

Last Mile Distribution Investor Forum 2022: Shining a spotlight on the capital continuum

22 June 2022

**Global
Distributors
Collective**

GDC host:

**Practical
ACTION**

GDC strategic and implementing partners:



Supported by:



Credit: GDC

Event co-hosts:



Agenda and objectives

Part 1: Understanding challenges and opportunities across capital continuum

- Welcome - GDC
- Reflections - D-Prize and Acumen
- Analysis of the capital continuum - GDC and Easy Solar, Deevabits, Essmart

Build a shared understanding of the financing landscape in the LMD sector

Part 2: Panel discussion: Innovative financing models for LMDs

- Moderator - GET.invest
- Speakers - GOGLA, Charm Impact, Nithio, Spark+ Africa Fund

Learn from and be inspired by initiatives across the capital continuum

Part 3: Designing solutions to fill gaps in the capital continuum

- Discussion and ideation in breakout groups
- Feedback in plenary
- Wrap up and close

Design concrete solutions that the sector can take forward

Part 1: Understanding challenges and opportunities across the capital continuum



Why last mile distribution?



759 million
people lack access
to electricity



2.6 billion
people lack access
to clean cooking



884 million
people do not have
safe water to drink



Hundreds of millions
of people lack access to
health, hygiene, nutrition and
agricultural products & services



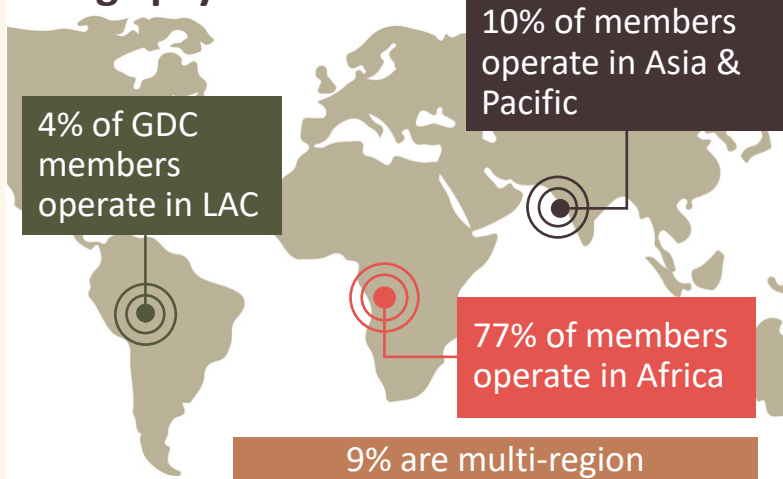
For most people lacking access -
particularly the poorest and most vulnerable -
the **fastest, most efficient way** to achieve
impact at scale is through **beneficial products**
delivered by the private sector

Credit: Essmart

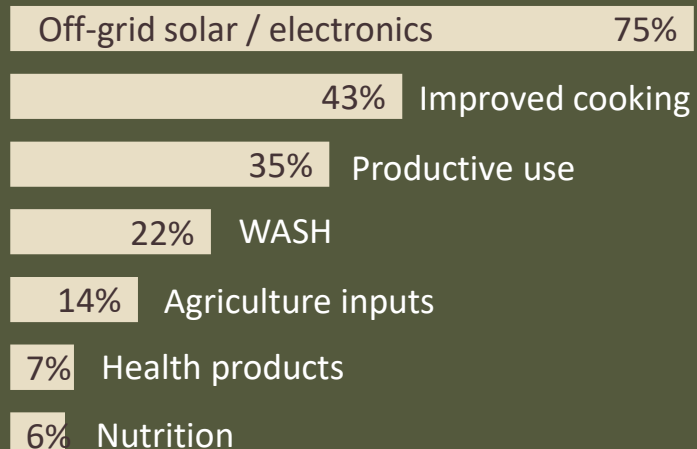


LMDs are a diverse group, with diverse impacts

Geography

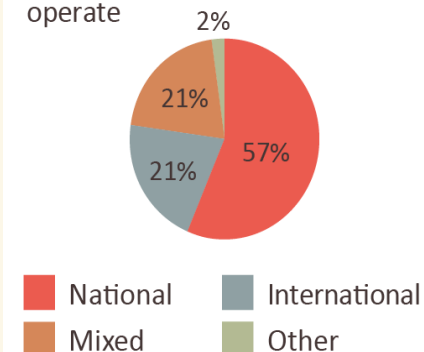


Products



Ownership

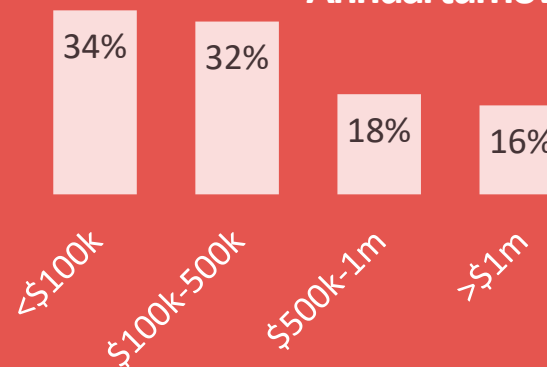
78% of members are wholly or partially owned by citizens of the country(ies) in which they operate



