MANAGEMENT RESPONSE TO THE 2017 ENABLING OUTCOMES LTD. EVALUATION REPORT

July 2019

Agora is very thankful for the continuous support received from the Argidius Foundation over the years, and welcomes the feedback provided, which helps us in our constant efforts for improvement, with the ultimate objective of better serving social entrepreneurs across the region. Overall, **Agora mostly agrees with the recommendations** from the evaluation report, with a few caveats that are explained below. We are pleased to report that most of the report's key recommendations have today been addressed or are in the process of being addressed.

Putting the evaluation into context

The evaluation was conducted almost two years ago - at the end of 2017 - at a time when Agora was focused on delivering on a large multiyear grant received from the Inter-American Development Bank (IDB), with strict requirements, the obligation to quickly find counterpart funding, and the need for rapid scaling, going from 30 to 60 companies accelerated per year. While Agora was ultimately successful in raising the required funds and in delivering an excellent product to entrepreneurs, we realized that our business model needed improvement and that there were ways we could lower costs without sacrificing program quality. We have also realized that our role in strengthening local ecosystems requires local presence and strong country offices, which we have done successfully in Nicaragua and are working to replicate in other countries.

Given that the evaluation was conducted at mid-project and was mostly qualitative (only 4 entrepreneurs interviewed out of 163), it gives a reasonably accurate although incomplete picture of Agora's performance at a particular moment in time. A more recent end-of-project evaluation commissioned by the Inter-American Development Bank in May 2019 actually shows a different story: Based on a combination of qualitative and quantitative instruments, and a large sample of 10 Agora staff and former staff members, 14 consulting fellows, 7 external stakeholders (donors, investors, mentor networks, and nominating partners), as well as 37 alumni across 9 countries, the evaluators found that *"[Agora's] overall average compliance of [the project's] logical framework indicators is 94.7%. Such efficiency in the compliance of indicators is related to the project's effectiveness."* It does coincide on some of the project and organizational weaknesses (such as our sustainability and mentoring offer, the latter being explained by the fact that our core service is 1:1 consulting). But overall the evaluators *"consider that Agora is renown at the regional level as an effective and serious institution that contributes to the development of enterprises with solid grounds and social impact, which is valued by investors and donors."* They have also found that *"97% of people interviewed are satisfied with the program results, the majority of whom being even 'very satisfied' with the support they received"*, which is consistent with our own findings.

Over the last nearly two years since the Enabling Outcomes evaluation was conducted, Agora has worked to address its weaknesses and built upon its strengths to become a more stable organization, from a talent, strategy and financial perspective. Although there is always room for improvement, an important metrics from our perspective is whether we add value to the social entrepreneurs that we serve. And on that front Agora is proud of its achievements, with over 90% of our alumni who would recommend our program to a peer.

Thoughts about sustainability

The evaluation report states that Agora needs to *"find a path to self-sufficiency"* and *"prove that they are great business worth growing"*. This is a valid point and we are striving to increase sustainability through earned revenue from multiple sources – such as fees from entrepreneurs, and productizing our offer so that it can be funded by service contracts and restricted grants (which we consider a source of earned revenue). But no matter how successful we can be at finding earned-revenue streams and lowering our dependence on philanthropic funding, we do not anticipate reaching full self-sufficiency so long as we continue our long-time strategic focus on working in regions (like Central America) and entrepreneurs (early stage, high risk, socially motivated) that have high needs and high potential for deep impact.

Latin America & the Caribbean is a complex market environment, one in which social entrepreneurs have limited capacity to pay, where there is increased competition and market distortion (with government-sponsored acceleration programs provided free-of-charge), and where there are very limited exit possibilities for successful companies. In fact, only 4% of accelerators around the world are self-sustainable and they are all based in Silicon Valley, focusing on high-tech unicorns. The challenge of designing and executing a funding model to support entrepreneurs in countries like Nicaragua that is sustainable has been difficult from the very beginning and remains a challenge for the field. We have, however, changed our model significantly from the one that was studied in order to become more sustainable.

Agora in 2019: Main changes

Below are some quotes from the evaluation report on key aspects of our organization and acceleration program, and the changes that have been made over the past two years to address those weaknesses:

- *"The access to investment piece of the Agora offering is a tricky one. Fine-tuning the access to investment offer is an on-going need."*

In 2019 Agora introduced a new acceleration model that fine-tunes access to investment and offers a better product:market fit with a diversified offering adapted to entrepreneurs' stage and needs. Instead of supporting entrepreneurs through a one-size-fits-all package (retreat, 1:1 consulting and matchmaking with investors), we are now implementing a slightly competitive three-staged funnel model consisting of Specialized Bootcamps, 1:1 Consulting (on Access to Markets or Access to Capital), and Investment Marketplace, only for companies that have successfully passed each stage of the program and proven their readiness to receive capital and their fit with potential investment offerings. As part of our Investment Marketplace, we are also dividing up companies into two-tracks: early-stage companies with deep impact are provided access to patient debt financing (with interest rates ranging from 0-7%) while high-growth companies are offered tailored matchmaking opportunities within our network of 200 impact investors. As such, the probability of accessing capital for companies getting into the Investment Marketplace is much higher than before.

