting the assumption
The GIIN has previously noted: "A panorama of the African investment landscape shows that few investors are willing to finance the smaller and more early-stage SGBs, although these companies are much more numerous than medium-sized businesses, and are led by some of the best entrepreneurs." The President of I&P Development has also suggested "This trend is largely explained by transaction costs: it is more profitable to make an investment of €2 million in a medium size business, rather than to invest €200,000 in 10 different SGBs. Indeed, providing support to ten different companies requires spending 10 times more time, which increases management costs and decreases net profits for the investor." Intellecap has highlighted that most early stage enterprises are unserved or underserved[59] yet investors prefer growth stage businesses[60]. Intellecap programme documents (Enterprise data workbook) noted that 17 of the 44 cohort enterprises have received 'minimal investor interest' while another three are reported as 'mismatched investor criteria' and also reported that it has changed its approach from shortlisting only early-stage enterprises for showcases to also now include some enterprises that are more mature, in order to meet investors' expectations.	
Evaluation findings: Intellecap records investors' sector interests and ticket sizes, but does not record information such as the degree of interest in social impact, how patient they may be willing to be with	

[58] From proposal to Argidius Foundation: own experience; Beyond the pioneer gap - FSG - Monitor Inclusive Markets, 2014

[59] Intellecap's recent research - from proposal to Argidius Foundation, 2015

[60] JP Morgan GIIN study. 2014

their capital, or track actual investments made. Intellecap staff described the range and type of investors operating in East Africa and the changes to the market since the East Africa office was established. Interviews with staff and Intellecap's progress reports capture insights into their experience in East Africa compared to India, and reasons for the differences. Anedotally, Intellecap provided examples of how and why investors' interest in specific enterprises changed. Intellecap understands investors' requirements as well as the array of investors' requirements and that sometimes what investors say they want is not followed by supporting actions.	
3. There is sufficient demand for Intellecap's investment readiness services from high-impact SGBs	Fair evidence supporting assumption
The GIIN (2015: 17[61]) noted 'There is strong demand for impact capital from entrepreneurs operating in Kenya. Despite Kenya's progress and relative development compared to other countries in the region, significant gaps remain in the provision of key goods and services, creating opportunities for entrepreneurs to build enterprises that fill these needs while also realizing financial returns. GIIN also notes (2015: 21) 'despite Kenya's relatively developed business environment compared to the rest of East Africa, entrepreneurs still face substantial challenges, including difficulty accessing capital to test their ideas in the market, limited management capacity, informal operations, a lack of realistic forward-looking projections, and limited detail describing ways they would use capital raised.' At the inception phase, Intellecap reports showed that at mid 2017, it had sourced 460 enterprises from incubators and network partners, ahead of its target of 450 by the end of 2018. Intellecap has shortlisted companies to the required numbers.	
Evaluation findings: Intellecap has sufficient demand for its services. Enterprises and investors interviewed felt there was a need for such services. In only a few cases has Intellecap offered services to an enterprises and they did not accept, e.g. because they secured services elsewhere, the entrepreneur decided it required too much work. However, Intellecap also noted that while there was an increasing number of enterprises operating in East Africa, proportionately the percentage of high impact (or those with the potential for high impact) was decreasing. *An assessment of the degree to which enterprises selected met Intellecap's selection criteria showed that most enterprises met most of the criteria. Additionally, at least two investors demonstrated interest in finding out more information and/or having a follow-up discussion with each of the enterprises that were showcased.* *GALI data for some enterprises selected in 2016 showed that enterprises selected by Intellecap increased revenue and raised investment four times more than those Intellecap did not select; and nearly three times more revenue and investment than the enterprises selected by other organisations/programmes also contributing data to GALI. This suggests that the enterprises applying for Intellecap support and being selected by Intellecap are those that have a higher impact.*	
4. Intellecap attracts a sufficient number of the right people to attend Sankalp to meet participants' networking and information needs	Fair evidence supporting assumption
A large number of participants attend Sankalp, with interest growing since the first event in 2013.	