Value chain activities



Annual turnover



Impact

217,000

is the average number of people reached to date by GDC members



69% of customers earn <US\$3.20 per day and 80% are rural

The access to finance challenge... and opportunity

- The importance of LMD is increasingly recognised
- LMDs are becoming more professional
- But there is still not enough capital
- To unlock the full potential of the LMD sector, all types of funding are needed

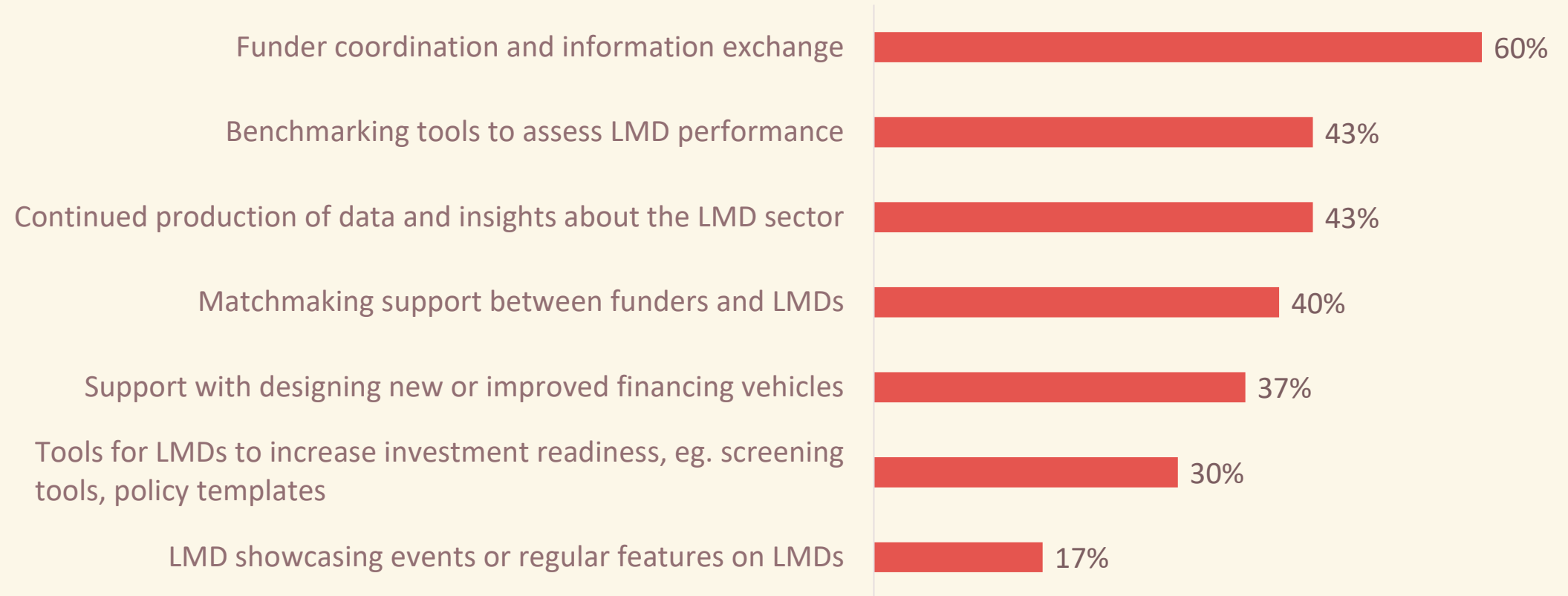


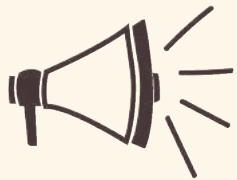
We and other investors are re-thinking the way we deploy capital, as we look at ways to replicate many smaller companies sustainably serving last mile customers, as well as the few that can sustainably expand into multiple markets. - *Acumen*



Our 2021 Investor Forum – and what's happened since

Exit poll: What do you want to see from the GDC moving forward?





