



PARTNERING TO ACCELERATE ENTREPRENEURSHIP

VILLAGE CAPITAL: DEMOCRATIZING INVESTMENTS

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

By 2013, Village Capital, a nonprofit organization that finds, trains, and invests in entrepreneurs, had already run dozens of successful acceleration cohorts using their innovative “peer selection” methodology, through which the participating entrepreneurs select which enterprises receive seed funding. However, this funding was provided through one-off investment commitments that had to be sourced and negotiated separately for every cohort.

To streamline this process, Village Capital wanted to develop a dedicated fund to provide seed-stage funding for every entrepreneur selected through their peer selection acceleration process. Chilton Capital Management and the Sorenson Impact Foundation committed to invest in the fund, but Village Capital still had a problem: it needed to make the fund financially sustainable.

The fund invests in small and growing businesses (SGBs) that require small amounts of capital—much smaller than typical industry-standard investments. The small investment sizes meant that the industry-standard fee structure, which is how investment funds cover their operating costs, wouldn’t generate enough money to manage the fund and raise the necessary level of capital.

THE PARTNERSHIP

Village Capital and USAID partnered through the Partnering to Accelerate Entrepreneurship (PACE) initiative to create VilCap Investments, an investment vehicle that can efficiently unlock private capital for seed-stage impact investments. USAID’s grant covers a portion of the management costs of the fund, thus allowing Village Capital to charge an industry-standard fee. By doing so, VilCap Investments raised and closed a fund with more than \$15 million in private capital commitments.

The fund is dedicated to making seed equity or debt investments in the peer-selected entrepreneurs from every Village Capital accelerator cohort. By basing the fund's investment decisions on this peer selection approach and leveraging USAID's support to de-risk private investments, Village Capital has quickly become the most active seed-stage social investor in sub-Saharan Africa.



USAID PARTNERS

- Village Capital
- Sorenson Impact Foundation
- Chilton Capital

THE RESULTS

As of January 2017, Village Capital has dispersed more than \$15 million in total commitments and closed 30 new investments. Businesses that have benefitted from Village Capital's innovative approach include:

- **Wanda Organic**, a Kenyan sustainable agriculture firm focused on providing eco-friendly soil and plant health solutions to farmers. As of September 2016, Wanda Organic has trained 839 smallholder farmers in their soil workshops, and their customers have seen an average increase of 50 percent in their agricultural yields. Since first receiving investment in 2014, Wanda Organic has also secured a USAID Feed the Future grant, along with additional debt equity from Village Capital, Growth Africa, shareholders and angel investors. These investments will be used to build production facilities in Kenya and to develop a rural distribution network in Eastern and Central Kenya.
- **Simpa Networks**, a social enterprise that sells pay-as-you go solar home systems to low income communities in India. Simpa Networks has been able to electrify more than 9,000 previously un-electrified households and reach more than 26,000 total customers. Simpa has created 425 jobs, installed 1,569 kW of solar energy, and avoided the creation of more than 3,000,000 pounds of carbon dioxide with their products. Since first receiving investment from Village Capital in 2012, Simpa has received \$28 million of follow-on investment from outside investors.

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.