[61] https://thegiin.org/assets/documents/pub/East%20Africa%20Landscape%20Study/05Kenya_GIIN_eastafrica_DIGITAL.pdf

Preliminary interviews with various actors (enterprises, investors and intermediaries) during the inception phase noted that Sankalp is well attended, with some participants scheduling visits to Nairobi specifically around Sankalp to network. Intellecap has previously sought feedback from Sankalp participants but has not analysed this data.	
Evaluation findings: Interviewees (enterprises and some investors) during the field trip also highlighted the value of Sankalp. Networking and meeting people were more highly valued than individual information sessions. However, two investors interviewed did not know of Sankalp while a third had only heard of it just before the event.	
5. Sankalp provides enough and the right types of sessions to increase enterprises' visibility to relevant investors	
At the end of the inception phase, the evaluation team had little information to support this assumption. Intellecap has previously sought feedback from Sankalp participants but has not analysed this data.	
Evaluation findings: *As the assumption is worded, there is insufficient information on the degree to which Sankalp provides enough or the right types of sessions to increase enterprises visibility to relevant investors is available to determine how likely the assumption may hold true. However, the wording of this assumption and its focus on Sankalp is perhaps misleading. A more relevant assumption may be:* ***Intellecap provides enough and the right types of sessions to increase enterprises' visibility to relevant investors.*** *This would capture assumptions made for the selected enterprises and others (on both the right and left-hand sides of the theory of change diagram in Annex 1).* *Outlined below is a summary of evidence gathered through the evaluation related to the degree to which Intellecap provides enough and the right types of sessions (not limited to Sankalp):* *Enterprises use a range of avenues to increase their visibility with enterprises. Intellecap showcases enterprises to increase their visibility with investors, provides summary information to investors, and may also provide presentations on individual enterprises to investors. Sankalp related events, such as the awards, deal rooms, mentoring clinics, and booths also aim to increase enterprises' visibility. Enterprises participating at Sankalp may also have informal meetings or network with investors.* *Only a few enterprises interviewed had participated in the Sankalp awards, deal room and other events at Sankalp. Enterprises, generally, perceived that the showcase was the primary avenue provided to increase their visibility. Some interviewees provided some feedback that suggests efforts to increase enterprise visibility could be improved. Interviewees noted some events could be better organised and more information provided on who they were going to meet. Intellecap also noted they had learned that investors and enterprises do not necessarily show up to pre-scheduled times for events such as the deal room. Some enterprises interviewed would prefer other formats that take into account differences in entrepreneurs' style and skill e.g. some good entrepreneurs may not be good pitchers. For instance, longer boardroom-style presentation; meet-and-greets or breakfast or lunch meetings where investors and an enterprise are invited to interact more informally.* *Most of the Sankalp events are also available to enterprises that are not part of those selected for investment readiness services. Intellecap reported that in 2018, 40% more enterprises (n=420) attended Sankalp than in the previous year. Enterprises also use a range of avenues that do not involve Intellecap. The evaluation team does not have information on the extent to which these enterprises increased their visibility with investors through attending Sankalp.*	

6. **Investors do see value in joining the network as has been demonstrated by the increases in the number of members over the last two years and attendance at enterprise showcases. There have been some delays with members signing contracts, however the majority of I3N members do have signed agreements in place.**	Good evidence suggesting this assumption does not hold true
The American Angel Capital Association (2017: 4[62]) found that 89% of angel investors identify prospective investments through angel groups, even when they are not formal members. Despite this, 24% report that independent investing outside of angel groups is their main channel for deal flow. Angels also report identifying deals through friends and associates (52%), direct contact with entrepreneurs (58%), and online and crowdfunding platforms (17%). At the inception phase, there was some information related to this assumption, but not all of it suggests that the assumption will hold true. Intellecap has established the I3N network with approximately 40 members of domestic and international investors. Domestic investors are viewed as conservative with low risk tolerance and Intellecap has noted that it will take longer to establish the network of angel investors who are active than their experience in India. To have a sufficiently large pool of investors participating at showcases, non-I3N members are also invited to enterprise showcases. Investors may not see the benefit of formally joining the network if they can access the showcases.	
Evaluation findings: *Overall, investors were positive about Intellecap's services, particularly the showcases which is their main interaction. Some investors see value in joining I3N. However, Intellecap has a larger pool of non-members than members. Only one investor was willing to pay for the I3N membership and Intellecap has since removed the fee. Some investors did not know that I3N membership was now free.* *Intellecap reported that some institutional investors noted that they did not see the value of paying when they had teams in Nairobi. This seems somewhat contradictory when a small group of institutional investors are the most frequent attendees at the showcases.* *Investors interviewed described a wide range of channels that they use to learn about investment opportunities (similar to the Angel Capital Association's findings cited above).*	
7. I3N readiness support is good quality and sufficient quantity to increase the readiness of enterprises for investment	Fair evidence to support this assumption
In their proposal to Argidius Foundation in 2015, Intellecap noted that in their experience SGBs need a continuum of support to grow their businesses. Direct support (such as acceleration, fund-raising, TA, innovation transfer, market linkages) is insufficient for enterprises to scale. Intellecap also cited the 2014 'Beyond the pioneer gap - Getting Inclusive Industries to Scale' report by Harvey Koh, Nidhi	

