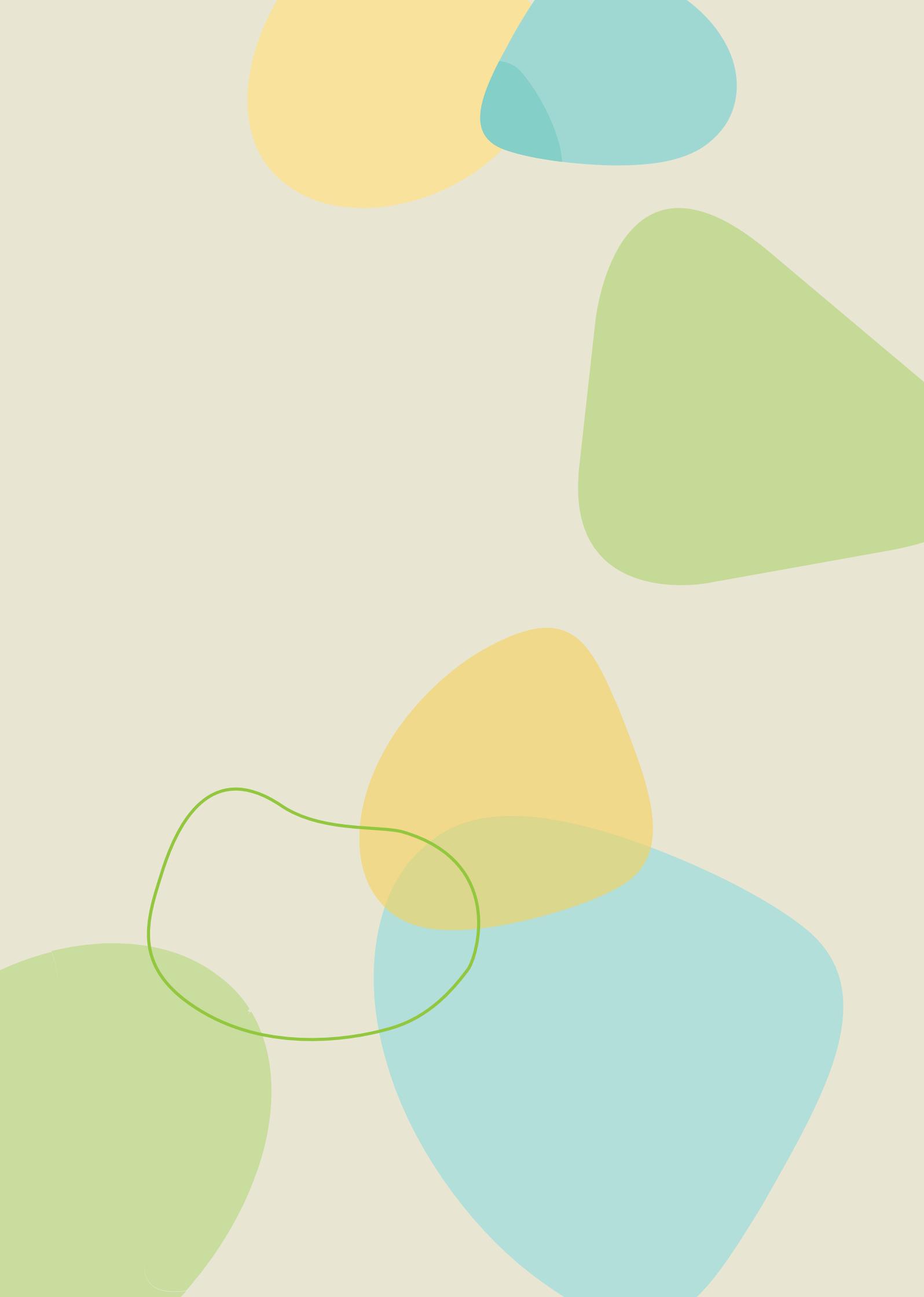


Matchmaking between businesses and investors



A practical guide for technical assistance providers on how to
integrate matchmaking best practices into programmatic activities



Good practice and lessons learned in development cooperation:

Matchmaking between businesses and investors

A practical guide for technical assistance providers on how to
integrate matchmaking best practices into programmatic activities

This report was produced by Ignis Advisory Sarl (Ignis) and Transformational Business Network (TBN) for Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ).

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SECTION >> 1

Executive Summary



SECTION >> 1

When it comes to supporting Small and Growing Businesses (SGBs) through private sector development, there are a multitude of approaches and levels of interventions that Technical Assistance (TA) providers can apply - ranging from advisory work, developing entrepreneurship strategies, to supporting capacity building services for businesses. Especially in the latter case, development agencies, like GIZ, have focused on improving the “investment-readiness” of businesses, implying that these organisations require external finance to build up, scale or improve their business.

However, businesses often lack information about the characteristics and availability of capital, resulting in a failure to secure external finance due to not meeting investor requirements or not meeting investors interested in financing their business. To address the issue directly, TA providers have gone one step further by adding a matchmaking component to private sector development programmes, aiming at better connecting businesses and investors.

While there is an increase in support for investors and businesses to find one another, little was known on how to efficiently and effectively conduct this activity. This guide directly addresses this knowledge gap and serves as a two-part handbook: First, as an introduction on the value effective ‘Matchmaking’ offers, suggesting a typology and ways in which TA providers can effectively engage in matchmaking. And secondly, as a practical guidebook, offering a theory of change and a practical step-by-step framework on how to structure matchmaking as part of programme activities. Overall, this guide encourages TA providers to broaden the application of matchmaking and to adopt a shift in perspective from conventional matchmaking activities.

Section 2 outlines the scale of the deal making challenge and highlights the need to attract large investments to produce inclusive economic transformation. While TA providers have integrated matchmaking activities into their programming, to attract investments, little is known about its impact on development. This section outlines the potential SGBs can play in supporting economic growth and surfaces the challenge of decreased investment in SGBs in emerging markets. This is the deal making gap that effective matchmaking seeks to address.

This section also outlines how matchmaking contributes to increased investment flows by:

- enhancing impact
- better aligning capital
- reducing perceived investment risks.

SECTION >> 1

Section 3 explains the concept of effective matchmaking: It highlights that matchmaking has three key characteristics:

- intentional activity - a deliberate and planned interaction
- structured facilitation - organised by a third party and can range from very minor to heavy involvement
- encouraging collaboration between investors and entrepreneurs - for the purpose of exchanging financing and/or knowledge (networks, advice, information) flows.

Section 4 identifies the core matchmaking formats and instruments TA providers can leverage to connect investors and entrepreneurs:

Core Matchmaking Format	Instrument
Networked convenings	<ul style="list-style-type: none"> • Structured learning programmes • Large scale events • Curated events with targeted speakers and/or refined participant lists • Learning journeys
Competitions and pitching events	<ul style="list-style-type: none"> • B2B rotations • Dragons' Den/business plan competitions • Pitch/demo days
Technology enhanced platforms	<ul style="list-style-type: none"> • Technology platforms • Mobile applications
Bespoke introductions	<ul style="list-style-type: none"> • Introductions facilitated by commercial brokers • Introductions facilitated by non-commercial brokers

Section 5 identifies the strengths, limitations and best practices of matchmaking instruments and outlines how TA providers can use these instruments to facilitate a deal. It provides real world examples of different matchmaking approaches and, when available, outlines resources required, results and lessons learned.

Section 6 introduces a matchmaking theory of change; suggesting that by promoting early and frequent matchmaking activities, across multiple stages of business growth, TA providers increase trust and knowledge flows between entrepreneurs and investors. Thereby, increasing the likelihood of a successful match and a financial deal being closed.

SECTION >> 1

Section 7 outlines a framework for engaging in matchmaking activities:

1. Assess the starting point
2. Expose prospective matches
3. Deepen financial literacy and local context knowledge
4. Offer market feedback
5. Secure prospective match
6. Monitor and evaluate match, facilitate transaction

Section 8 outlines key recommendations across matchmaking formats and suggests:

- expanding the definition of matchmaking "success", beyond the singular goal of securing financing, to include the facilitation of networks and knowledge flows;
- matchmaking is most effective when integrated into the services of TA providers, not as a stand-alone activity;
- the SGBs' and the investors' needs should be clearly evaluated at the start of the match-making activities to ensure the most effective tools are being offered at the right time and do not become a distraction from the SGB's core business activities;
- TA providers should not focus solely on the speed of a deal-close, but rather focus on getting a fair deal for everyone, with the right capital and right instrument at the right time;
- the TA provider may enhance the relational qualities of matchmaking activities with new mediums that facilitate efficiency, transparency and scale and explore the broader application of technology, beyond its use in the phase 'exposing prospective matches';
- whilst networks remain the most important element for vetting businesses and investors, the intentional use of certain technology platforms is useful in offering an additional layer of transparency and verification.

Section 8 also offers recommendations for TA providers to expand on the following principles.

- Building stronger local matchmaking ecosystems
- Market creation for matchmaking providers
- Encourage governments to ease transaction costs
- Creating stronger linkages between private sector development and financial support
- Stronger investment in enhancing data sharing across technology platforms

Effective matchmaking requires close coordination across a variety of stakeholders in the investment ecosystem. This guide serves as a starting point to harmonise action – providing clear direction to both SGBs and TA providers on what objectives to focus on and how best to focus programme interventions.

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Increasing Financing Flows



SECTION >> 2

2.1 WHY MATCHMAKING AND WHY NOW?

The Sustainable Development Goals (SDGs) require large investments to produce inclusive economic transformation. The United Nations Conference on Trade and Development (UNCTAD) estimates that SDGs will require between US\$5 trillion to US\$7 trillion, with an investment gap of approximately US\$2.5 trillion in developing countries¹.

Private capital offers significant potential for growth. A recent report² by the Business & Sustainable Development Commission estimates that achieving the SDGs could open up US\$12 trillion of market opportunities in food and agriculture, cities, energy and materials, and health and well-being alone, creating 380 million new jobs by 2030. It is therefore critical to match investors with these investable opportunities to leverage private capital inflows.

Little information is available about matchmaking's applicability or usefulness, despite TA providers having added matchmaking to many private sector development programmes.

SGBs play an outsized role³ in supporting economic growth. The idea of improving matchmaking effectiveness is especially relevant for SGBs in Sub-Saharan Africa, where SGBs play an outsized role in creating jobs, supporting innovation and helping economies grow sustainably and responsibly. Despite these potential advantages, access to finance, especially to formal sources such as banks, remains a major obstacle for SGBs, as they are perceived as a high-risk investment. As a result, the SGBs' potential to contribute to inclusive economic development remains untapped. Improved matchmaking and increased collaboration between capacity builders and investors can enable SGBs to access the much needed resources to grow and scale.

Deals for SGBs in emerging markets are decreasing. According to the Emerging Markets Private Equity Association (EMPEA), fundraising for emerging market private capital rose to US\$61 billion in 2017, reaching the highest level since 2008. Despite these gains, the proportion of emerging market deals under US\$2 million, funding levels especially critical for SGB development, decreased to 21% with just over 900 deals recorded in 2017. The total capital invested in deals under US\$2 million also decreased by 13% to US\$217 million, despite total emerging market capital invested reaching the unprecedented level of US\$46.8 billion, 43% higher than in 2016⁴. There is an urgent need to address the effectiveness of matchmaking particularly for SGBs.

1. <http://stats.unctad.org/Dgff2016/DGFF2016.pdf>

2. http://report.businesscommission.org/uploads/BetterBiz-BetterWorld_170215_012417.pdf

3. Alibhai, Salman; Bell, Simon; Conner, Gillette. 2017. *What's Happening in the Missing Middle?: Lessons from Financing SMEs*. World Bank, Washington, DC

4. ANDE *State of the Small and Growing Business Sector, 2018*

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2.2 HOW DOES MATCHMAKING CONTRIBUTE TO INCREASED FINANCE FLOWS?

Matchmaking offers the opportunity to increase financing in developing countries and to channel such financing toward investments with development impact. Effective matchmaking also serves as a platform to better surface and connect SGBs that play a critical role in creating jobs and thus also in inclusive economic development. In these ways, matchmaking supports progress towards the SDGs. This is particularly important in a context where public resources are increasingly under pressure and private flows to developing countries are increasing.

