



PARTNERING TO ACCELERATE ENTREPRENEURSHIP

SHELL FOUNDATION: INCENTIVIZING INNOVATION IN ENERGY

Through the **Partnering to Accelerate Entrepreneurship (PACE) Initiative**, USAID's U.S. Global Development Lab aims to catalyze private sector investment into early-stage enterprises by identifying and testing innovative models or approaches that help entrepreneurs bridge the pioneer gap—thus unlocking the potential of thousands of promising enterprises around the world.

THE CHALLENGE

More than 1.4 billion people in developing countries do not have access to reliable and affordable energy, leading to impacts on health, education, gender equality and ability to generate income. The world's poorest people rely on prohibitively expensive and polluting fuels, such as kerosene and diesel, to meet their energy needs.

Despite the clear need for affordable, accessible and clean energy, entrepreneurs seeking to develop new energy solutions face specific challenges unique to the energy sector. These obstacles—such as subsidies for traditional fuels that reduce incentive for innovation, lack of infrastructure needed to reach rural customers, and regulatory barriers—are too big for any one entity to tackle alone.

Shell Foundation, an independent charity that applies business thinking to major social and environmental issues linked with the energy sector, wanted to develop more effective models to incubate and accelerate early-stage energy enterprises. Facing these challenges, Shell Foundation looked to USAID for support in catalyzing the private sector investment required to scale these enterprises' social impact.

THE PARTNERSHIP

Through the Partnering to Accelerate Entrepreneurship (PACE) Initiative, USAID and Shell Foundation have created a holistic and integrated incubation strategy that uses multiple blended capital approaches to mitigate the different kinds of risk that early-stage energy entrepreneurs face when developing and scaling their products. The partnership aims to further develop and validate three approaches for supporting energy-focused entrepreneurs through incubators Factor[E] and Sangam, as well as Shell Foundation's in-house incubator.

Each of the three incubator programs tackle challenges specific to entrepreneurs developing and scaling energy innovations. Factor[E] supports resource-intensive clean energy technology companies through early-stage research and development; Shell Foundation's in-house incubator works with enterprises at the blueprint stage and determining a viable market gap, in order to better overcome first mover disadvantage in regions with underdeveloped infrastructure; and Sangam uses deep and nuanced knowledge to support high-growth energy enterprises in India.

Through PACE, USAID is supporting the large up-front investment that hardware energy entrepreneurs require to test and hone their technologies before bringing them to scale. And USAID's partnership with Shell Foundation goes beyond funding; its access to local networks and knowledge also helps Shell Foundation build pipelines of investable entrepreneurs and catalyze additional private sector investment.

THE RESULTS

As of January 2017, the three Shell Foundation partnerships have incubated and invested in 15 enterprises including:

- **SparkMeter**, which brings energy access to Base of the Pyramid customers in 13 countries throughout Africa and Southeast Asia. Using a micro-grid system that combines real-time monitoring of energy consumption with pre-payment billing, SparkMeter's model—much like pay-as-you-go cell phone minutes—ensures that customers can self-monitor electricity usage while only paying for what they use. This also gives energy providers in emerging markets an unprecedented ability to effectively manage the supply and demand of energy, create tariff plans and collect payments digitally from customers. Shell Foundation believes that the integrated nature of SparkMeter's technology has the potential to address some of the most challenging barriers preventing the energy sector to scale in rural or low-income spaces.
- **Orb Energy**, a Bangalore-based solar energy company. Nearly one in four people in India do not have access to electricity and those that do can face frequent power outages. Orb uses a network of branches to connect with small and medium enterprises (SMEs) in remote markets to offer more reliable, cleaner power. Shell Foundation's investment has enabled Orb to build capacity to extend credit to the SMEs, with the intention of establishing a sector-wide fund after proving Orb's successful model.

For More Information

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

About the U.S. Global Development Lab

The U.S. Global Development Lab serves as an innovation hub. The Lab takes smart risks to test new ideas and partner within the U.S. Agency for International Development (USAID) and with other actors to harness the power of innovative tools and approaches that accelerate development impact.

The Lab is focused on solutions around Science, Technology, Innovation, and Partnership—reflecting USAID's broad embrace of innovation to bring about positive change and solve some of the world's most pressing challenges. It works across USAID and within the broader international development community to test innovative tools and methods. When a new approach proves effective, the Lab works to increase its adoption throughout USAID and with our partners.