[62] http://docs.wixstatic.com/ugd/ecd9be_5855a9b21a8c4fc1abc89a3293abff96.pdf

Hegde, Ashish Karamchandani. Intellecap's report to Argidius (Q1, CY 2017) also mentions that investment readiness support is not enough, and enterprises need more all-round support.	
Evaluation findings: *Intellecap note that their investment readiness services includes 'helping businesses validate assumptions, refine financial models, provide feedback on business plans, understand investor requirements regarding scalable business, ambition of team, present and answer investor detailed questions and help align enterprise and investor expectations'.* *For most enterprises, Intellecap provides this support over a short period of time up to the showcase, using an approach where they provide guidance and templates and the entrepreneur undertakes the main body of work.* *Enterprises were mostly satisfied with the quality of support, although had some recommendations for Intellecap. Nearly all enterprises however noted they would have liked more support.* *For enterprises with more experience and higher capacity entrepreneur teams the quantity of support provided by Intellecap is more likely to be sufficient, but for other enterprises, more and different types of support (e.g. business operations) are more likely necessary. Intellecap staff noted that about half of the enterprises it selected would have benefited from support beyond the investment readiness services outlined above; and that needs.* *Some enterprises selected were also raising investment and closed deals soon after engaging with Intellecap but without Intellecap assistance suggesting that they were ready and did not necessarily need Intellecap support. That said, one enterprise interviewed valued their engagement with Intellecap and the additional visibility to provided.*	
8. Showcasing enterprises through the I3N events is enough to attract interest from investors	Good evidence supporting the assumption
At the time of the inception report, there was little information to support this assumption. Intellecap has provided investor negotiation support to 26 of the 44 enterprises (24 out of 42 fall in the 2015-2016 period covered by this evaluation); with four investments being facilitated (two during 2015-16). 15 enterprises received investments from unrelated investors.	
Evaluation findings: *A single showcase event is enough to attract interest from investors as indicated all enterprises had at least two investors express interest at the end of the showcase. However, only showcasing is insufficient to translate this interest into an investment. Intellecap's follow-up is also necessary (one investor explicitly asked for more pro-active follow-up). Additionally, not all investors attend showcases and therefore Intellecap uses other means to inform them about investment opportunities.*	
9. The showcased enterprises meet investors' minimum thresholds	Good evidence supporting the assumption.
At the inception stage, there is some information to support this assumption. Investors have different needs. Intellecap has information demonstrating that all showcased enterprises received interest from investors, with enterprises averaging five interested investors. Intellecap has provided investor negotiation support to 26 of the 44 enterprises (24 out of 42 fall in the 2015-2016 period covered by this evaluation). Four investments have been facilitated (two during 2015-16). The number of interested investors could suggest that the enterprises meet	