Matchmaking contributes to increased investment flows by:

- **enhancing impact:** the investors' skillsets, knowledge and resources can increase the scope, range and effectiveness of SGBs and their ability to serve their customers;
- **better aligning capital:** matchmaking increases the visibility of lesser known organisations and thereby the probability of receiving financial support. Matchmaking seeks to broker fair partnerships between investors and entrepreneurs and aligns the right financial instruments with growth expectations;
- **reducing perceived investment risks:** many investors in emerging markets are based in Europe and the United States. While large investors are increasingly developing a local presence to source and support portfolio firms, this is not feasible for smaller funds and angel investors. Matchmaking offers an opportunity for those who do not have on-the-ground experience to identify and assess opportunities.





SECTION >> 3

*Defining Effective
Matchmaking*



SECTION >> 3

Matchmaking is a multi-step approach, occurring over the course of the entire investment cycle, with the purpose of facilitating partnerships between capital providers and capital seeking businesses. It is the activity of encouraging investors and entrepreneurs to form a relationship to facilitate knowledge and financing flows. Matchmaking occurs in many different forms and there are multiple physical and virtual approaches for how investors and entrepreneurs find and establish relationships with one another.

3.1 DEFINING MATCHMAKING

Matchmaking can generally be defined by three characteristics.

- **Intentional activity** - a deliberate and planned interaction
- **Structured facilitation** - organised by a third party and can range from very minor to heavy involvement
- **Encouraging collaboration between investors and entrepreneurs** - for the purpose of exchanging financing and/or knowledge (networks, advice, information) flows

DEFINITION OF EFFECTIVE MATCHMAKING

For the purposes of this guide, GIZ defines effective matchmaking as “a multi-step approach, occurring over the course of the entire investment cycle, with the purpose of facilitating partnerships between capital providers and capital seeking organisations”. Matchmaking is the deliberate activity of encouraging investors and entrepreneurs to form a relationship and to facilitate knowledge and financing flows.

One approach to facilitating partnerships that is commonly confused with matchmaking is “matching”. Matching can occur by chance when people interact for a business reason or otherwise, and through the interaction recognise there is a likelihood of a “match”. This approach differs from the deliberate activity of matchmaking which is purpose-driven.

“Facilitated matching” is another approach that is often confused with matchmaking. It encourages people to talk to those they normally would not know, in an organised manner. This can occur, for example, by arranging the seats in a room to support conversation, with however no significant time and money being invested. Matchmaking attempts to achieve similar goals to “facilitated matching” by using a structured approach to encourage partnerships at scale and throughout the various stages of the investment lifecycle.

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3.2 DEFINING SMALL AND GROWING BUSINESSES

For the purposes of this guide, we define Small and Growing Businesses (SGBs) as defined by the Aspen Network of Development Entrepreneurs (ANDE):

“SGBs are commercially viable businesses with five to 250 employees that have significant potential and ambition for growth; typically seeking growth capital from US\$20,000 to US\$2 million. SGBs differ from the more traditional characterization of small and medium enterprises (SMEs) in two fundamental ways. Firstly, SGBs are different from livelihood-sustaining small businesses, which start small and are designed to stay that way. Secondly, unlike many medium-sized enterprises, SGBs often lack access to the financial and knowledge resources required for growth.”⁵

3.3 DEFINING INVESTORS

This handbook’s findings and recommendations focuses on Sub-Saharan Africa with an eye towards a wider application to Central Asia, MENA and the Balkans. This geographic focus is in alignment with GIZ’s current programme portfolio. The definition of “investor” varies widely and ranges from local commercial banks, local angel investors and impact investors, to venture capital firms. It is important to recognise that the investor landscape is vast, and each investor has different strengths, weaknesses and preferences for matchmaking.



5. <https://www.andeglobal.org/page/AboutANDESGBs>

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Matchmaking Formats and Instruments



SECTION >> 4

4.1 MATCHMAKING FORMATS

The primary objective of matchmaking is to encourage investors and entrepreneurs to form a relationship to facilitate knowledge and financing flows. This activity occurs in many forms. There are multiple physical and virtual approaches for how investors and entrepreneurs find and establish relationships. We have identified four categories of matchmaking activities – convenings, competitions and pitching sessions, technology enhanced platforms and bespoke introductions (see table 4.1.A).

Table 4.1.A: Core matchmaking formats

Core Matchmaking Formats	Description
Convenings	Curated events with specific participants; to engage in learning activities and highlight prospective investors and entrepreneurs.
Competitions and pitching sessions	Short, time-bound events to quickly and efficiently feature a variety of entrepreneurs and investors.
Technology enhanced platforms	Online platforms facilitating deal flow and investment.
Bespoke introductions	Targeted one-to-one introductions and brokering to meet the financial needs of SGBs.

4.2 MATCHMAKING INSTRUMENTS

Within the main matchmaking formats, this guide presents ten different instruments for connecting investors and SGBs. While implementing these matchmaking activities, TA providers should be sensitive to investor preferences, different geographic and economic contexts and be flexible in applying these instruments to facilitate partnerships.

It is important to note that TA providers vary in ability and resources to execute matchmaking programmes. TA providers do not need to fully integrate all matchmaking instruments, nor do they have to engage with the full spectrum of activities right from the outset. Part of the challenge of engaging in successful matchmaking is setting goals based on current capabilities and capacity to partner with other purpose-aligned organisations to create synergies for strengthening matchmaking.

A detailed description of matchmaking activities can be found in table 4.2.A.

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Main format	Instrument	Description	Illustrative Examples
Convenings	Large networking convenings	A formal event, of typically over 100 people, featuring workshops, large lectures and opportunities for people to network and learn about financing opportunities.	Sankalp (see "Spotlight" for further information)
	Curated events with targeted speakers and/or refined participant lists	Smaller events typically organised by a matchmaker with the expressed purpose of connecting interested, pre-selected parties.	Convenings organised by AHK (German Chamber of Commerce) in Nigeria (see "Spotlight" for further information)
	Learning journeys for investors	Facilitated learning journeys for investors to build relationships with entrepreneurs and enhance their local context understanding (US, Europe or Intra-regional).	BiD Network
	Structured learning programmes	Cohort learning events and activities facilitated through incubators and accelerators.	Transformational Business Network (TBN) (see "Spotlight" for further information), Growth Africa , MEST Africa
Competitions	Pitch/demo days	Usually the culmination of accelerator programmes in which enterprises, investors, mentors and the community convene to view progress on enterprises' products and services.	Transformational Business Network (TBN) , Growth Africa , MEST Africa
	B2B Rotations	SGBs briefly present their business and their financial needs to financial institutions, in a round-robin fashion.	SME Finance Forum (see "Spotlight" for further information)

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Main format	Instrument	Description	Illustrative Examples
Competitions	Dragons' den/Sharks' tank business plan competition	Entrepreneurs present their business and their financial needs to a panel of investors/dragons, who then choose whether to invest as business partners. Each presentation is followed by immediate feedback from the "dragons".	Loopers meet Bankers, SME Loop, Nigeria (see "Spotlight" for further information)
Technology enhanced Platforms	Mobile Apps	Enable virtual messaging before, during and after a conference to facilitate meeting.	Whova
	Technology platforms	Platforms profiling investors and deals with filtering and matching mechanisms to identify collaborative opportunities.	VC4Africa (see "Spotlight" for further information)
Bespoke Introductions	Non-commercial brokers	Governments, chambers of commerce, foundations, accelerators and individuals with no concrete financial incentive.	AHK (German Chamber of Commerce) in Nigeria (see "Spotlight" for further information), MEST (see "Spotlight" for further information)
	Commercial brokers	Professional service provider with expertise in targeted matchmaking, offering introductions as part of transaction advisory services, as well as investors seeking co-investments.	Open Capital Advisors (see "Spotlight" for further information)



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*Matchmaking Attributes
and Case Studies*



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This section explores the attributes of different matchmaking instruments along with their strengths, limitations and the best practices for their application. Where possible, this section also provides insight into the resources required for their implementation and the subsequent results and lessons learned based on actual case studies and examples. In Section 7, the guide maps matchmaking instruments across a TA matchmaking framework and outlines how TA providers can integrate these activities into their programme.

5.1 LARGE NETWORKING EVENTS

Large/medium scale conferences: a formal event, of typically over 100 people, featuring workshops, large lectures and opportunities for people to network and learn about SGB financing opportunities.

Strengths:

- Efficient method for entrepreneurs to quickly assess and gain exposure to the investment landscape, e.g. spectrum of investors, thematic interests, types of financing available.

Limitations:

- Unless investors and entrepreneurs are introduced prior to the event through a warm introduction, it is unlikely that a more substantial interaction can occur.

Best practices:

- It is important to carefully evaluate the conference's quality level and the hosting institution's credibility to ensure it is a good use of resources. The event organisers should be a trusted organisation with strong branding and local connections.
- For event organisers it is important to set the expectations transparently and ensure they are aware of any potential biases to curation of the crowd. Specific technology tools can facilitate engagement prior to an event to create a sense of community and continued interaction after the event.

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5.2 LEARNING JOURNEYS FOR INVESTORS

Learning trek or learning journeys: facilitated learning journeys for foreign investors to gain a better understanding of the local context, local financing needs and build relationships with entrepreneurs.

Strengths:

- Learning journeys are often perceived as an engaging way to build investor confidence in the local environment and to spotlight the most promising entrepreneurial ventures.
- However, learning journeys also offer a unique opportunity to help investors gain insights into the local realities, opportunities and challenges.
- TA providers and learning trek organisers can leverage this opportunity to signal real financing needs e.g. financial provision across SGB lifecycles and early stage capital.

Limitations:

- As a standalone event, learning journeys can be costly to host and attend.
- While this is an important mechanism for enhancing investors' understanding of local ecosystems, it often results in low conversion rates for securing immediate investments.

Best practices:

- TA providers should ensure these learning journeys provide significant value to investors through careful curation of meetings and visits. These learning journeys are often one of the first local points of contact for investors, it is extremely easy to "pollute" the ecosystem if not executed well.
- While exposure to local business owners is important, it is also critical to create opportunities for investors to exchange information amongst themselves. This is an important step in helping to consolidate information and shift perceptions and expectations.

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SPOTLIGHT: SANKALP LEARNING JOURNEY AND AFRICA SUMMIT

Sankalp Forum, an Intellectap initiative, aims to influence the global inclusive development discourse by working with entrepreneurs, impact investors and donors to develop inclusive markets. With entrepreneurs and social impact at its core, Sankalp engages governments, corporations, media and civil society to drive a paradigm shift in inclusive development approaches.

Sankalp Forum has hosted 18 editions of the summit globally and grown to become a collaborative network of over 11,000 stakeholders globally through year-round initiatives across India, East Africa, South East Asia and Europe. The annual Sankalp Awards brings forward high-potential, innovative and cutting-edge entrepreneurs working in high impact industries to celebrate their achievements as well as connect them to global investors and local business leaders.

Prior to the Sankalp Forum, Intellectap organises a 4-day learning journey, offering insights to the local entrepreneurship ecosystem through meetings, site-visits, discussions and reflection sessions and exclusive networking activities. The learning journey's objective is for participants to gain an understanding of the social enterprise ecosystem through visiting promising social entrepreneurs, meeting local investors, discussing key challenges for the start-up ecosystem with accelerators on the front lines and reflecting on learnings with like-minded individuals

RESOURCES REQUIRED:

Personnel:

- Five full-time staff, working year-round, to design the agenda and curriculum, and manage the stakeholder engagement.
- 20-40 on-site volunteers to support pre-summit and summit activities.
- 20-30 partners who contribute insights, content, speakers and financial sponsorship (engage 3-4 months before the event).
- Event management team (engage 3-4 months before the event).
- Strong partner engagement to ensure diverse stakeholder representation.

Results:

- Built a global community of 11,000 stakeholders from 70 countries who have a common agenda for building the entrepreneurial ecosystem.
- Indirectly facilitated US\$200 million worth of early stage investments for Sankalp award winners.
- Established corridors of South-South exchange for knowledge sharing and replication.
- Provided a platform for international stakeholders to engage with local partners and entrepreneurs, establishing global-local connections.

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LESSONS LEARNED:

- Sankalp Forum has found that a diverse stakeholder mix is critical. While Sankalp keeps entrepreneurs central to the event, they go to great lengths to engage all types of organisations and institutions interested in developing the entrepreneurial and sustainable development ecosystem. Partners are critical to Sankalp's success and help by attracting the right mix of attendees, curating the agenda, driving conversations and contributing insights.
- It is Sankalp's finding that global investors and international stakeholders gain significant value from understanding the realities of what it means for entrepreneurs to do business in emerging economies; knowledge and insights are gained through summit discussions and learning journeys, enabling them to better design programming and investment strategies.
- Sankalp sees great benefit in facilitating a multi-sectoral platform, where solutions and lessons learned can be replicated and applied from one sector to another.
- Sankalp believes that event participants value networking just as much – and sometimes more – than knowledge sharing sessions. Sankalp aims to provide structured networking opportunities to facilitate these connections.