- *"There is currently no model at Agora by which they capture a revenue share, equity percentage or investment percentage if they contribute to growing the accelerated business."*

For a number of years Agora experimented with charging success fees but we were advised by lawyers that we were running a risk with the Securities and Exchange Commission (as we are not a registered broker dealer). As we have moved our investment team outside of the US, this is no longer a risk and we are now charging a success fee on capital raised through our intermediation. In addition, we have co-designed (with the World Impact Foundation) and are currently piloting a new financing vehicle that allows us to provide recoverable grants to entrepreneurs and after a few cycles keep the capital as unrestricted funding. This is an innovative win-win mechanism that aligns incentives among all partners: investors can de-risk their follow-on investments while obtaining tax benefits; entrepreneurs get access to patient capital that is widely underserved in the market and prove to future investors their ability to pay back debt; and Agora obtains unrestricted funding to fund future programs, if we are successful at selecting entrepreneurs and recovering the grants. However, we keep maintaining our strategic decision not to charge equity, in order not to dilute ownership from hard-working impact-driven entrepreneurs.

- *"There needs to be more investment in addressing talent management dimensions (such as staffing, leadership, career paths and culture). Agora has struggled to hire Latin American staff."*

In 2019, over 84% of Agora staff are local (native Latino and/or foreign-born but with permanent resident status in a Latin American country and close-to-native Spanish), so hiring Latin American staff is no longer a struggle and that past characteristic was mostly due to our fellowship program, which was in force at the time the evaluation report was written and is no longer being implemented. According to our latest staff survey, 93% of our current staff would recommend Agora to a friend, vs. less than 50% in previous years, showing significant improvement in that respect. Investing in training and professional development, as well as finding ways for our geographically dispersed team to meet annually in person, are key goals of our new talent management strategy. We acknowledge that building a strong culture with geographic dispersion and financial uncertainty is hard, but we are constantly testing different solutions and taking concrete steps to build that culture.

- *"There is no growth strategy—the organization is in continuous survival mode, as it does not have a robust sustainability model. The overhead and delivery costs are high and the organization is in need of a business and growth plan."*

This observation was accurate when it was made, during a window of time when the organization was beginning to develop a new business model called Agora 2020 and when most staff were focused on executing a very ambitious and challenging program, but it is not accurate today. The organization has developed a three-years strategic plan, P&L projections and a new, decentralized business development strategy led by our regional hubs, with clear and carefully priced products adapted to different stakeholders (e.g. family foundations, corporations, philanthropic donors, ecosystem players). We have proven our ability to raise large, multi-year grants ($1.3M from the IDB, $1.5 from ZomaLab) and have significantly increased our earned revenues from entrepreneur payments (+316% from 2016-18). We have also drastically reduced both overhead (only one position based in Washington DC in 2019 vs. six in 2017) and program delivery costs, with the new accelerator model resulting in a 45% cost reduction (from $20K to $10K per company approximately), without affecting the quality of the services offered.

It is worth noting that our Return on Investment (i.e. the amount of revenue generated and capital raised by companies for every dollar invested in Agora), even when costs were higher, has consistently been positive and above industry benchmarks. As Julie Katzman, former

Executive Vice President of the Inter-American Development Bank, said: *"For every dollar that we've invested with Agora, we see the value creation of 5 or 10 dollars more in the acceleration of social entrepreneurs whose businesses can grow much more quickly."* In an environment characterized by increased competition and a reduced philanthropic funding pool, we know fundraising will remain a permanent battle, however Agora is much more equipped now that it was before and we are increasingly joining forces with other ecosystem players to raise funds collectively.

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The changes we have made since the evaluation was completed were all done in the spirit of strengthening the organization, advancing Agora's mission and increasing its impact. Despite the challenges and resource constraints, we are proud of what we have achieved. Since 2005, we have supported over 350 companies across 21 countries in Latin America & the Caribbean. The 243 companies that have participated in the Accelerator program (93% of which are still operating) have collectively raised US$ 90M in capital and achieved a 22% median increase in revenue one year after their participation in the program. But more importantly, they have created over 4,000 jobs, improved 6 million lives and saved close to 900,000 tons of CO_2.

We are grateful for the Argidius Foundation for investing resources to help us to think through our challenges, our strategy, and to hold us accountable. We encourage more collaboration, and honest exchange between funders and grantees and appreciate the time and thought that went into the evaluation. Thanks to the support of partners such as the Argidius Foundation we will continue working tirelessly to strengthen the organization and to grow these numbers.