Poll: Who is in the room today?

Impact investor

Specialised
investment
intermediary

Crowdfunding
platform

Commercial
bank

Foundation

Donor

Development
finance
institution

Market
development
programme

Last mile
distributor

Other



Tanzania Maji Jibu Company Ltd, 2017 D-Prize seed award recipient

Reflections on the Early-Stage Capital Continuum



Who is D-Prize?

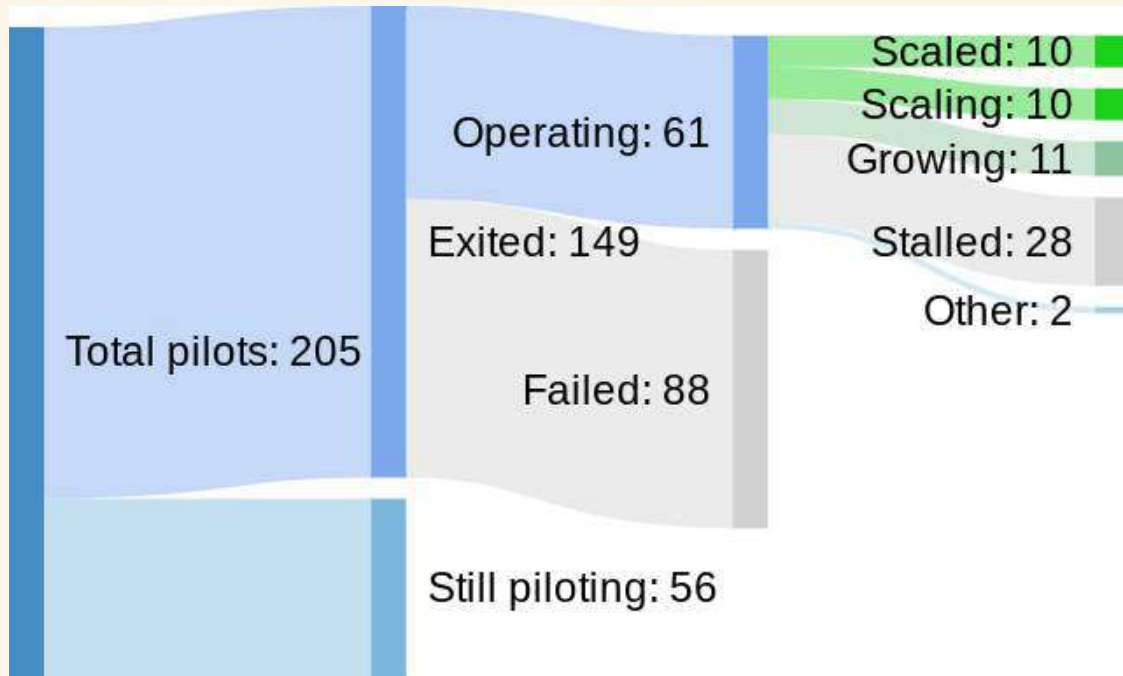
- Grant funded non-profit organization 501(c)(3)
- Founded in 2013
- Seed new ventures distributing evidence-based interventions at scale
- www.d-prize.org/about



ZaSolar, 2020 D-Prize seed award recipient

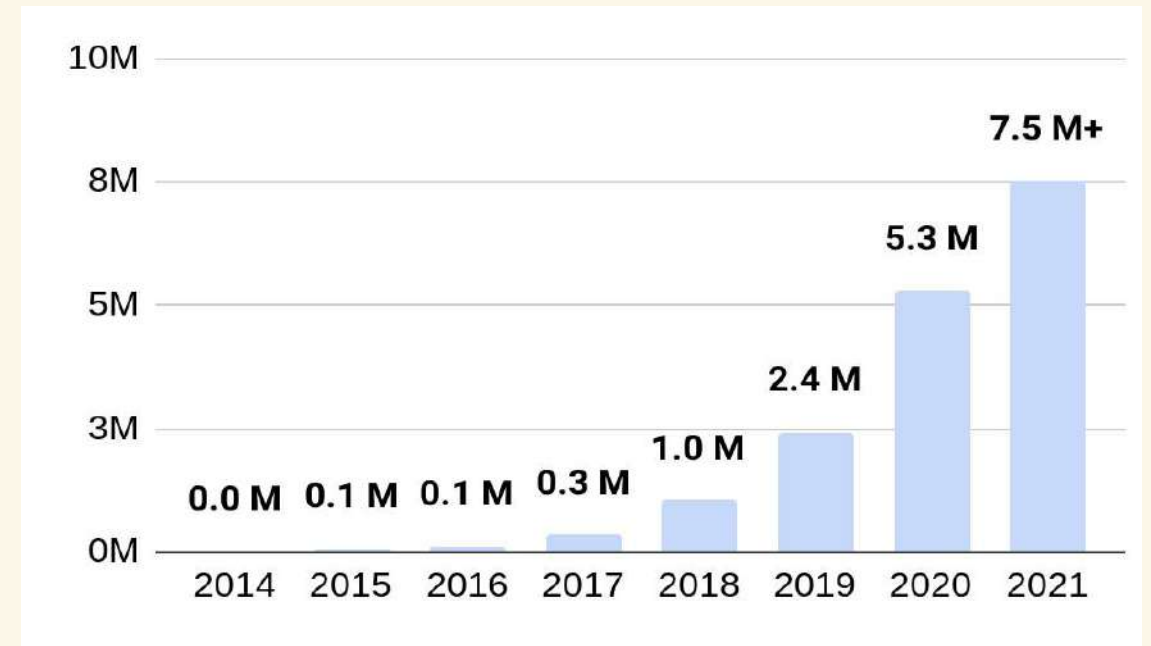
D-Prize's LMD-focused strategy for marginal impact

