

TBN Management Response to IPE-TripleLine Evaluation Findings

October 2019

Transformational Business Network (TBN) has pioneered entrepreneur-led development and impact investing to address poverty in emerging markets since 2003. Initially it developed as a multi-stakeholder platform for knowledge sharing, collaboration and co-investment. Our strategy has evolved over the past 15 years in response to the needs of the purpose-driven entrepreneurs we serve. In particular, we recognised that for inclusive economic growth to occur many more local 'oxen' entrepreneurs were needed, as opposed to Ivy-League educated, 'unicorn' entrepreneurs, and these required a supportive ecosystem to enable them to flourish.

To this end TBN developed a third pillar of its work 'Ventures' to work in synergy with its 'Network' and 'Capital' pillars.

- **Ventures** - develops pipeline of investable businesses through supporting accelerators and other intermediaries
- **Network** - improves access to markets through relationship brokering and knowledge sharing
- **Capital** - address investment market gaps through blended finance

Argidius has been the anchor funder of our Ventures work in East Africa. In essence, we were an ambitious 'start-up' and experienced for ourselves the roller-coaster journey that all our enterprises go through. We are proud of our dynamic team who have persevered despite challenges and delivered a lot despite being few. As the evaluation noted '*Learning remains a central pillar within TBN*' and the team's integrity, curiosity and humility has enabled us to evolve quickly.

The evaluation by IPE-Triple Line has been a valuable opportunity to take stock of progress so far, to reflect on the learnings, both positive and negative, and to chart a way forward. We are pleased with the overall finding that the '*Scale for Success programme has been successful when it comes to contributing towards supporting improvement to SGBs operational performance. In particular, there is evidence of changes made towards improving strategies, systems and processes, structures and staffing*'. It also shows that TBN's intervention provides excellent value for money with a Return of Total Investment of 2.29 and Cost per Job of \$1,550. We also expect our interventions to continue to bear fruit over the coming years as advice is implemented. In our opinion the evaluation report presents a fair and accurate picture. Much has been achieved to date but we know that there are improvements to be made.

The past 3 years have been an incredible learning journey for TBN. Despite 15 years' experience in these markets, supporting entrepreneurs and seeing the world from their perspective opened our eyes to the daily challenges they face. This has helped us provide the relevant support they need to scale and our Scale for Success programme has evolved as a result.

Being an entrepreneur can be a lonely and difficult journey and we are better together. Through our community of purpose-driven entrepreneurs' we have been inspired and encouraged by each other's courage, innovation and passion. But this is a marathon and not a sprint so we want to continue to develop our alumni support as we believe this will provide long-term value and impact.

Raising investment for our enterprises has been much more challenging than anticipated. The 'missing middle' problem is due to a complex set of factors and structural challenges. The risk and return expectations of the investors often don't match the needs of the enterprises. However, this is

beginning to bear fruit and some deals, which have taken almost 2 years, have successfully closed. But there is much more capital on the sidelines and it is only by addressing the structural challenges that this will be unlocked.

The market for enterprise support and impact investing is evolving rapidly in East Africa. This has led to much innovation and some competition. We have really appreciated the many partners, including B Lab, Agora and ANDE, who have actively collaborated with us. We hope that as the ecosystem matures the various actors find their niche and get better at coordinating together.

The learning and recommendations are helpful as build on all we have achieved over the past three years. To do this we recognise the need to invest in our own organisational capacity and increasingly partner with others to build the ecosystem. The actions we are committed to are:

- Redesigning our selection process to ensure that only the highest-potential enterprises are engaged.
- Revising S4S support to ensure an increased focus on revenue generation.
- Shifting to a 'customer acquisition' strategy and focussing on the underserved parts of the market, in particular tier 2 towns in Kenya and Uganda.
- Improving our alumni support and building our values-based community with a mix of free and paid-for services.
- Strengthening our ME&L system and internal capacity to enable us to learn, adapt and measure our impact.
- Diversifying our income streams by providing SGB capacity building services on behalf of finance institutions and other agencies.
- Increasing the effectiveness of our investment raising services, both internationally and in East Africa.
- Continuing to engage and support strategic partners to develop collaborative interventions based on each other's strengths.

By 2030 the world will require 600 million new jobs and US\$940 billion will need to be unlocked to enable SGBs to scale and impact poverty. The challenge is enormous but we remain committed to playing our part. We are grateful to all the Argidius team for their support and advice in our 'start-up' phase and we hope that you will help us continue build on these foundations.

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