investors minimum thresholds upon their first interaction with them. However, as few investments that have been facilitated this may suggest that upon closer examination the enterprises do not. The evaluation will explore investors' opinions about this.	
Evaluation findings: All enterprises met most of the criteria; and half of the showcased enterprises have raised investment. Investors have a range of interests – what might be a minimum threshold for one investor may be below the threshold for another. Intellecap showcases a range of enterprises to investors, some of which it considers 'opportunities' that might be attractive investments in the future.	
10.Investors are willing and able to invest in enterprises given adequate exposure to viable opportunities	Fair evidence to support the assumption, with more information available for international investors than local investors.
Research by the Angel Capital Association of America (2017: 3)[63] highlight that angel investing tenure changes how angel investors invest, allocating a higher proportion of their overall investment portfolio to angel investments and higher average individual investments to start-ups than investors with shorter tenures. They also found that within 'a given year, investors with at least 10 years of experience invested in an average of 3.8 companies, whereas other investors invested in an average of 3.0 companies. Angels with more experience are also more likely to double down and make subsequent investments in their existing portfolio of startups. Those with the longest tenure devote 39% of their angel portfolio to follow-on investments, while newer angels allocate 23% to follow-on investments.' A presentation by the same organisation[64] (Hudson, 2016: 17) notes that angel investor groups in the US made seven investments per year (the median, while the average was 10); while 40% of the angel investor groups made five or less investments in 2014. The GIIN (2015) described impact investing in Kenya as 'a relatively young sector. Non-DFI impact investors have been present and investing in Kenya for more than a decade, but the limited data available with specific dates for non-DFI impact investments prevents more definitive conclusions. Nevertheless, non-DFI impact investors almost universally report that impact investing activity began to pick up after 2008. Given this timeline, many non-DFI impact portfolios in Kenya are beginning to seek exits from their earlier investments. There are still few examples of successful exits and it will be interesting to see what exit examples emerge over the next 5-10 years'. The GIIN also noted in 2015 (page 27) that there are 'Insufficient investment-ready opportunities: Despite robust activity to date, many non-DFI impact investors struggle to place the capital they have raised. This is particularly frustrating in Kenya, where there are a host of entrepreneurs seeking capital with a social purpose, but few who are genuinely investment-ready when they attempt to raise capital. However, many investors believe that active local presence can address this gap'. Information provided by Intellecap during the inception phase showed that of the 42 enterprises during 2015-16, two investments have been facilitated by Intellecap and another 14 have attracted investments from elsewhere. This suggests that investors are willing to invest, however, it was not clear how many are domestic investors, and whether domestic investors, who are seen as more conservative, are increasing their willingness to invest as they obtain more exposure to investment opportunities and understand investing in SGBs.	

[63] https://www.angelcapitalassociation.org/research/; http://docs.wixstatic.com/ugd/ecd9be_5855a9b21a8c4fc1abc89a3293abff96.pdf

[64] Presentation by Marianne Hudson: Angel Investing in the US – Trends and best practices, September 26, 2016

<table>
<tr><td colspan="2">Evaluation findings: Intellecap noted that the evaluation findings reflect the state of the ecosystem and the ecosystem has been developing (something also noted by investors interviewed).

Several interviewees felt there was more capital available than there were investible enterprises, that some investors had invested when an enterprises' fundamentals did not necessarily justify the level of investment. This comment was made in relation to international investors, rather than local investors. Overall, the ecosystem of local impact and angel investors was still see as developing.

Intellecap has conducted a small number of knowledge sharing events; exposing local investors to international investors is also another strategy to increase their capacity. Findings seem to indicate that increased knowledge and confidence among local investors is necessary but currently this may not be sufficient to trigger an increase in the number of investments in the short term.

Intellecap has noted that local angel investors are slow to act, and it takes time to educate them, find co-investors and facilitate investments.

Intellecap said their experience was that local investors who have invested are more likely to have structured processes and/or teams in place; as well as clearer expectations around instruments and valuations. Other investors who do not have these structures and processes want a professional investor to evaluate and negotiate terms before they would join as a follow-on investor. One angel investor noted they were unprepared for the amount of work involved, noting they needed to give more time if they were to make an investment. They also noted they needed to see more investments, including what happened after the investment was made, to get more comfortable.

This is in contrast to another local angel investor, a member of I3N, who set up their own family office in 2017. Another investor noted that local investors were only now starting to invest in public markets (having previously invested in property) and angel investing was a step further again; while Intellecap highlighted opportunity costs since traditional investment opportunities (e.g. land, government bonds) yield returns of between 6-12%.