Growth Stage of D-Prize Ventures



Many ventures growing post-grant. 13% are serving 100k people in 5 years (“scaled”) or are on track to do so (“scaling”).

Cumulative People Reached



D-Prize LMD ventures aim for scale. Network cumulatively serves over 7.5M people.



We see capital continuum gaps that prevent even more early-stage LMDs from scaling

Quotes from D-Prize LMD founders:

“Our sector is saturated with well-established organizations. So while funding is huge, funders always target big established organizations.”

“The competition is really tough for funding. Most funders are not interested in startups because they lack a track record.”



Contact

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LMD Investor Forum

Reflections On Financing For
Last Mile Distributors (LMD) In The
Energy Access Sector

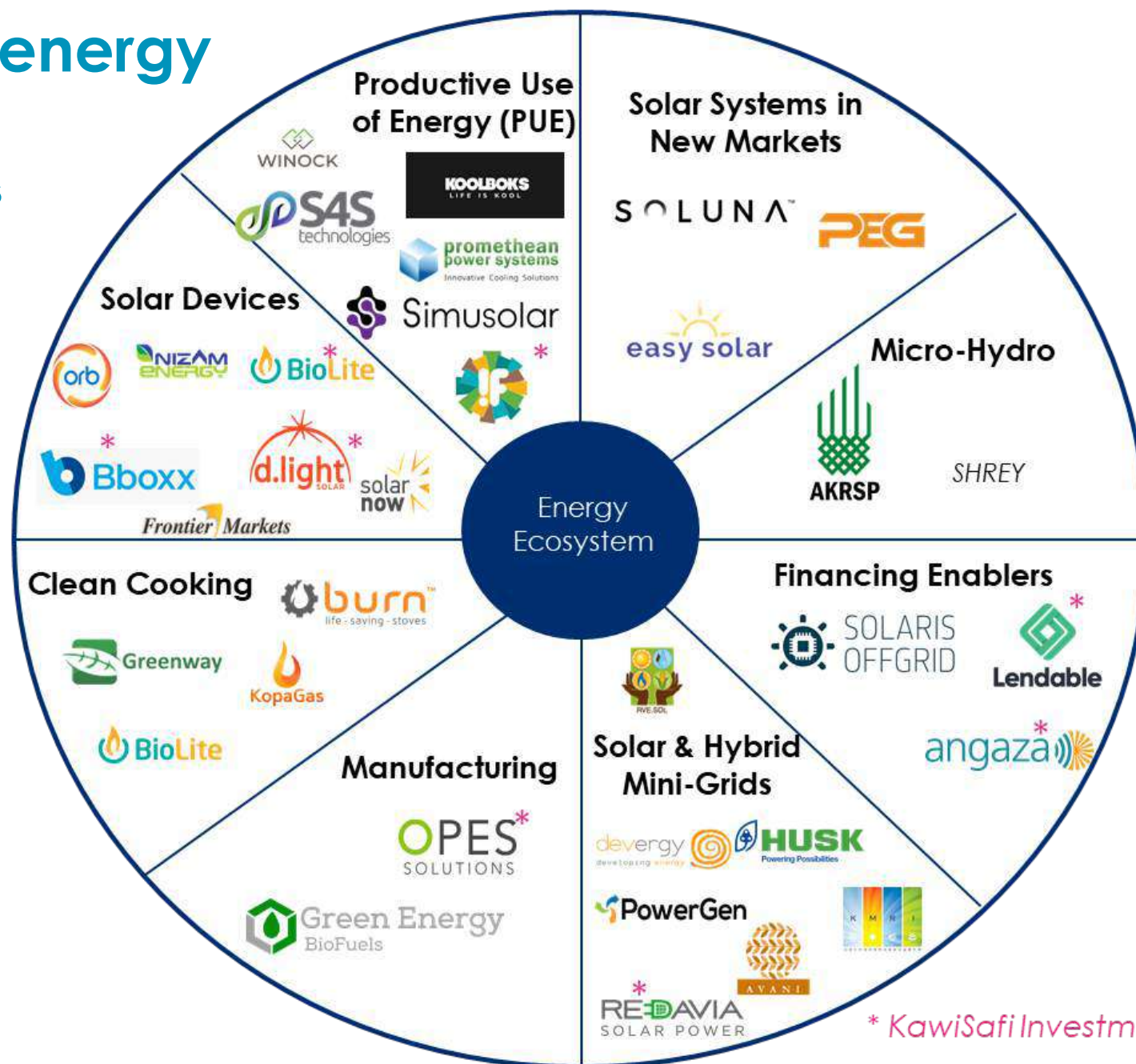
Acumen | 2022



Acumen's track record in energy

Our portfolio accounts for **30% of all lives reached through off-grid energy globally**

- + **40 companies**
- + **Over \$120M raised**
- + **Operating in 60 countries**
- + **223M lives reached** through Acumen and KawiSafi Ventures
- + **58.5M tons** of GHG emissions averted
- + **Catalyzed \$775M** in follow-on investment into portfolio companies



Why is it essential to channel financing to the LMD sector?

- + Last Mile Distributors:
 - Provide products that are inclusive of and appropriate for low-income communities
 - Sell at a price point that low-income customers can afford
 - Offer leaner cost structures and leverage local expertise, talent, and relationships
- + **LMDs need capital to scale operations, provide consumer financing, and streamline distribution to boost affordability and accessibility.**