5.3 CURATED EVENTS WITH TARGETED SPEAKERS AND/OR REFINED PARTICIPANT LISTS

Small curated networking event: smaller events typically organised by a matchmaker with the expressed purpose of bringing interested, pre-selected parties together to understand the landscape of potential investors and investees.

Strengths:

- This intimate setting aligns with the relational and cultural priorities of Sub-Saharan Africa, enabling investors and entrepreneurs to exchange information in a relaxed and intimate environment.

Limitations:

- It requires significant time on the part of the matchmaker to build trust and network in the local ecosystem.

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Best practices:

- It is important to organise an event that is related to the priorities of both the entrepreneurs and investors, but where matchmaking and pitching is not at the centre of the activities.
- The event organisers should always ensure investors walk away having learned something new, for example having gained a new perspective on a topical issue.
- The venue selection is very important, hosting the event in new and interesting environments is recommended, for example in art galleries, where investors are gently pushed out of their comfort zone. Food and beverages help create a relaxed ambiance.

SPOTLIGHT: AHK AND MAKE-IT

Make-IT, a programme funded by the German Federal Ministry of Economic Cooperation and development and implemented by GIZ, assisting African tech start-up with capacity building and investment readiness, works in collaboration with AHK-Nigeria, representing the network of German Chambers of Commerce Abroad, to help connect entrepreneurs with interested investors.

AHK-Nigeria organises small thematic networking events, tangentially related to investors' interests, to connect entrepreneurs and investors. Counterintuitively, matchmaking is not the main focus of these events. Rather, the focus of these events is on hosting a "relaxed learning environment", where investors can discover something new. AHK typically organises a small area as a side-event where entrepreneurs can showcase their work and which investors can explore at their leisure.

AHK typically invites five to six entrepreneurs who align with the investors' portfolio interests and are sourced from Make-IT's accelerator programme. Entrepreneurs are asked to arrive at the event early for the set-up and briefing. During this time, AHK representatives will walk entrepreneurs through the participant list, describe the investors' interests, coach for possible areas of engagement, while helping to set and manage expectations. Generally, AHK does not brief investors and corporations in advance. During the event, the participants are encouraged to interact organically and AHK representatives may facilitate introductions.

"At first, I was sceptical about the power of convenings to connect people, but the secret is curating the audience. It's similar to curating the perfect dinner crowd and creating interesting environments where people can encounter others they normally wouldn't meet in their day to day activities."

Lotte Elsa Goos, Head of Department, New Economy & Start-ups, Delegation of German Industry and Commerce in Nigeria

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RESOURCES REQUIRED:

- The AHK team invests significant time cultivating investor relationships in formal and informal settings, to better understand the interests and needs.
- At the same time, the team gathers basic information from Make-IT entrepreneurs through a Google template (sector, high-level value proposition, basic business model).
- A relaxed venue for hosting the event, with food and beverages being served.

RESULTS:

As part of the Make-IT Accelerator, AHK Nigeria has connected various stakeholders within the Nigerian tech ecosystem.

- Start-ups in the AHK database have benefited from five events exposing them to over 400 stakeholders, including investors and CEOs of major AHK partner enterprises.
- Nine start-ups were accompanied to exposure trips and CeBIT in Germany.
- The Nigerian firm Solar Sister won the 2017 pitch competition “Start up! Germany”.

Other connections facilitated through AHK’s events include:

- Nigerian start-ups with German firms
- Nigerian start-ups with other Nigerian start-ups
- digital creatives and international corporations
- digital creatives and Nigerian start-ups
 - 11 start-ups had the opportunity to receive free consulting on branding and design by Nigerian creatives
- Nigerian start-ups and Nigerian investors
 - Venture capitalists offered a US\$150,000 investment to a Nigerian start-up
- Nigerian start-ups and international investors
 - AHK consulted over 50 start-ups on investment opportunities
 - a Nigerian start-up has recently been offered a US\$300,000 investment by investors
 - a Japanese firm is engaged in ongoing investment conversations with 5 enterprises facilitated through AHK
- Nigerian start-ups with international advisors
 - a start-up connected to a Silicon Valley HealthTech advisor
 - a power company was connected to a Swiss energy finance expert

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- Nigerian investors with international investors
 - AHK events brought together Nigerian, German, Japanese, Swiss, and American investors, and sparked strong interest in collaboration among them
- Nigerian start-ups with international corporations

LESSONS LEARNED:

- AHK recommends a blended approach of both collecting information and conducting interviews with entrepreneurs to familiarise themselves with the businesses.
- AHKs experience shows that it is preferable to keep information collection precise and simple, for example, roughly clustering information into fundraising stages instead of generating more detailed financial information. Since AHK is in close communication with the entrepreneurs, they can easily facilitate an information exchange when an investor asks for more detailed information.
- In AHK's experience, matchmaking should focus on giving the investors the opportunity to meet and learn from the entrepreneurs themselves.
- While effective, some matchmaking activities such as pitches and B2B rotations can be stressful for entrepreneurs and investors alike. AHK intentionally creates relaxed learning environments so that people can meet and connect meaningfully.

5.4 B2B ROTATIONS

SGBs have the opportunity to briefly present their business and their financial needs to financial institutions, in a round-robin fashion.

Strengths:

- A productive method for entrepreneurs to test different approaches to describing their value proposition, business and financial needs.
- If part of a structured learning programme, this activity helps investors understand and appreciate the intended skillsets entrepreneurs will acquire as a result of the programme.
- If part of a large conference event, it is an excellent opportunity to gain quick market feedback and possibly secure a deal.

Limitations:

- Depending on the cultural context, this tool may be viewed as a rushed and superficial activity.

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5.5 MOBILE APPLICATIONS

Mobile technology applications are largely used in conjunction with a large-scale networking event. Depending on the application's functionality, this tool can enable conference attendees to search for and review investors'/SGBs' biographies, organization description, send in-app messages to connect to specific individuals privately, exchange contact information and organise time to connect before, during and even after the conference.

Strengths:

- An efficient tool for searching, reviewing and connecting with potential matches.

Limitations:

- Can be costly, if TA provider creates a new and bespoke mobile application.
- Must be used wisely, timing of connection and topic of conversations should be carefully considered before one-to-one interaction takes place.

SPOTLIGHT: SME FINANCE FORUM

The SME Finance Forum was established by the G20 Global Partnership for Financial Inclusion (GPFI) in 2012 as a knowledge centre for data, research, and best practice in promoting SME finance. In 2015, the Forum evolved into a global membership network convening financial institutions, fintech firms, development banks and industry partners to share knowledge, spur innovation and promote the growth of SMEs. Over the past 3 years, the Forum has built a network of 150+ member institutions that serve more than 10 million SMEs and provide them with more than US\$583 billion in financing. With a global presence, the members are headquartered in 66 countries (Figure 1), and are made up of 64% financial institutions, 21% fintech firms and 15% industry associations. The Forum represents the largest global marketplace for financial institutions working to accelerate SME Finance.

The Forum's member services fall under three categories – Learn, Link and Lead. The Forum convenes annual physical conferences to allow participants to learn about industry trends, meet industry leaders and make partnerships and business deals. The Forum's most recent annual conference, the Global SME Finance Forum 2018, gathered 600 attendees from 280 institutions representing 80 countries across the globe.

One of the features of the SME Finance Forum's annual conferences is its "marketplace" – a structured matchmaking session that allows investors, financial institutions and fintech firms to meet and discuss partnerships. Prior to the event, investors and/or fintech firms are invited to

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register as vendors by entering the details of their product and service offerings in a designated event app. Subsequently, the conference participants, particularly those interested in the products/services offered by the vendors, submit meeting requests directly to the relevant vendor(s) through the app.

The 2-hour matchmaking event is a series of 15-minute bilateral meetings between the vendors and the interested buyers. At any given time, an average of 25 bilateral meetings take place, resulting in around 200 business meetings during the 2-hour duration.

The matchmaking event is intentionally conducted on the first day of the conference to serve two key purposes. Firstly, as an ice breaker and secondly to allow the conference participants to have follow up and more in-depth discussions throughout the conference.

RESOURCES REQUIRED:

- Technology infrastructure, funds for event app development.
- Core team to manage conference and matchmaking activities. Typically requires 3-4 months' preparation to promote, select and sign up the vendors and to coordinate the matchmaking event.
- During the marketplace session, 4-5 people are required on-site to facilitate a smooth schedule (for example, managing late arrivals and delayed meetings and ensuring scheduling is adhered to).

RESULTS:

- The Forum already demonstrates positive results and impacts at a financier level and for the SMEs they serve. Three global marketplace events (in Beijing, China; Berlin, Germany and Madrid, Spain) and one regional event (Nairobi, Kenya) have been conducted so far, generating over 400 meetings. According to information gathered from post-event surveys, each mass matchmaking event has yielded 10-15 meaningful "matches" with vendors.
- The Forum has also noticed an increase in the quantity of repeat participants to the marketplace, suggesting that participants find the interaction useful.
- The first annual survey of the Forum's members is being conducted and will be continued regularly to collect quantitative results from members going forward. Among the early responses received, ten members reported that they either made or received investments through participation in the SME Finance Forum activities, while 23 members made business partnerships. While follow up is required to obtain more specific results, one of the members confirmed to have received close to US\$1 million in investment to grow its business and expand into new geographical markets. Another member reported to have received new investment enquiries from at least three parties and that they are currently underwriting one active application for finance. This, in and of itself, justifies the time and expense.

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5.6 DRAGONS' DEN AND BUSINESS PLAN COMPETITION

The Dragons' Den or business plan competition involves entrepreneurs pitching their business idea to a panel of coaches, in some cases potential investors. Entrepreneurs can test their idea, receive feedback and improve their overall plan before moving their business forward.

Strengths:

- Enhances the entrepreneur's confidence level and business plan with real market feedback.
- Strengthens the entrepreneur's understanding of the investors' perspectives.

Limitations:

- If used as a standalone tool, the focus is more on entertainment and brand building. This format tends to reward the best speaker versus those with the best business idea. It is therefore suggested leveraging the format only in the context of an extended training programme to enhance learning.
- In certain geographical areas, there may be an oversaturation of entrepreneurial activities and investor fatigue for attending such events. The type and level of investor should be considered before invitations are issued.

Best practice:

- If entrepreneurs are associated with an accelerator or learning programme, it is important to inform investors of the qualifications (financial literacy, financial readiness) entrepreneurs will receive as an outcome of the programme; this helps seed investor interest and buy-in to attend future events and work alongside entrepreneurs.
- It is important to build relationships with local financial institutions and investors and to invite them to competitions and events. By doing so, this builds relationships and capacity across the local entrepreneurial ecosystem.
- As this is a learning activity, commit a significant amount of time for feedback and interaction. Showcase why businesses succeeded or failed – this helps create a peer to peer demonstration effect, "if they can do it, I can do it".
- After the pitch event, consider adding mini-group discussions between investor and entrepreneurs to exchange substantive information and build relationships.

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SPOTLIGHT: GIZ LOOPERS MEET BANKERS

In Nigeria, GIZ is implementing a German Development Programme that supports SMEs from three different regions with a new training and coaching approach – the SME Business Training and Coaching Loop. This approach focusses on supporting SMEs in gaining business knowledge and management skills, information on scaling businesses as well as access to finance.

To improve access to finance, GIZ organised a two-day Business to Business (B2B) event named “Loopers meet Bankers”, where the SMEs met local financial institutions and engaged them with business financing opportunities.

The objective of the event was to facilitate access to financial services (payments, savings and loans) for selected SME loop participants by linking them with local branches of commercial banks, microfinance banks and government banks.

For the event, each SME developed a short profile of its business activities and loan needs. The SMEs’ profiles were distributed to the financial institution representatives in advance, as an opportunity to pre-evaluate potential clients before the B2B event took place. In the same way, financial institutions shared the terms and conditions of relevant SME loan products and GIZ populated the information into Bank Product Profile templates. These templates were then shared with SME Loop participants, so they could prepare for the event and assess which financial institution best suited their needs.