Intellecap also notes that the lack of lead investors has hampered deals moving forward, something that its own fund seeks to address. While currently there is little information to support the assumption as it relates to local investors, Intellecap feels that the ecosystem will continue to develop and as it does more information to support the assumption will be forthcoming.</td></tr>
<tr><td>11.Enterprises receiving investment have internal capacity (or can access suitable external capacity) to use the investment well</td><td>No/ limited evidence gathered to test this assumption</td></tr>
<tr><td colspan="2">Evidence on this assumption was not collated during the inception phase.

Evaluation findings: Priority was given to gathering information on assumptions lower in the logic hierarchy. No assessment of enterprises' post-investment capacity. However, interviewees highlighted that enterprises have different levels of capacity and needs differ before and after investment. Most enterprises seek support through a variety of means, with one interviewee commenting that foreign entrepreneurs generally have better access to grant funding opportunities and support than local entrepreneurs. Two local enterprises interviewed who had received investment commented on the need for more technical assistance.</td></tr>
<tr><td>12.Investors continue making positive financial and social returns on investments in small and growing businesses.</td><td>No/ limited evidence gathered to test this assumption</td></tr>
<tr><td colspan="2">There are ongoing discussions about the level of financial return that might be expected from impact investments. The GIIN (2016: 27) observed that in Kenya there are 'Few exit examples: For new funds looking to raise capital, the relative youth of the impact investment industry means there are few</td></tr>
</table>

examples of successful exits. As more impact portfolios in East Africa near the end of their tenors, there will be significant pressure on funds to exit investments, though it not yet clear how this will develop in coming years. Without a successful track record of exits, it can be difficult for fund managers to raise a second fund. Some fund managers interviewed for this report believe it may be easier for a new impact investor to raise new funds than for an experienced one, as the latter are expected to demonstrate a track record before raising a second fund.' In a more recent report of financial returns from impact investments, the GIIN (2017: 26[65]) concluded: *Impact investors seeking market rate returns can achieve them. Across various strategies and asset classes, top quartile funds seeking market-rate returns perform at similar levels to peers in conventional markets. In many cases, median performance is also quite similar.* Effective quality monitoring of impact by impact investors and enterprises is an area for improvement (which has led to initiatives such as the Impact Management Project, and GIIN's Navigating Impact). Existing literature observes that while many ESEs may see successful growth initially, a significant proportion do not remain viable in the long term.[66] In such situations, the demonstration effect may be limited or short-term, not overwhelmingly positive and therefore may hinder investors to invest in other ESEs or to trigger crowding in by new investors.	
Evaluation findings: Priority was given to gathering information on assumptions lower in the logic hierarchy. The evaluation did not examine this assumption. However, investors interviewed could provide no or little information regarding exits that had occurred in Kenya. One investor noted they were not receiving the financial return expected on an investment in East Africa although they had other investments and looking to make more investments. Another interviewee described impact as being defined loosely.	
13. **Investments in SGBs exhibit a demonstration effect – encouraging other investors to deploy capital with SGBs.**	*No/ limited evidence gathered to test this assumption*
Evaluation findings: The evaluation did not seek to test this assumption as priority was given to gathering information on assumptions lower in the logic hierarchy. *However, see findings related to assumption 10. Interviewees also commented that the market in East Africa had changed a lot in the last five years; with many more investors coming into the market and a lot more small and growing businesses starting. Many interviewees felt there was more demand for investible and scalable SGBs than there was supply. However, some investors also commented on the limited number of exits, which they felt was needed for greater demonstration of investing in East Africa.*	
14. **Employment in SGBs exhibits a demonstration effect – encouraging local and international talent to join the candidate pool.**	*No/ limited evidence gathered to test this assumption*
SMEs have difficulty attracting and retaining talent as they have to compete with multinational firms, international NGOs and large corporations for the same talent pool.[67] However, it remains to be established whether the success of enterprises that Intellecap works with helps to overcome this barrier and encourage talent to seek opportunities with high potential small enterprises.	