Advantages of investing in locally-owned businesses

'Home Team' Advantage

Local founders know their homes, and have contextual knowledge that is invaluable in designing, distributing, and marketing products or services.

Talent Development

Local talent will need to be at the core of solving social challenges in last mile markets. There will never be enough expat founders for this task.

Business and Ecosystem Sustainability

42% of Acumen's distressed investments had expat founders leaving the country of operations as a contributing factor.

Commitment to Equity

Our definition of impact needs to include all levels - from the management teams to their operations and the end consumer.



LMDs' Barriers & Opportunities

REPRESENTATIVE INVESTMENTS

BARRIERS

COMMENTARY

- 1 **LMDs** lack access to financing designed for their needs

Different profiles of LMDs require different financing; however, **all lack working capital**

- 2 **Location is important** to hire competent **middle management**

While CEOs are typically willing to relocate, it is **difficult to hire middle management in remote locations**



OPPORTUNITIES

COMMENTARY

- 1 Last-mile distribution has **ability to create markets** and **affect product access**

Can effectively **optimize product basket selection** (i.e product market fit) **to address needs of local geographies**

- 2 **Data analytics** and **operations optimization** is crucial to **reduce logistics cost per unit**

Investments in technology (**customer analytics** and operations optimization) are a **key differentiator** and are critical to **drive lower cost structure**

- 3 **Exclusivity with distribution retailers** is critical in channel construction given high levels of competition