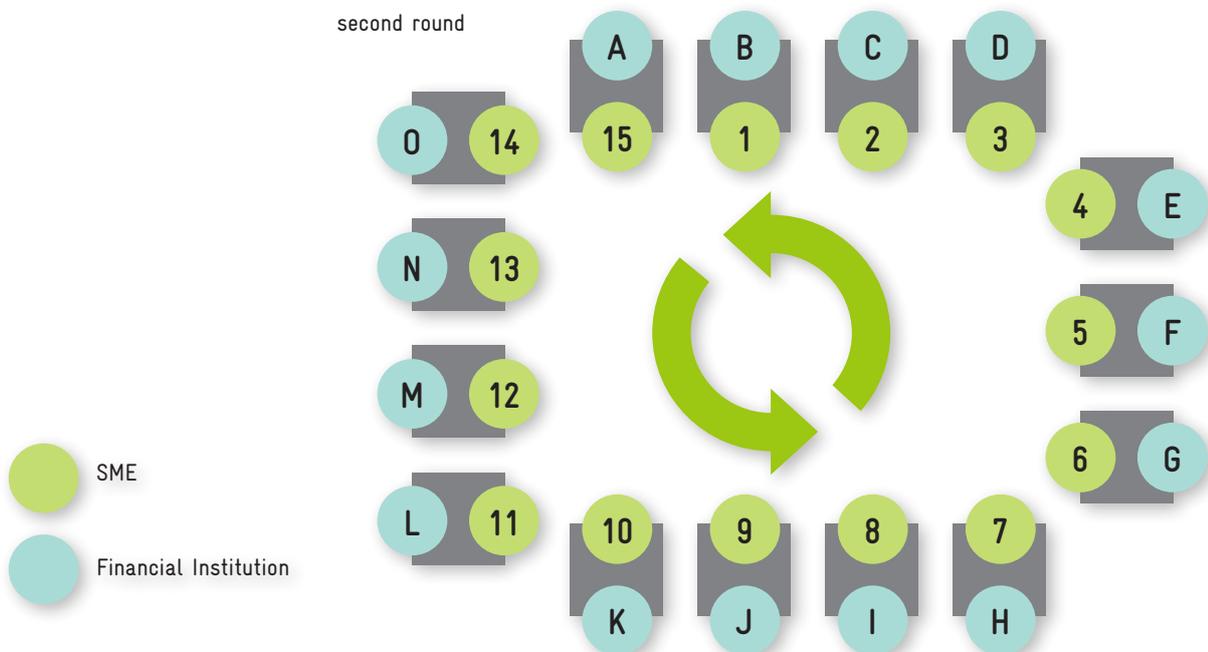
GIZ developed two approaches for B2B matchmaking: a Dragons’ Den format and a B2B Rotation format.

- **The Dragons’ Den Format:** as part of this format, SMEs present their business and their financial needs in a pitch (a maximum of five minutes) to the panel of investors (the dragons). Each presentation is followed by immediate feedback from the dragons. After all the pitches have been completed, the SMEs have the opportunity to interact with the dragons in mini-groups at the dragons’ tables to discuss further specifics. The format included:
 - 14 SME Loop participants from one state, in one day;
 - 5-6 financial institutions (microfinance banks, commercial banks and government banks);
 - one facilitator/moderator.

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- **The B2B Rotation Format:** in this format, SMEs had the opportunity to briefly present their business and their financial needs, successively, in one-to-one discussions, with 8 different financial institutions. Each financial institution was seated at a different table, while the SMEs moved from one table to the other after each 20-minute session. The B2B rotation ended after eight rounds. Seating arrangements were organised in such a way that each SME had the opportunity to talk to different categories of financial institutions (microfinance banks, commercial banks and government banks). The B2B rotation did not offer an open feedback session. This format included:
 - 15 SME Loop participants from one state;
 - 15 financial institutions (microfinance banks, commercial banks and government banks);
 - one facilitator/ moderator.

Figure 5.6.A: B2B Rotations



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RESOURCES REQUIRED:

- A venue and food and beverages. The event featured local bank representatives which saved on travel and accommodation costs. The event did not require significant funding or logistics.
- A consultant was contracted to profile 15 banks to participate in the event.

RESULTS:

- The bankers and programme participants found that the B2B rotation helped to bridge the gap between the entrepreneurs and the financial institutions.

LESSONS LEARNED:

- The bankers and programme participants found the B2B rotations too rushed, especially when compared to the Lions' den pitches. It should be noted that the Lions' Den featured a feedback session, whereas the B2B rotation did not.
- While the "Loopers meet Bankers" B2B session received mixed reviews, it stands in contrast to the positive experiences of the "SME Finance Forum" spotlight featured in Section 5.5. This contrast may be a result of cultural or geographic preferences and should be explored in future research.

5.7 TECHNOLOGY PLATFORMS

Technology platforms have the potential to connect entrepreneurs with the knowledge, networks and funding to grow and scale their businesses. Likewise, investors benefit from researching and filtering new opportunities and connecting with founders directly for collaborative opportunities.

In October 2018, Impact Finance released a report "Impact Platforms Report"⁶ on the limitations of technology platforms. Audrey Selian, the lead writer of the report, was interviewed for this guidebook. Given the report's timeliness and relevance, report findings have been leveraged for this section of the guide.

"Universal impact finance platforms underestimate trust as the essential currency for achieving efficient scale in an online-only platform."

Impact Platforms Report, 2018

6. https://impactfinance.network/wp-content/uploads/2018/10/Impact-Platforms-Report_Final.pdf

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Strengths:

- The ability to connect at scale, but only if building upon offline relationships.
- Technology enables entrepreneurs to build a history and document their profile and growth over time.

Limitations:

- The “Impact Platforms Report” confirms that there is widespread duplication of effort, fragile business models and a similarity of value propositions. In particular:
 - platform data is not shareable. Taxonomies for deals, impact metrics and meta-groupings such as the SDGs are inconsistent at best, and incoherent at worst;
 - platforms are not sufficiently interoperable. Only 32% of platforms responded ‘yes’ to having an Application Programming Interface (API);
 - platforms are not replicable. 47% have custom built technology and only 32% have a licensing model;
 - platforms are not generally viable. 53% cannot cover their operating expenses and 61.5% are funded by grants.

“There are systematic challenges that make it difficult to operate technology platforms. We are dealing with a nascent ecosystem which means that there is a lack of density. To address this issue, we need to build up volume and quality of opportunities, but in parallel build a more sophisticated and robust pool of investors that are specialized. This ecosystem is changing quickly and we need to continuously modify and adapt our approach”

Ben White, Founder, VC4Africa

- Without exception, the platforms surveyed are constrained by outmoded ideas of data ownership and are at imminent risk of disintermediation. Further, underperforming and failed platforms evidence a number of consistent patterns, including:
 - transaction-fee models cannot achieve sufficient volume, despite having solved the complexities of regulation and compliance;
 - contextually focused membership models cannot achieve sufficient volume to meet the high costs of curation;
 - universal impact finance platforms underestimate trust as the essential currency for achieving efficient scale in an online-only platform.

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SPOTLIGHT: VENTURE CAPITAL FOR AFRICA (VC4A)

VC4A links transformational entrepreneurs to growth opportunities. Each connection, measured as a transaction, represents an entrepreneur connecting to the knowledge, network and capital they need to succeed. VC4A supports the making of these connections through the core activity of building, improving and maintaining the VC4A.com website, a critical piece of infrastructure for supporting entrepreneurs building high growth, high impact African ventures.

- The VC4A.com platform connects 85,000 members in 159 countries and lists more than 12,500 active ventures in 46 African countries.
- The VC4A Partner Programme offers ready tools to set up and manage lean, rigorous and transparent application screening and selection processes.
- The Start-Up Academy – a virtual learning centre with on-demand modules, self-learning tools and content tailored for high-growth start-ups operating in the African market – offers opportunities for personalised curriculum and blended learning. All materials are available in English, French, Arabic and Somali.
- Mentorship Marketplace connects entrepreneurs to a global network of 300+ mentors.
- VC4A Research collects data from its fast-growing community of start-up entrepreneurs and early-stage investors to help explain trends and set the way forward. Aggregated data is also used to produce analysis and reports which are published to the VC4A website and are used for the Venture Performance Index and are made available again via Developer API for use by third parties.
- The organiser of the annual Africa Early Stage Investor Summit and Annual Venture Showcase – connecting over 2,000 early stage Africa focused investors.

RESOURCES REQUIRED:

- Working capital
- Technical and programme expertise
- Marketing budget
- VC4A prefers to work in consortiums and champions partnership models with stakeholders having built an extensive network of partners (1,200+) in the ecosystem.
- A small but capable team with an average of ten years' experience working with entrepreneurs, mentors and early-stage investors from across the African continent.

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RESULTS:

- Through the online platform VC4A.com, the organisation has served more than 9 million-page views as of August 2018 and connects 85,000 members from 159 countries.
- VC4A.com lists 12,500 active start-ups across 46 African markets, links over 2,000 Africa-focused early stage investors to part of its network of investors and offers direct business development support with more than 300 business experts offering their expertise free of charge on the VC4A Mentor Marketplace.
- Over 1,200 ecosystem building organisations leverage the VC4A.com platform to recruit entrepreneurs for their initiatives and it has facilitated more than 20,000 applications.
- At the same time, through its consulting business, VC4A is asked to support larger strategic development programmes and has implemented initiatives on behalf of organisations like the World Bank, the Danish government, GIZ and others.
- VC4A currently runs programmes in South Africa, Kenya, Nigeria, Somalia and Egypt. The organisation is in the process of completing mapping studies in Morocco, Senegal, Ghana, Nigeria, South Africa and Kenya. In the coming period, VC4A expects to run activities in the Ivory Coast, Mali, Niger, Mauritania, Senegal, Zambia, Zimbabwe, Botswana, Tanzania and Mozambique. There are also several Pan-African initiatives like the Venture Showcase, the Academy and mentorship programmes.
- **Award Winning Program**
VC4A designed and implemented XL Africa, a post-acceleration program that has been awarded with the World Bank 'President's Award for Excellence' in June 2018. This award recognizes and rewards teams for supporting the Maximizing Finance for Development approach, exceeding the expectations of the job, demonstrating WBG collaboration, and exhibiting exceptional leadership.

LESSONS LEARNED:

- VC4A's network growth has been organic, starting as a volunteer-led effort in 2007 and registering as a legal entity in 2011. Their approach has been responsive to the needs and demands of the VC4A members where the organisation is constantly changing and adapting.
- VC4A places the entrepreneur as the single most important actor in its work and all activities are framed from the perspective of linking entrepreneurs to quality growth opportunities.
- VC4A believes entrepreneurs need to be visible if they are to be accessible, they enable track records to be developed over time so that reputations can be earned within the network.
- VC4A does not believe in a silver bullet approach and is focused on linking the multiple layers of the start-up ecosystem infrastructure that are needed for entrepreneurs to thrive.

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5.8 STRUCTURED LEARNING PROGRAMMES

Incubators and accelerators offer entrepreneurs valuable opportunities to learn new skills and scale businesses quickly, while also positioning entrepreneurs to attract and meet quality investors. These programmes will likely have connections to an extended syndicate of investors and can facilitate warm introductions through programme activities or bespoke introductions.

Strengths:

- Structured training programmes provide valuable financial literacy training to increase the SGBs' comfort level when interacting with investors.
- The learning context creates a "safe space" to interact with investors, with minimal risk involved.

Limitations:

- In an effort to support entrepreneurs, accelerators and incubators can overextend their role and potentially become "too involved" in the business.



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Best practices:

- In many cases, entrepreneurs are accustomed to receiving loans from friends and family to cover the first round of financing needs. Reaching beyond the familiar circles requires a new set of skills and knowledge to succeed. During the training, questions can be answered from “How does cash flow management apply to the business?” to “What is an appropriate valuation of my business?”. It is therefore important to educate entrepreneurs on the different financial instruments – what debt, equity and other financial providers are looking for and on the financial institutions offering these specific types of financing and their requirements.
- TA providers often encounter contextual and cultural challenges with certain types of financial instruments. For example, in Sub-Saharan Africa, SGBs are familiar with debt, the micro-credit interest rates from banks are often high and regulations create additional costs. The equity investment field is still nascent and SGB owners often do not understand how equity investors behave and fear losing control of their business.

