Central America

In September 2020, the Aspen Network of Development Entrepreneurs (ANDE)

published a study titled "Impact Investing in Latin America", which examines trends in the region during 2018 - 2019. Below is a spotlight on Central America, which uses data from the full report to highlight key trends in Central American countries during this two year period.

To view the full report, visit ANDEglobal.org

This study includes eight impact investors that invested in Central America in 2018-2019. Only one is headquartered in Central America, while the rest are based in the United States and Europe.[1] These investors have total assets under management (AUM) dedicated to impact investing in Latin America of USD $107 million.[2] Half are non-profit fund managers, and the remaining include for-profit fund managers, a foundation, and a business incubator/accelerator.

Respondents made a total of 126 investments in Central America in 2018-2019 totaling $82 million. Nicaragua, Guatemala, and Honduras received the most deals and largest amounts of capital; Guatemala was heavily represented by investments into microfinance institutions (Table 1).

Table 1: Investments by country

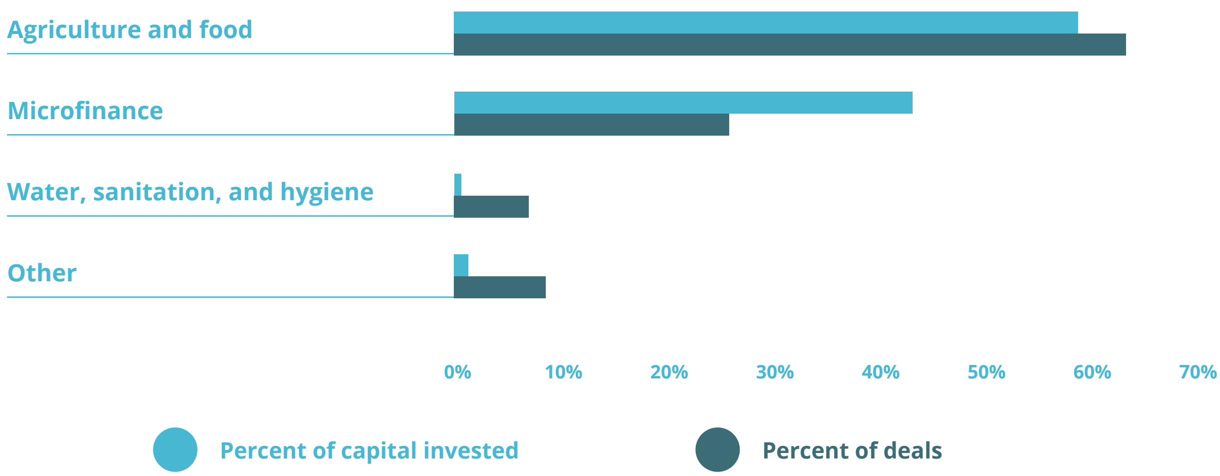
	All deals		Non-MFI deals	
Country	**Number of deals**	**Total invested (USD M)**	**Number of deals**	**Total invested (USD M)**
Nicaragua	41	$20.7	39	$18.8
Guatemala	38	$28.9	25	$10.8
Honduras	23	$17.1	17	$13.8
El Salvador	18	$11.4	9	$0.7
Costa Rica	5	$3.7	5	$3.7
Panama	1	---	0	$0.0
Total	**126**	**$82.0**	**95**	**$47.8**

Roughly 85% of these deals went to agriculture and microfinance companies which came mostly from two non-profit fund managers based in the United States. Agriculture companies received roughly 60% of deals and total capital deployed, while microfinance received only a quarter of deals yet accounted for over 40% of capital deployed. Less than 10% of deals went to water, sanitation, and hygiene companies, and a handful of other sectors are represented in the "other" category.

1 Three additional Central America-based investors responded to the survey but are not included in this analysis because they did not share deal-level data.

2 The 2018 version of this report indicated that impact investors active in Central America manage $1 billion in AUM targeted toward all of Latin America. Differences between these reports should not be interpreted as changes in the impact investing market but rather a reduced sample of investors which does not include two large international investors.