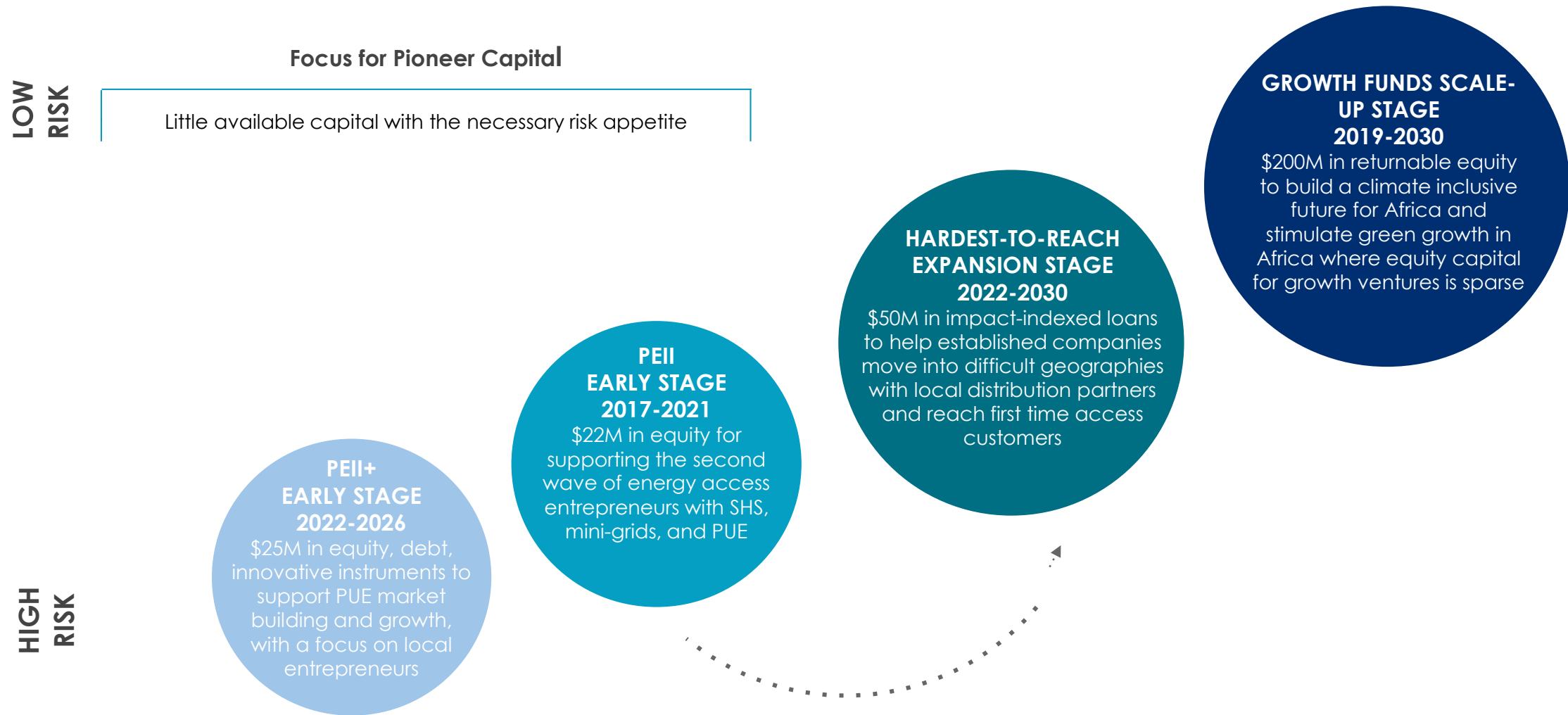
Given **high degree of trust** between end-customer and distributor, **exclusive distribution partnerships** will prevent distributors from pushing products from competitors

- 4 Heightened need to focus on **increasing sales volume**

Given majority of sales come from low margin products, last-mile distributors **must push volume**



Capital Continuum: Tackling Energy Access with the Right Type of Capital



Capital continuum from early- to late-stage

THANK YOU

Sarah Bieber sbieber@acumen.org

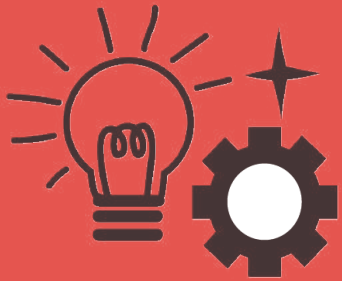


Last mile distribution capital continuum: trends, gaps and opportunities

[Click here to download the research](#)

Part 2: Panel discussion

Innovative financing models for LMDs and lessons learned



Who you'll hear from in today's panel



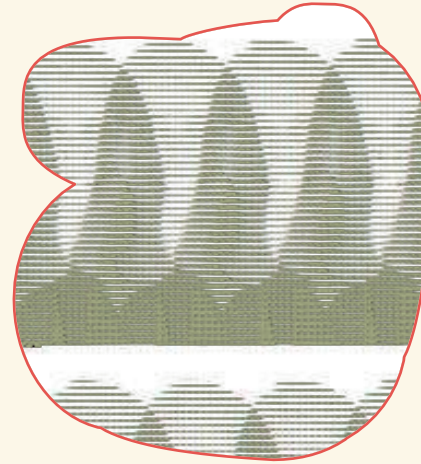
Divya Balakrishnan
Advisor and Finance
Readiness Support
Coordinator
GET.invest
Moderator