SPOTLIGHT: TRANSFORMATIONAL BUSINESS NETWORK – SCALE FOR SUCCESS

A group of impact angel investors established Transformational Business Network (TBN) in 2003 to create jobs and alleviate poverty in emerging markets. These investors soon realised that enterprises didn't struggle from lack of capital alone, but also required access to markets, talent and affordable expertise. TBN refined its model to serve as a bridge between investors and entrepreneurs and a platform which can bring a wide variety of stakeholders (governments, corporates, investors and entrepreneurs) to develop a functional entrepreneurial ecosystem.

In East Africa, it provides entrepreneurs with pre-investment support via Scale for Success, a 6-month accelerator, which focusses on strengthening the business model and increasing revenues of the business. The methodology is based on real-life problem solving and peer engagement which differs from other more 'academic' programmes. Entrepreneurs are supported by a business coach who helps them clarify and prioritise their actions. Investors are engaged early on in identifying the high potential enterprises and providing mentoring. At the end of the accelerator, a small number of enterprises are then selected to receive financial advisory support to prepare them to become investment-ready. TBN shares these opportunities with its investor network, which includes angels, foundations and funds, and then acts as a broker to facilitate a deal.

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RESOURCES REQUIRED:

- Experienced facilitators and coaches – 1 person can support up to 10 enterprises and monthly support is provided over 6-month period.
- A strong network of both investors and entrepreneurs
- On-the-ground business and financial analyst capacity to build capacity of enterprises and support deal flow.

RESULTS:

- In 2017, TBN supported 34 businesses through Scale for Success and was to help 4 businesses secure over US\$1m investment (see [Impact Report 2017](#) for details). For example, TBN recently syndicated a deal between an angel investor, a foundation and a corporate fund to invest US\$600,000 in a Kenyan healthcare business which had been supported through its accelerator.

LESSON LEARNED:

- TBN believes that pro-active coordination and engagement between stakeholders is necessary for successful business growth and investor matchmaking. Therefore, TBN provides pre- and post-investment support to de-risk investments.
- TBN has found that most investors want to follow others in a deal. Therefore, TBN recommends developing a pool of lead investors who can be more deeply involved in the transaction to give confidence to the other investors.
- TBN believes regular communication with investors is critical to help them understand the opportunities and challenges of particular markets and showcase quality deal flow. TBN has found that providing opportunities for field visits can help build investor confidence.



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5.9 BESPOKE INTRODUCTIONS

Bespoke introductions can be used as a standalone or in combination with small curated networking events to help provide more organic interaction. For both matchmaking formats, it is advised that a “matchmaker” or mentor be present to help facilitate the interaction and ensure there is practical alignment on interests and needs.

Bespoke introductions are typically facilitated through commercial and non-commercial brokers, examples include:

- accelerators affiliated with a syndicate of investors
- commercial brokers
- fellow investors
- altruistic individuals who have no clear or immediate financial benefit

Strengths:

- A customised approach to securing investments.

Limitations:

- It can be costly and require significant time investment from both the broker and entrepreneur. For any entrepreneur the due diligence, documentation preparation, legal and advisory costs are high. Costs will likely be higher for entrepreneurs who are not familiar with the process. In many cases, external experts are hired to fill compliance and regulatory gaps, further adding to the increase in transaction related expenses.
- Entrepreneurs can easily spend a significant amount of money working with the wrong consultants. SMEs must be extremely targeted, spending time searching for the right partner with strong credentials.

Best practices:

- To ensure a successful first interaction, advanced materials such as a pitch deck and financials can be provided in advance to build familiarity, in order that the introductory meeting can focus on the personal narrative and motivation.
- Introductions should only be conducted with investors who have reasonable growth expectations and understand that, especially in an emerging market context, plans to scale may change.

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5.10. A BESPOKE INTRODUCTIONS FACILITATED THROUGH COMMERCIAL BROKERS

SPOTLIGHT: OPEN CAPITAL ADVISORS (OCA)

OCA is a management consulting and financial advisory firm that helps drive growth and enable investment across Africa. When determining whether to assist SGBs and investors in their financing and investing needs, they assess the following criteria.

Insight into SGB selection process:

1. Growth profile – reasonable expectation of growth for their business; not every business falls into the traditional hockey-stick profile.
2. Entrepreneur profile – the entrepreneurs' willingness to respond to feedback and to put in the necessary work to be responsive.
3. Ability to do business in the context of their operating environment, especially their plan to access high quality talent.

Insight into investor selection process:

1. Alignment on growth profile – it's a very different set of expectations for equity vs non-equity potential investments.
2. How close to the close – the ability to actually complete transactions; many investors are still in the process of raising their own funds and may lack sophistication in the process.
3. Strong theory of change – when investors have a clear theory of change OCA can better identify and curate investable opportunities.

LESSONS LEARNED:

- OCA does not believe there is a science to matchmaking, their approach is tailored to the individual enterprises and the individual investors in question. Therefore, it is important to both remind enterprises to be realistic about what can be achieved and remind investors to be specific about their interests.
- As part of OCA's approach, it does not offer matchmaking as a standalone service.

"Matchmaking must be put in a broader context. It's not always the connection that is going to unlock finance. When it comes to matchmaking it is easy for entrepreneurs to find investors, there are superstars who have been through every accelerator and are still struggling to raise finance. What is holding them back is that they're not set up for the right type of growth."

Annie Roberts, Partner, Open Capital Advisors

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5.11 BESPOKE INTRODUCTIONS FACILITATED THROUGH NON-COMMERCIAL BROKERS

SPOTLIGHT: MELTWATER ENTREPRENEURIAL SCHOOL OF TECHNOLOGY (MEST) AND MEST INCUBATOR

Driven to overcome Africa's limited access to seed-capital and mentorship opportunities, MEST provides entrepreneurial training, hands-on project work and guest lectures to software start-up entrepreneurs. After the completion of the training programme, MEST invites selected graduates to the MEST Incubator and offers seed-funding and an additional layer of mentoring and hands-on support.

Over the one year or more training and incubation period, MEST staff members develop strong relationships with the entrepreneurs. This helps build great trust and also serves as an informal due diligence process to assess the entrepreneurs' readiness to engage external investors for follow-on funding. In particular, MEST ensures that each entrepreneur is prepared to articulate a clear narrative to the investor, setting the right context of how the funds will be used and aligning definitions on metrics and expectations for growth.

"Matchmaking is neither linear nor confined to a particular point in time. This is a high-touch, relationship-heavy endeavor and takes time to build up trust."

Ashwin Ravichandran, Director of Portfolio Support and Ghana, MEST

MEST maintains strong connections with local and international investors, and to date, has invested in over 25 start-ups with its syndicate. Given the high-touch, human component of investing with varying investor interests and preferences, MEST has found no standardised process for scaling matchmaking introductions.

In the case of MEST Ghana, the director of portfolio support and Ghana at MEST ensures he is present for every call. Generally, introduction calls are time-efficient, investor materials are provided in advance of the call so that most of the focus can be placed on engaging on a personal level.

LESSONS LEARNED:

- MEST recommends intentionally engaging with investors who are aligned with MEST values and culture.
- MEST has found that investors trust the MEST brand, quality of training and entrepreneurs, and are therefore happy to attend and engage in pre-investment activities such as demo days.



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*Matchmaking
Theory of Change*



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6.1 DEAL MAKING INEFFICIENCIES IN EMERGING MARKETS

Despite an increase in the adoption of matchmaking activities, why have investments not yet reached businesses with the most need, at true scale? A number of market inefficiencies have hindered further development.

- **The investor landscape is vast:** the term “investor” connotes a wide range of financiers, each with their own strengths, weaknesses and preferences for investing. It is difficult to design a systemised matchmaking approach when investors and preferences vary so broadly.
- **The supporting ecosystem is fragmented into capacity builders and investors, with few operating across the entire investment process.**
- **TA providers are strongly focused on the SGBs’ capacity building**, with little information and research on matchmaking formats and post-investment monitoring and evaluation.
- **Commercial brokers struggle to maintain a sustainable business model**, relatively small deal sizes, lengthy time horizons to deal closure, lack of interim working capital and inability of SGBs to pay for services hinder further market development.

6.2 MATCHMAKING THEORY OF CHANGE

TA providers possess a unique set of programmatic tools that can be applied to help investors and entrepreneurs overcome these barriers, unlocking new opportunities for partnership development and increased financing flows. It is important to note that the introduction of more matchmaking activities, in and of itself, it is not a panacea for addressing the overall challenges of financing flows. Rather, effective matchmaking calls for greater collaboration across the entire investment ecosystem and helps to access new sources of finance beyond traditional sources such as banks. Below we outline a “theory of change” that hypothesises how TA providers can enhance meaningful connections that result in more deals and partnerships.

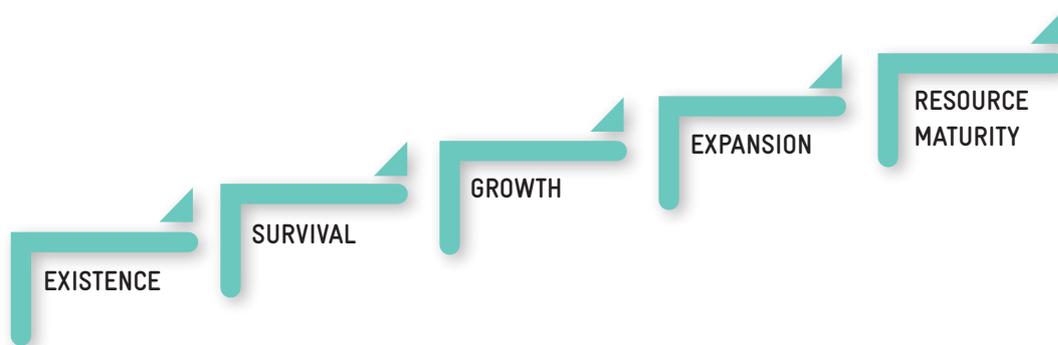
Matchmaking across growth stages

This guide encourages TA providers to broaden the application of matchmaking, adopting a shift in perspective from conventional matchmaking activities. Traditionally, matchmaking occurred at one point in time, usually in the “growth” stage, after business operations were established and investor materials fully prepared. This guide encourages TA providers to support early matchmaking activities, starting as soon as the “existence” phase and continuing through the progression of the different growth stages. For illustrative purposes, this guide leverages the widely recognised five-stage small business growth model⁷ to describe this point:

7. “The Five Stages of Small Business Growth”, N. Churchill, V. Lewis, *Harvard Business Review*, May, 1983

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Image 6.2.A: Five stages of small business growth



MATCHMAKING HYPOTHESIS:

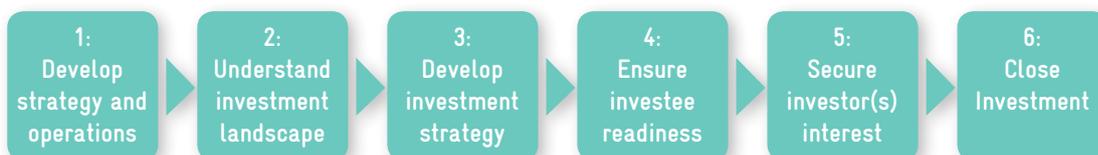
Engaging in early, frequent matchmaking activities, across multiple stages of business growth, increases trust and knowledge flows between entrepreneurs and investors. Thereby, increasing the likelihood of a successful match and financial deal-close.

This hypothesis is based on literature reviews, in-depth interviews with TA and capital providers and roundtables with GIZ experts and at the 2018 Aspen Network of Development Entrepreneurs (ANDE) Annual Conference. Increasingly, investors express a desire to develop relationships with investees earlier in the growth process. By doing so, investors have the opportunity to offer input on business models before providing financial support. This finding is supported by a [recent report](#) by the Global Accelerator Network⁸ in which it finds that it typically took 1.5 years on average to secure an investment.

SGB stages to securing investment

By stretching matchmaking across all small business growth stages, SGBs now have a clear process for securing a prospective match. For the purposes of this guide, we have identified six progressive steps SGBs should consider when engaging in matchmaking activities.