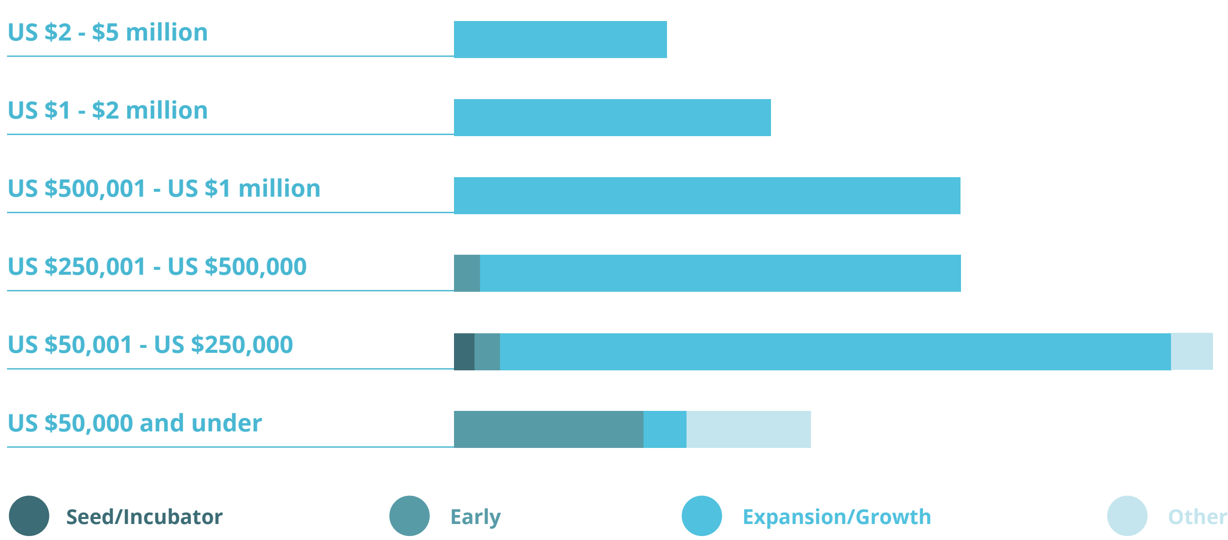
Figure 1: Percent of deals and capital invested by sector



N = 126 deals totaling $82 million

All but two deals reported by respondents were structured as debt; only one was quasi-equity, and none were traditional equity deals. Despite the lack of diversity in deal structure, ticket size ranged considerably (Figure 2). All the deals above $500,000 were directed toward expansion/growth stage companies in the agriculture or microfinance sectors. More diversity was found in deals at $250,000 and under, which were directed toward more early-stage ventures and included a wider variety of sectors such as energy, financial services, healthcare, ICT, manufacturing, and water and sanitation. Only one deal went to a seed-stage company, which works in energy.

Figure 2: Percent of deals by ticket size and stage



N = 126 deals totaling $82 million

Respondents reported 69 debt repayments in 2018-2019, with total proceeds of $27.5 million and an average repayment period of 1.9 years (Table 2). Over 90% of repayments were from deals into companies in the agriculture and microfinance sectors, with the remaining coming from investments into energy companies.

Table 2: Debt repayments by country

Country	Number of debt repayments	Average timeframe for repayment (years)	Total Proceeds (USD M)
Nicaragua	42	1.9	$15.6
Guatemala	16	1.6	$6.8
Honduras	7	2.6	$3.7
Panama	3	1.3	$0.8
El Salvador	1	---	---
Total	**69**	**1.9**	**$27.5**

While this study does not attempt capture the market size of impact investing in Central America, the information provided by respondents does point to some regional trends. The data suggest that in general, impact investing in Central America is largely characterized by debt investments into expansion/growth stage companies in the agriculture and microfinance sectors. Nearly all early-stage deals were for $50,000 and under, and, unlike what could be expected, were not structured using higher risk vehicles such as equity or quasi-equity.