Kia Muukkonen
Project Manager,
Performance &
Investment
GOGLA



Lorraine Indangasi
Head of Investments
Charm Impact



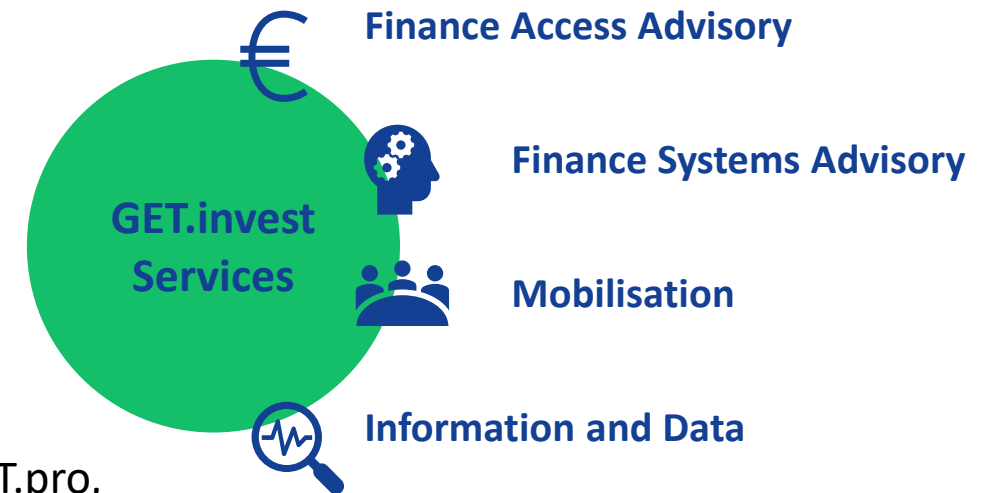
Kate Steel
CEO
Nithio



Peter George
Co-Investment
Director
Spark+ Africa fund

GET.invest in a Nutshell

- **European** programme **mobilising investment** in renewable energy, **building a pipeline** of investment-ready projects
- **Team Europe One Stop Shop** for Green Energy Investments
- **Supports all relevant delivery models**, incl. on- and off-grid electricity, clean cooking, productive use
- **Broad partner network** incl. financiers and associations
- **Active in Sub-Sahara Africa**, the **Caribbean** & the **Pacific**
- Implemented by **GIZ**, hosted on the multi-donor platform GET.pro, and supported by the **European Union, Germany, Sweden, the Netherlands, and Austria.**



Finance Readiness Support



A new modality for providing TA to specifically locally owned and managed companies → inclusion, last mile impacts, domestic value chain and new investees

- Financier X: “local companies can’t raise a dime”
- Locally owned and managed companies usually less investible, but closer to the ground and “last mile”
- Consultations and experience: need deeper and longer support, more business development
- Feeds into specialized (early stage) financiers, build “winners” for future larger transactions
- Initial cohort: 15 advisees, work has started!

Service Providers



ELEVATE: enhancing investment readiness of local off-grid solar companies in Africa

Key features

- Pilot programme offering technical expertise to accelerate companies' investment readiness and path to scale
- Offers training, curated tools, and access to investor-focused events and networks
- Companies taking part have been in operation for 5 years on average and are actively seeking to raise \$500k-2m

Barriers addressed

- Capacity constraints of local LMDs, especially finance and strategy
- Limited access and linkages to international investor networks

Implementers



Impacts

- 20 companies (incl 4 GDC members) were selected and are now benefitting from training and GOGLA membership
- The cohort includes 4 companies that are fully women-owned

Challenges/Lessons learned

- Most companies have little to no experience fundraising
- Main challenges they face according to the needs assessment survey: (1) Networking and investor identification, (2) Investor requirements, (3) Financial modeling and business plan
- 68% of companies have received TA in past 2 years but only 38.5% say it has resulted in more funding for the companies

Charm Impact: crowdlending focused on early-stage local entrepreneurs in clean energy

Key features

- Focused on clean energy companies with local founders
- £10k-250k loans at 8% interest on average (depending on credit score) and up to 24 months
- Lending to companies with commercially viable models and some proof of concept but yet to scale, to help grow their businesses

Barriers addressed

- Early-stage entrepreneurs, especially with local founding teams, unable to access the finance they need to grow and scale

Implementers



Impacts

- Over £1m invested in 24 projects, reaching 370k people
- In many cases, Charm is first external / debt investor
- Have had to be very hands on supporting their investees' financial literacy and investment readiness (a role typically reserved to equity investors)

Challenges/Lessons learned

- Quality of documents from applicants varies significantly; management accounts and forecasts especially problematic
- Grants from donors/foundations allows Charm to support such smaller and less sophisticated companies
- Results thus far quite positive – significant growth following their debt
- De-risking mechanisms are very catalytic in supporting the clean energy start up ecosystem