Image 6.2.B: Six SGB stages to securing investment



8. '2018 Infographics on Accelerators' Global Accelerator Network Report 2018

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Image 6.2.C: TA providers' matchmaking support

**TA providers' matchmaking support**

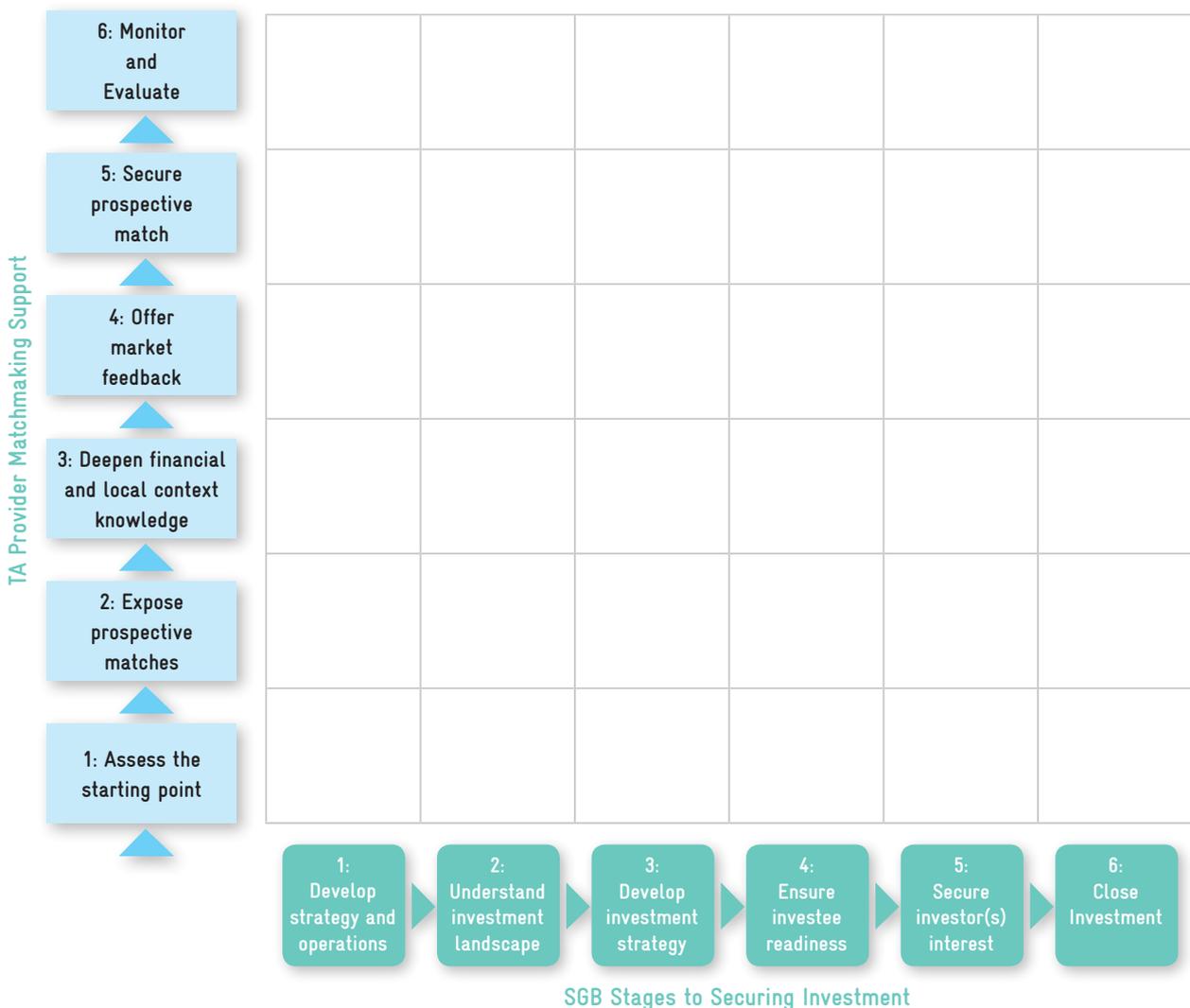
To support SGBs through these stages, TA providers can introduce structured matchmaking support to entrepreneurs and investors. In Section 7, this guide outlines a six-step framework for integrating matchmaking into existing TA programmes. It outlines clearly defined purposes, principles and processes, as well as suggesting matchmaking activities to help SGBs reach their matching objectives.

A coordinated approach to matchmaking

Matchmaking requires strong coordination across a variety of stakeholders in the investment ecosystem. This guide serves as a starting point to harmonise action – providing clear direction to both SGBs and TA providers on what objectives to focus on and how best to focus programme interventions.

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Image 6.2.D: Coordinating matchmaking support



Matchmaking combinations

Effective matchmaking calls for a layered application of tools and formats that work when used in combination with one another, rarely are matchmaking formats used in isolation.

The journey to securing a match occurs through various matchmaking tools and formats. For example, an entrepreneur may attend a conference to learn about the financing landscape, be

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inspired to enrol on an accelerator programme, during the training programme be mentored by one of the investors and then be introduced to a syndicate of investors.

The image below highlights how matchmaking instruments could work in combination with one another, over a progression of stages.

Figure 6.2.E. Matchmaking Theory of Change



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Desired and intended outcomes

It is expected that with an increase in the quality and quantity of investor-entrepreneur interactions, a foundation of trust, a pre-condition for investment, can be established. Moreover, with increased touchpoints and knowledge flows, investor and investee readiness will improve. This is a direct result of aligning growth and financial expectations, and overcoming language, cultural and perceived risk barriers, much earlier in the process. Ultimately resulting in increased matches and deal flows between investors and entrepreneurs.

6.3 TA PROVIDERS SUPPORTING THEORY OF CHANGE

As a collective, TA providers can support this theory of change by:

- **extending matchmaking beyond one point in time and into a series of activities, conducted throughout the duration of the investment lifecycle.** Given the high-touch, high-trust, human/subjective component of investing, matchmaking can occur at virtually any time during the investment lifecycle. It should be viewed as a process, building a relationship over time, to understand mutual needs, align expectations and give and receive feedback, before securing an investment. It is the accumulated interaction and trust-building that leads to the highest likelihood of a successful “match”;
- **understanding there is not one prevalent matchmaking model that leads to successful matches.** In fact, how an investor meets their investees, and their preferences for engagement, can vary from investment to investment. Given the uniqueness of investors and the variability in engagement preferences, there are no linear or “ladder” type approaches for matching investors with entrepreneurs - what will work for one may not scale across to others;
- **recalibrating time and metrics to allow for relationship development to take place.** Developing a record of trust takes time, and often, both investors and entrepreneurs require capacity building before they are ‘investment’ or ‘investor’ ready.



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*Framework for Engaging
in Matchmaking*



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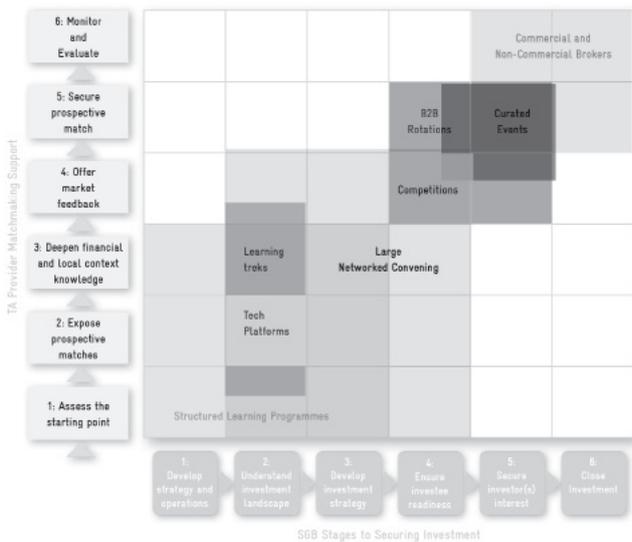
For programmes that do not currently engage in matchmaking activities, the process can seem daunting: Where to begin? What instruments to apply? What is the most effective process for delivering quality results?

This section walks technical assistance providers through a clear six-step framework. Each step is mapped against SGB investment stages and outlines how to initiate and scale matchmaking activities. While these steps are meant to build upon one another, readers should note that matchmaking activities run across several phases of the investment process and at times concurrently with other matchmaking activities.

Each phase has clear steps with the following:

- Purpose:** Objectives to initiate or scale matchmaking activities
- Principle:** An approach to achieving these objectives
- Process:** Actions to integrate matchmaking activities
- Matchmaking instrument:** Suggested mechanism for facilitating a partnership

Figure 8.A. Matchmaking Theory of Change



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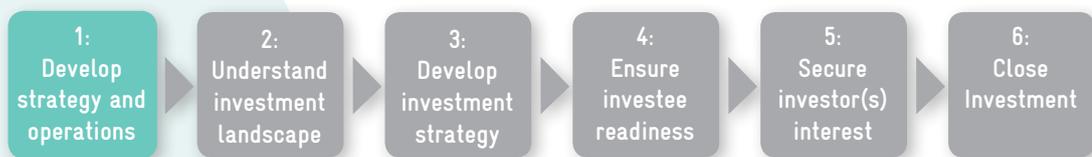


STEP 1: HELP ASSESS THE STARTING POINT

Purpose

In this initial phase, TA providers should be assisting businesses in building robust and scalable business models and should be assessing the entrepreneur's hard and soft skills for matching with investors. Entrepreneurs can more effectively set organisational growth goals by keeping the investors' perspectives in mind from the very beginning.

SGB Stages to Securing Investment



Matchmaking Activity

- **Structured learning programmes:** these support entrepreneurs in building solid businesses with strong growth profiles. Conduct a light touch assessment of the entrepreneur's hard and soft skillsets and identify learning opportunities for continued skillset development. This assessment provides a roadmap for what follow-up matchmaking activities to engage in.

Principles

Aim for the assessment to be:

- **evidence-driven**, reflecting both quantitative and qualitative evidence;
- **objective and candid**, reflecting an impartial assessment of the entrepreneur's experience, priorities and capacity to seek and acquire financing.

Process

Assessments can be conducted by mentors or TA providers and serves as a basis for assessing the entrepreneur's experience, hard and soft skills and awareness of different financing options. Note this process is not intended to be time consuming, but rather to establish a basis for the entrepreneur's capabilities and skill level. TA providers can quickly assess the skill level through observation, collecting team feedback, or by asking entrepreneurs to complete a self-assessment. Examples of skills to help entrepreneurs self-evaluate include:

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Hard Skills	Soft Skills
<ul style="list-style-type: none"> • Financial literacy • Financial management • Communication • Persuasive writing • Sales • Communication 	<ul style="list-style-type: none"> • Willingness to respond to feedback • Relationship building • Stress management • Failure management • Sharing and collaboration

The importance of interpersonal and soft-skill development⁹

In a drive to become investor ready, it can be easy for TA providers to under invest in soft skills training for entrepreneurs. Often there is a common misconception that soft skills cannot be taught or learned. And there is a tendency to avoid what is hard to measure. For entrepreneurs to achieve success, development in soft skills, particularly for the purposes of building relationships with team members and future investors, is critical. Since many investors make final investment decisions based on soft and tacit knowledge, it is important for entrepreneurs to be self-aware and continue to enhance their emotional intelligence.

The role of mentors and coaches

Increasingly, TA providers are integrating individual mentoring and business coaching as a core component of their training programmes. Mentors help advocate for entrepreneurs, reinforce lessons learned and provide a safe space to work through personal and professional challenges that may arise along the entrepreneurial journey.

When recruiting for and training mentors, it is important that mentors serve as peers and facilitators rather than key decision makers. Traditionally “coaching” and “mentoring” in Sub-Saharan Africa is a directive, top-down approach. In this matchmaking context, it is important that coaches and mentors offer guidance and ask questions such as “What did you learn during the training?” and “What are the important lessons that you want to integrate?”.

Coaches and mentors can serve as advocates and are encouraged to follow entrepreneurs through the investment process. Often, coaches and mentors are present during investor meetings, ensuring entrepreneurs partner with the right institution and utilise the best suited financial product.

It should be noted that some training programmes offer virtual long-distance mentorship. While these programmes can be valuable, TA providers should be aware of the potential limitations and the risk of a mismatch between mentor and mentee. If this technique is leveraged, it is important that coaches and mentors have a strong understanding of the local context and challenges.

9. “Soft Skills – The Missing Piece for Entrepreneurs to Grow a Business”, Kristin Holmberg-Wright, University of Wisconsin-Parkside Tracy Hribar, American Journal of Management, 2016.