65 https://thegiin.org/assets/2017_GIIN_FinancialPerformanceImpactInvestments_Web.pdf

66 See, for instance, page 2 of DCED Small Enterprise Synthesis report and Bowen et al (2009) – Management of Business Challenges Among Small and Micro Enterprises in Nairobi which states *"past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007)*".

67 Management in Africa: Macro and Micro Perspectives – Lituchy, Bunnett, Piplampu

In 2015, the GIIN (page 27) also noted a challenge of 'Insufficient human capital: Talent is the key constraint for many East African businesses. Companies struggle to find the talented, reliable management needed to plan for and reach scale. Though true for all skilled positions, this challenge is particularly acute for finance professionals with 5-15 years of experience who can serve as a company CFO. Even when a talented, experienced professional can be found, s/he often commands high wages that can be challenging for SMEs or social enterprises to support, especially in their early years'.	
Evaluation findings: The evaluation did not seek to test this assumption as priority was given to gathering information on assumptions lower in the logic hierarchy.	
15. Successful entrepreneurs (and employees working in successful enterprises) exhibit a demonstration effect – encouraging other people to develop product and service ideas and start enterprises.	*No/ limited evidence gathered to test this assumption*
The research report by Endeavour 'Scaling up on the edge of the Rift Valley' (2015: 13) found that few employees of successful local firms are leaving to launch their own spin-offs in Nairobi.	
Evaluation findings: The evaluation did not seek to test this assumption as priority was given to gathering information on assumptions lower in the logic hierarchy. Only one interviewee commented on this – suggesting that there was to date limited spin-off entrepreneurs which suggests the situation may not have changed since the 2015 research by Endeavour.	
16. Job creation leads to social transformation.	*No/ limited evidence gathered to test this assumption*
The argument for job creation is clear and advocated in many quarters. For instance: "Increasing productive capacity and creating sustainable jobs are necessary conditions to reduce poverty, ensure political stability and nurture the continent's economic emergence … Formal employment is a decisive factor to lift unskilled workers out of poverty, and to allow skilled workers to enter the middle class. The development of a fabric of job-creating formal SMEs is therefore a key ingredient for inclusive growth in Africa".[68] At the same time: "A common criticism is that few inclusive business models have gone beyond the pilot stage and reached scale or systemic change. For example, Thorpe (2014), based on a review of case studies, concluded that many partnerships between a company and a development agent lacked a systemic approach, with direct impacts limited to actors within the company's value chain".[69]	
Evaluation findings: The evaluation did not seek to test this assumption as priority was given to gathering information on assumptions lower in the logic hierarchy. No relevant findings materialised through the evaluation.	
17. The political and legislative environment is conducive to continued investment and growth.	*No/limited evidence gathered to test this assumption*
"Reforming the Investment Climate is of particular concern for Sub-Saharan African countries, which Golub and Hayat (2014) find compares unfavourably to other developing regions in terms of the quality of infrastructure and public services such as frequency of power outages; time taken to obtain	

[68] Investisseurs & Partenaires (I&P). 2015. Investing in Africa's Small and Growing Businesses. P2-3

[69] https://www.enterprise-development.org/wp-content/uploads/DCED_IB_SynthesisNote.pdf

a fixed-line telephone connection; time taken to clear an imported container through customers; and percentage of roads that are paved. Such features of the investment climate are damaging for export oriented industries, where quality control and timeliness of delivery are paramount".[70] The GIIN described Kenya as having a relatively supportive investment environment in 2015.
Evaluation findings: the evaluation did not prioritise this assumption although sought to understand the challenges faced by enterprises interviewed in Kenya. The findings were mixed as enterprises and investors highlighted positive examples of a conducive environment while there were also negative examples. In Kenya, the economic downturn due to the political situation in late 2017 was mentioned by several interviewees (enterprises and investors). Investors were wary to invest and citizens were reluctant to spend money, thereby impacting more broadly on the economy. The Kenyan supermarket chain Nakumatt also closed at this time impacting on a range of enterprises. One interviewee, noted a change in legislation change could provide a notable growth opportunity for them while another, Lotec Rwanda, commented on the Rwandan government's support to exporters as being an opportunity that he was taking advantage of.

[70] https://www.enterprise-development.org/wp-content/uploads/Employment_Creation_Synthesis_Note.pdf

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