Nithio: Artificial intelligence-driven platform for clean energy investment

Key features

- Nithio developed a credit risk assessment method based on geospatial data, consumer repayment data, AI and financial modelling
- Nithio FI uses this to offer receivables-backed financing to companies of all sizes
- Their platform is also available for other investors to inform their financing decisions

Barriers addressed

- Access to working capital loans for off-grid solar LMDs of all sizes

Implementers



Impacts

- Direct investments from Nithio in 5 companies to date, including GDC members like Rafode (Kenya)
- Support the whole spectrum, from early-stage local to large international companies
- Support to other investors through their analytics platform and co-investments

Challenges/Lessons learned

- Challenging to lend to smaller companies, but have used TA resources from donors for due diligence, including improvements to data collection and management
- Small companies tend to have good unit economics and better reach into remote rural areas than some of the larger ones

Spark+ Africa Fund: the first impact fund investing in cooking energy solutions in Africa

Key features

- \$70m impact investment fund, financing companies that offer next-generation cooking energy solutions
- Debt and mezzanine capital in leading companies throughout the value chains of various fuels, electric appliances, and efficient biomass stoves
- In addition to financing product companies, have designed a tripartite financing instrument to work with product companies and extend credit to their LMD partners

Barriers addressed

- Lack of finance for companies throughout the clean and modern cooking energy value chains across Africa

Implementer

SPARK+
AFRICA

INVESTING IN
MODERN COOKING



Impacts

- Fund launched in March 2022 at \$41m with first loss support from African Development Bank's SEFA
- Second closing in July/August at a total fund size of \$70m
- Have invested in Burn (Kenyan appliance manufacturer) and Sumac (Kenyan MFI financing cooking solutions)
- Investment team of 10 based primarily in Africa
- Robust pipeline across fuels, business models, countries

Challenges/Lessons learned

- Blended finance structures can be powerful but take a long time and a lot of effort to develop – first loss capital was critical to crowding commercial investors (pension funds, DFIs, family offices) into mezz/senior tranches
- Important at this stage of sector development to take ecosystem approach – investing across fuels, models, etc.
- LMD is crucial!

Investing in Last Mile Distribution: Stories of growth and impact from GDC members and their partners



Part 3: Designing solutions to fill gaps in the capital continuum



Proposed solution areas

Improving collaboration and information exchange

- **Investment readiness tools**
- **Increasing visibility of LMDs and data sharing (eg, investment portal)**
- Developing new data tools to support path to profitability
- **Collaboration among investors / funder alliance**

Developing new or adapted debt mechanisms

- Unlocking debt finance from new sources
- **Aggregating and de-risking debt investments to enable smaller ticket sizes**
- **Receivables- and inventory-backed financing for LMDs**

Leveraging results-based financing

- **Carbon finance and other forms of results-based financing**

Format for Part 3

Reminder:

- Discussion in breakout groups
- Feedback in plenary
- Wrap up and close

Breakout groups



- **Goal:** To discuss and further design concrete solutions to access to finance challenges
- **Format:** 6 breakout groups, each with a dedicated facilitator
- **Feeding back:** Each breakout group to feedback 2 key insights + 1 action in 60 seconds

Breakout group discussions

**Global
Distributors
Collective**

GDC host:

**Practical
ACTION**

GDC implementing partners:



Supported by:



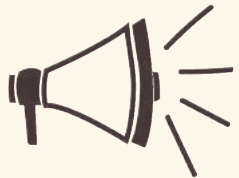
Event co-hosts:



Wrap up and close

Next steps

- GDC: publish research and event summary
- GDC, D-Prize and Acumen: lead follow-up activities to explore partnering on solutions
- Join D-Prize in supporting post-pilot financing of LMDs
- Join Acumen in piloting an impact-indexed approach to financing LMDs, or workshopping any other ideas!

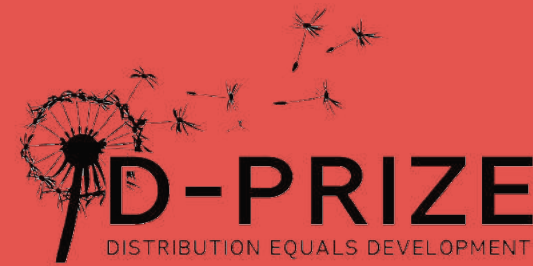


Poll: what would you like to see from the GDC moving forward?

Reminder: Overarching objectives of today

- Build a shared understanding of the LMD sector
- Learn from and be inspired by initiatives across the capital continuum
- Design concrete solutions that the sector can take forward

Global Distributors Collective



Thank you!

GDC@practicalaction.org.uk

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