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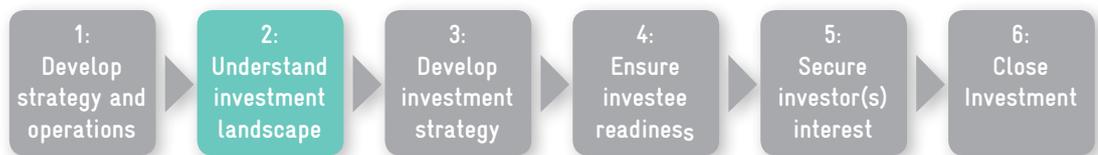


STEP 2: EXPOSE SGBS AND INVESTORS TO EACH OTHER

Purpose

While it is still early in the process, TA providers should begin engaging in low-risk activities to expose SGBs and investors to one another. In many ways, these two groups operate in very different networks and spheres. This segregation can sometimes result in unnecessary mystery, intrigue or misperceptions of one another.

SGB Stages to Securing Investment



Matchmaking Activity

- **Structured learning programmes:** at this stage, SGBs often do not know enough of what is expected or how to engage, this phase should focus on enhancing the entrepreneur's comfort level in promoting their business to external stakeholders. In the context of a training programme, external stakeholders may include mentors, coaches or investors met through the programme learning activities.
- **Large scale networking events:** conference attendance helps to expose SGBs to the broad investor landscape and to begin to understand the financial instruments available.
- **Learning journeys:** investors can use this opportunity to broaden their understanding of the local opportunities, constraints and financial requirements.
- **Technology platforms:** help elevate, promote and filter the available options both on the investor and SGB side. These are an efficient mechanism for understanding the landscape of partnership opportunities.

Principles

Aim for the interactions to be:

- **a low-risk learning experience** for investors and entrepreneurs to build a knowledge base and understanding of each other's perspectives;
- **a starting point for introducing new investors** to the merits of structured learning programmes and the expected skillsets upon programme completion.

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Process

To ensure an enriching learning experience that provides valuable feedback for both parties, it is important to curate and pre-screen the SGBs and investors prior to the matchmaking activity. Examples of criteria to consider include:

SGB side:

- What is the SGB's growth profile?
- Would the business model work in the context of the country?
- Is the founder and team willing to respond to feedback and put in the necessary work to execute the strategy?

investor side:

- What is the investor's knowledge of the local context? Have they made other investments in the region?
- What is the investor's sectoral focus?
- Does the investor have an ability to complete actual transactions and on what terms?
- Can the investor distribute funds or are they still in the collection process?
- How sophisticated is the investor in their approach?
- What is the investor's personality – e.g. patience level, risk appetite, humility and respect for local context?
- If the investor is a local financial institution, are there financial products that align with the SGB's needs?

Incentivizing investors to engage in early stage matchmaking

Investors are busy people, so why would they be interested in engaging so early in the investment process, especially when businesses are still in the development stage? While some investors may enjoy interaction with entrepreneurs, they may also use this opportunity to:

1. Access a skilled and credentialed pipeline: accelerators and training programmes offer concrete skillsets and through the completion of the programme, a known "credential" to investors.

This "stamp of approval" serves as a de-risking and sifting mechanism for investors to access quality entrepreneurs. By engaging in matchmaking early in the process, investors can scope a high-calibre pipeline of investable opportunities.

2. Develop market knowledge: to thrive in rapidly changing economies, investors must adopt new approaches to gathering and using market intelligence. Engaging with entrepreneurs allows investors to keep "an ear to the ground" on new technology or market shifts. For local financial institutions, it serves as an opportunity to gather data for the creation of new products and services.

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STEP 3: DEEPEN FINANCIAL LITERACY AND LOCAL CONTEXT KNOWLEDGE

Purpose

A precondition for securing investment is the entrepreneur's ability to eloquently and succinctly express their financial needs to investors. Entrepreneurs must understand not only their operations but how to evaluate the financial health of their organisation. While building financial literacy is an ongoing process, this step encourages TA providers to support early financial literacy programming that will better prepare entrepreneurs to formulate their investment strategy and prepare for "investor readiness".

SGB Stages to Securing Investment



Matchmaking Activity

- **Structured learning programmes:** support the entrepreneur's financial literacy and investor readiness. And serve as an important vehicle to enhance the entrepreneur's understanding of the financial topics that are still gaining traction in SSA, such as equity, working capital and valuation.
- **Large scale networking events:** provide an additional learning environment to enhance financial literacy.

Principles

Aim for facilitated knowledge flows between SGBs and investors to be:

- **ongoing** – SGBs should create a common lexicon and start building and sustaining healthy relationships with investors;
- **informational** – interactions should be kept light, this is a mutual opportunity to learn and exchange information

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Process

At this stage, mentors and matchmakers can highlight to investors the SGB's growth stage and what type of support the entrepreneur is seeking. It is important to encourage SGBs to follow-up on introductions with financiers, solicit advice and help solidify operations and partnerships.

During this step, TA providers should encourage entrepreneurs to supplement their structured learning programme with conference attendance to learn about investor typology, financing options and investor expectations. Equally, TA providers can invite curated groups of investors to conferences and training programmes, to enhance their understanding of the local context, conditions and entrepreneurs.



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STEP 4: OFFER MARKET FEEDBACK

Purpose

TA providers should be enhancing investment preparedness by offering market feedback opportunities between investors and entrepreneurs. This is an excellent opportunity to share insights and align on business models, growth objectives and investment philosophies. TA providers can support SGBs by integrating market feedback into pitches and investment materials.

SGB Stages to Securing Investment



Matchmaking Activity

- **Large networked convenings:** these are an opportunity to gather input from a large variety of stakeholders and refine the pitch, model and materials.
- **Pitches and competitions (Dragons' Den, demo day):** learning opportunities offer entrepreneurs quick, externally facing practice sessions to pitch and showcase their businesses. Equally investors gain early access to possible investable opportunities.
- **B2B rotations:** these matchmaking activities are designed to offer real-time constructive market feedback so that entrepreneurs may refine their businesses before a "formal" presentation to investors.
- **Technology platform:** at this stage of maturity, this matchmaking instrument is not recommended at scale, however it has significant potential for impact. Please see Section 8 for recommendations on enhancing further development.

Principles

- **Sensitivity and flexibility:** be aware that "investment readiness" can be subjective and mean something different to each investor.
- **Transparency:** investigation of and creating strong communication around expectations is critical for facilitating a successful match and a deal-close.
- **Direct application of learnings:** create time and space for entrepreneurs to collect and react to feedback offered by investors.

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Process

SGBs should be able to clearly articulate and to defend to external stakeholders, specific areas of their business, including those listed below.

- The investment proposition; not just a product story.
- Good leadership and a sound governance structure.
- Market opportunity: What is the problem, why does it exist and how big is the opportunity?
- Business model: How do you make money? Who pays, how much, from where?
- Customer/user: Who they are and how many of them are there? How will you reach/acquire them?
- Competition: Demonstrate a strong knowledge of competitors, current solutions to this problem and current market gaps.
- A clear capital roadmap: What capital you need, when and from whom?
- Milestones: A vision for the future.
- Financials that tell the right story: What are the expected revenues, working capital requirements and EBITDA?



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STEP 5: SECURE PROSPECTIVE MATCH

Purpose

Ideally, entrepreneurs and investors will have interacted on multiple occasions to build trust and align on expectations. This framework encourages early entrepreneur-investor interaction to facilitate meaningful partnerships and can also serve as an informal due diligence process before securing financial investment.

If this is the first interaction, it is still possible to offer opportunities for securing a match. However, since trusted relationships cannot be forced or rushed, exploratory conversations for partnerships are better served through warm introductions or brokers who facilitate one-to-one matches or organise bespoke networking events.

SGB Stages to Securing Investment



Matchmaking Activity

- **Bespoke introductions:** trust is built over time and can be jumpstarted with warm introductions through networks or brokers who facilitate partnerships.
- **Small curated networking events:** these intimate gatherings offer prospective partners an opportunity to have meaningful conversations and get to know one another in an unrushed format.
- **Technology platform:** at this stage of maturity, this matchmaking instrument is not recommended at scale, however it has significant potential for impact. Please see Section 8 for recommendations on enhancing further development.

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- **Personalization:** any matchmaking process needs to be tailored to the specific needs of the investors and SGBs.
- **Credibility:** institutions and individuals should be engaged to verify trustworthiness through a network of networks.
- **Alignment:** it is critical for values and growth expectations to be aligned to secure a fair deal for both parties.
- **Patience:** be aware that the time horizon for deal closure can be significant, even for small ticket sizes. In Sub-Saharan Africa, this can often take between 9–12 months.¹⁰

Process

As a TA provider, ensure that you have a solid understanding of the SGBs' and investors' needs to ensure alignment and increase the likelihood of a match. Alignment on a realistic growth profile is key. The considerations in this phase build on previous pre-screening activities, but add some specific questions, such as:

SGB side:

- What type of financial instrument is the SGB offering? What are some of hers/his ideal conditions? What are the alternative options?
- What is the life cycle of the business (e.g. revenue vs pre-revenue) and how does it fit with what investors are looking for?
- Ticket size?
- What is the track record and reputation?

Investor side:

- What is the investor's geographic and sector focus?
- What is the structure of the financing/investment vehicle? What security is expected or ROI?
- Is it a traditional fund and if so, is it closed? What is the investor's ability to do actual transactions?
- What are the expectations of growth and appetite for risk taking?
- What is the investor's theory of change, hypothesis about investing and philosophy?
- Does the investor have a track record of investing locally and what is their reputation?

10. 'Game-changers: impact enterprises in East Africa', Intelcap Report, 2018

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STEP 6: MONITOR AND EVALUATE MATCH, FACILITATE TRANSACTION

Purpose

After finding and securing an appropriate “match”, active follow-up is critical to ensure the realization of a partnership. This step encourages TA providers to create tracking mechanisms to incentivise accountability and follow-up for SGBs and investors alike. TA providers can engage in different levels of support, either through the active monitoring of the match, or through facilitating the partnership transaction.

SGB Stages to Securing Investment



Matchmaking Activity

- **Commercial and non-commercial brokers:** at this stage, commercial and non-commercial brokers can offer two levels of support to SGBs, either through actively monitoring a partnership match or by directly facilitating the transaction to completion.
- **Technology platform:** at this stage of maturity, this matchmaking instrument is not recommended at scale, however it has significant potential for impact. Please see Section 8 for recommendations on enhancing further development.

Principles

TA support is characterised by four criteria.

- **Specificity** - Who will be involved? What will be accomplished, how and when?
- **Realistic** - Given existing resources and constraints and allowing for staff capabilities.
- **Timeliness** - Anchored to a specific timeline to increase commitment and accountability.
- **Attribution** - Responsibility should be attributed to specific individuals in the organisation to ensure execution and accountability.

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Process

Monitoring the match

To help TA providers monitor prospective matches, letters of engagement may be used to facilitate relationship follow-up. These can also be used for:

- a pre-introduction mechanism, confirming an exchange of pre-meeting materials and initial introductions are underway.
- establishing pre-partnership conditions by, for example, creating timeframes for securing the partnership after which investors would lose the exclusivity on the deal.
- monitoring and collecting data which can be used at data points to share with sponsors of matchmaking events.

Facilitating the transaction

For TA providers that facilitate partnership transactions, the following provides guidance on the deal closing process. It outlines the main phases of the deal and the documents SGBs should prepare for investors.

- 1. Due diligence:** investor due diligence is a critical part of the deal making process and it is recommended that entrepreneurs leverage virtual data rooms to professionalise the process. Virtual data rooms are online information repositories that are used for storing and distributing documents. These platforms indicate when an investor has viewed a document, has made a note or change and help to professionalise and systematise the engagement. Typically, investors will make a preliminary request for documents, such as:

- corporate information
- budgets and forecasts
- key supplier/customer contracts
- employee details and employment contracts
- schedule of intellectual property
- schedule of property or leases
- list of equipment owned by the enterprise
- details of other investors/shareholders
- details of bank loans
- details of any existing or future litigation
- tax/VAT filings and insurance documents
- if applicable, data protection policies

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2. A term sheet: can be prepared by the SGB or the investor. It is important to seek legal advice to ensure the SGB understands the terms and can negotiate a fair deal.

3. Long form documents: once the headline terms have been agreed and the due diligence has been completed, a legal advisor will prepare long form documentation which will implement the funding arrangement. TA providers will likely have less of a role to play in this phase. The following documentation is usually involved:

- Shareholders' Agreement or Investment Agreement
- Vesting Provisions
- Subscription Agreement
- Articles of Association

4. Closing date/receiving cash: once all the specific conditions of the investment have been met and the documents have been prepared and terms agreed, a closing date will be scheduled for the signing of the agreements and the transfer of the shares and funds. TA providers will likely have less of a direct role to play in this phase.

5. Accounting and administration: immediately after securing the investment, legal advisors will issue share certificates, update the company's share register and register with government authorities. SGBs should update their accounts and bookkeeping and ensure they are up to date for reporting obligations and ideally, inform the TA provider that the deal has been closed successfully.



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Recommendations



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Through this guide, we have highlighted the urgency for effective matchmaking, defined the various matchmaking instruments, outlined a theory of change and demonstrated how TA providers can apply matchmaking activities across the small business growth stages. This section offers recommendations across matchmaking formats and highlights how TA providers can promote enabling environments for effective matchmaking.

8.1 RECOMMENDATIONS ACROSS

Interviews and expert roundtables revealed the importance of expanding matchmaking “success” beyond the singular goal of securing finances. Many suggested that “success” be expanded to include the facilitation of networks and knowledge flows. The key recommendations are highlighted below.

- **Matchmaking formats are most effective when integrated into the TA providers’ services**, not as stand-alone activity. Brokering partnerships and linkages requires a significant amount of resources and time.
- **SGBs’ and investors’ needs should be clearly evaluated at the start** of matchmaking activities, this ensures the most effective tools are being offered at the right time, and do not become a distraction from the SGBs’ core business activities.
- **TA providers should not focus solely on the speed of deal closure**, which is generally a lengthy process. Rather, emphasis should be placed on getting a fair deal for everyone, with the right capital and right instrument, at the right time.
- **TA providers should invest in the development of networks.** Curation of high-quality businesses and investors and in-depth knowledge of their respective requirements is a crucial component to building successful relationships for all the matchmaking formats.
- **TA providers may enhance the relational qualities of matchmaking activities with new mediums that facilitate efficiency, transparency and scale.** TA providers should explore the broader application of technology, beyond its use in the phase of ‘exposing prospective matches’.

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8.2 RECOMMENDATIONS FOR TA PROVIDERS TO CREATE AN ENABLING INFRASTRUCTURE

TA providers have a unique opportunity to create an enabling infrastructure to enhance the overall quantity and quality of matches. Infrastructure development requires scaling and enhancing existing tools and developing new tools where capacity and resources are lacking. As a starting point, it is important to first have clarity on the expectations of each player in the investment process and establish strong incentives and rewards. Additional recommendations include:

1 Building stronger local matchmaking ecosystems: TA providers can look to the front runners who are offering matchmaking services and engage them as local partners. A potential model could entail commissioning front runners to close on a pre-determined number of deals and a reward based on the outcome of the closed deals. Such a model would require collaboration across numerous actors in the investment process and incentivise actors to focus on the collective impact. In a local context where no such front runners are existent, TA providers may step in temporarily to build the foundations for future matchmaking activities and hand over to local or international partners.

2. Market creation for matchmaking providers: it is challenging for many brokers to create a sustainable business model for matchmaking. This is due to a number of factors such as relatively small deal sizes, lengthy time horizons to deal closure, a lack of interim working capital and an inability of SGBs to pay for services.

Some TA providers have experimented with different business models; however, more time and resources are required to test their longevity and viability. Examples include:

- after an enterprise receives an investment, it returns some funds for the investment preparedness of others, herewith creating a revolving fund;
- developing modular services and products to provide interim cash flow (in many SSA contexts, it is sometimes challenging to showcase how the value of these products and services will translate to securing financing).

Given many organizations' concerns over financial sustainability, there is an opportunity to create market incentives for commercial matchmaking activities. While there is great opportunity for an effective matchmaking marketplace, TA providers should be mindful that matchmaking may never be fully self-financing or commercial.

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3. Encourage governments to ease transaction costs: many of the challenges preventing deal flow at scale relate to overly bureaucratic regulations requiring significant documentation for international investments. TA providers can surface these pain points and highlight how we can ease these transaction costs for entrepreneurs.

4. Creating stronger linkages between private sector development and financial support: another critical issue is the current separation between private sector development (demand of capital) and those offering financial support (supply of capital). Many TA providers voiced enthusiasm for combining technical assistance with finance, to align incentives and offer increased clarity on what needs to be accomplished.

This could come in several formats, some approaches might include:

- selecting SGBs for accelerators on the basis of becoming investment ready
- technical assistance matching grant funds, grant capital is offered on a one to one basis for investment readiness preparation. Funding serves as a risk mitigation mechanism and generates additional public private capital when the entrepreneurs are fully investment ready or looking to scale.

5. Stronger investment in enhancing technology platforms: technology platforms offer the greatest potential for enhancing matchmaking effectiveness. However, as Section 5.7 outlined, these platforms suffer from significant business model and ecosystem challenges. TA providers should support the recommendations outlined in the Impact Platforms report and encourage the interoperability of data across platforms.

As technology platforms mature to serve the needs of the community, TA providers can use existing technology resources as a mechanism to:

- serve as an additional layer of verification of information for due diligence processes;
- document interactions between investors and entrepreneurs, post matchmaking activities. Technology tools should be accessible by more than one organisation and enable post introduction networking and offer practical tools to ease and accelerate the deal transaction process e.g. non-disclosure agreement, term sheets and sample loan agreements (various tools for SGBs).

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8.3 FOR FURTHER EXPLORATION

This study revealed the urgency of advancing matchmaking and also surfaced the lack of available information on this topic. Further research is required to enhance the quality and effectiveness of matchmaking. It is recommended that the following research topics should be considered.

- Matchmaking from the perspective of investors to ensure matchmaking preferences, constraints and opportunities are fully accounted for in future matchmaking planning activities.
- Deep-dive discussions on the actual resources and time required to effectively engage in matchmaking activities. This information is often considered sensitive by TA providers and varies significantly depending on the local contexts. It is recommended this facilitated exchange be conducted in trusted settings and with independent and trusted organizations present, for example ANDE.
- Options for building a matchmaking infrastructure that leverages a broader coalition of partnering organisations. Developing a common framework could include options such as a decentralised model that strengthens the delivery of services to SGBs individually; or the introduction of common tools used across stakeholders increasing liquidity and efficiencies in matchmaking.



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Annex



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9.1 PROJECT SPONSOR

This guidebook was sponsored by the sector project “Sustainable Economic Policy and Private Sector Development”. The sector project is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) to develop innovative strategies and instruments of economic policy and private sector development (PSD) and to support their implementation in development projects of German development cooperation.

The sector project works in three main areas:

1. Improved positioning of the German development cooperation and processes in the area of economic policy and private sector development through advisory of BMZ.
2. The development and adaptation of instruments of sustainable economic policy and PSD.
3. Spreading of innovative approaches of sustainable economic policy and PSD through the BMZ, global and regional networks, by sensitizing and qualifying multipliers and through intense collaboration with the projects on the ground.

9.2 RESEARCH METHODOLOGY

This guide utilised a blended research methodology, comprising of a literature review, high-level mapping, deep-dive interviews and expert roundtables for surfacing insights and trends.

- **Literature review:** at the beginning of the research phase, a comprehensive literature review was conducted to extract documented knowledge about different matchmaking models, good practice and organisations engaged in matchmaking activities. This review yielded very few research evaluations focused specifically on matchmaking programmes, possibly as a result of insufficient stand-alone matchmaking programmes.
- **Matchmaking mapping and definitions:** a comprehensive mapping was conducted to identify the most prevalent matchmaking models and surface the recurring characteristics of each activity to define how investors and SGBs connect. Four broad categories for matchmaking emerge, and within those, nine “instruments” or activities were identified for operational execution.
- **List of organisations interviewed:** (see Table 10.6) interviews were conducted with 45 TA and capital providers to validate our classification of matchmaking activities and obtain first hand perspectives on best practice, beyond that which was available in the existing literature.
- **Expert roundtables:** a presentation of the initial research results was shared at two expert roundtable events – GIZ Bonn and the 2018 ANDE Annual meetings. Feedback was solicited to further validate, refine and reposition the research focus.

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IFC	Khadiga Hassan Fahmy	Entrepreneurship training
Intellectap	Sheena Raikundala	East Africa Director
International Venture Philanthropy Centre (IVPC)	Alejandro Alvarez	Co-Founder and Partner
Invest to Innovate	Kalsoom Lakhani	Founder
Meltwater Entrepreneurial School of Technology	Ashwin Ravichandran	Regional Director
Open Capital Advisors	Annie Roberts	Partner
Rianta Capital	Audrey Selian	Founder of ArthaPlatform.com; co-founder of Artha Networks Inc
SME Finance Forum, IFC	Hourn Thy	Head of Operations
SwissContact	Anja König	Entrepreneurship Coordinator
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Aspen Network of Development Entrepreneurs	Matt Guttentag	Director of Research and Impact
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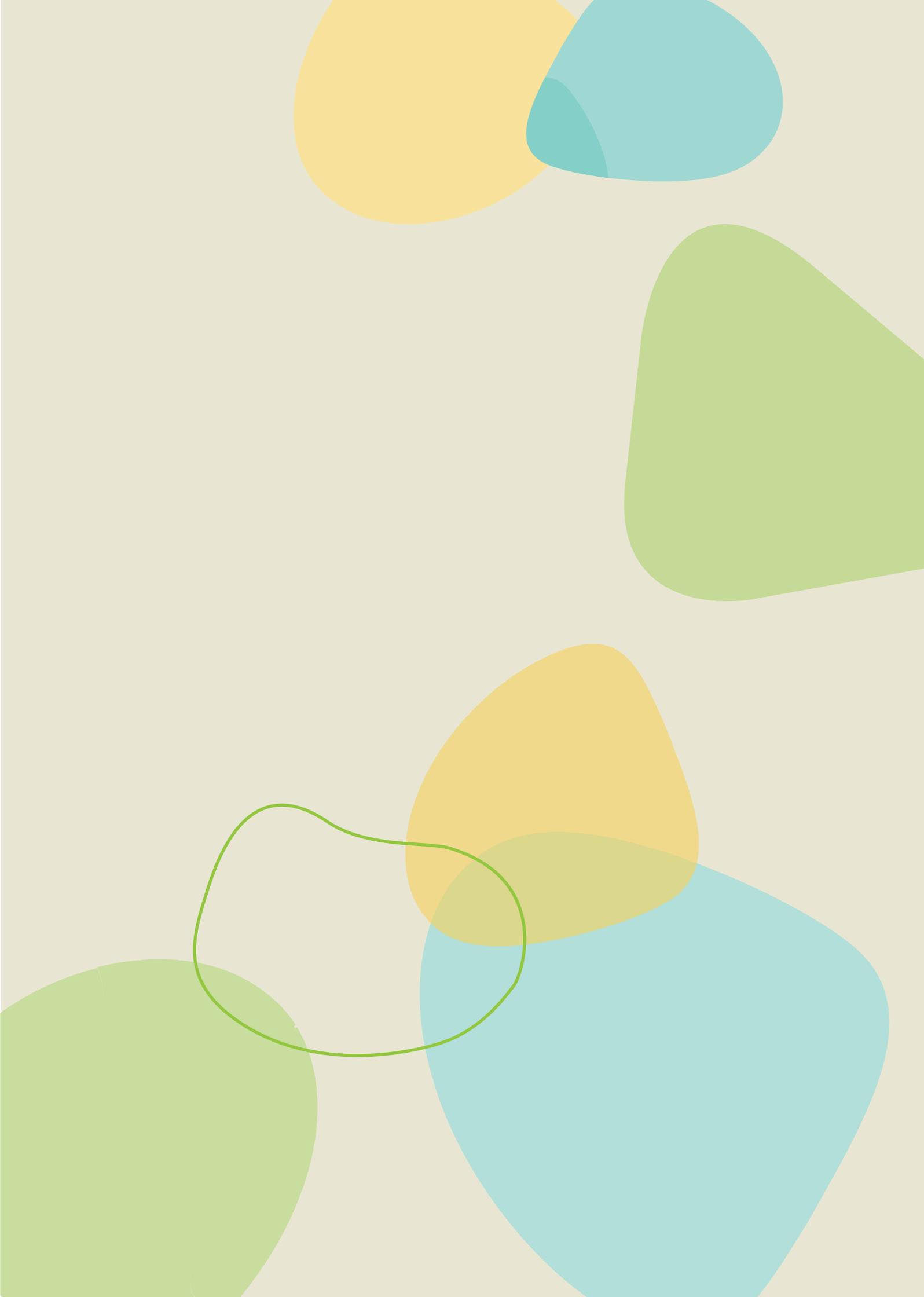
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